The moderating effect of gender on the relationship between microfinance and the business growth of SMMEs in Gauteng

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A research report 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 Management by Research (MMR)

February 2023

ABSTRACT

In a country rife with inequalities and joblessness, Small Medium and Micro Enterprises (SMMEs) have become an alternative means of survival and viable business opportunity for a vast number of South Africans. In order for these SMMEs to operate well, they require capital, which will typically come in the form of microfinance, if at all. The objective of this study was to investigate the impact of the use and cost of microfinance loans on the growth of SMMEs. Furthermore, it was to assess how differently microfinance impacts SMME growth for women compared to when utilised by men.

A quantitative research approach was followed to collect the data using an online survey questionnaire. A total of 197 questionnaires were completed butthe analysis was ultimately done on 138 of these, with the exclusion of those with missing values. Data was analysed through the use of Partial Least Squares - Structural Equation Modelling (PLS-SEM).

The study found that the costs of microfinance have a significant and negative impact on the growth potential of SMMEs. More specifically, it found that microfinance costs have a more deterring effect on the SMME growth of male owned SMMEs than female owned ones.

This study avails a tool and basis for the cost versus benefit analysis that SMMEs must conduct before taking microfinance loans. With women owned SMMEs exhibiting better growth than their male counterparts when using microfinance, an exchange of valuable learnings can occur to improve the country's SMME success rate. The study proposes innovative systems calibrations and finance product provisions that may benefit both the microfinance institutions and the SMMEs.

Keywords: Microfinance Loans, Microfinance Costs, Small, Medium and Micro Enterprises, Business Growth, Gender, Women Entrepreneurs.

DECLARATION

I, Ncebakazi Msomi, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Management by Research at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Name: Signature:

Signed at ……

On the …….. day of …… 20…..

DEDICATION

This study is dedicated to my husband Adv. Musa Msomi, my son and daughter Nkosenhle and Okuhle and my parents. You are all my inspiration and drive to push myself even when the road ahead seems hard. Thank you for your unwavering love and support.

Tata, I think you would have been proud of the steps I keep taking in fulfilling your wishes for my life. I am thankful for the blessing on earth that you were. You framed the best of yourself in me through the values you taught me, I pray that God may keep enabling me to make you proud.

ACKNOWLEDGEMENTS

I would like to acknowledge Jesus Christ my Lord and Saviour who gave me the ability, understanding and strength to complete this study. I would also like to acknowledge the important role played by the following individuals in this journey:

- Dr Jabulile Msimango-Galawe, I now realise I landed on gold the day I was assigned under your supervision. Your constructive criticism, advice and your teachings to get me to think differently have nudged me to become a better person than I was when I started this journey.
- Musa Msomi, my husband, biggest cheerleader and source of inspiration. Thank you for your steadfast support and unchanging love throughout this journey. Because you believed, I too believed!
- Nkosenhle Musa Msomi and Okuhle Ncebakazi Msomi, my little rays of sunshine. One day when you pursue your own goals in life, may you refer to this and see how early you started doing big things, as young as you are, you have contributed greatly to helping me see the end of this.
- Mr and Mrs Nkantsu, my parents. *Tata,* you have always believed in me more than I believed in myself. This is why the fire to succeed continues to burn in me even long after you have been gone. Little by little, with every step I've taken since you left us, I began to see the things you saw in me, enkosi. Mama, thank you for being a pillar of strength for me at every dark corner of my life. Your prayers and love have sustained me through all tests of my life, including this one.
- I would like to thank the Wits faculty office staff, Mmabatho Leeuw, I have expressed all seasons of emotions from joy to frustration to tears, to you and with all, you availed yourself to show me humanity and understanding. Thank you for helping me see the upsides that were obscured to my vision at times.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ACRONYMS

Broad Based Black Economic Empowerment	BBB-EE
Confirmatory Factor Analysis	CFA
Control Variable	CV
Department of Trade and Industry	DTI
Department of Small Business Development	DSBD
Dependent Variable	DV
Employment Equity Act	EEA
Financial Institutions	FI
Gross Domestic Product	GDP
Independent Variable	IV
Industrial Development Corporation	IDC
Micro Credit Program	MCP
Microfinance Institutions	MFI

Micro Finance Regulatory Council	MFRC
Monetary Policy Committee	MPC
National Housing and Finance Corporation	NHFC
National Informal Business Upliftment Strategy	NIBUS
Partial Least Squares – Structural Equation Modelling	PLS-SEM
Small Enterprise Development Agency	SEDA
Small Enterprise Finance Agency	SEFA
Small Enterprise Foundation	SEF
Small Medium and Micro Enterprises	SMME
South Africa	SA
Tshomisano Credit Program	TCP
The Protection of Personal Information Act	POPIA

CHAPTER 1. INTRODUCTION

1.1 Purpose of the study

Th purpose of this study is twofold: it is firstly to investigate the impact of microfinance loans usage and costs on the growth of SMMEs in Gauteng, South Africa. Secondly, it is to investigate the role of gender in this relationship and the difference between men and women in the effectiveness of their usage of microfinance towards the growth of their SMMEs.

1.2 Context of the study

The geographical context of the research is Gauteng, South Africa. This country has been the continent's foremost economy for years and is now the second biggest in Africa, leading the entire continent in many areas of economic activity (Anwar & Graham, 2021). While that is a commendable fact, the country also has what can be deemed as a dualistic economy, where large contrasts exist between the levels of economic development in different communities (Bojabotseha, 2011; John & Comaroff, 2018; Potts et al., 2022). This is because South Africa has characteristics of first and third world economies. It has a contingent of wealthy communities and people, while it also contains a large proportion of people who are living below the breadline, especially in the rural areas and in some townships (Bojabotseha, 2011; Potts et al., 2022). This element of third world characteristics speaks to the high levels of unemployment that chronically exist within the country, which are at a level of 32.9% (Stats SA, 2022). These features of this economy with its high levels of unemployment led to the need for some of the underprivileged in society to find alternative ways of making a living, therefore birthing and sustaining the existence of the strong Small Medium and Micro Enterprises (SMME) segment within the country (OECD, n.d).

South Africa has a dynamic business environment which boasts a substantial contingent of SMMEs, although the informality of some of those makes it challenging to precisely quantify just how big this sector is (Berry et al., 2002; Islam & Alam, 2019).

There has been a concerted drive towards implementing various empowerment Acts devised by the South African government which include the Employment Equity Act (EEA) and the Broad Based Black Economic Empowerment (BBB-EE) which have been targeted at creating various economic opportunities for the underprivileged, mostly black population. SMMEs and their related programmes form part of the inequality redress objectives of the South African government. This study looked at all types of SMMEs, from the formal to the informal types. SMMEs are categorised along unique thresholds by different countries but they are typically defined along the lines of the size of the turnover, assets and number of employees (Kajal et al., 2021; Sitharam & Hoque, 2016). The turnover level of these from the micro, very small, small and medium businesses should be no more than R50m, total assets not exceeding R18m and the number of employees of no more than 200, with varying thresholds for different industries (Sitharam & Hoque, 2016). The SMME business segment consists of various business entities such as catering services, website design, business consulting, courier services, hairdressers, plumbers, bookkeepers, manufacturers, events management, construction workers, carpenters, seamstresses, entertainment providers as well as fast food outlets, to name but a few (Pickard-Whitehead, 2018). Women within this SMME space make up the highest number of self-employed persons in South Africa, having their own small businesses or operating within groups and cooperatives (Mandipaka, 2014; Ogujiuba et al., 2021). The fact that women embarked on starting SMMEs stemmed mostly from the deep-rooted gender inequality and unemployment within the country. This has prompted the surge in the opening of many micro size type of businesses based on a survivalist approach (Mandipaka, 2014; Ogujiuba et al.,2021).

Given their relatively smaller size when compared to formal companies and big corporates, SMMEs were initially underrated as having limited potential to

meaningfully contribute to the economy of the country. This type of view was held the world over, but it has been proven that indeed there is strength in numbers; for while these businesses are SMMEs, cumulatively they comprise a strong and important arm of the economy (Vasquez, 2017).

Fisesha and Oyelana (2015) stated that SMMEs occupy a vital role in the eradication of poverty, the redress of systemic economic exclusion, joblessness and the resultant income disparities, allowing the creation of jobs in rural areas. They further asserted that these businesses are key for the creation of employment, especially for women, young people and low skilled workers (Fiseha & Oyelana, 2015). Moreover, the majority of SMME owners cannot expand their businesses as they lack the financial muscle, and are typically unable to secure loans or credit from the conventional financial institutions (FIs) (Ackah & Vuvor, 2011; Zarrouk et al., 2020). They have been systematically excluded from accessing financial services provided by the formal financial institutions as they are considered to be high risk (Hewa Wellalage et al., 2020; Mensah, 2004). Due to this, the terms of lending are often more stringent than those applied for bigger businesses. Therefore, these SMMEs are only left with limited funding offerings availed from larger banks (Hewa Wellalage et al., 2020; Mensah, 2004). This exclusion and resultant gap between SMMEs and formal banks introduced an opportunity for microfinance institutions.

There is great importance in the establishment of better access to finance for SMMEs, as this has been found to be a strategic approach towards the promotion of entrepreneurial activities (Ganbold, 2008; Khan et al., 2021). It would further enable a more competitive business environment and the overall expansion of the business landscape for SMMEs for the achievement of South African national objectives (Brixiová et al., 2020; Rogerson, 2008).

Another reason for the importance of access to finance for SMMEs is the varying nature of financial needs faced by SMMEs from industry to industry. Some industries demand a higher capital outlay than that which can be supported by personal savings which are often used in these types of businesses, especially at the start-up phase (Rasheed et al., 2019; Rogerson, 2008). In fact, so crucial

is access to finance for SMME development that it can either make or derail an SMME's ability to progress in the various growth cycles of business. Ideally, SMMEs should have access to finance sufficient enough to move the business from start-up to the growth phase and into the stage of maturity (Rogerson, 2008).

However, commercial banks have historically failed to sufficiently fund SMMEs, with their focus being on the upper end of SMME business activities, leaving a large proportion of unbanked SMMEs (Huang et al., 2020; Rogerson, 2008). Microfinance provides alternative support to SMMEs, and can be defined as the combined efforts to increase access to small deposits and small loans by the poor in society, who are excluded from conventional finance (Kumari et al., 2019; Schreiner & Colombet, 2001). One difference between conventional bank finance and microfinance is not only in the size of the loans but also in the requirements for security attached to normal bank funding (Chimucheka, 2013; Shi et al., 2019).

Some researchers also affirm that microfinance is a generally acceptable term used for financial services that are availed to people who come from lower socioeconomic backgrounds or those who lack access to traditional financial services (Huybrechs et al., 2019; Sarumathi & Mohan, 2011). Microfinance is comprised of a number of services including savings accounts, checking accounts, fund transfers, microinsurance, and microcredit (Kumari et al., 2021; Sarumathi & Mohan, 2011). Microcredit is the practice of offering extremely small loans to people who do not have regular revenue, security or those who may not have a credit record. Due to the fact that it started with microcredit, this term is still generally used in reference to loans (Sarumathi & Mohan, 2011). It also supports and kickstarts entrepreneurs who do not have the financial backing to begin a small business or capitalize on an idea (Hiatt & Woodworth, 2006; Milana et al., 2020). In other words, it provides financial services to help motivate entrepreneurs in underdeveloped countries to pursue their business ideas and access the financial tools offered to aid them, and to eventually become self-sustainable (Ledgerwood, 1998). A few more of its overarching goals include

empowerment of women, reduced unemployment and to boost the diversification of small businesses products (Ledgerwood, 1998; Tria et al.,2020).

Microfinance primarily assists people who are unable to access credit due to collateral constraints, high transaction costs and other regulatory bottlenecks that hinder lending (Karlan & Goldberg, 2011). South Africa has a growing microfinance industry which has started making a notable contribution to the country's economy (KPMG, 2013); it represents more than 1 200 microfinance institutions across South Africa (Africa, 2021).The objective of the sector is to bridge the financial services provision gap between the conventional banking sector and SMMEs. It provides financial services to the underprivileged and unemployed pockets of society, helping them to start and sustain their revenue generating SMMEs (KPMG, 2013).

Whether it is by design or not, microfinance institutions assist greatly in the fight against poverty, helping the poor to fund and grow their small businesses, thus ensuring the continuation of income-generating activities and the initiation of business investments. However, one view is that microfinance has not been developed enough to meet the full demands of SMMEs (Firpo, 2005; Rana et al., 2020). More recent studies have also affirmed that microfinance has bridged the financing gap between the poor and the banking sector. Nevertheless, it is still not fully supportive of SMMEs, with most SMMEs remaining excluded financially (Olugbenga & Mashigo, 2017). Most of the SMMEs still experience financial constraints, with little or no growth in their business (Olugbenga & Mashigo, 2017). In fact, SMMEs businesses are also the most vulnerable and most likely to fail at a rate that is highest within the first five years of establishment (Fatoki, 2014). Hence, the study seeks to assess the impact of microfinance on the growth of SMMEs in the Gauteng province of South Africa, and along with that the moderating effect of gender on that impact.

As stated above, SMMEs bring about great gains to the economies of many countries, especially emerging market economies like South Africa. Thus, it is worth having lenders explore the best ways to engage with this part of the market meaningfully. Getting the right kind of funding for these types of businesses would

benefit both SMMEs and the microlenders, as the right finance solutions would help to grow such businesses. It is on that basis then that this study investigated the moderating effect of gender on the impact of microfinance and consequently on the growth of SMMEs in South Africa. The aim was to gain an understanding of the funding pitfalls, and gaps in the structuring of SMME lending deals which are a huge focus for the SMME portion of the economy.

1.3 Problem Statement

Access to capital is one of the biggest problems faced by SMMEs, not just in South Africa but also in other developing countries (Ogubazghi & Muturi, 2014). Furthermore, a lack of resources, including low-cost funding and proper financial recording mechanisms impede the ability of some SMME owners to quantify their business activity. It therefore breeds an information gap between them and financial institutions, worsening the funding gap (Ogubazghi & Muturi, 2014). Access to credit for SMMEs plays a vital role in enhancing livelihoods and in increasing the Gross Domestic Product (GDP) of most emerging economies (Anande-kur & Faajir, 2020). Nevertheless, the credit or finance needed is often withheld by the formal financial institutions which are hesitant and consider SMMEs as a risky business due to lack of collateral, high transaction and operation costs, and the inability to obtain information about micro-enterprises (Newman et al., 2017). Microfinance is therefore considered as one of the possible options playing a fundamental role in reducing the poverty gap, empowering the poor and fostering social change in any economy (Newman et al., 2017). These kinds of institutions come in as an alternative and offer their facilities to expand and support SMMEs by providing a wide range of financial and non-financial services which include but are not limited to savings, borrowings, deposits, financial literacy and bookkeeping training (Ogujiuba et al., 2013).

Microfinance is highly regarded in some quarters, but there have been some notable concerns and at times criticisms around the real cost of their purported assistance (Hulme, 2000). For instance, there has been a growing scrutinization

of the lending rates that are applied by microlenders to their customers. Some concerns have been that the heights thereof may be driven by greed and profiteering rather than helping SMMEs (Chikalipah, 2020; Mitra, 2009; Strøm & Mersland, 2013). Due to the finance gap bridging capabilities, different governments of emerging market economies have been supportive of the microfinance industry. Nonetheless, the growing concerns over exorbitant pricing models have diluted the praises the industry has received in the past, with more scrutiny being introduced (KPMG, 2013). Some of its critics have claimed that microfinance institutions take advantage of businesses in hard economic conditions, with some even comparing them to loan sharks (Hudon & Sandberg, 2013). Some statistics have indicated that microfinance loans may be linked to interest rates that can be as high as 30% or even more, which is notably higher than ordinary bank finance rates (Al-Azzam et al., 2021; Rosenberg et al., 2009). This is quite an indictment on microfinance, especially considering several studies which have found that recipients of microfinance loans did not in fact achieve higher revenues, but that they instead became poorer (Magali, 2013).

It is evident that it is difficult for SMMEs to access funding from financial institutions. A lack of such a key resource, impedes the growth potential and actual expansion of these SMMEs, locking them within the quadrant of the poor within communities (Ogubazghi & Muturi, 2014). Microfinance then, which is crucial in bridging this gap is investigated in this study for the role it plays in propagating this growth. Another area of concern is the pricing model attached to these microfinance loans, as literature argues that these are some of the contributing factors towards SMME failure (Hudon & Sandberg, 2013). This juxtaposition here, of a tool for growth which is microfinance loans, being allied with what is purported to stifle that growth, which are high interest rates, is the most burning issue of this study. A possible solution for this problem could be to develop a parameter for a new cost-effective and contextually appropriate microfinance pricing framework for Microfinance Institutions (MFIs) to identify the bounds of growth producing microfinance loans and costs.

1.4 Research objectives and Question

The study followed a quantitative approach, which is duly detailed in Chapter 3. The primary objective of this study is to investigate the moderating effect of gender on the relationship between microfinance loans use and cost and business growth of micro, very small and small enterprises within the SMME segment. The sub-objectives of the study are as follows:

1. To investigate the impact of the use of microfinance loans on SMME growth;
2. To investigate the impact of the cost of microfinance on SMME growth;
3. To investigate the moderating effect of gender on the relationship between microfinance loans and the growth of SMMEs;
4. To compare the use of microfinance loans between men and women entrepreneurs;
5. To investigate the moderating effect of gender on the relationship between microfinance costs and the growth of SMMEs.

The study has sought answers to these objectives through dissecting the following five research questions:

1. What impact does the use of microfinance loans have on SMME growth?
2. What impact does the cost of microfinance loans have on the growth of SMMEs?
3. What effect does gender have on the relationship between microfinance loans use and SMME growth?
4. What is the difference between men and women in their use of microfinance loans for SMME growth?
5. What is the effect of gender on the relationship between microfinance costs and SMME growth?

1.5 Significance of the study

Multiple scholars have studied the growth trajectories of businesses the world over, as well as the factors that influence that growth (Davidsson & Wiklund, 2006; Peters et al., 2019). One of the factors identified as being of great importance in affecting business growth, specifically that of SMMEs, has been the issue of access to finance (Afrane, 2002; Ozili, 2021). While access to finance has been extensively advocated for, there has been evidence that SMMEs are not supported sufficiently by the existing financial systems especially in developing countries (Davidsson & Wiklund, 2006; Motta & Sharma, 2020; Rasheed et al., 2019). This results in an adverse impact contributing to the failure to grow SMMEs (Davidsson & Wiklund, 2006). A recent study done in the Free State province also affirmed that limited access to finance remains one of the leading impediments for SMMEs in realizing their full growth potential (Jordaan & Coetzee, 2021).

This study is purposely focused on SMMEs as these play a major role in many economies, but their importance is most notable in emerging market economies. Here, they make a substantial contribution to the eradication of poverty, resolving issues of unemployment and the ultimate development of those economies (Ahiabor, 2013). SMMEs are some of the propellers of economic growth in both developed and developing countries because of their distinctive capability to boost innovation, productivity, reducing the rate of joblessness and notably improving the gross domestic product of various economies (Laib, 2013). Further to that, SMMEs are a great feeder into the industrial development of bigger businesses as they are the departure point for much needed training and skills development (Laib, 2013).

Different researchers such as Tau (2020) have delved deeply into the positive influences brought on by microlenders on the SMME segment. For instance, a study conducted in Lagos, Nigeria indicates that microfinance creates a good opportunity for SMMEs to have access to an array of financial products, facilities and services which can help their businesses to thrive (Aladejebi, 2019). Given that microfinance is what SMMEs find themselves leaning towards, investigating

the true impact of microfinance and analysing the nuanced effects of this type of funding mechanism on the actual growth of these businesses is an opportunity to contribute to the field of business, management, banking and finance. One study found that microfinance institutions bridge the funding gap experienced by small business owners, particularly by South African microlenders compared to some other African countries (Worku & Muchie, 2019). Microfinance products have improved the level of available financial services to the underprivileged members of society since the 1980s and the 1990s (Makina & Malobola, 2004). For instance, a study done in Nigeria found that microfinance contributes towards the development of small business, by providing access to funding (Obokoh et al., 2016).

Another study found that microfinance loans had a positive impact on SMMEs by way of increasing their business turnover, net profits and their fixed assets (Anande-kur & Faajir, 2020). Earlier research had also found that there is a positive correlation between microfinance and the growth of SMMEs, more notably those that are owned by women in rural areas (Makina & Malobola, 2004). This then sparks the need to investigate whether microfinance, when utilized by women, propels more business growth in SMMEs, compared to how it drives performance in the hands of men (Neogi et al., 2017). While microfinance is said to influence growth of SMMEs, when measuring the impact of microfinance on businesses in rural areas and those in urban areas, there is a striking difference in the levels of benefit, as those in urban areas have benefited more than the SMMEs in the outskirts of big cities (Makina & Malobola, 2004).

To date, there has been an extensive scrutiny of the impact of microfinance on SMME growth. However, the bulk of this has focused on other developed and developing countries, and this has been minimally investigated in South Africa. One of the few studies concluded in the South African context specifically investigated a township named Ga-Rankuwa, and found that microfinance had no benefit for SMMEs in that township, a finding that the researcher chose to generalize to townships across the country (Olugbenga & Mashigo, 2017).

Another study conducted in the same area with a women focus also found that microfinance had no impact for the growth of SMMEs in that area (Klingelhöfer, Aiyepola & Adewunmi, 2012). However, it must be noted that the indexes used to measure impact in these two studies do not in essence measure actual growth as is defined by many business growth scholars. Omer (2016) conducted a study with more aligned indexes within the South African context. This study had found that there is a significant influence exerted by microfinance and its related products, on the growth and overall development of SMMEs. The research concluded that microfinance serves to mitigate the financial constraints faced by SMMEs within the country (Omer, 2016). Resounding evidence also exists in other studies conducted in other parts of Africa such as Nigeria and Ghana that indeed, microfinance does propagate the growth of SMMEs (Olowe et al., 2013; Taiwo, & Benson, 2016; Gakpo et al., 2021). While there have been some studies investigating this, there remains limited research which evaluates it empirically, especially in Gauteng, South Africa. Therefore, this study will allow the advancement of knowledge in this field.

The other core element of this study has been to examine the impact of the cost of microfinance on the growth of SMMEs. According to Hulme (2000) the cost of microfinance loans taken by SMMEs is so high that what is meant to assist SMMEs to grow ends up being exploitative, thus inadvertently derailing that pursued growth and sustenance of some of them (Hulme, 2000). Greed and the profit motive have altered the approach of microlenders increasingly over time, with them placing their interests in the bottom line above the needs of the poor (Mia & Lee, 2017). Their research revealed that microlenders who focus more on their profits, tend to move away from their initial objective of helping the poor, allowing exorbitant pricing models. These then stifle the real potential growth of SMMEs (Mia & Lee, 2017). It is therefore deemed crucial to devise more sustainable finance mechanisms that will ensure the inclusion of SMMEs (Li et al., 2020).

Thus, the significance of the study has not only been in investigating the impact of microfinance on SMME growth within the South African context, but in also

assessing the inadvertent impact of microfinance costs on the growth of SMMEs. The study has given a base for clarity for future recipients of microfinance loans on whether microfinance is capable of helping them to achieve higher revenues or if it in fact makes them poorer. The other contribution of the study will be the creation of awareness about the importance of finance costs and how detrimental they can be to the businesses if they are not properly considered against stress-tested cashflows.

The primary beneficiaries of this study are SMME owners who upon reading the results of this study, will get insight into how microfinance loans and costs impact the growth trajectory of their business. Given that the bulk of microfinance users are women, they will also benefit from having a more consolidated view of how microfinance affects the revenue, asset growth, profits of their businesses, to name but a few. Further to that, the results of this study will help policymakers, microlenders, the government, commercial banks and other related stakeholders to devise better and more sustainable funding models for SMMEs. This will revitalise the economy and lead towards the creation of more sustainable business and job opportunities in South Africa. Future researchers can also use this study to build a model that has microfinance costs at the centre of it.

A summary of the contributions of this study is as follows:

Empirical Contributions:

1. The findings contribute to new knowledge by showcasing the benefits of microfinance loans use in enabling female-entrepreneurs to grow their SMMEs, a phenomenon which has been minimally researched, especially in South Africa.
2. The study improves the justification for the development a more mutually beneficial framework for regulating MFIs/FIs and SMMEs. The purpose of which would be reducing the perpetual issue of non-performing micro-loans for banks and over-indebtedness for SMMEs. Providing parameters for the level at which the loan size/pricing ratio is not worth pursuing.

Practical Contributions:

1. MFIs and other FIs can use this research as an awareness tool and a policy recalibration basis as this study gives insights into the role, they may be inadvertently playing in derailing the very growth they would want to see in SMMEs, while contributing to the causes of the high failure rate of SMMEs in South Africa.
2. There remains a noteworthy gap in women studies in the country, especially in the areas of entrepreneurship and finance, therefore this study contributes towards bridging that gap, by adding revealing insights about the capabilities of women entrepreneurs in growing their businesses when microfinance is availed and used.
3. Investigating the moderating effect of gender on the relationships between microfinance use and costs and SMME growth has brought to light the gender that reflects more growth in the SMMEs with the use of microfinance loans, despite microfinance costs.
4. The study outlines a scale of least impact points for growth measurements where microfinance is factored in. An element that may suggest a requirement for other supplementary means for fostering more growth. This is also able to highlight the most responsive growth indexes for SMMEs where microfinance has been used.
5. It can help the government, policy makers and regulators such as the Micro Finance Regulatory Council (MFRC) review terms and rating policies for better, more prudent, and sustainable ways of developing and supporting SMMEs.
6. The study provides indications of how microfinance costs like interest rates, become detrimental to the business growth objectives that microfinance is supposed to enable. This factor should be used as a decision-making tool.
7. The findings shed light on the role of microfinance pricing as a hindering factor for SMME growth. An element that must be further researched as one of the possible contributing factors towards the high failure rate of SMMEs in the country.

8. In theory, microfinance is positioned as a pro-women empowerment tool, but this study has shown that in practice, those objectives are not matched on the ground. This calls for MFIs and the government to review and reinforce the fundamental objectives of this finance product.
9. Future researchers can also use this study to build a model that focuses on improving microfinance costs.

1.6 Delimitations of the study terms

1. Specific Segment: Microfinance is available to all levels and sizes of the business, but this study did not look at how it affects bigger organizations and even whether it is more used in that segment or not. Its focus has only been on micro, very small, small and medium enterprises.
2. While the concept of SMMEs includes survivalist businesses, for the purposes of this study, that class was excluded from prime focus, and the focus was on the micro, very small, small sized businesses.
3. Background of the participants: The study did not look at what has caused the gaps in society which have led to some members needing to depend on microfinance more than others.
4. Geographic area: Owing to budgetary and timeline related constraints, the researcher restricted the study to Gauteng province.
5. Theories and concepts: This study focused on the firm growth theory and the microfinance theory.

1.7 Definition of terms

Business Growth: Growth has been variedly defined and conceptualised as quantitative growth (Bivona, 2000). It has been defined as the increase in output, export, sales, employment or profit of the firm or as the improvement in size due

to the process of development (Delmar et al., 2003; Dobbs & Hamilton, 2007; Gopinath, 2012; Gutierrez et al., 2013; Hermelo & Vassolo, 2007; Lau et al., 2012; Shepherd & Wiklund, 2009). It has also been seen as a qualitative factor, defined in qualitative terms such as market position, skills, customers satisfaction, product quality, customers goodwill (Bianchi & Bivona, 2000). It is also the improvement in the idiosyncratic productivity of the firm (Yusoff et al., 2018).

Gauteng, South Africa: Gauteng is the smallest province in South Africa's provinces, making up only about 1.4% of the total surface area of the country. Though small, it is highly populated with 26% of the country's population (Stats SA, 2022). The capital city of Gauteng is Johannesburg, which is the country's largest economic hub (Mutevedzi et al., 2022). Gauteng has been and remains the economic crux and heart of the country, contributing about 34.8% of its Gross Domestic Product (Ateba et al., 2019). Most South African financial institutions have their head offices in Gauteng (Cobbett, 2014).

Microfinance: According to the International Labour Organization (ILO), Microfinance is a socio-economic strategy involving the granting of financial services by microlenders to underprivileged customers. Microfinance has also been defined as the giving of small loans and other financial services to low income earners in both urban and rural parts of society, with the aim of this being to help to eradicate poverty in those communities (Kaur & Kaur, 2017). These formally granted small loans are from formal financial institutions, distinct from informal credit avenues that get explored by the poor (Strøm & Mersland, 2013).

Microfinance Institutions: These are financial institutions that lend small loan facilities to the underprivileged population, with little to no collateral requirements (Gutierrez-Nieto et al., 2007). With a dual objective to make a profit and bank the poor, these institutions take higher risks than conventional banks in lending to businesses and individuals that do not have all the information typically required to make credit risk assessments (Mersland & Strøm, 2009).

Microfinance Costs: Microfinance costs are the interest rate charges incurred by those who obtain microcredit (Roberts, 2013).

Small, Medium and Micro Enterprises: Small, medium and micro enterprises (SMMEs) are standalone entities which have a small and limited number of employees which will be different from country to country. The maximum number for SMMEs staff members is commonly 250 employees, (OECD, 2001). Such SMMEs are mostly defined by the number of employees, the levels of the annual turnover or the value of the business' asset base. In terms of these criteria, micro enterprises are defined as having up to 10 employees, with small businesses having 10 to 100 employees, and medium-sized enterprises having100 to 250 employees. The most widely accepted definition of an SMME in countries including South Africa is any business with less than 250 employees. Included in this are all types of entities, regardless of the formality or informality of the enterprise (SEDA, 2016). The SMMEs turnover levels laid out by The Banking Association of South Africa are as follows:

- Start-ups and Micro-enterprises: Annual turnover less than R500k per annum,
- Very small enterprises: Turnover between R500k and R2,5m per annum,
- Small enterprises: Turnover between R2,5m and R10m per annum,
- Medium enterprises: Turnover between R10m and R20m per annum.

The ultimate authority on defining these parameters though is the South African Small Business Act 102 of 1996 which gives classifications for all small businesses in South Africa. According to that statute, small businesses are those that make revenue not in excess of R50m per annum, with staff that is no more than 201 members and assets up to a maximum of R19m (South Africa, 1996; Galawe, 2017). Different industries are then given their own ranges within these overarching limits.

Women Entrepreneurs: Entrepreneurship is the applied skill of noting and identifying commercial opportunities in societal settings, exploring these opportunities for the creation of organized work for the production and supply of goods and services to earn a living (Shane & Venkataraman, 2001). Women

entrepreneurs are the females who embark on the journey of owning those business opportunities, enabling the economic independence of women. Women entrepreneurs are a key driver of addressing inequalities and the sustainable development of economies (Chhabra et al., 2020). Women entrepreneurship is still under researched but what has come to light so far is that it may be different from male entrepreneurship in the reasons for starting a business, the industries chosen, the number of women entrepreneurs and in the growth patterns of their business (Chhabra et al., 2020).

1.8 Assumptions

The study was conducted with the following assumptions:

1. That the SMME owners who agreed to form part of the research did so with no ulterior motive and therefore were all as honest as possible.
2. That the SMME owners that formed part of the research largely have a fair exposure to the concept of capital requirements for a business and a degree of understanding that there is a difference between a microfinance lender and a conventional bank.
3. The SMME businesses are all still at the growth phase of their cycle, albeit at different points thereof.

1.9 Structure of the report

Chapter 1: The first chapter presents the background and contextual viewpoint of the study. It introduces and discusses the problem statement and the resultant aims and research questions of this research. It then moves to reflecting on the significance of the study and the identified contributions the study makes.

Chapter 2: This chapter delves into the core variables of this study, in an effort to answer the research questions introduced in Chapter 1. The chapter starts off by looking into the landscape of SMMEs in a global, emerging markets, African and

South African context. Within this is the outlining of measures of growth in business, with a pivot angle for growth measurements that can be applied to SMMEs. These discussion points are followed by an analysis of the scholarly views on microfinance, both in the historic and modern-day contexts, the relationship between these two variables is then detailed, with the layer of the cost implications of microfinance on this relationship. The final crucial layer is about how the role of gender factors in, into how SMMEs grow with the use of microfinance loans. The chapter is concluded by the hypothesis which are derived from literature presented. These presented both in the conceptual model as well as in the summarized consistency matrix conclude the chapter.

Chapter 3: The purpose of this chapter is the presentation of the research methodology, which is centred around a quantitative research approach. The criteria for the population of the study as well as the sample size deemed appropriate for the study are laid out. The data collection process, which was done through an electronic link to Qualtrics is discussed, with an outline given for the type of data that will be collected through the questionnaire. To proceed, the methods that were used to analyse the data are discussed, as well as the measures used to test the hypothesis of the study. Lastly, the aspect of how data reliability and viability would be ensured is dealt with.

Chapter 4: This chapter focused on presenting the results of the study. Starting off with the demographic profile of the respondents, laying out the various descriptive statistics relevant to the study's investigation. The chapter also outlines data screening and cleaning methods that have been used. Further to that, the reliability and validity assessments conducted are presented. In conclusion, the hypothesis testing results are presented.

Chapter 5: A comparison, contrast and synchronisation of the literature and the results is done in this chapter. The outcomes of the tested hypotheses are held up against the theories and literature that predates them from previous studies. Based on this, the key findings from the study are presented.

Chapter 6: This chapter focuses on the conclusions derived from the research. It crystalises the core contributions of the study from an empirical, theoretical and conceptual standpoint. It ends off by highlighting the limitations of this study as well as the scope for further research which may be inspired by this research work.

CHAPTER 2. LITERATURE REVIEW

2.1 Introduction

This chapter discusses the literature reviewed and provides a theoretical review of the constructs of this study, which are Microfinance, Costs and SMME Growth as well as the role that gender plays on moderating this relationship. The chapter will start off by giving some background into the concept of microfinance first as a global concept, then the discussion will look into its introduction and uses within emerging market economies and in South Africa. The chapter will critically assess these from different literature perspectives which ultimately form the thread of this study.

The background will showcase how microfinance is considered to be a key intervention towards curbing poverty and in expanding economies. The chapter will then follow varying and common patterns of SMME importance for different types of economies. Following that the theoretical foundation which underpins this study will be critically discussed, with the research questions and the development of the hypothesis forming an integral part of this review.

While the core aim of this study being to empirically investigate the relationship between microfinance loans, costs, and the growth of SMME businesses; this is analysed with the assessment of gender as a moderator of the relationship between these variables. The literature presented in this chapter therefore relates to this dynamic of how microfinance propagates SMME growth, but the chapter will also discuss some pitfalls that are often underplayed where microfinance as it relates to SMMEs, is concerned.

2.2 Background discussion

The focus of this background discussion will be delving deeper into the constructs of this study, dissecting microfinance and the concept of SMMEs. The geographical meanings of these from the perspective of emerging market economies is also discussed, followed by microfinance in the South African context. After this, SMMEs in the global and South African perspectives will be discussed.

2.2.1 The history of Microfinance: First and Second Generation

The concept of microfinance started as early as the 15th century through practices of pawn shops in Europe as alternatives to what was considered to be exploitative money lending practices (Mago, 2013). There are different accounts about the history of microfinance, but there is a common understanding that it gained ground in the 18th century in the European and East Asian regions through informal and cooperative borrowing schemes (Armendáriz & Morduch, 2010). The second World War saw the emergence of more formalized approaches toward microfinance, with the specific aim of building small enterprises and farms in Europe through the Marshall Plan (Marshall, 1981). These were the most primitive waves of this phenomenon.

The primary premise for the establishment of microfinance was the belief that the fundamental constraint for new businesses is a lack of start-up capital, especially in developing countries (Bruton et al., 2011; Semegn et al., 2021). Much later, the world saw what would be the pinnacle of a pioneering era in microfinance, with the rise of the father of a key aspect of microfinance, Muhammad Yunus (Davutoğlu, 2013). The story of the Grameen Bank is a pivotal point in the discussion of microfinance in the modern day era (Sengupta & Aubuchon, 2008). Following a time of excessive rains which were followed by famine in Bangladesh in the early 1970s, the majority of the population were living below the poverty line (Yunus, 2007). Yunus embarked on a journey of studying the causes of poverty, and his key finding was that the inability to get credit was what

perpetuated poverty. Out of this, there emerged modern day microfinance (Sengupta & Aubuchon, 2008).

This started when Yunus lent 42 women $27 towards their small business activities of manufacturing bamboo stools (Yunus, 2007). After some growth and much trial and error in research, Muhammad Yunus opened the Grameen Bank in 1983, with the sole purpose of defying conventional bank practices. This was achieved by deliberately seeking out the poor, especially women in order to give them small loans without security (Yunus, 1999). Over time, the model of group lending began to gain popularity within the Grameen Bank, where groups of borrowers could obtain a loan over which they would assume joint liability. All of these efforts gave many possible options to the poor for the accessing of funding for their entrepreneurial activities (Sengupta & Aubuchon, 2008). This model of providing collateral free lending to the poorest of the poor spread the world over and became an imperative part of emerging market economies. It is seen as a poverty eradication strategy especially for disempowered women (Ul-Hameed et al., 2018).

In 1992, the South Africa government gazetted an Exemption Notice which created undue consequences by dividing the market, and fencing lower income households off from the banking sector and traditional credit options (Coetzee et al., 2005). At that point, the parameters for interest rates were removed without impeding factors such as collection of debt and capital access being resolved. This led to a poorly developed and inefficient micro loans market (Coetzee et al., 2005) , which grew at a fast pace. In the mid-90s, the African National Congress adopted policies and programs which raised hopes. the microlending landscape became flooded with finance programs like Khula and the National Housing and Finance Corporation (NHFC), although these were not seen as being successful due to a lack of sustainable clients (Coetzee et al., 2005). Khula was to be later renamed as Small Enterprise Finance Agency (SEFA), a subsidiary of the Industrial Development Corporation (IDC).

In the 1990s, microfinance the world over, was heavily linked to a great debate about the financial system lending and the poverty lending approaches (Neogi et

al., 2017). The primary aim of the poverty lending approach is the reduction of poverty through the provision of credit facilities from donor-funded and government subsidised financial institutions (Neogi et al., 2017). The financial system approach, on the other hand argues for the commercialisation of lending practices. It asserts the importance of financial institutions targeting the making of profits in order to ensure self-sustenance and their sustainability as a business (Neogi et al., 2017). These debates continue till today, and they have another theme at their core about the appropriateness of interest rates that are applied in the microfinance sector, with some arguing that they are justified by the lack of collateral (Neogi et al., 2017).

2.2.2 Microfinance in emerging market economies

Microfinance institutions have been praised for bridging the gap between the marginalized in societies and the banking sector, to the extent that they have been perceived in some quarters as a poverty eradication mechanism (Yunus, 1999). These types of financial institutions give those who have been deemed to be unbankable, access to financial resources and services. These include credit and savings facilities, with more minimal requirements compared to those of conventional banks (Newman et al., 2017). Anane (2012) also affirms that microfinance is made available to provide for needs of people who may not be attractive to the traditional or conventional banks. It is therefore deemed to be crucial in ensuring the sustained performance of the SMME entities (Anane, 2012; Dutta et al., 2018). In developing countries, these would include the poor and women who previously had limited or no access to financial services. Microfinancing therefore plays a major role in enhancing their livelihoods and in contributing to the economy.

In Sub-Saharan Africa and most Asian economies, SMMEs are considered too risky and there are very few financial institutions who are willing to grant them loans and other forms of financial assistance (Sacerdoti, 2005; Saidi et al., 2019). In Zambia, it was reported that there are 40 Microfinance Institutions registered by the Bank of Zambia (Mukendi & Manda, 2022; Nuwagaba, 2015), and 30 of

these institutions lent money mostly for development programs. Due to interest rate caps, a lot of Microfinance institutions and commercial banks found they had to stop lending to SMMEs because of high-interest rates that were above the central bank's ceiling rates (Meagher et al., 2006; Safavian & Zia, 2018).

In the early 1990s, the Zimbabwean economy started declining, with high unemployment rates which led to the growth of the informal sector. This led to the emergence of microfinance and by the early 2000s, this layer of banking had grown phenomenally. Unfortunately, traditional or commercial banks were not willing to help with the funding of these informal operators because they did not have collateral. Microfinance therefore strongly emerged as a medium to provide access to capital for the participants of the informal sector, where they were unable to fulfil the requirements of the conventional banks in Zimbabwe (Mago, 2013).

The growth and prevalence of this type of finance has also been seen in Kenya, with Kenya's increasing population, high production of goods and services daily requiring funding (Gathogo, 2014). The microfinance institutions' operations in Kenya are therefore increasing and have a vital role to play in the development of small to medium enterprises. These SMMEs get funded by microfinance institutions at different stages of their business operations, with microfinance enabling them to keep afloat, ensuring that funding is made available to them at the right time (Gathogo, 2014).

2.2.3 Microfinance in South Africa

During the 1990s the South African government initiated an SMMEs support program through the Department of Trade and Industry (DTI), having noted that some developmental endeavours that were previously embarked on were not appropriate for the development and growth of small, medium and micro enterprises. The duty of the DTI was to oversee the distribution of finance and other related resources to micro-enterprises (Olugbenga & Mashigo, 2017). In 1991, the Small Enterprise Foundation (SEF) which is a microfinance institution, was established to provide microloans to previously disadvantaged micro-

enterprises through its Micro Credit Program (MCP) and the Tshomisano Credit Program (TCP). Initially, this foundation was operational only in the Limpopo province of South Africa but in 2010 it expanded its programs to other provinces such as the Eastern Cape, Mpumalanga and the North-West (Mashigo, 2014).

While the DTI established an agency to formalize the microfinance provision processes in post-apartheid South Africa, the industry itself had been established as early as 1980 by the Reserve Bank of that time (Ojah & Mokoaleli-Mokoteli, 2010). After that era, the DTI influenced the microfinance landscape by establishing SMME funding and developmental entities like Khula and Ntsika. However, as the microfinance industry kept growing, the DTI also had growing concerns that generally microlenders in the country were not really providing the expected aid to SMMEs but that in actual fact, they were taking advantage of the poor (Coetzee et al., 2005). These, along with other identified complexities led to the birthing of the MFRC, which was established in 1999 to regulate microfinance in South Africa. Over the years further developments have been made by the DTI, through consultative processes with both informal and formal small business owners, the birth of the National Informal Business Upliftment Strategy (NIBUS) in 2014 (Skinner ,2018). Leaning on these engagements and findings thereof, the Department of Small Business Development (DSBD) was established by President Cyril Ramaphosa (Skinner,2018). Part of the objectives of the formation of this department was to get a closer look into issues that impact SMMEs, which include funding impediments that they face (Skinner,2018). Microfinance has been studied in various countries, however, there remains a limited number of studies that investigate and compare on its effects on the growth of SMMEs for male and female owners, especially within the South African context. This study in its investigations, seeks to help bridge that gap in literature.

2.2.4 The Global View of Small, Medium and Micro Enterprises

As briefly touched on in chapter one, South Africa is a dualistic economy, having traits of both a first and a third-world country (Bojabotseha, 2011; John & Comaroff, 2018). Therefore, this literature review will start off with seeking an

understanding of the social, economic and entrepreneurial dynamics of individuals who have SMME businesses in similar economic setups. While the initial inclination was to search out any research done on relationships between the SMME business sector and the microlenders specifically in developing economies, there were also relevant findings based on research done in developed economies that are worth discussing.

The advent of SMMEs, otherwise known as small businesses has not just been growing all across the world but these have become viewed as key economic drivers for both developing and developed economies (Keskġn et al., 2010; Tambunan, 2008). According to Keskġn et al. (2010) some of the most crucial contribution areas of SMMEs are in job creation, boosting countries production outputs, increasing trading on an international scale by way of exports and in developing the culture of entrepreneurship, all which are important socio-economic goals.

Some studies have indicated that, while SMMEs impact both developing and developed economies, the extent of their impact especially in the line of job creation and its resultant economic outcomes, is greater in developing countries (Ayyagari et al., 2011). Past empirical studies have shown that SMMEs make up more than 55% of GDP and contribute more than 65% to job creation in developed economies, while these businesses would contribute 70% to GDPs and employment numbers of developing countries (Keskġn et al., 2010). In fact, SMMEs are such an important factor of economic development that in Ghana, they are estimated to contribute circa 70% of the country's GDP and make up approximately 92% of the businesses landscape in Ghana (Abor & Quartey, 2010). South Africa shows has shown a similarly strong dynamic, with estimation that the majority, about 91% of formalized businesses are in fact SMMEs, with these businesses making about a 52-57% contribution to the GDP and circa 61% to job creation (Abor & Quartey, 2010).

It is for this reason then that various governments and their related policy makers have paid much attention to the SMME business sector, focusing on ways to best support the growth and sustenance of these business types. Below are some

tables that show SMME contributions to key economic factors in different countries over a period almost 20 years.

Table 1: SMME Contributions in Emerging Market Economies

Countries	Contributions to GDP (%)	Contributions to employment (%)	References
Ethiopia	3.4%	90%	Gebrehiwot, 2006.
Egypt	80%	75%	(OECD, 2010)
Ghana	70%	49%	Ghana Bank Doing Business Report, 2013; World Bank 2006; Abor & Quarterly, 2010.
Kenya	40-50%	80%	Mwarari & Ngugi, 2013
Mauritius	40%	54.6%	Statistics Mauritius, 2016
Nigeria	50%	70%	Ariyo, 2011; Kolasinski, 2012
Rwanda	55%	41%	OECD, 2010; Gamba, 2019
South Africa	50-60%	60%	DTI, 2012; Willemse, 2010

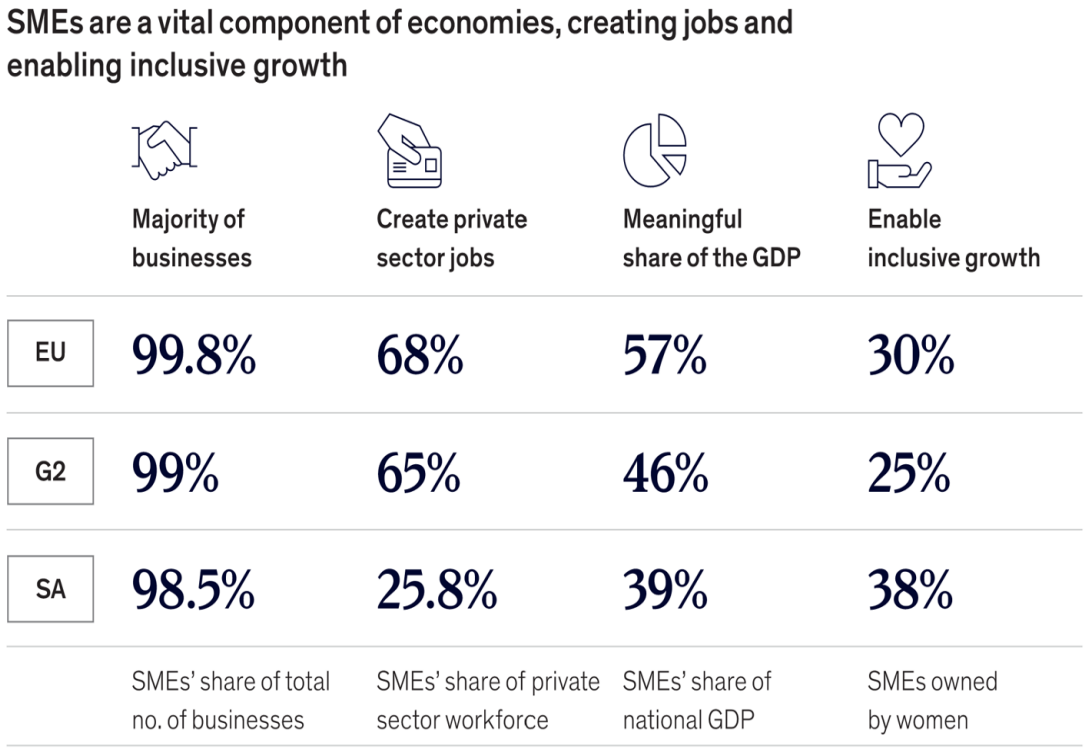
Sources: Muriithi, 2017; As per Column 4

Table 1 above shows a more historic view of SMME contributions towards key economic factors in some of Africa's leading emerging-market economies. It shows the ability of this segment of business in addressing issues of

unemployment, with job creation contributions in the notable range of 41% to 90% with Rwanda at the low end and Ethiopia at the upper limit. South Africa is found in the region of 60% employment contributions, which is of prime importance amidst the rising unemployment. It is clear that this sector of the economy plays a vital role in the growth of economies and thus in the fight against poverty.

The below table shows a more present and wider-world view of the estimated contributions that are made by SMMEs in the respect of job creation and economic growth. While these statistics vary from year to year, the common theme of SMME importance towards GDPs and employment creation continues to be notable. The below table also links these contributions to the important subject of inclusive growth, which addresses the impact of SMMEs towards the redressing of inequalities for a more equitable distribution of resources and incomes.

Table 2: SMME Contributions to Job Creation, GDP and Inclusive growth



Source: Eurostat (2016)

Highlighting these issues is contextually important as it supports the urgency for studies that seek to not only improve this segment of the economy, but also to nudge it closer to levels where these businesses can thrive. This study focuses on the factors that enable growth for SMMEs, a subject that has been of great interest within South Africa. However, it acknowledges the remaining gaps highlighted in a number of studies conducted thus far.

Having established how important the SMME market is to the development of the economy, this study has sought to find ways to assist the participants of this sector to find the most optimal way of growing their businesses, or at the least to help them avert some of the pitfalls. This is achieved by not only outlining areas of maximal microfinance contribution to growth, but it is also achieved by bringing alight potentially unfavourable blinds spots.

2.2.5 Brief Overview of SMMEs in African Emerging Markets

It is important to distinguish the characteristics of SMMEs in the African context. SMMEs within this context are largely comprised of small businesses owned by individuals who are typically forced by circumstances to create self-employment opportunities (Agupusi, 2007; Iwu & Opute, 2019). According to Chiyah and Fourchu (2010), small, medium and micro enterprises in Africa are businesses that extend beyond usual business objectives, but these have abilities to empower their owners to generate self-employment, alleviate poverty while contributing to economic growth. In Africa, SMMEs play a significant role in the business sector, as they employ a significant part of the population, as outlined in the previous section.

SMMEs will have varying debt ratios depending on issues such as the industry type which will determine the kind of capital requirements that each entity will have (Andrieu et al., 2018; Chiyah & Forchu, 2010). In Nigeria, SMMEs tend to be smaller in size and are family managed offering basic services. However, they mostly lack organizational and management structure while urban ones are more structured (Aderemi, 2003; Ibidunni et al., 2020). At one point, Ghana had an estimation of about 70% of enterprises falling between micro to small-sized, and

nearly 40% of its Gross National Income (GNI) was attributable to private sector activity (Service, 2002). More recently, Ghana's Ministry of Trade and Industry estimated that out of the formally registered entities, as much as 88% of those are SMMEs (Ahiabor, 2013). These numbers are a staggering contribution to the growth of the economy of Ghana. Lisa (2009) states that SMMEs contribute greatly to the economic development of many countries through the role they play in capital accumulation, poverty elimination through employment generation and the empowerment of underprivileged people.

2.2.6 SMMEs in South Africa

There are many definitions of SMMEs, however there are parameters governed by law in South Africa which determine which businesses fall within this segment. Depending on industry, small enterprises are defined as having fewer than 50 employees and a turnover of less than R13 million, while medium-sized enterprises have between 51-200 employees, with a turnover of less than R51 million (Olawale & Garwe, 2010). In a country like South Africa, that has seen bouts of recessions, with job losses following strongly, the job creation element of SMMEs grows in importance over time.

As noted in other developing economies, SMMEs make a prominent contribution to the South African economy through job creation, accumulation of assets and by bolstering the country's GDP. Some estimates have indicated that South African SMMEs create over 76% of the total employment in the economy, and that out of the total of new jobs created between 2004 to 2007, 53% of those were attributed to SMMEs (Kongolo, 2010). These businesses in fact make such key contributions that within the telecommunications industry, many of its innovations are driven by the SMME sector. These types of businesses seem to be to the advantage of this sector rather than large corporations as they are hungrier and more competitive (Ayandibu & Houghton, 2017). Below is a figure depicting the trends of SMME contributions to turnover levels in the formalized business space as studied over a period of 7 years. As a prelude to this discussion point, it must be noted that these trends were before the ravaging effects of the Covid-19

pandemic on the country's economy. With that said, further down a post-Covid inception view is brought, albeit from a different point of analysis.

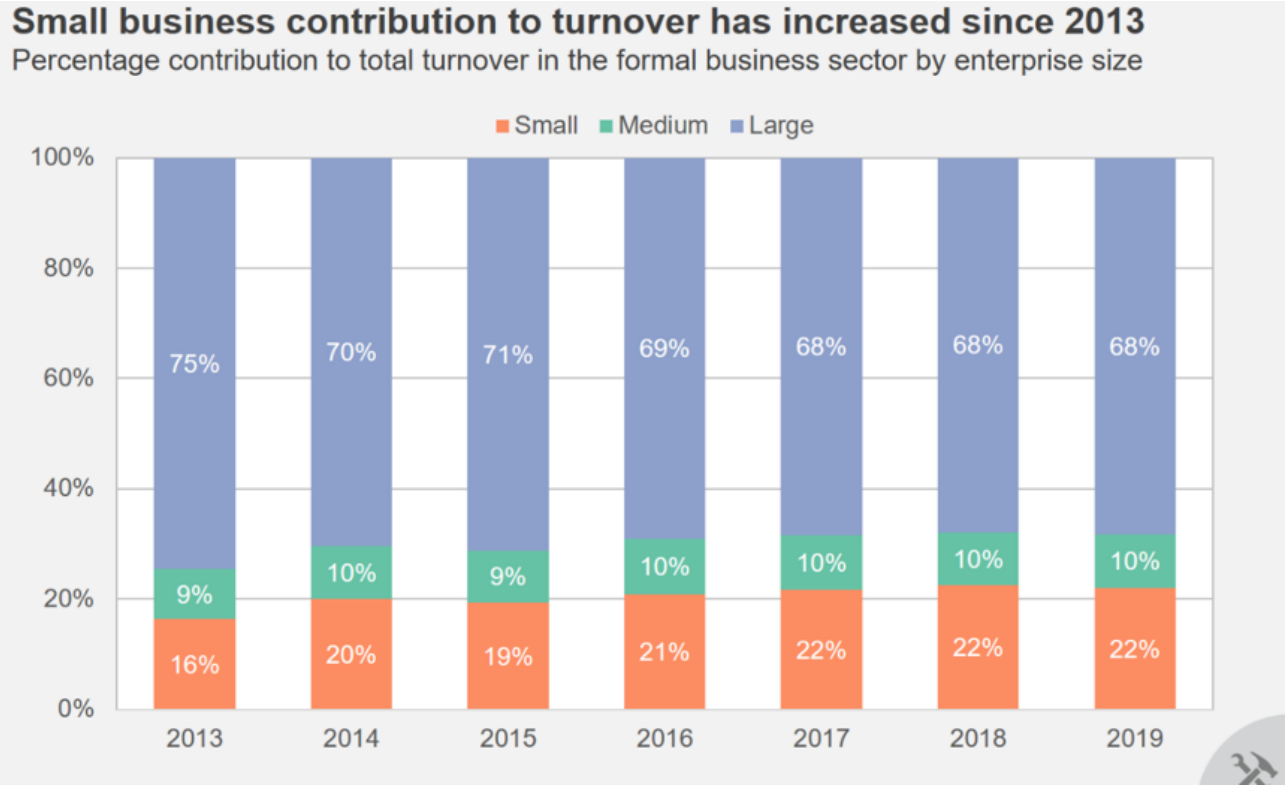


Figure 1: SMME Contributions to Formal Business Sector Turnover

Source: Stats SA Annual Financial Statistics, 2019

As can be seen above, the contribution of SMMEs has been growing over the years, giving credence to the proponents of support programs for the development and sustenance of these businesses. While the above figure covers the pre-Covid-19 period where SMMEs were on a growth path, it is worth noting that the Covid-19 pandemic had an impact on this growth track (McKinsey, 2020). The below figure shows how Covid-19 affected the bottom line of SMMEs in South Africa, with more than half of the businesses anticipating Covid-19 related losses. This was used as a pertinent consideration in this study, that clarity may be derived for how the impact of microfinance loans use may have been tampered by the complications introduced by Covid-19 to an already strained

economic environment such as South Africa. While this is by no means a key focus of the study, its effects are appropriately considered in the research instrument that was used in the study.

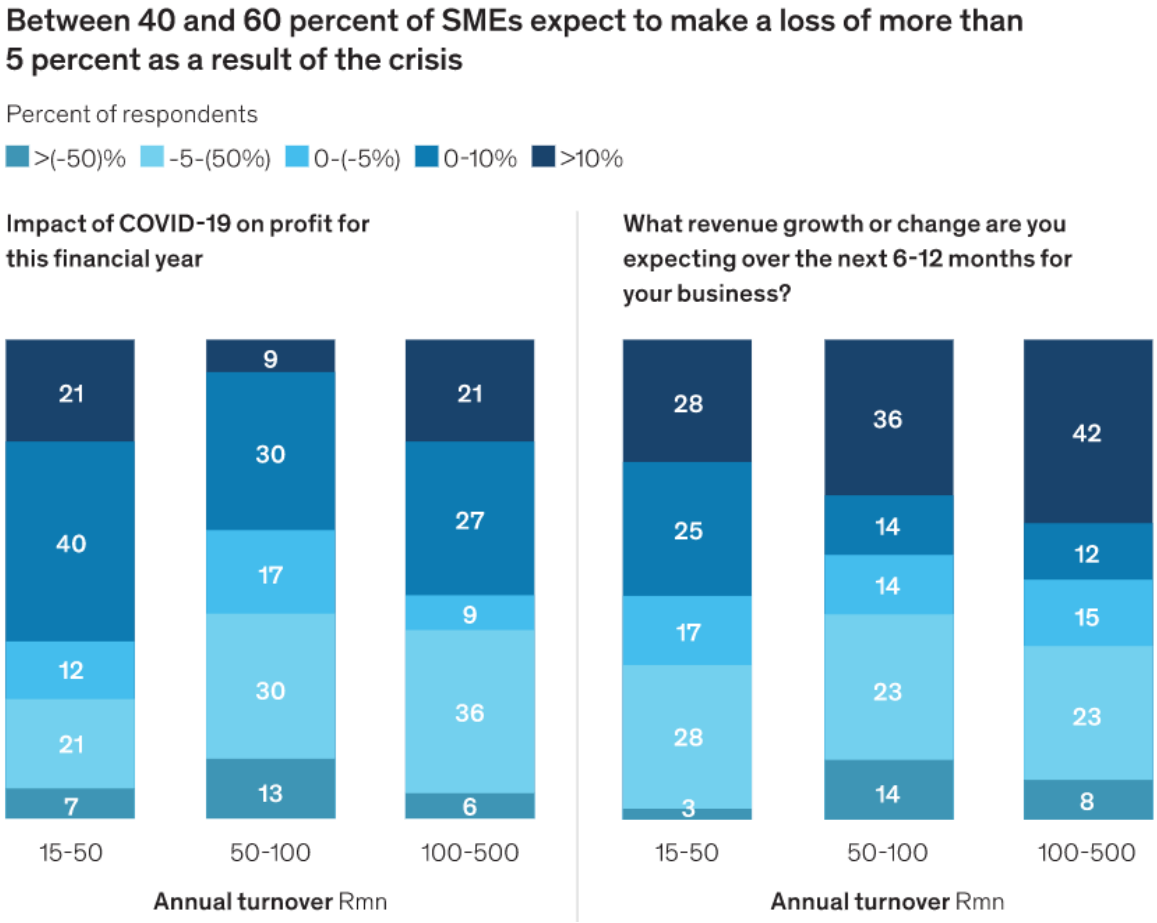


Figure 2: Covid-19 Impact on SMME Profits

Source: McKinsey & Company Covid-19 South Africa SMME Financial Pulse Survey, 2020.

2.2.7 Female Owned-SMMEs and Microfinance

As discussed in chapter one, gaining access to funding is one of the most crucial lifelines for a business. Furthermore, multiple studies have found that women suffer more limitations when it comes to access to funding compared to men (Ul-Hameed et al., 2018; Coleman et al., 2019). Some in the world of finance have certain beliefs against female entrepreneurs, that women-led businesses have

less potential to grow compared to male-led enterprises (Neogi et al., 2017). In India for instance, it was found that women who own small businesses would often not qualify for formal bank finance. This was either due to the lack of collateral, information asymmetry, doubts over management skills or the absence of a man to support them as surety over that business (Neogi et al., 2017). It is for this reason that the microfinance tool has been used as a targeted approach towards the empowerment of women and the growth of their small and micro enterprises. These prejudicial exclusions are found in many parts of the world, including Asian countries such as India and Pakistan (Hussain et al., 2019; Sarumathi & Mohan, 2011).

A study conducted in Sri Lanka showed that women were almost twice as effective as men when it came to their usage of microfinance loans towards the changing of their business performance (Kumari et al., 2019). A study conducted in Kenya also indicated that the majority of women-owned businesses which used microfinance grew both the size of their businesses as well as their revenues (K'Aol, 2008). The findings were that microcredit has an impact on growth measured by indexes such as turnover, profits, number of products and an increase in the number of employees (K'Aol, 2008).

In South Africa, small businesses owned by women create an environment for a more equitable distribution of economic activities (Mandipaka, 2014). Women entrepreneurs in South Africa help to grow the economy by creating jobs, alleviating poverty, innovating and by pioneering various small business activities. Therefore they play a crucial role in the country’s economy (Mandipaka, 2014).

The discussion above and other studies have shown that gender dynamics play a significant role in propelling the effectiveness of microfinance services on the development of small-scale businesses (Kumari et al., 2019). Furthermore, in Ghana, according to Acheampong (2018), and in a cross-country study by Boehe & Cruz (2013) respectively, women who owned small businesses showed more aptitude in effective cooperative leadership, bringing about new ideas, decision making and in creating more efficient operations. Women, are better at the

prudent use of microfinance as they are risk averse, but men are viewed as bold enough to make the big steps that bring in more notable growth in business in instances where those risks pay off (Boehe & Cruz, 2013). Therefore, women are associated with the ability to maximise on available resources and thus achieve a more consistent pattern of growth for their small scale business compared to men (Boehe & Cruz, 2013). No matter what the arguments are for consistent or accelerated growth, there is an undeniable highlighted benefit that microfinance brings to the empowerment of these women across the world. There are ingrained gaps however, in the disparity of numbers of SMMEs owned by women compared to those owned by men, a status which is broadly true across the world (Halim, 2020). The study states that out of these entrepreneurs, women face a greater challenge in having access to financial services compared to their male counterparts, with men then showing up stronger in the respect of borrowing finance to start and expand their SMMEs (Halim, 2020). This can be seen in figure 3 below which shows the global spread of the women to men business ownership ratios in different regions of the world.

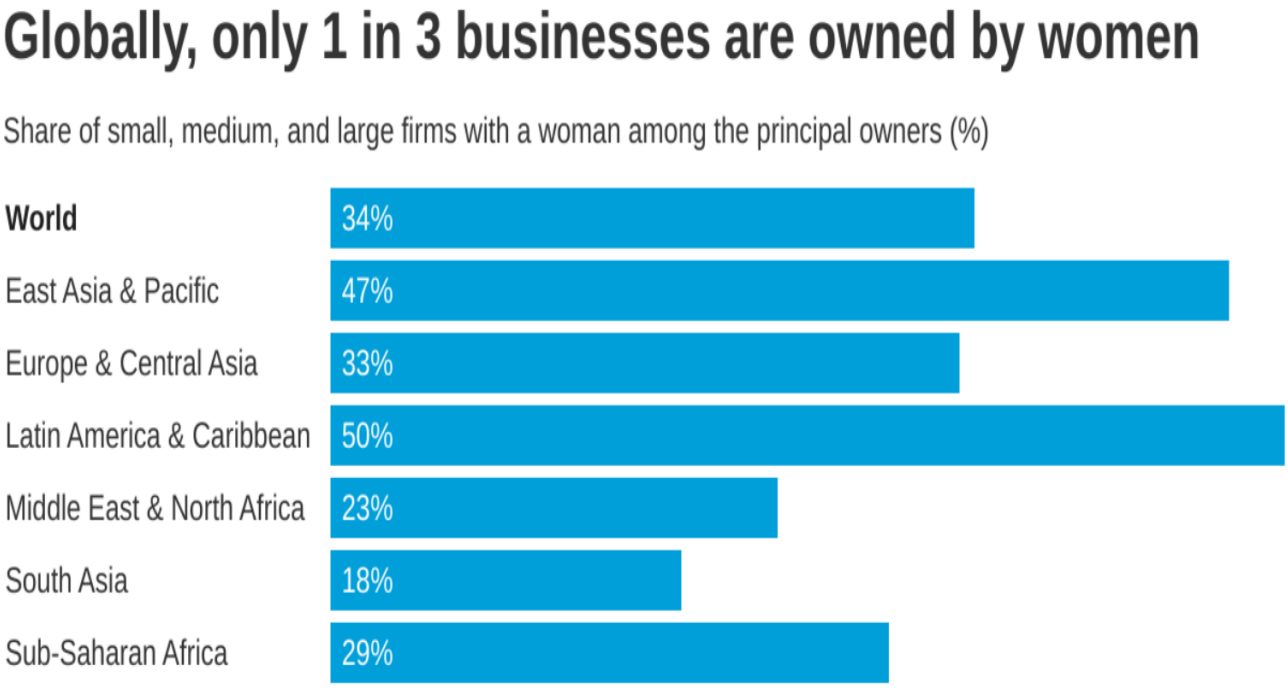


Figure 3: Women vs Male Owned Businesses

Source: Gender Data Portal, World Bank, 2020.

2.3 Theoretical Foundation

This section focuses on those theories that underpin this microfinance and SMME growth focused study. There is a widely accepted view amongst scholars that having enough access to credit facilities is key for the acceleration of SMME growth (Alhassan et al., 2016). This access to funding creates job opportunities, increasing domestic incomes and as a result, eradicating poverty. Having access to the right kind of bank facilities and funding mechanisms allows poverty stricken people to make meaningful investments into needed resources that can improve their productivity (Heidhues, 1995; Shofawati, 2019). According to Navajas et al. (2000), the goal of microfinance is about helping the poor to get out of the rut of poverty. It enables them to improve their standard of living through easier credit facilities that they cannot obtain from conventional banks (Alhassan et al., 2016; Navajas et al., 2000). The foundation of this study is based on two main theories, namely the Firm Growth Theory and the Microfinance Theory. The study investigates the impact of using microfinance on the growth of SMMEs, specifically considering the impact of microfinance loans and the cost of microfinance on the growth of SMMEs.

2.3.1 The Firm Growth Theory

The subject matter of firm growth is a key focus in numerous studies which investigate entrepreneurship, business planning and organizational tactics as well as other aspects of business (Gancarczyk, 2015). The assessment of the growth of a business is done through qualitative and quantitative measurements (Dalborg et al., 2012). The measurement of qualitative expansion is concerned with the transition, formalisation, culture and the overall experience found in the entity and in its managers and owners (Bulla et al., 2019). Quantitative measures of growth look at more tangible factors such as the increase in the number of

workers, increased turnover levels, the accumulation of more assets and the business growth in terms of being able to provide a variety of goods and services (Bulla et al., 2019). Every intentional business owner monitors the growth of their business as a sign of the level of their return on investment and the achievement of their targets (Gancarczyk, 2015).

Monitoring firm growth becomes even more crucial, the smaller your business is, as with SMMEs. This could be the deciding factor of whether or not the business survives, as that growth makes it less susceptible to failure (Garnsey et a., 2006). Many studies and policies are focused on the issue of firm growth, especially as it pertains to bigger businesses that grow at a fast pace and small and medium enterprises, as both these contribute quite notably to the creation of new jobs (Garnsey et al., 2006). Under the umbrella of this firm growth theory and as an expansion thereof is the Resource-Based View Theory. This is the most widely researched of firm growth theories (Gancarczyk, 2015). This is deemed to be relevant to this study and therefore it is outlined below.

2.3.1.1 The Resource-Based View

Theoretically, the linkage between microfinance and SMME growth could be deduced from the Resource-Based View (RBV) theory (Nimfa et al., 2021). According to Crook et al. (2008) , the resource-based view details how crucial it is for a business to have a strategic resources in order for the business to perform well, while (Barrett-Connor & Bush, 1991) stated that the RBV forms a core part of entrepreneurship activity. This is furthermore an expansion of the theory of the growth of the firm (Nimfa et al., 2021). It is believed that opportunities for entrepreneurs are created mainly through the varying perceptions about the value of resources as they get processed and converted into outputs from being inputs (Shane, 2002). The resources that businesses can use to give themselves an edge over others come in various types, including financial and experience levels of the competitor (Braganza et al., 2017; Dubey et al., 2019; Shane, 2002). The RBV theory highlights how important it is for a business to optimally use their resources in order for them to establish a competitive advantage over their peers (Braganza et al., 2017; Dubey et al., 2019; Shane, 2002) thus the focus on

microfinance loan usage on this study. An entity can create that advantage by using a specific strategic resource in order to drive the business to perform well (Shane, 2002). This study outlines microfinance as that key strategic resource in influencing SMME performance and thus its growth, a position supported by literature. Within this study, the resource-based view lens provided the foundation for the literature review for microfinance and SMME growth. This theory was ideal in guiding the researcher's investigation into the use of microfinance loans and the impact this has on the performance and growth of SMMEs. The RBV theory is advocated for as being a strong underpinning element for entrepreneurial development, as it assumes that identifying and capitalising on a central resource in the business plays a vital role in expanding the growth potential of that business (Nason et al., 2018; Shane, 2002). The Firm Growth Theory and the Resource-Based View theories therefore underpin the first hypothesis of this research, which as will be seen in this report, assert some level of positive correlation between the use of microfinance loans and SMME growth.

2.3.2 Microfinance Theory

The core of the microfinance theory is that it enables provision of developmental and technical support to the underprivileged including up and coming business owners, by giving them access to finance and educating them in matters of financial literacy (Brau et al., 2009; Okello et al., 2020). Microfinance was tested as a funding model on small firm experiments in Bangladesh back in the 1970s. After this successful assessment, it became generally accepted as a poverty eradication strategy (Bel hadj Miled et al., 2018; Khandker, 2005). Governments of various countries, both in emerging markets and developed economies have often considered microfinance to be a great tool to bridge the gap of financial exclusion of the poor, which would mostly lead to their socio-economic oppression (Nogueira, 2020).

Microfinance Institutions are the institutions that offer microfinance credit facilities to the SMMEs and informal businesses considered to be unbankable by conventional banks, which require collateral for their credit offerings (Huybrechs

et al., 2019; Yunus, 2007). These credit facilities allow the poor and SMMEs which are mostly in emerging market economies, to increase their business activities and to potentially grow their businesses as a whole, leading to the reduction of poverty levels (Nogueira, 2020). In this research work, the microfinance theory enabled the researcher to investigate the innate developmental mechanisms of the funding model that lead to the growth and constrained aspects of SMME businesses. This theory frames the expected outcomes from the application of microfinance loans based on literature. However, it was further tested by adding an investigation into the layer of microfinance cost, which is one of the core indictments proffered up by detractors of the microfinance theory. The theory aides in giving an understanding of how microfinance and its related costs pair up to not only grow SMMEs, but also to possibly avert the long-standing problem of high SMME failure rates.

The bulk of theoretical foundations for microfinance are largely geared towards analysing the impact of the limited credit market for impoverished females who do not have assets that can be used as security (Emran et al., 2007; Lamichhane et al., 2020). There are also other theoretical perspectives worth noting, for example, some of the strongly featured theories of microfinance include the theory of its emergence. The emergence of this landscape of microfinance, though good, is according to some theories, attributed to financial markets shortcomings and failures (Kumari, 2020). Srnec and Svobodava (2009) however stated that information asymmetry was experienced by banks in the process of vetting the poor. This led to the exclusion of this pocket of society due to the high transaction costs introduced to overcompensate for the limited information availed.

These authors argue that whether such concerns over limited clarity are justified or not, the end result itself which has led to microfinance, is indicative of deeper rooted issues highlighting persistent market failures (Kumari, 2020; Srnec & Svobodová, 2009). That being said, microfinance pioneers such as the Grameen Bank moulded themselves uniquely around the hurdle of information asymmetry, by introducing a group funding model (Haldar & Stiglitz, 2014).This is where

borrowers arrange themselves into groups of about five to ten members, leading to greater levels of efficiency and repayment ability (Haldar & Stiglitz, 2014). These borrowers become jointly and severally liable for their microfinance obligations, spreading the risk among two or more obligors, and thus making the risk profile more acceptable than it otherwise would be (Kumari, 2020). The theory of adverse selection refers to the scenario where microfinance borrowers with tighter controls over their businesses, better business plans and less risky businesses may get excluded from the financial market. This may be due to them being painted with the same brush as all potential borrowers within the market (Batabyal & Beladi, 2010).

The Macmillan Gap theory is another microfinance theory with its origins in the 1900s era after the acknowledgement of the problems that uniquely faced SMMEs, specifically with regards to unmet capital requirements (Nimfa et al., 2021). This theory essentially outlines the performance shortfalls that SMMEs suffer when they have funding limitations and how those gaps in having sufficient finance, stifle sustainable business growth (Nimfa et al., 2021). In 1929, Sir Hugh Macmillan came up with the Gap Theory during the Depression, when he was allocated an assignment to look into finance issues affecting SMMEs (Nimfa et al., 2021). After looking into different business types in different industries, and based on those findings, the Macmillan report was released which made proposals to the government on how to better approach funding matters as they pertained to small businesses (Nimfa et al., 2021). This report claimed that SMMEs with less than GBP250 000 faced funding problems and this is what was deemed to be the Macmillan Gap Theory. It was proposed that SMMEs should be given some type of relaxation when it comes to long term capital. (Nimfa et al., 2021).

2.3.3 Mayoux's Feminist Empowerment Theory

Microfinance has been viewed as a source of empowerment for women, allowing them to be self-sufficient (Kot & Imran, 2019). This perspective is aligned with

Mayoux's feminist empowerment theory (Mayoux, 2006). The goal of this theory is to enable women to sustain themselves through various means including the advent of microfinance (Mayoux, 1998). Mayoux (2006) further states that females suffer discrimination over several issues including employment, income and wealth generation and asserts that these issues are most common in emerging market economies.

This theory stands on the fact that microfinance serves as a tool to financially grow women owned micro enterprises, thus empowering them to be independent (Mayoux, 2006). This reprieve however does not come without some issues, as microfinance poses certain difficulties for women (Mayoux, 2005). Evidence in previous studies shows that the ability of females to utilize microfinance to grow their businesses is significantly impacted by elements such as interest rates, repayment terms, and collateral (Mayoux, 2005). These are possible moderators for SMMEs' performance. These hindering elements though do not take away from the feminist empowerment theory, which still considers microfinance as a good source of poverty alleviation and business growth prospects for underprivileged women (Mayoux, 1998).

This theory has an expanded look into the full structure of microfinance tools, including microfinance loans, savings, micro-insurance and non-financial products and services (Mayoux, 1998). It asserts that women owned SMMEs succeed better when they use the various products and services provided by microfinance institutions (Mayoux, 1998). This theory has helped to answer the question of the moderating effect that gender plays in the relationship between the use of microfinance loans and the growth of SMMEs. Positioned as a frame for the optimum usage of microfinance facilities by women compared to men, it was used to investigate how this element contributes to creating real growth for SMMEs. This theory also argues that women may be prejudiced by elements such as cost, which may avert that growth potential. the study delineates the offsetting element between growth caused by microfinance loans use by women and the growth constraint caused by the related microfinance loans costs.

2.4 SMME Growth

A number of studies have assessed the growth of SMME businesses. what has been clear is that the measure of this growth is often ascertained through different yardsticks. One such study noted that SMME growth is indicated by the business having an expansion in their assets, having the latest technology which then strengthens their competitive edge (Ruslan et al., 2019). Some scholars have used product and service diversification as a measure for the growth of a business in that when a firm expands, it is able to offer a broad range of goods and services (Ruslan et al., 2019).

However, most scholars generally use an uptick in sales as the most acceptable measure for the growth of businesses, both in the general business context and the SMME context (Bulla et al., 2019; Davidsson et al., 2006). The supportive argument around this is that sales is the first performance indicator to increase due to product demand being higher (Flamholts, 1986 as cited by Davidsson et al.,2006). This increase in sales then drives the need for more staff members, the purchasing of more assets and other resources that expand the business. Another important measurement of the growth of businesses and SMMEs is the increase in the number of employees. This is considered to be a standalone measurement in some instances, as it can precede the growth in sales and does not need to be driven by sales growth before it occurs (Davidsson et al., 2006).

The last measurement worth a mention is an increase in assets. However, this yardstick is considered to be difficult to utilize, more especially in the service industry. With this industry having low capex requirements, the measurement of intangible assets can be too elusive to be used as a reliable indication that the business is indeed growing (Davidsson et al., 2006). In this study, the tool was designed in such a way that a balanced approach can be found for a proper assessment of growth to be done. This was done by measuring growth mainly by turnover, profits, assets, expansion in number of products and services, number of staff, quality of service, business efficiency and overall size of the business.

2.5 The use of Microfinance Loans and SMME Growth

The first research objective seeks to understand the relationship between microfinance and SMME growth by investigating the impact that microfinance loans have on the growth of SMMEs. The independent variable here is the use of microfinance loans and the dependent variable is SMME growth.

Microfinance loans are an integral part of microfinance, with it often being deemed to be the cornerstone of the business model of microlenders (Alhassan et al., 2016). These microfinance loans are given to SMMEs or informal businesses within a specific time frame (Gyimah & Boachie, 2018). Such loan amounts will vary from business to business based on issues such as the size of the business, the business type and the unique makings of the business activities (Gyimah & Boachie, 2018).

Research done in Nigeria showed that the giving of a microfinance loan to an SMME, as well as the tenor of the loan both have a positive significant influence on the growth of SMMEs (Olowe et al., 2013). In fact, the research found that microfinance loans were so crucial to SMME growth, that they were said to contribute about 98% to the growth capacity of SMMEs in Nigeria (Olowe et al., 2013). A further study based on SMMEs in Nigeria, affirmed that there is a significant relationship between microfinance loans and the overall growth and performance of SMMEs (Christopher, 2010). The findings of that research reflected that microfinance loans improve SMME productivity, their competitive advantage as well as the reach in the market (Christopher, 2010). Another more recent study showed that the whole proposition of microfinance services, including microcredit have a notable influence on the net profits of SMMEs in Nigeria, influencing as much as 60% of the profitability of the SMMEs (Obokoh et al., 2016).

2.5.1 Hypothesis 1

Hypothesis 1: The use of microfinance loans has a positive impact on SMME growth.

2.6 The cost of microfinance and growth of SMMEs

The second research objective seeks to investigate the impact that the cost of microfinance has on the growth of SMMEs. The independent variable is microfinance costs, and the dependent variable is SMME growth.

Microfinance initially enjoyed much praise over the decades, as one of the key ways that can be used to fund the poor and eradicate poverty (Hulme, 2000). However, over time, as issues of loan repayment defaults, over indebtedness and the debt trap were experienced, more questions were raised about whether or not microfinance is indeed a friend or a foe of SMME businesses and the poor (Hulme, 2000). Interest rates indicate the full costs of obtaining credit (Dube, 2013). When this cost is high, businesses are obligated to use more of their cashflow towards the repayment of loans (Dube, 2013). This means that these high interest rates take away businesses funds which would otherwise have been used for funding the working capital needs of the business. They also disable the owners from being able to re-invest into the business in order to fund growth (Dube, 2013).

The contentious debate around microfinance pricing is also added to and supported by research from India. Findings reflected that the cost of microfinance incurred by SMMEs, was in fact so burdensome that it diminished the ability of the businesses to repay the loans, reducing their disposable income and thus stifling their prospects of proper growth (Mitra, 2009). In fact, some researchers have rather found microfinance not to be a propeller of poverty eradication and business growth for the poor. It in fact creates a cycle of indebtedness, where small business owners are so highly indebted that they obtain more microfinance loans only to repay existing loans, with bouts of these incidences having widely occurred in numerous countries including the UK and India (Bateman & Chang, 2012).

However. microfinance remains commended for its role in the starting up of SMME businesses. Yet it is in the same breath criticised as also being responsible, amongst other factors, for the business failure rates observed in the

SMME sector. Therefore, its uncompetitive pricing is seen as negating some of its gains (Nightingale & Coad, 2014). One of the biggest indictments against microfinance is that, in emerging market economies, it has increased the levels of over-indebtedness, leading to what is called loan bicycling, which means that SMME owners end up living to be able to repay the loans, instead of truly focusing on business expansion (Bateman, 2014). These are some of the factors that have driven the identification of the need to test the hypothesis set out below.

2.6.1 Hypothesis 2

Hypothesis 2: The cost of microfinance has a negative impact on the growth of SMMEs.

2.7 Gender moderation on the relationship between microfinance loans use and SMME growth

Different scholars have empirically studied the concept of microfinance, with findings which reflect that microfinance has a positive influence on socio-economic problems and on small businesses (Bin Mohamad, 2013; Qamruzzaman & Jianguo, 2019). A study done in Kenya on the impact of microfinance on women owned businesses found that the bulk of the respondents' business' had expanded since they took microfinance, with notable growth for those in farming (K'Aol, 2008). According to Mayoux (2006), microfinance has been a great tool in bringing about gender equality by affording more opportunities for women to be financially empowered. Her famous feminist empowerment theory research is largely based on microfinance dynamics for women owned businesses in developing economies (Mayoux, 2005).

In studies centred around microfinance and small businesses, there has been a recurring theme suggesting that gender plays a role in determining how effectively microfinance is used towards the growth of the businesses (Shahriar, et al., 2020). For instance, a study conducted in Bangladesh by Shahriar et al. (2020) showed that women are better able to repay microfinance loans,

regardless of other complexities that may be faced by their businesses. This stems from aspects such as trustworthiness to utilize and repay the loan timeously, an element that has had growing evidence showing that women are stronger on this than men (Shahriar et al., 2020).

Another study conducted in Sri Lanka specifically assessed the moderating effect of gender on the effective use of microfinance towards improving the performance of SMMEs. Results showed that this is influenced by a number of factors such as a gender effect on the impact of microfinance on the growth of SMMEs (Kumari et al., 2019). More specifically, the study found that the group of female respondents, were more successful at effectively using microfinance in the growth of their small businesses (Kumari et al., 2019).

Further findings in Ghana found that gender plays a significant role in moderating the effect of microfinance on the performance of female-led homes and SMMEs, for example, on psycho-social attributes which are typically applicable to each gender (Acheampong, 2018). This study argued that women achieve better returns from microfinance usage than men. This is because they are most often discriminated against, limiting their options for finance and therefore resorting to the use of microfinance loans, which they use with more prudency (Acheampong, 2018). Much earlier, a study done in Nigeria had similarly found that the approach women entrepreneurs have towards risk-taking moderates how they effectively use microfinance in their business operations (Ekpe et al., 2013). The quantitative research they conducted found that men, were more-risk loving than their female counterparts, landing them on more strategic misses in their entrepreneurial endeavours, which also reflect in how they would use microfinance (Ekpe et al., 2013).

2.7.1 Hypothesis 3

Hypothesis 3: Gender moderates the relationship between the use of microfinance loans and SMME growth.

2.7.2 Hypothesis 4

Hypothesis 4: Women owned SMMEs use microfinance loans more than their male counterparts.

2.8 Gender moderation on the relationship between microfinance cost and SMME growth

Globally, the general trend around interest rates is that of a surging nature, with few and far in-between instances of drops in the lending rate. This occurs in a phenomenon of known differences in interest rates applied to different groups in society, which is also found between the genders (D'espallier et al., 2013). There is almost a directly inverse relationship between the preference of women for the accordance of microfinance and the interest rates they are charged for taking them (D'espallier et al., 2013).

Historic lending practices seem to suggest a perception of higher risk where women entrepreneurs are concerned (Beck et al., 2011). This perception shows itself in the relatively more cumbersome collateral requirements and more importantly, loan interest rates that are matched against microfinance received by women (Beck et al., 2011; D'espallier et al., 2013). This ironic trend continues despite research that has found that women are better at adhering to loan repayments than men (Shahriar et al., 2020).

This dynamic suggests that while gender plays a role in interest rates charged on women, there may be a consequential role that it also plays in how costs of microfinance affect SMME growth. Women owned entrepreneurs are faced with higher interest rates, despite receiving smaller loans than men (Belwal et al., 2012; D'espallier et al., 2013). This brings about the question of, when women have utilized the already smaller micro loans towards their SMMEs and made repayments that are calculated at higher interest rates, then how much money do they have remaining that can be utilized for business growth purposes?

This study argued that gender plays a moderating role in the relationship between microfinance costs and SMME growth, with women receiving the short end of the stick in terms of realising full potential of growth for their SMMEs. This imposed constraining dynamic may indicate that there is unchartered growth potential for female-owned SMMEs, especially given studies that have shown women to be more efficient at using microfinance for businesses (Acheampong, 2018).

2.8.1 Hypothesis 5

Hypothesis 5: Gender is a moderating variable for the impact of the cost of microfinance loans on the growth of SMMEs.

2.9 Conceptual Framework

The relationship between microfinance loan usage and costs and SMME growth is depicted on the conceptual framework further below.

Previous studies outlined the existence of a relationship between SMME growth, and the microfinance elements outlined in the below illustration (Christopher, 2010; Olowe et.al., 2013). Literature suggests that factors such as business turnover, profits, size, assets and employees may be directly linked to the manner in which the business is funded, which may at times prompt the use of microfinance (Shane, 2002; K'Aol, 2008). As stated in previous sections, microfinance and the role it plays on the possible growth of SMMEs has long been of interest to academics. However, limited studies have focused on the Gauteng Province (Babajide, 2012; Olugbenga & Mashigo, 2017). Even more limited is the investigation of gender and its impact on how microfinance works for the benefit and the performance of SMMEs.

The main dependent variables of this study which are shown on the below table are SMME growth. The growth of business is usually measured by assessing changes in turnover, the asset base, employment levels, productivity, profits and profit margins (Olawale & Garwe, 2010). Therefore, the conceptual framework reflects these under SMME growth, also discussed under section 2.3. However,

there was no individual hypothesis for each of these as the study is focused on measuring SMME growth as a whole. Their listing is only designed to emphasize some of the key indices of measuring business growth. These items and more were appropriately incorporated into the research instrument, as an aide to not only measure SMME growth, but also as a means to maximize response quality and clarity. The theories outlined under the theoretical foundation section inform the developed Conceptual Framework, which has microfinance loan usage and microfinance costs as the predictor variables and gender as a moderating variable, as shown below:

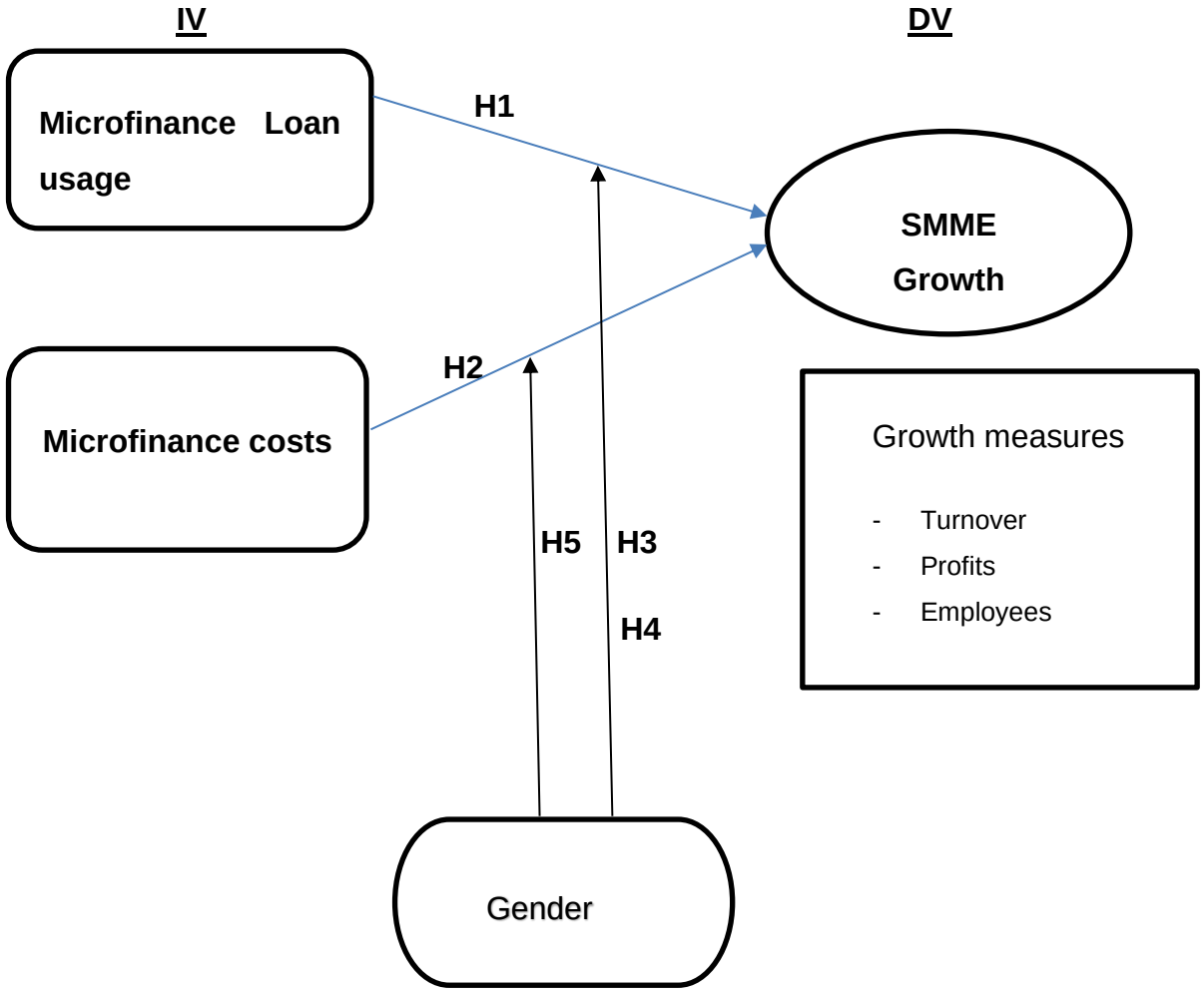


Figure 4: Conceptual framework

Source: Owner's construction adapted from Nimfa et al., (2021); Barrett-Conor et al., (1991), Shane (2002) and Mayoux (2006).

2.10 Conclusion of Literature Review

While the South African government is faced with various priorities including an ever-increasing unemployment which is at the level of 32.9%, inflation rate of 6.9% and slower-than-expected economic growth which was about 2% for the year 2022, there are other economic participants that can assist in helping to resolve these issues (Stats SA, 2022). Harnessing the growth of the SMME sector, which is a major job creator, can go a long way in meeting the government's poverty eradication strategies. The literature above has demonstrated that microfinance is one of the ways to SMME growth, by giving businesses access to funding that can help growth turnover, sales, profits, staff numbers and overall assets of SMMEs. However, some authors raise questions about the impact of the relatively high interest rates and microfinance costs applied by microlenders to SMME businesses on the growth of these SMMEs. Literature has shown that when these interest rates are left unabated, they can slow the growth of SMMEs or even worse yet, they can lead to the total failure of the businesses. Therefore, even though it can be confirmed by the literature above that there is a positive relationship between the granting of microfinance loans and the growth of SMMEs, literature also seems to suggest that there is an inverse relationship between microfinance costs and the growth of SMMEs. This study allowed the researcher to delve deep into better understanding the dynamics of these relationships, primarily for the benefit of both SMMEs and micro-lenders.

Table 3: Summarised Consistency Table: Research questions

RQ #	State Research Question	State Hypothesis
1	What impact does the use of microfinance loans have on the growth of SMMEs?	H1: The use of microfinance loans has a positive impact on SMME growth.

2	To what extent does the cost of microfinance have an impact on the growth of SMMEs?	H2: The cost of microfinance has a negative impact on the growth of SMMEs.
3	What effect does gender have on the impact of microfinance loans on the growth of SMMEs?	H3: Gender is a moderating variable for the impact of microfinance loans on the growth of SMMEs.
4	What is the difference between men and women in their use of microfinance loans for SMME growth?	H4: Women owned SMMEs use microfinance loans more than their male counterparts.
5	What is the effect of gender on the relationship between microfinance costs and SMME growth?	H5: Gender is a moderating variable for the impact of the cost of microfinance loans on the growth of SMMEs

CHAPTER 3. RESEARCH METHODOLOGY

3.1 Introduction

This chapter's focus is the research methodology which will be outlined through the following sections: The study area, population, sample size and sampling procedure, research design, data collection, data analysis, objectives and how they were measured. The study followed a quantitative analysis approach.

3.2 Research approach

As stated above, this study followed the quantitative research approach. This approach was deemed to be the most apt for what is being investigated here, based on the theoretical assumptions, the research design and the data collection methods considered as best for this study. According to Jeffries et al. (2019) in quantitative research, a hypothesis is described as a statement or claim that can be tested, in reference to the correlation between dependent and independent variables. Hence this quantitative approach is well suited for this study where an investigation into the impact of microfinance loans use and microfinance costs on SMME growth was being measured. This approach also gave better odds of achieving statistical significance from the survey data analysis (Creswell, 2014).

The quantitative research approach was an apt fit for this study as it comprises of a range of methods that contain a systematic interrogation of social dynamics, using data in the form of numbers or statistics (Watson, 2015). Quantitative research is most suitable where the subject matter that is under investigation can be measured (Watson, 2015). In the case of this study, the core issue that was measured is the growth of SMMEs, which is measured both quantitatively and qualitatively. Creswell (2014) states that quantitative research is a research method that is mostly used for deductive research, where descriptive data is collected, the relationship between variables is assessed and hypotheses are tested. The variables that are assessed can be signified by numbers and therefore are suitable for statistical analysis (Creswell, 2014). This study was

carried out through a quantitative survey, which was designed to understand the moderating effect of gender on the impact of microfinance use on the growth of SMMEs, the applied approach was therefore positivist in nature. Positivism is a predictive ideology about studies whereby there is a strong cause and effect dynamic, with the causal element under investigation in this study being microfinance loans use and costs and the effect being the growth of SMMEs (Creswell, 2014). Positivism allows for the analysis of problems in such a way that an understanding can be derived over what influence an independent variable has on a dependent variable (Creswell, 2014). Garner et al. (2009) states that positivism asserts that science is the only basis for fact or true knowledge. Positivists strictly believe that only the data which is derived from observation assertion can be said to be meaningful knowledge (Garner et al., 2009). Positivist researchers are far removed from the respondents of the study, allowing for objectivity to take the centre of their analysis rather than personal opinion and feelings (Carson et al., 2001). This approach was beneficial in this study, allowing for an unbiased investigation of the relationship and impact of microfinance loans use and microfinance costs on the growth of SMMEs.

The decision to follow a quantitative approach was also based on the theoretical assumptions, the research design and the data collection methods that were anticipated to work best for the aims of the study (Creswell, 2014). This approach has given better odds of achieving statistical significance from the survey analysis, which helped to answer the core questions of this study which asked what is the impact of microfinance loans use on the growth of SMMEs and what is the impact of microfinance costs on that growth?

3.3 Research design

According to Creswell (2009), a research design is a plan or strategy for investigating a research problem to achieve the objectives by getting and analysing evidence that will answer the research questions. In short, it outlines the framework or structure of how the investigation is going to take place (Creswell, 2009). The study used a quantitative design and followed the positivist

paradigm that enables the explanation of the situation in question or illustrates the causal relationship among variables using deductive reasoning (Creswell, 2014). Leedy and Ormrod (2015) and Creswell (2014) both stated that quantitative research involves probing of situations in a structured way and drawing inferences using statistical instruments to analyse the data after which results can be generalized and replicated. Information about the subject under study is collected from a sample of a population using structured data collection instruments such as questionnaires, this enables quick collection of a large amount of data and ensures that the research objectives are achieved.

Descriptive survey design was used for this study to determine the influence of microfinance use and costs on the growth of SMMEs in Gauteng South Africa. This was used on SMME owners as a widely acceptable method of collecting information by interviewing and administering questions to a sample of individuals (Njeru & Orodho, 2003). The applied research design allowed the variables to be investigated just as they were with minimal distortions, despite the fact that these were assessed over a large population.

3.4 Data collection

The intent of this study was to reach the vast Gauteng SMME population, to achieve this the data was collected through a questionnaire designed in the Qualtrics online survey tool. In addition to the benefit of reach, this survey tool was also chosen so that the researcher could give the respondents convenience in terms of accessing the research questions (Yang et al., 2016). It is standard practice in social science studies for researchers to use surveys to collect data from SMMEs (Field, 2009; Ramukumba, 2014). Moreover, distributing a link for an online questionnaire made it possible for a large amount of data to be gathered from people in various and remote locations within a relatively short space of time (Rowley, 2014).

In this empirical study, a quantitative data collection was conducted, through the distribution of the research questionnaire to multiple SMMEs, with 197 responses received. The respondents were SMMEs from varying industries set across the different regions of Gauteng. To achieve this, the researcher engaged Gauteng based SMME structures and joined social media groups with Gauteng SMMEs to disseminate the survey to different platforms which included LinkedIn, Facebook and SMME support groups and databases. The two independent variables in this study are microfinance use and microfinance cost, while the dependent variable was SMME growth, and the moderating variable was gender.

3.5 Population and sample

3.5.1 Population.

The population for this study was SMME owners and managers in Gauteng, South Africa. A population is defined as the group that the research outcomes will be applied to (Frankel & Wallen, 2000). A population is made up of the individuals who meet specific criteria, or who have certain attributes that the researcher needs to assess and scrutinize (Frankel & Wallen, 2000). The population is the whole subset of persons who would possess the type of information required for the subject matter of interest (Gates et al., 2000).

The target population for the study consists of Gauteng province SMMEs in the five regions of Johannesburg, Tshwane, Ekurhuleni, the West Rand and Sedibeng. It is difficult to precisely quantify the number of SMMEs in general, as some of these are unregistered and therefore undetected. Estimations of the total number of SMMEs in South Africa vary but according to a report by SEDA, as at the third quarter of 2020 there were 2 363 513. Of these, 783 410 were in Gauteng, being a percentage split of 33.1% (SEDA, 2021). As at the last half of 2022 this number is estimated to have grown to 2.6 million SMMEs across the country, despite the economic strains related to Covid-19 (OECD, 2022) These

numbers remain being just an estimate as they do not account for all SMMEs in the country nor in Gauteng, some of which are not registered (Fatoki, 2014).

The targeted SMMEs in this study were those specifically in the categories of the micro, very small, small and medium enterprises, thus excluding the pure survivalist businesses. The set criteria was that these businesses needed to have been in operation for at least one year. They had to have a history of using microfinance loans for at least six months, regardless of the amount. These SMMEs had to have no more than 50 employees with turnover levels of up to R10m. They needed to have the routine of keeping financial records in order to participate in the survey. The questionnaire incorporated these in order to ensure that only the SMMEs owners who met the requirements completed the survey.

3.5.2 Sample and sampling method

The sample was drawn from SMME linked organizations, SMME forums, groups and different social media platforms and SMME pages on Facebook that have a provincial reach of SMMEs. The sampling frame was made up of Gauteng based SMMEs that have been in existence for at least a year, keeping financial records, some of whom are on MFI databases or have a membership on the social media SMME groups and forums. This approach of using Gauteng microfinance organisations and SMME forums with a membership that has provincial representation helped to minimize the cost of conducting the research and to maximize the prospects of the fair and proper representation of all five Gauteng districts. These were groups, forums, organizations such as Monliv Consulting, Vaal Entrepreneurs, East Rand Small Business Networking, WIBAL and Kasi Small Business Ideas which had different levels of influence in the various regions of Gauteng. The study was angled for the simple random selection sampling method to be used to randomly choose the SMMEs that were to participate in the study. According to Sharma, a random sample is a group of individuals selected from a larger group which is the population. The chosen sample units have the same probability of being selected at any point, thus reducing the odds of bias (Sharma, 2017). The sampled SMMEs were reached through various social

media platforms which include WhatsApp on which 500 contacts and groups were sent the survey link. The objective of this was to avoid excluding those who are not linked to any known organizations. The advantage of this sampling approach is that all SMMEs within the sampling frame had the same odds of being selected. This method therefore ensured that the sample would be more representative, while reducing the sampling error and bias (Creswell, 2014).

Given that factor analysis and multiple regression analysis were planned for this study, there is a recommended minimum for sample sizes and different techniques are followed to derive it. Each of these has its own rules of thumb for what is considered to be the optimal sample size. However, all of them recommend having a bigger sample size (Field, 2013). According to Galawe (2017) the best way to determine the sample size is by looking at the ratio of participant/ variable. Scholars recommended having between five and ten participants per variable up to a total of 300 (Galawe, 2017). Hair et al. (1995) suggested using a ratio of 20 to 1. Over and above the many recommended approaches, the common approach in literature has been to use 10 – 15 observations per variable (Field, 2009). Tabachnick and Fidell (2003) recommend an optimal size of 300. While Comrey and Lee (1992) state that a sample size of 1 000 is excellent, 300 is good, 200 is fair and 100 is average and acceptable. The target sample in this study was based on the minimum requirements for an acceptable sample, which is 100 participants, 100 for these types of studies is considered to be typical (Younus et al., 2015). It must be noted that though the population of SMMEs is vast, not all these business have used microfinance. The sample therefore comprises of only those businesses which have either used microfinance in the recent past or are currently using it. This sample size meets the minimum requirements of what is acceptable and it is in alignment with the recommendations from literature.

3.6 The research instrument

A survey questionnaire was the research instrument that was used to elicit data with the aim of answering the questions of this study. A questionnaire is made up

of statements and questions which are designed to obtain responses from the participants of the research in a uniform way (Bhattacherjee, 2012). The questionnaire was formulated, evaluated and validated to ensure specific consideration of the impact of the cost and usage of microfinance loans on SMME growth. The survey is comprised of closed-ended questions, which require the respondent to choose a response from a list of possible answers, as given by the researcher (Creswell, 2014).

The questionnaire utilises a seven-point Likert scale to enable respondents to express their response to each of the microfinance and SMME growth related questions. The first Likert scales were formulated in 1932 as the five-point responses that became well known over time (Allen & Seaman, 2007). As more research was conducted, the seven-point scale was used as well, and was found to achieve a higher range of the scale's reliability as a wider scale tends to derive more response depth compared to a narrower range (Allen & Seaman, 2007). The response options on the questionnaire are: Strongly Disagree, Disagree, Somewhat Disagree, Neutral, Somewhat Agree, Agree and Strongly Agree. Where the question pertains to the quantification of an element such as revenue, percentage parameters were given in order for the respondent to select the most appropriate extent of the percentage change. The responses therefore outline whether the measured elements of growth have substantially declined, moderately declined, marginally declined, remained unchanged, marginally grown, moderately grown or substantially grown. The research instrument was designed in a way that would aid the researcher to find answers to the questions of the study, in order to improve the odds of landing on more accurate findings. The questionnaire, which is available under Appendix A, was distributed to Gauteng SMME owners and managers. Below is a summarised version thereof.

Table 4: Summarized Research Instrument

High-Level Factors	Constructs	Sections	Qs	Measurement Scales	Variables	References

Selection Criteria	SMME	A	Q1-Q3	Continuous	Other	(Jordaan & Coetzee, 2021)
Demographics	Businesses & Gender	B	Q4-Q9	Ordinal	CV	(Ahiabor, 2013)
SMME Growth	Growth/ Performance	C	Q10	Ordinal	DV	(Dalborg et al., 2012)
Microfinance Loans usage	Funding/Capital	D	Q11	Ordinal	IV	(Olowe et al., 2013)
Microfinance Costs	Interest Rates	E	Q12	Ordinal	IV	(Roberts, 2013)

IV-Independent Variable, DV-Dependent Variable, CV-Control Variable, See Appendix B for detailed questionnaire.

Source: Primary data

3.7 Procedure for data collection

Questionnaires were initially distributed through a link to SMMES through SMME-oriented organisations which include but are not limited to SEFA, SEDA and CEDE Capital. However cumbersome protocols for these organizations including work from home policies made it difficult to facilitate proper data collection. As a result of this, there were difficulties with response rates but the other approach of using social media SMME groups and platforms assisted in increasing the number of responses. The researcher joined different Gauteng based SMME groups on Facebook. In addition to this LinkedIn and WhatsApp were also used to spark a new wave of responses by posting the survey link bi-weekly. Over time the researcher approached smaller SMME support forums and organizations which accepted the link through emails for distribution to the SMMEs in their email

databases. Two of these organizations requested that printed copies of the questionnaire be sent so that they may give walk-in SMMEs the option to participate in the survey. These responses were then collected and captured. This was for SMMEs in the Vaal and outskirts of Pretoria. The rest of the regions used the emailed link option. Emailing a link to the questionnaire has been affirmed as one of the approaches that are better in terms of maximizing response rates (Baruch & Holtom, 2008). The empirical evidence that was gathered to test how microfinance impacts the growth of SMMEs was based on various matrixes such as firm size, age of business and other important factors that are relevant in delineating the nature of the relationship between microfinance loans use, cost and the growth of SMMEs.

The detailed process that was followed for both organisations and social media when collecting the data was as follows:

1. Chairpersons/Decision makers of the eight small business organisations were contacted telephonically and by e-mail, to request participation of their members.
2. Once permission was verbally granted, an official formal letter explaining the purpose and importance of the research was emailed to the chairpersons and members concerned. This e-mail included the consent form, explanation of the study and the link to the survey. These engagements were met with both positive and apprehensive responses, with seeming difficulty presented by the hybrid working conditions with some key decision makers working from home, while others were office based. This prevented the final step of obtaining written organizational letters consenting to the survey distribution in time for ethical clearance. The survey links were still sent to the key individuals to distribute at their own discretion.
3. The alternative of approaching smaller organizations, forums and groups was then explored. These were largely comprised of organizations that work with and for the objectives of developing the SMME market.

4. On Social Media Networks like Facebook, LinkedIn and Twitter, the link was posted on a weekly basis requesting entrepreneurs to complete the survey. The link has an introduction letter which provides all the details and explanation of the study.
5. Follow-ups were done at two-week intervals, through both the SMME linked organizations, forums and the social network platforms.

3.8 Validity and Reliability

In order for research to be of good quality, it needs to go through a process which confirms its legitimacy (Wium & Louw, 2018). In this study, where quantitative data was collected, the process of assessing the validity and reliability of data for the study was conducted through the use of the Confirmatory Factor Analysis (Subedi, 2016). Validity refers to the degree to which a research instrument measures what it purports to measure (Mugenda & Mugenda, 2003). In this study, the CFA was utilized to evaluate whether the questions, statements and items that fell under the different constructs of the study which are microfinance loans use, microfinance costs and SMME growth, actually align to the constructs they were set to measure. While reliability is about how dependable consistent and repeatable the results are (Zohrabi, 2013). Therefore, reliability in essence means that the results found from a certain population will not change even if that data was collected by another researcher (Zohrabi, 2013).

3.8.1 External validity

External validity is measured by the generalizability of the study results beyond the study sample (Kothari, 2004). The use of random sampling gave good odds of the results of the study being generalized onto other SMMEs. The sample size which was greater than 30 was good enough to satisfy the requirement of generalizability of the results to the population (Field, 2013). That being said, given that this study was restricted to Gauteng SMMEs though, other provinces may have their own unique characteristics which may require that the questionnaire be modified to fit their particular circumstances more aptly.

Therefore, this specific study may reasonably be generalizable to other SMMEs within Gauteng Province even though some findings may apply to other South African provinces.

3.8.2 Internal validity

The internal validity of the study is defined as its ability to measure exactly what it is supposed to measure (Kothari, 2004). The questionnaire administered in this study was developed through the reviewed literature and the adoption of elements from other researchers. It was first validated with the assistance of subject matter experts that analysed the suitability of the questionnaire for the specific investigation of the moderating effect of gender on the impact of microfinance loans use on the growth of SMMEs. Additional to that construct validity was conducted as a further measure of whether the items in the research instrument truly measured microfinance loans use, Microfinance costs and SMME growth (Stone, 2019).

Factor analysis was used to ensure construct validity. This analysis approach is a multivariate statistical process which reduces many variables into a smaller number of variables. It also establishes underlying dimensions between measured variables and latent constructs, thereby allowing the formation and refinement of theory. Lastly, it provides construct validity evidence of self-reporting scales (Williams et al., 2010). In this study, Confirmatory Factor Analysis (CFA) was most appropriate to confirm construct validity. CFA works well where the investigator has a prediction of the nature of the variables that may be involved, and therefore the analysis confirms that hypothesised notion (Williams et al., 2010). CFA is an arithmetical method that validates the factor structure, where the researcher can apply what they know from literature to make assumptions on the outline of the relationship before testing and then to statistically test the hypothesis (Suhr, 2006). In this research where the literature had already led to the deduction of certain hypotheses, the CFA allowed the researcher to confirm whether or not the main dimensions of the study are in alignment with theory (Williams et al., 2010).

3.8.3 Reliability

Reliability is all about the correctness and exactness of a measurement procedure, such that it produces consistent outcomes (Kothari, 2004). When a research instrument measures something the same way on every occasion under the same circumstances with the same respondents, then it can be said to be reliable (Adams et al., 2007; Jain, 2021).

In this study, Cronbach's alpha was used to measure reliability. Cronbach's alpha is the most commonly used way of assessing the reliability in research today (Bonett & Wright, 2015). Cronbach's alpha measures the extent of relatedness in elements of a research instrument (Bonett & Wright, 2015). The range of Cronbach's alpha reliability coefficient is typically between 0 and 1, even though there is no actual limit to the coefficient (Gliem & Gliem, 2003). Where the assessment has yielded a result of the Cronbach's alpha coefficient being as close to 1 as possible, then internal consistency of the items in the scale is considered to be greater as that will be reflective of the strong relationships between the items (Gliem & Gliem, 2003).

3.9 Data analysis and interpretation

The data as derived from the responses to the questionnaire was checked and prepared for entry. Data analysis was conducted on SPSS version 28 and descriptive statistics was performed to screen the data and identify variables that might have errors. SPSS allows for the data to be entered as a data matrix after being coded accordingly as numerical and categorical data (Plonsky & Ghanbar, 2018). First the study had to address the issue of missing values. While there are many ways that missing data can be dealt with on SPSS, which encompass exclude cases listwise, exclude cases pairwise, and mean (Pallant, 2010). In this analysis, the questionnaires with a lot of missing values were identified and deleted from the dataset. The initial dataset included the total number of 197 cases; however, 59 cases were removed, and the remaining 138 was used to analyse the data.

The data analysis was conducted through the use of different statistical techniques. Descriptive statistics, Partial-Least-Squares regression method, correlation analysis and moderation analysis were used to test the hypotheses of the study (Hayes & Rockwood, 2017; Ott & Longnecker, 2015).

The descriptive statistics made it possible to assess the main tendency of the responses on scaled items (Mishra et al., 2019). Central tendency measures were used to conduct the descriptive analysis of the various constructs involved in the study (Mishra et al., 2019). A seven-point Likert scale was employed in the study. This was used to measure SMME growth, microfinance loans use and microfinance costs.

SMART-PLS was used to test the hypotheses, and to identify and estimate a Structural Equation Model (SEM) (Wong, 2013).

Correlation analysis: Within this analysis, the correlation analysis was to evaluate the relationship between both microfinance loans use; microfinance costs and SMME growth and these results were deducted (Gogtay & Thatte, 2017).

A moderation analysis was done to determine whether or not gender moderates the relationship between microfinance loans and microfinance costs and SMME growth (Hayes & Rockwood, 2017; Memon et al., 2019).

Table 5: Summary of data Analysis method per hypotheses

Hypotheses	Analysis

<table>
<tr><td>Hypothesis 1: The use of microfinance loans has a positive impact on SMME growth.</td><td rowspan="2">In order to assess the impact of microfinance loans use on the growth of SMMEs, the study used a PLS regression model, which is a model that merges multiple linear regression and principal component analysis (Abdi, 2010). This model aims at analysing an estimating dependent variable that are grouped, from a group of independent variables (Abdi, 2010). PLS-regression uses a linear multivariate model to study the relationship between two data sets X and Y (Wold et al., 2001). The key advantage is its ability to evaluate several, one-dimensional and obstreperous X variables while concurrently providing multiple responses for the dependent variables (Wold et al., 2001).

In this study, microfinance use and microfinance costs are the independent variables and the growth of SMMEs is the dependent variable. The PLS, which is also referred to as the generalized multiple linear regression is appropriate for this study for it also requires the evaluation of simultaneous impression of a number of independent variables on a dependent variable (Hair et al., 2014).</td></tr>
<tr><td>Hypothesis 2: The cost of microfinance has a negative impact on the growth of SMMEs.</td></tr>
<tr><td>Hypothesis 3: Gender is a moderating variable for the impact of microfinance loans on the growth of SMMEs.</td><td>Moderation analysis was also conducted, to investigate and establish the way in which gender (moderator) affects the relationship between the independent variables which are microfinance loans use and microfinance costs independently and the dependent variable that is SMME growth (Ramayah et al., 2018).

A variable that causes moderation is one that changes the relationship between the predictor and criterion variables, based</td></tr>
</table>

Hypothesis 5: Gender is a moderating variable for the impact of microfinance costs on the growth of SMMEs.	on the significance of its value in that connection (Holmbeck, 1997). Moderated multiple regression (MMR) analysis is one of the best measures to assess moderator effects (Dawson & Richter, 2006). This method leads to statistically testing two-way interactions by regressing a dependent variable Y on the independent variable X, the moderator variable Z, and the product (interaction) term of X and Z (XZ) (Dawson & Richter, 2006). In cases such as this study where the moderating effect is incorporated in the PLS path model, there is also a straight relationship from the moderating variable to the endogenous construct (Ramayah et al, 2018).
Hypothesis 4: Women owned SMMEs use microfinance loans more than their male counterparts.	A T-test was conducted to assess this hypothesis. A T-test is most appropriate for the comparison of the means of two different groups (Kim, 2015). This parametric test method was used since the sample complied with the requirements of independence, equal variance and normality (Kim, 2015). In this hypothesis the objective is to measure the difference in microfinance loan use between the two genders.

Source: References on table

3.10 Limitations of the study

The first limitation of this investigation into the impact of microfinance on the growth of SMMEs in the Gauteng Province of South Africa is that it omits other provinces with their unique dynamics for SMMEs. The second limitation of this study is that the quantitative research approach that is used makes the study prone to overlooking some elements that could have been better clarified through adding a qualitative layer to this study. If respondents could have been interviewed, then the study could have elicited more in-depth and revealing

responses. The third limitation of this investigation is that it covers only a period in time; therefore, it will not have the benefits of providing longitudinal effects.

Other limitations which are minor but pertinent considerations are as follows:

- The research instrument was in English, which is not the first language for some if not most of the SMME population and respondents. Perhaps even more valuable data could have been gathered if the questionnaire was in their vernacular, to minimize odds of possible misinterpretations of questions.
- There were time constraints to consider related to timelines between ethical clearance and final submission, which meant that only a limited amount of time could be accorded to data collection. This therefore limited the number of samples that could be studied.

3.11 Ethical considerations

The process of data collection was preceded by a stringent process of applying for ethical clearance from the University. This included the requirement to attend ethics training and to obtain a certificate confirming competence in ethics and data collection. The study was then conducted in alignment with those learnings and requirements, which protect the privacy and rights of the respondents. The research instrument was accompanied by a consent form that preceded the actual questionnaire. This form made clear the rights, confidentiality, and the meaning of participation for the respondents, enabling them to make an informed decision before consenting to being part of the study.

Respondents were afforded the space for complete anonymity, with questions posed to probe key elements without being personally invasive. As asserted in the ethical clearance application process, there are no gathered details of the participating SMMEs, owners or managers that have been exposed in the process of this study. The Protection of Personal Information Act (POPIA) which is designed to protect the personal information of South African citizens was duly

complied with, in all the various endeavours of obtaining data through the research survey instrument. The survey response data is stored in a password protected computer to prevent unauthorised access.

3.12 Chapter Conclusion

To conclude, this chapter focused on detailing the research methodology that was applied to obtaining the aims of this study. The approach of this research was a quantitative one, which aligns well with the theoretical assumptions of this study, which required the testing of variables based on the hypothesis. Data collection was done through the dissemination of a survey questionnaire by online means. The research instrument was an adaptation of various SMME studies done in the past, with a customization applied by the researcher based on the objectives if this research, the literature and subject matter expert advice. The population and framework for the sample was discussed, along with the process of engaging that sample for collection of the data. The application of ethics was also addressed to ensure optimum alignment with the relevant Regulations as well as the institution's ethical guidelines. Data analysis was conducted by way of PLS-SEM, the results as derived from this are presented in the next chapter.

CHAPTER 4. PRESENTATION OF RESULTS

4.1 Introduction

This chapter will lay out the results of the study. The study investigated the impact of microfinance loans, and microfinance costs on SMME growth in Gauteng province. This was overlaid with an evaluation of whether gender moderates this relationship between these two independent variables and the dependent variable. A conceptual model was developed and tested. The PLS-SEM was utilised to test the research hypotheses. This chapter starts off with preliminary analyses which were considered such as demographic, business characteristics, descriptive statistics then the reliability and validity analysis. Lastly, the core results of this study are presented.

4.2 Data Screening and Quality

A total of 197 responses were received from the disseminated online survey questionnaire, of these, 59 were excluded as they were incomplete. Thus, a total of 138 responses were analysed. Little's MCAR test was conducted to assess whether the rating variables that has missing cases were missing at random. The results revealed a Chi-Square of 318.666, DF = 286, Sig. = .089. This indicates that the missing values were missing at random since the p-value was greater than 0.05 (Van der Heijden et al., 2006). Thus, multiple imputation in SPSS was used to replace missing values for rating variables.

4.3 Demographic Profile of Respondents

The data which was collected quantitatively through Qualtrics brought about the demographic characteristics. Pie charts and histogram graphs are essentially used in this section to describe the demographic profile of the respondents. Demographics are broken into both business and personal characteristics, with

this section focusing on elements such as respondent gender, age range and highest level of education. The total sample size consists of 138 respondents.

4.3.1 Respondent Gender

The sample was made up of 40% males and 60% females. The results are represented in Figure 5. There were negligible responses for the non-binary/third gender and prefer not to say categories.

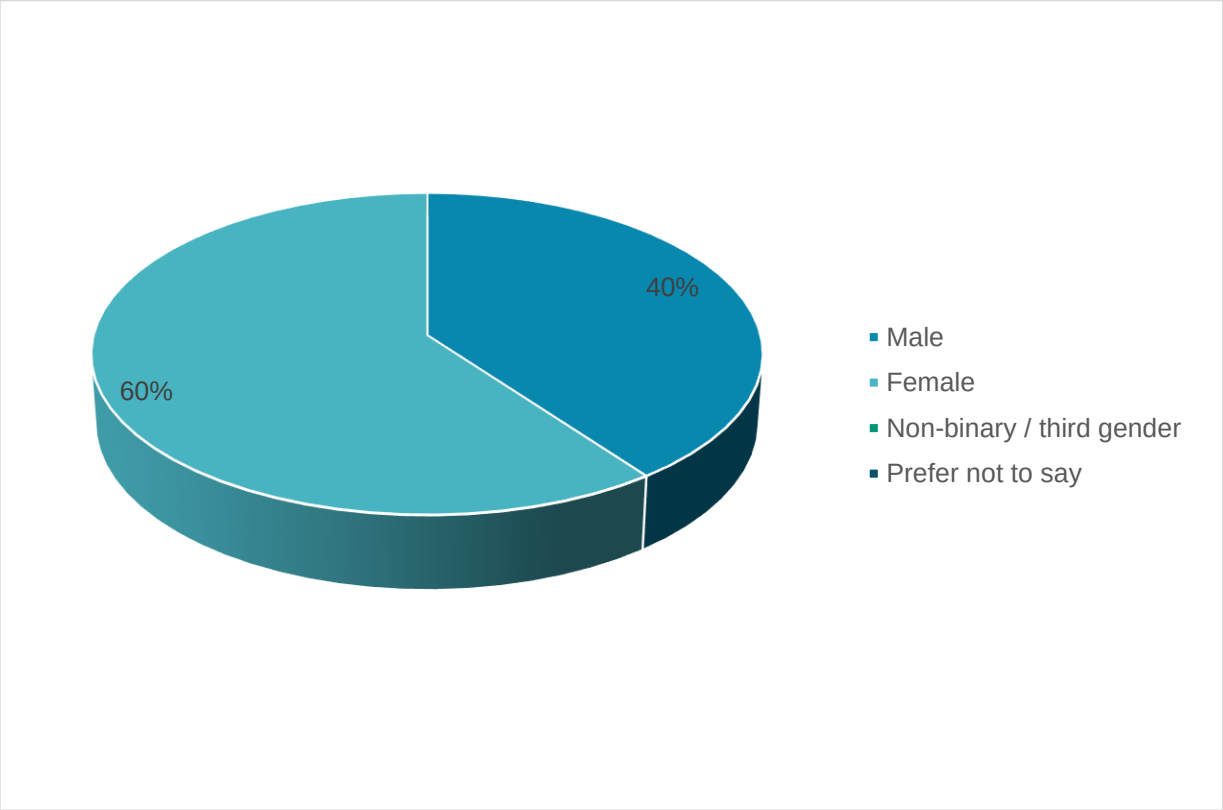


Figure 5: Respondent gender

Source: Primary data

4.3.2 Respondent Age

The majority of respondents were mainly in the 35 – 54 age group, constituting 64% of the sample. A proportion of 24% were aged between 18 – 34 while 12% were 55 years or older as illustrated in Figure 6.

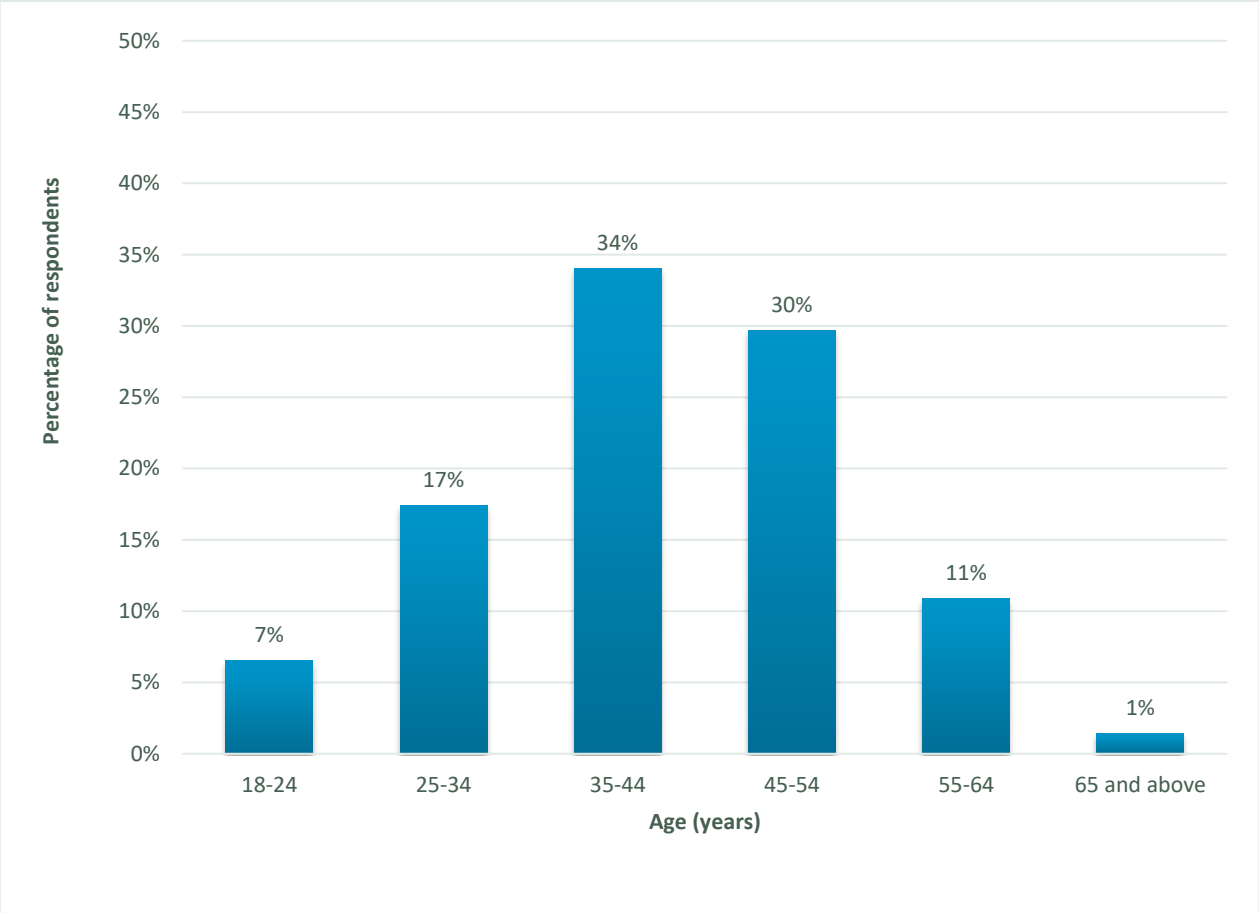


Figure 6: Respondent age

Source: Primary data

4.3.3 Level of education

As shown in Figure 7, 1 in every 3 respondents had a certificate / Diploma as their highest attained level of education, while 44% had a university degree or higher. Only 6% of the respondents had no formal education.

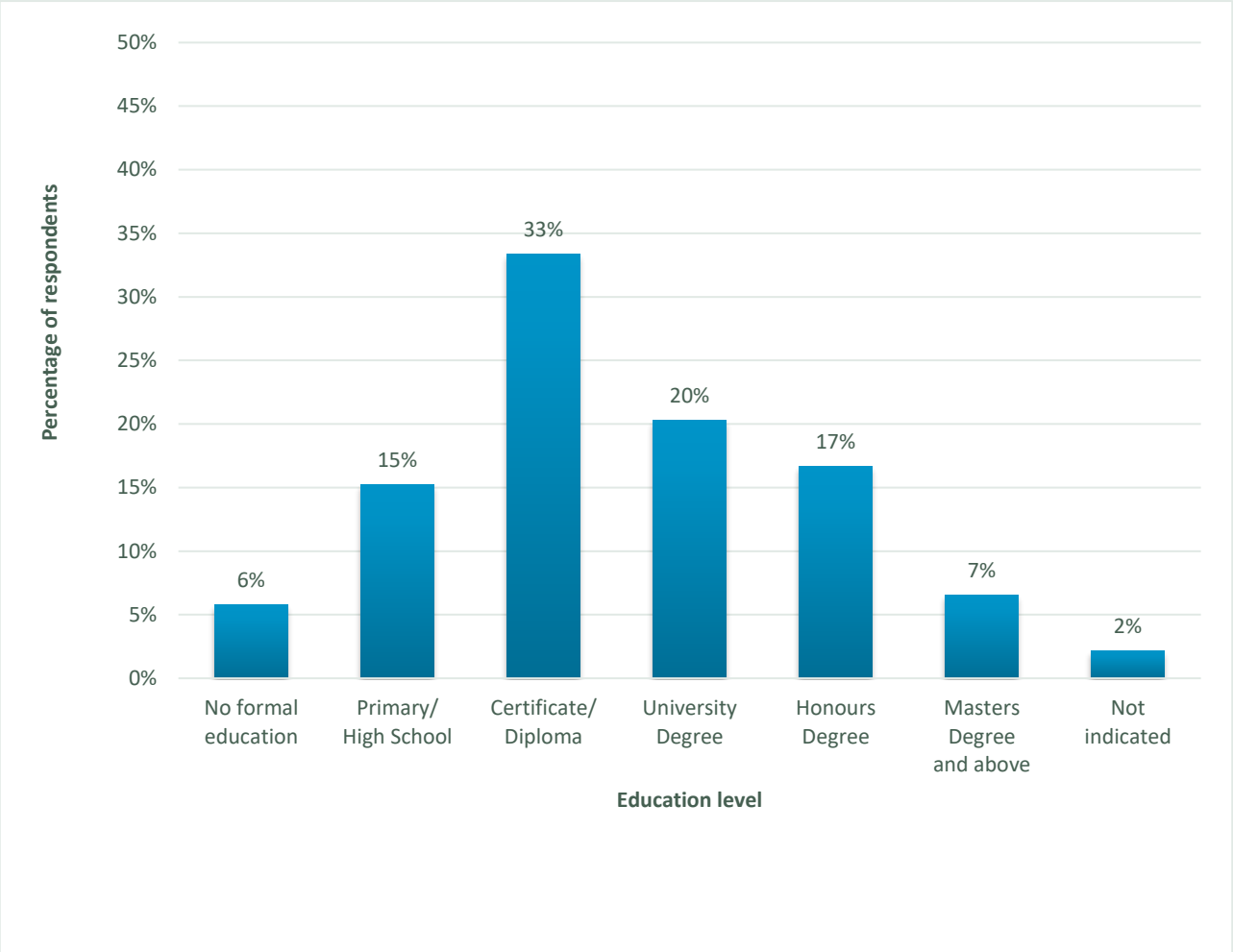


Figure 7: Respondent highest level of education

Source: Primary data

4.4 Business Characteristics

Business characteristics such as annual turnover, business age, time using microfinance and number of employees were explored. These are presented in this section.

4.4.1 Business Turnover

Close to half of the sample indicated that they had an annual turnover of less than R500 thousand (48%), 35% had between R500 thousand and 2.5 million while

the other 17% had between R2.5 – R10 million. These results are presented in Figure 8.

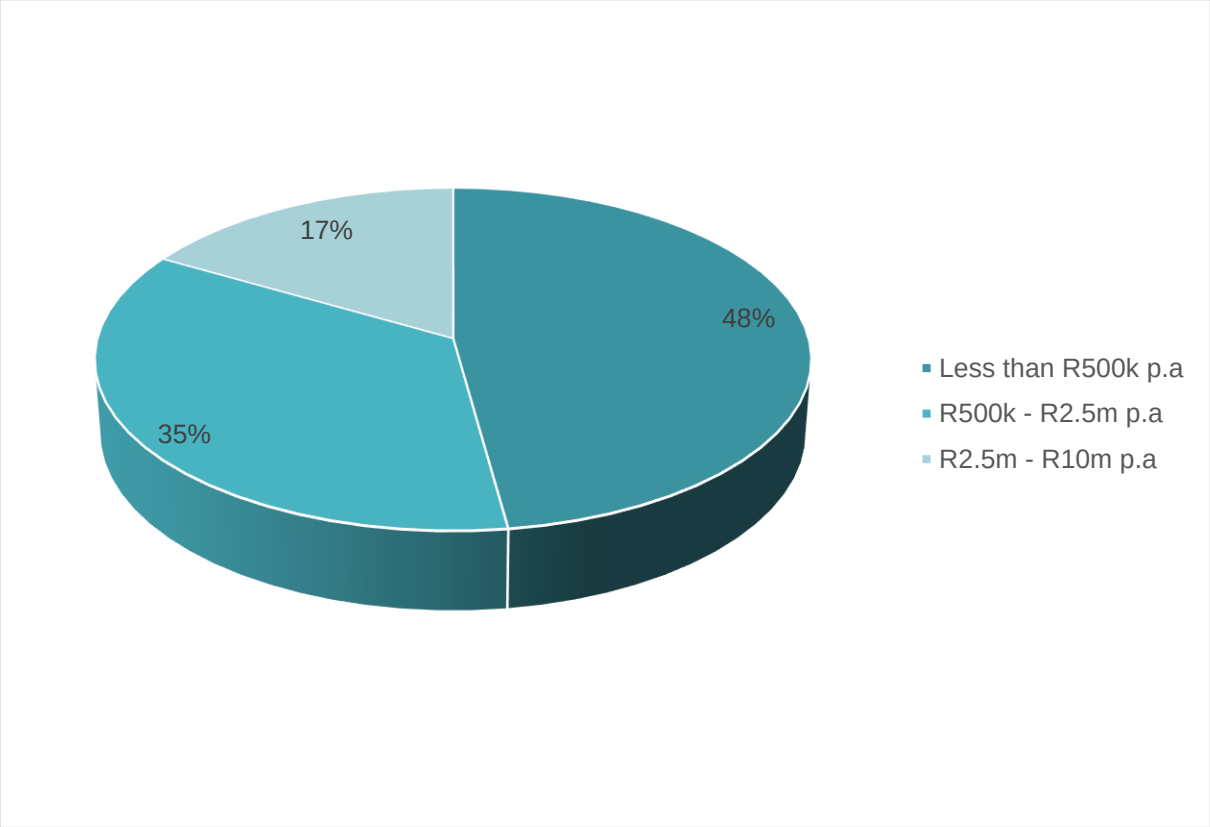


Figure 8: Business turnover

Source: Primary data

4.4.2 Duration of using microfinance

Most of the businesses represented in the sample indicated that they had been using microfinance for 6 months or more as shown in Figure 9.

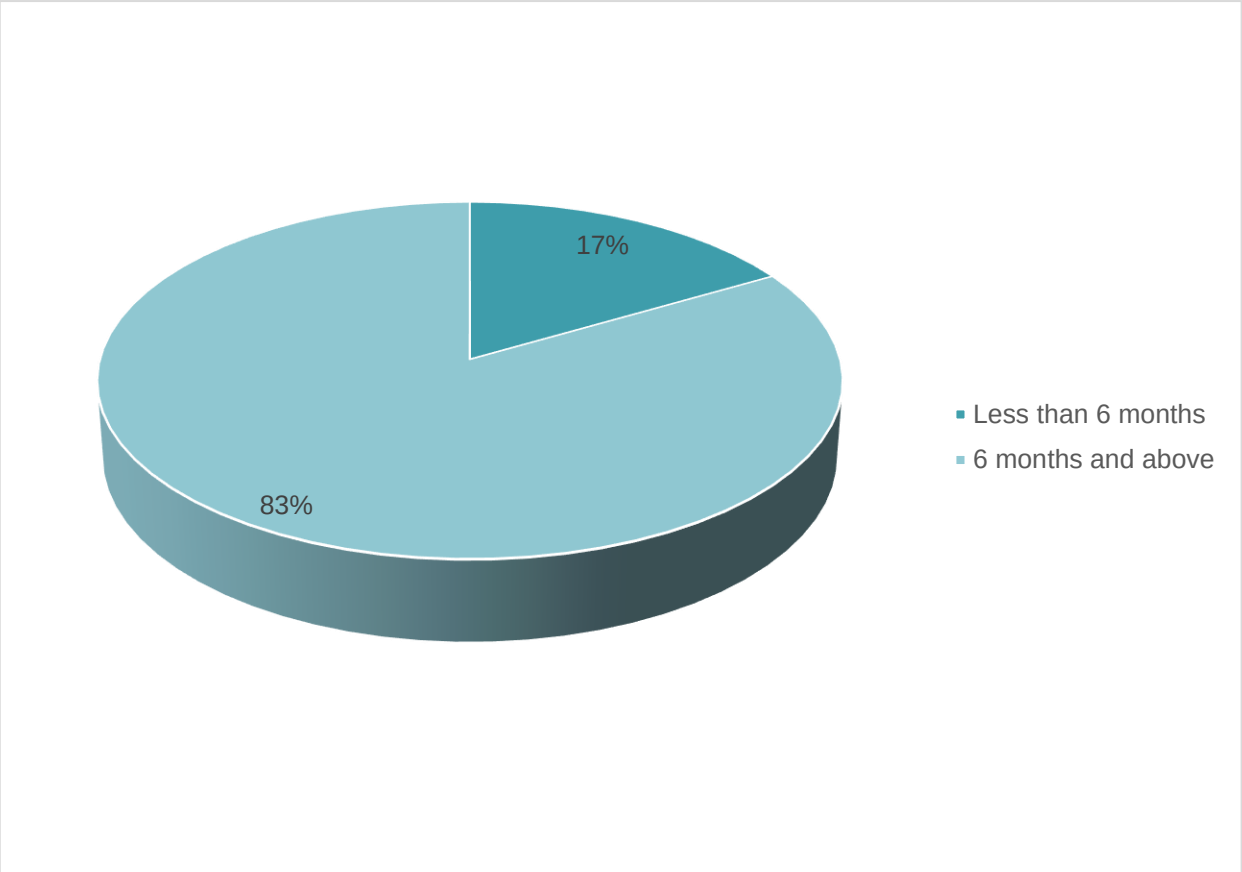


Figure 9: Time using microfinance

Source: Primary data

4.4.3 Business Age

The business in the sample had mainly been operational for 2 – 10 years (86%). There was 7% who had been in business for more than 10 years and only 2% had been in business for less than 1 year.

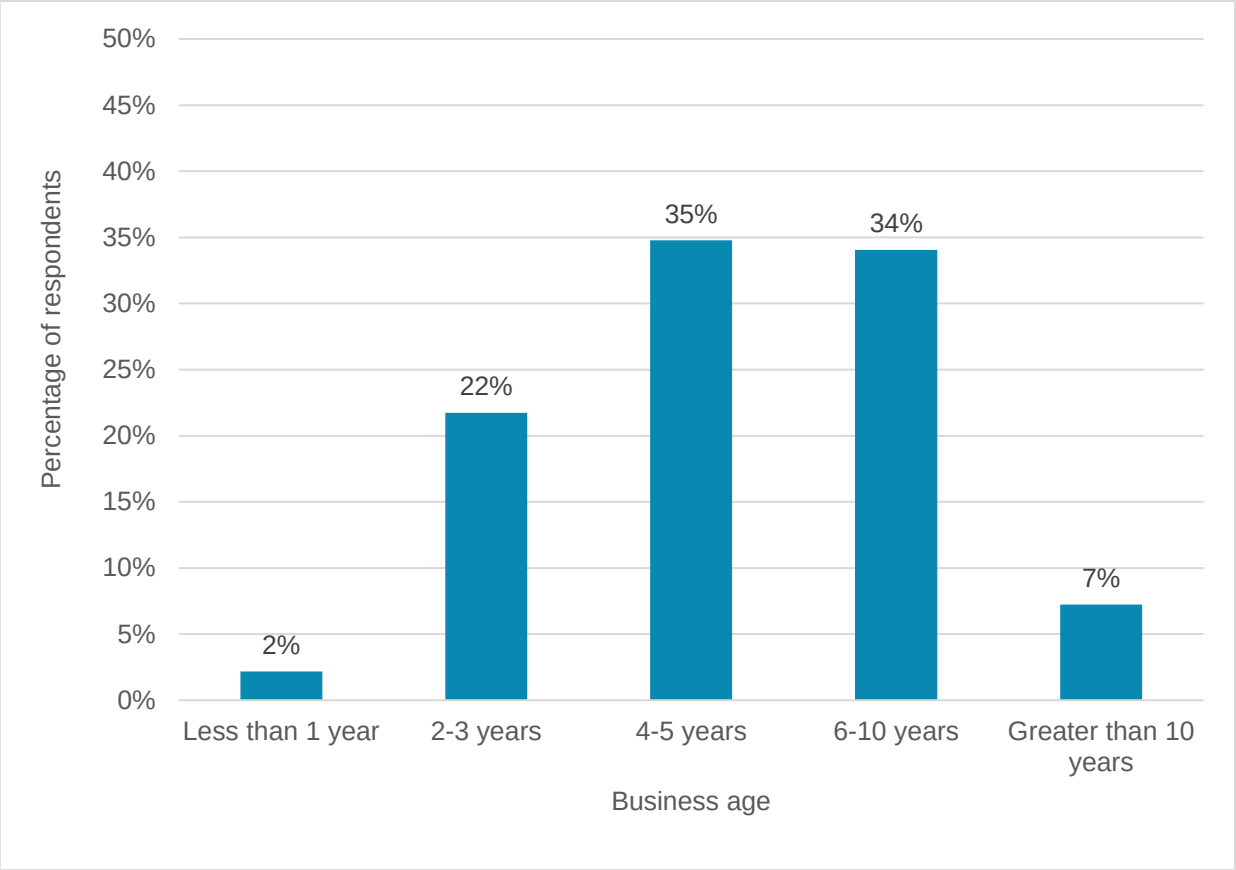


Figure 10: Business age

Source: Primary data

4.4.4 Number of employees

Most of the SMME respondents have between 1 and 10 people in their employ, these making up 79% of the sample. The remainder of the respondents made up 21%, with employees in the 11 to 49 range. There were no respondents with more than 50 staff members.

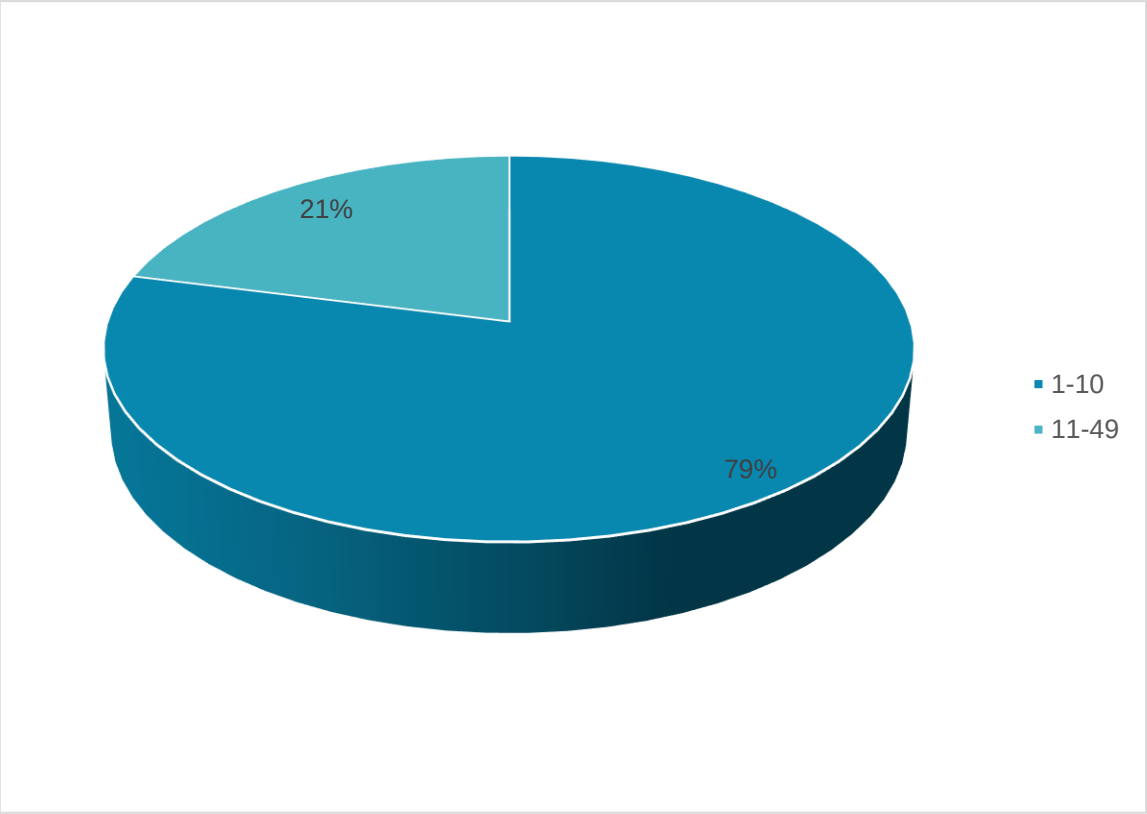


Figure 11: Number of employees

Source: Primary data

4.4.5 Industry

The results illustrated in Figure 12 show that 17% of the businesses were in transport, logistics, storage and communications, 12% in community social and personal services and 11% in tourism and hospitality and mining and quarrying respectively. Other industries had less than 10% representation, with Wholesale, Retail, Restaurants and Agriculture, Forestry and Fishing at a level of 9%, Construction at 8%, Manufacturing, Motor vehicles and Financial, Real Estate and Business Services industries at 6%, Electricity, Gas and Water Supply at 4% and other industries making up 9% of the sample.

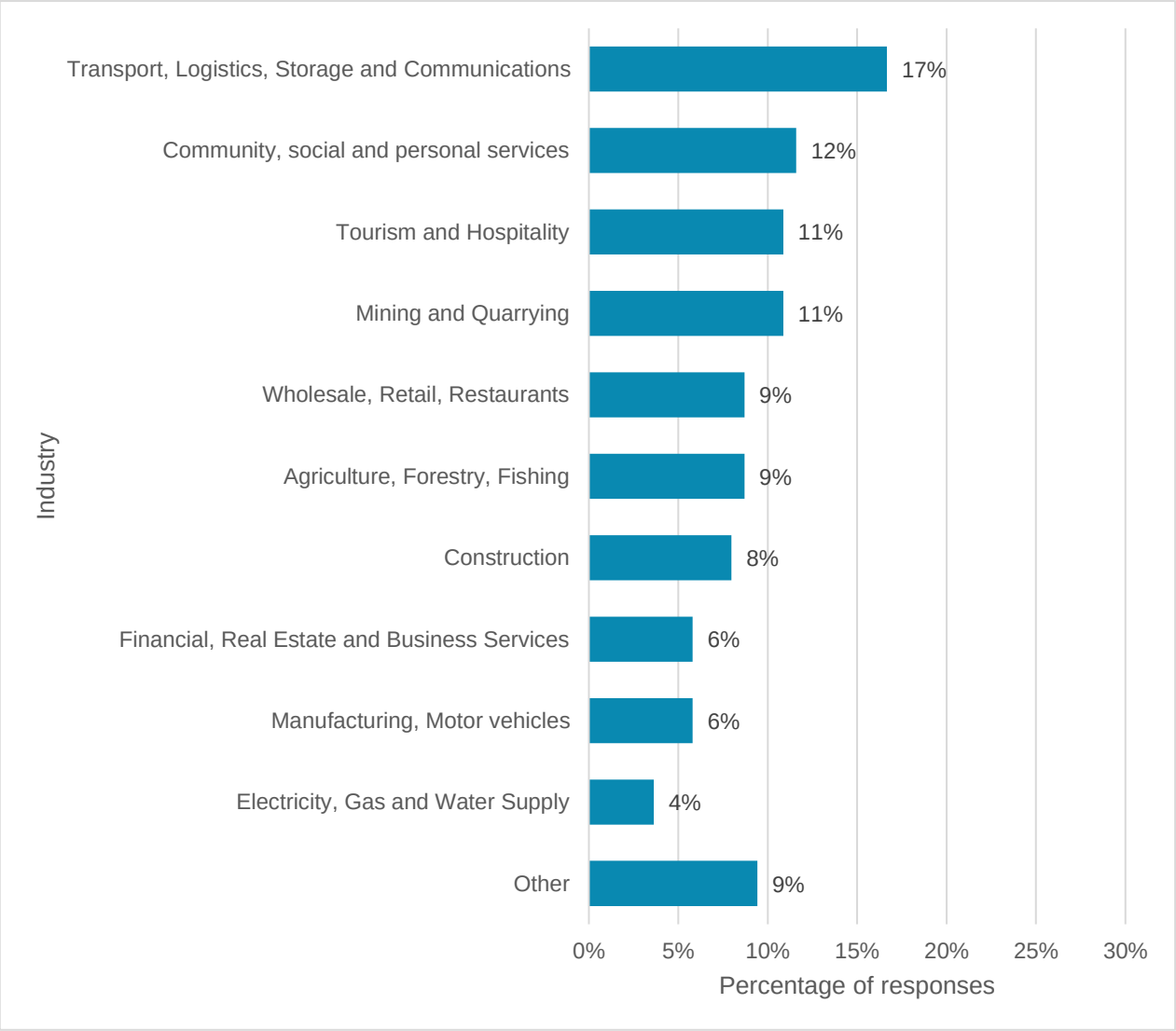


Figure 12: Industry

Source: Primary data

4.5 Descriptive statistics

Descriptive statistics that are based on the constructs of this study were analysed, and they are presented below.

4.5.1 SMME Growth

The descriptive statistics for SMME growth which is the response variable are presented below on Table 6. The results show that the respondents made high indications about the growth of their SMMEs, especially in the three areas of revenue (mean: 5.11), the quality of their service (mean: 5.09) and the business' marketability (mean: 5.08). As much as 81.9% of these respondents had experienced revenue growth from marginal, moderate to substantial levels. The areas of least business growth are business assets (mean: 4.78) and number of staff members (mean: 4.23). Though these are the lowest, the respondents still experienced some level of growth in them.

Table 6: SMME Growth – Descriptive statistics

	Declined substantially (over 20%)	Declined moderately (less than 20%)	Declined marginally (10% and less)	Remained the same	Grow marginally (10% and less)	Grow moderately (less than 20%)	Grow substantially (more than 20%)	Mean	Standard Deviation
SMEG_Q15_1 The business' efficiency	2.2%	2.9%	8.0%	15.9%	35.5%	27.5%	8.0%	4.94	1.30
SMEG_Q15_2 The quality of your service	1.4%	0.0%	4.3%	23.2%	34.1%	28.3%	8.7%	5.09	1.15
SMEG_Q15_3 The business' marketability	2.9%	1.4%	5.1%	15.9%	34.8%	29.7%	10.1%	5.08	1.29
SMEG_Q15_4 The customer base	2.9%	3.6%	5.8%	14.5%	34.8%	26.1%	12.3%	5.02	1.39
SMEG_Q15_5 The business' revenue	2.9%	5.1%	7.2%	2.9%	41.3%	26.1%	14.5%	5.11	1.44
SMEG_Q15_6 The business' profitability	3.6%	5.8%	7.2%	11.6%	29.7%	28.3%	13.8%	4.97	1.53
SMEG_Q15_7 Sufficiency of stock levels at all times	0.7%	5.1%	8.7%	24.6%	27.5%	23.9%	9.4%	4.83	1.33
SMEG_Q15_8 The number of staff members	3.6%	5.1%	10.1%	44.9%	21.0%	12.3%	2.9%	4.23	1.25
SMEG_Q15_9 Staff productivity	2.2%	3.6%	4.3%	26.1%	31.9%	23.2%	8.7%	4.86	1.30
SMEG_Q15_10 The assets of the business	0.7%	2.9%	10.1%	29.7%	26.8%	20.3%	9.4%	4.78	1.28
SMEG_Q15_11 The quality of the products	0.0%	0.7%	3.6%	29.7%	31.2%	23.9%	10.9%	5.07	1.09
SMEG_Q15_12 The attainment of the business' targets	2.2%	5.1%	10.1%	11.6%	34.8%	26.8%	9.4%	4.91	1.42
SMEG_Q15_13 The overall size of the business	2.2%	5.1%	8.0%	16.7%	31.9%	25.4%	10.9%	4.91	1.41

1 = Declined substantially; 7 = Grow substantially

Source: Primary data

4.5.2 Use of Microfinance Loans

One key criteria for the sampled SMMEs was their use of microfinance loans. According to these results, as much as 75.4% of the respondents not only use it but use it often. The rating for I use microfinance from time to time (more than once a year) was high, with a mean score of 5.17. In terms of whether microfinance loans are vital for their businesses the mean score was even higher at 5.63. The least response rate was derived on the assessment of access to microfinance loans, with the response "I can easily access microfinance loans" deriving a mean score of 4.58.

Table 7: Use of microfinance loans

	Strongly disagree	Disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Agree	Strongly agree	Mean	Standard Deviation
UoMFL_Q16_1 I can easily access microfinance loans	7.2%	10.9%	14.5%	6.5%	14.5%	37.7%	8.7%	4.58	1.83
UoMFL_Q16_2 I use microfinance loans from time to time (more than once a year)	7.2%	5.8%	4.3%	7.2%	13.8%	44.2%	17.4%	5.17	1.77
UoMFL_Q16_3 Microfinance loans are vital	2.9%	2.9%	3.6%	8.0%	10.1%	49.3%	23.2%	5.63	1.47

1 = Strongly disagree; 7 Strongly agree

Source: Primary data

4.5.3 Cost of Microfinance Loans

In order to assess the affordability of microfinance loans the statements below were used in the questionnaire. Based on the results, microfinance costs are considered to be expensive by the majority of the sampled population, giving this the highest mean score at a level of 5.05. The two converse statements of this were microfinance costs are affordable (mean: 3:20) and microfinance costs are fair (mean: 3.21).

Table 8: Cost of microfinance loans

	Strongly disagree	Disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Agree	Strongly agree	Mean	Standard Deviation
C0MFL_Q17_1 I can pay microfinance interest rates with ease	8.0%	19.6%	11.6%	6.5%	10.9%	37.0%	6.5%	4.30	1.93
C0MFL_Q17_2 I always pay microfinance loan repayments on time	5.8%	13.0%	9.4%	10.9%	13.0%	37.7%	10.1%	4.66	1.81
C0MFL_Q17_3 Microfinance costs have no major bearing on my disposable income	13.0%	16.7%	16.7%	15.2%	13.0%	19.6%	5.8%	3.80	1.85
C0MFL_Q17_4 My business' savings and cash reserves keep increasing year on year	5.1%	11.6%	16.7%	15.2%	19.6%	26.1%	5.8%	4.34	1.65
*C0MFL_Q17_5 Microfinance costs are expensive	4.3%	17.4%	4.3%	6.5%	11.6%	21.7%	34.1%	5.05	2.03
C0MFL_Q17_6 Microfinance costs are affordable	32.6%	18.8%	10.9%	3.6%	6.5%	23.2%	4.3%	3.20	2.14
C0MFL_Q17_7 Microfinance costs are fair	35.5%	15.2%	8.0%	6.5%	7.2%	24.6%	2.9%	3.21	2.15

1 = Strongly disagree; 7 Strongly agree

Source: Primary data

4.6 Common method bias test

In this study's analysis, the structural equation modelling through partial least squares was used. In that regard, the bias of common methods occurs when a measurement method applied in a study causes a bias (Kock, 2020). An exploratory factor analysis with all items measuring the constructs was conducted. This was used by forcing all the items into one factor, using the Harman's one-factor test (Fuller et al., 2016). The measurement of the outcome of the common methods bias test is the total variance explained (Kock, 2020). In this case, the total variance explained did not exceed 50%, implying that there was no common method bias.

Table 9: Total Variance Explained

Total Variance Explained						
Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	10.902	47.398	47.398	10.535	45.803	45.803
2	4.102	17.835	65.234			
3	1.480	6.436	71.670			
4	1.043	4.536	76.205			
5	.797	3.464	79.669			
6	.584	2.538	82.207			
7	.561	2.440	84.647			
8	.453	1.969	86.616			
9	.433	1.884	88.500			
10	.349	1.517	90.017			
11	.295	1.284	91.301			
12	.285	1.241	92.542			
13	.247	1.076	93.618			
14	.222	.967	94.585			
15	.208	.905	95.490			
16	.188	.816	96.306			
17	.180	.785	97.091			
18	.160	.696	97.787			
19	.137	.594	98.380			
20	.119	.519	98.899			
21	.092	.399	99.298			
22	.089	.387	99.685			
23	.072	.315	100.000			
Extraction Method: Principal Axis Factoring.						

4.7 Validity and Reliability Test

The purpose of this section of the chapter is to discuss the results of the validity and reliability tests that were done. The validity and reliability of the constructs was assessed through the use of the Confirmatory Factor Analysis (CFA). The CFA model was tailored to conduct these tests using Smart PLS. The model was

fitted with the hypothesised model with 3 items measuring microfinance loans usage, 7 items measuring microfinance costs, gender and 13 items measuring SMME growth. The variable gender was dummy coded such that Female = 1 and Male = 0. The items presented in Table 10 were used for assessing the model, relevant for both validity and reliability testing but also an integral part of the hypothesis testing that will be detailed in later sections.

Table 10: Summary of Constructs and loaded items used for SEM

Construct	Item Name	Item Label	Comment
SMME Growth	SMEG_Q15_1	The business' efficiency	
	SMEG_Q15_2	The quality of your service	
	SMEG_Q15_3	The business' marketability	
	SMEG_Q15_4	The customer base	
	SMEG_Q15_5	The business' revenue	
	SMEG_Q15_6	The business' profitability	
	SMEG_Q15_7	Sufficiency of stock levels at all times	
	SMEG_Q15_8	The number of staff members	
	SMEG_Q15_9	Staff productivity	
	SMEG_Q15_10	The assets of the business	
	SMEG_Q15_11	The quality of the products	
	SMEG_Q15_12	The attainment of the business' targets	
	SMEG_Q15_13	The overall size of the business	
Use of Microfinance	UoMFL_Q16_1	I can easily access microfinance loans	
	UoMFL_Q16_2	I use microfinance loans from time to time (more than once a year)	
	UoMFL_Q16_3	Microfinance loans are vital	
Cost of microfinance	C0MFL_Q17_1	I can pay microfinance interest rates with ease	
	C0MFL_Q17_2	I always pay microfinance loan repayments on time	
	C0MFL_Q17_3	Microfinance costs have no major bearing on my disposable income	
	C0MFL_Q17_4	My business' savings and cash reserves keep increasing year on year	
	C0MFL_Q17_5	Microfinance costs are expensive	Worded differently from the rest and require scale reversal
	C0MFL_Q17_6	Microfinance costs are affordable	
	C0MFL_Q17_7	Microfinance costs are fair	
Gender	Gender	Gender	Dummy coded: Female = 1, Male = 0

Source: Primary data

4.7.1 SMART-PLS Test Results

This section presents the results of the SMART-PLS. The hypothesised model is found in Figure 13 further below. The survey questionnaire that was responded to by the sample was tailored to precisely link to the variables under investigation. In figure 13 is the regression associated with each variable in how it relates to the dependent variable. The R 2 value for SMME growth is 0.438, which indicates the combined strength of the influence of independent variables on the dependent variable. Although there is no wide consensus on how to interpret the meaning of this as it will differ depending on the area of study and what is being measured, there is some agreement that a range between 0.3 and 0.5 is considered to be moderate, though a higher one is ideal (Allison, 2013; Hazra & Gogtay, 2016).

4.7.2 Hypothesised Model

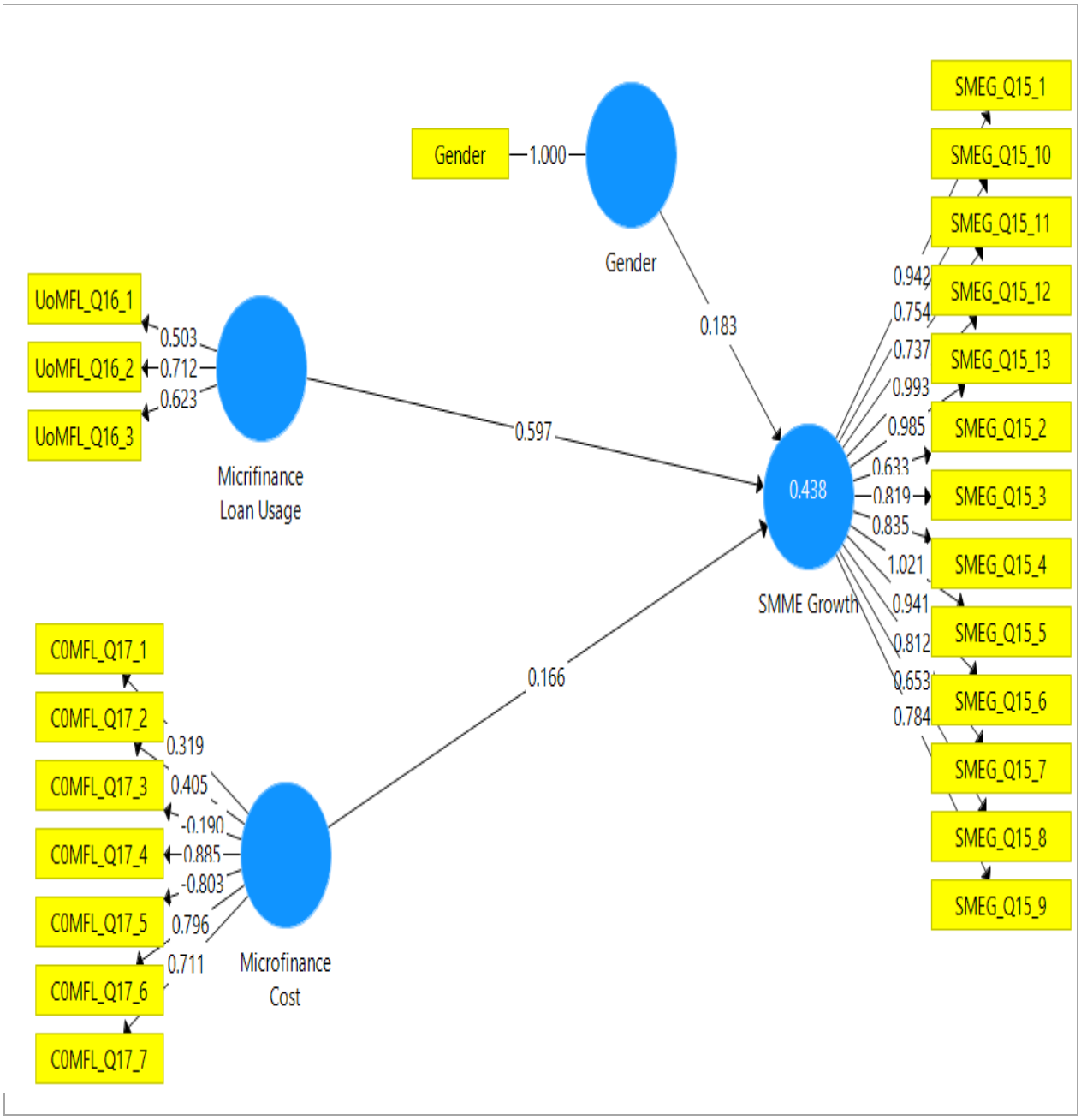


Figure 13: CFA: Hypothesised model

Source: SMART PLS

In table 11 below, the Scale Reliability and Validity results for the hypothesised model are presented. The results show that there was internal reliability for all the

constructs except for one, the Cronbach's Alpha values for all others were above 0.7, which is the minimum requirement. The one construct that was lower than this was Microfinance Loan Usage with a Cronbach's Alpha of 0.623. Although this is less than the ideal minimum, there is a perspective that a range between 0.6 to 0.8 remains acceptable (Ab Hamid et al., 2017; Gliem & Gliem, 2003).

The measure of convergent validity in this analysis is the Average Variance Extracted (AVE), which ideally should be above 0.5 (Ab Hamid et al., 2017). In this case, the Microfinance Loans Usage and Microfinance Cost constructs have values below that threshold, at only 0.383 and 0.410 respectively, therefore there was no convergent validity for these variables. Based on these outcomes, the indication is that there was a need to prune some items from the model in order to improve reliability and validity. That being said, there was generally divergent validity as the diagonal elements of the Fornell-Larcker Criterion presented in Table 12 were greater than than the off diagonal correlatsions with other constructs.

Table 11: Scale Reliability and Construct Validity: Hypothesised model

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Gender	1.000	1.000	1.000	1.000
Microfinance Loan Usage	0.623	0.661	0.646	0.383
Microfinance Cost	0.705	0.878	0.522	0.410
SMME Growth	0.971	0.977	0.970	0.719

Table 12: Fornell-Larcker Criterion: - Hypothesised model

	Gender	Microfinance Loan Usage	Microfinance Cost	SMME Growth
Gender	1.000			
Microfinance Loan Usage	-0.272	0.619		
Microfinance Cost	-0.321	0.501	0.640	
SMME Growth	-0.033	0.630	0.406	0.848

Factor loadings presented in table 13 show that there were some factor loadings that were less than 0.4 absolute value. This indicates that they were not loading highly onto their factors. The item C0MFL_Q17_5 had a factor loading of -0.803, which means that it required scale reversal.

Table 13: Outer Loadings: - Hypothesised model

	Gender	Microfinance Loan Usage	Microfinance Cost	SMME Growth
C0MFL_Q17_1			**0.319**	
C0MFL_Q17_2			**0.405**	
C0MFL_Q17_3			**-0.190**	
C0MFL_Q17_4			**0.885**	
C0MFL_Q17_5			**-0.803**	
C0MFL_Q17_6			**0.796**	
C0MFL_Q17_7			**0.711**	
Gender	**1.000**			
SMEG_Q15_1				**0.942**
SMEG_Q15_10				**0.754**
SMEG_Q15_11				**0.737**
SMEG_Q15_12				**0.993**
SMEG_Q15_13				**0.985**
SMEG_Q15_2				**0.633**

SMEG_Q15_3				0.819
SMEG_Q15_4				0.835
SMEG_Q15_5				1.021
SMEG_Q15_6				0.941
SMEG_Q15_7				0.812
SMEG_Q15_8				0.653
SMEG_Q15_9				0.784
UoMFL_Q16_1		0.503		
UoMFL_Q16_2		0.712		
UoMFL_Q16_3		0.623		

The item COMFL_3 was eliminated as it had a very low factor loading while the scale for COMFL_5 was reversed (1=7, 2=6, 3=5, 4=4, 5=3, 6=2, 7=1) as it was worded negatively compared to other items in the construct. The new variable was labelled COMFL_5_R. It was also noted that COMFL_1 and COMFL_2 made their own construct which was a sub-construct of microfinance cost. The pruned model is summarised in the chart below.

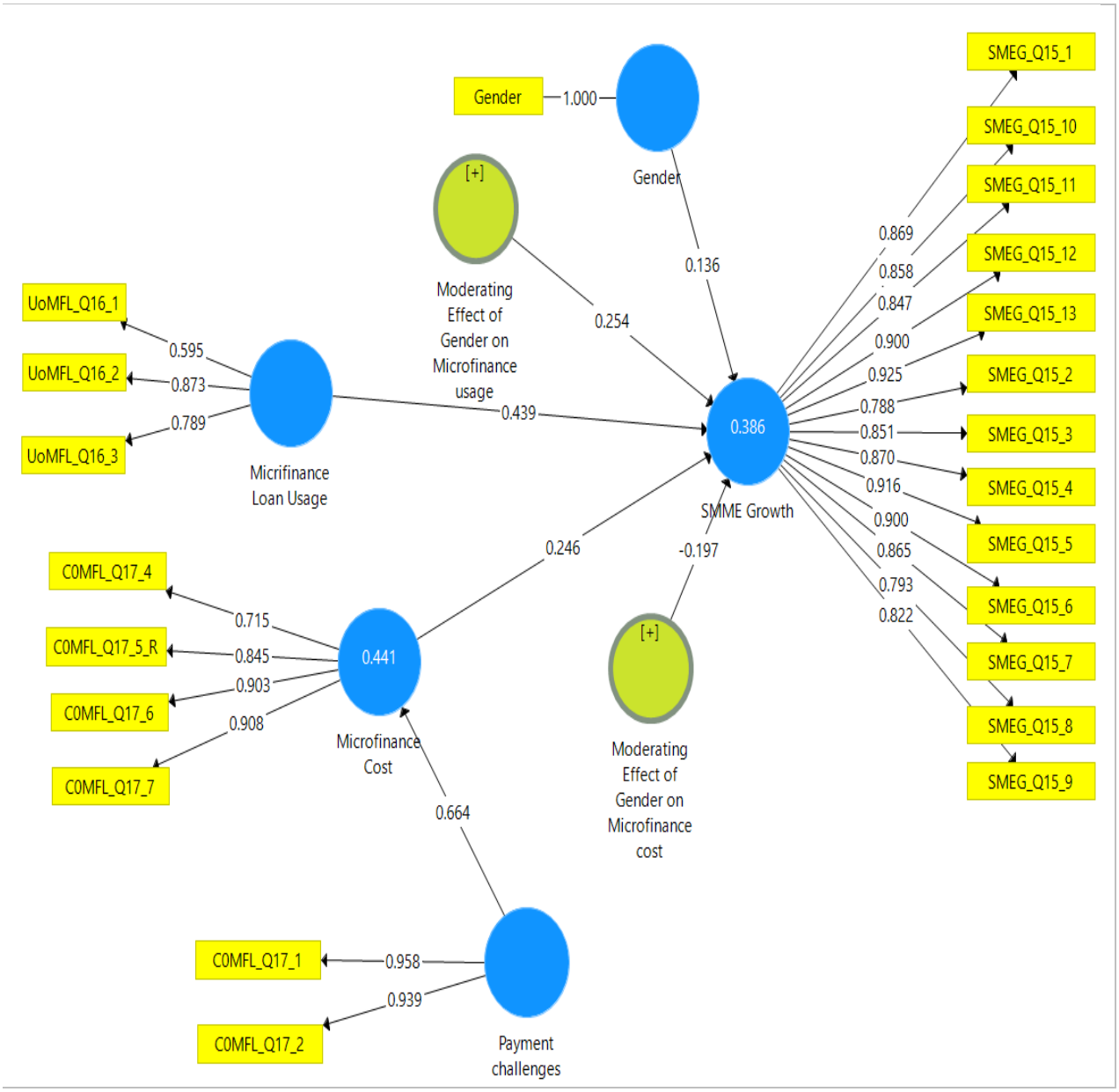


Figure 14: Pruned Model

Source: SMART-PLS

The Construct Reliability and Validity results for the pruned model in Table 14 show there was internal reliability for all constructs with the lowest Cronbach's Alpha value being 0.623 for Microfinance Loans Usage. From the table, it can also be observed that there was also convergent validity for all the constructs and most important to highlight is that Microfinance Loans Usage and Microfinance

Cost as all the Average Variance Extracted (AVE) had values greater than the minimum acceptable value of at least 0.5, these being 0.579 and 0.716 respectively. Lastly, the discriminant validity results show that there was sufficient divergent validity as the diagonal elements of the Fornell-Larcker Criterion presented in Table 15 were greater than the off diagonal correlatsions with other constructs. This indicates that there was overall an improved and fairly good reliability and validity with the constructs in the dataset.

Table 14: Construct Reliability and Validity - Pruned model

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Gender	1.000	1.000	1.000	1.000
Microfinance Loan Usage	0.623	0.660	0.801	0.579
Microfinance Cost	0.865	0.865	0.909	0.716
Moderating Effect of Gender on Microfinance cost	1.000	1.000	1.000	1.000
Moderating Effect of Gender on Microfinance usage	1.000	1.000	1.000	1.000
Payment challenges	0.889	0.909	0.947	0.899
SMME Growth	0.971	0.976	0.974	0.744

On the research instrument summarised on Table 4 in Chapter 3 and detailed in Appendix B, gender was utilized in order to enable grouping of the sample according to gender, for the analysis of the moderating effects. The moderation was assessed in the contexts of microfinance loans usage and microfinance costs, depicting results for the two groups.

Table 15: Discriminant validity: Fornell-Larcker Criterion - Pruned model

	Gender	Microfinance Loan Usage	Microfinance Cost	Moderating Effect of Gender on Microfinance cost	Moderating Effect of Gender on Microfinance usage	Payment challenges	SMME Growth
Gender	1.000						
Microfinance Loan Usage	-0.221	0.761					
Microfinance Cost	-0.287	0.362	0.846				
Moderating Effect of Gender on Microfinance cost	0.121	-0.031	-0.124	1.000			
Moderating Effect of Gender on Microfinance usage	0.094	0.006	-0.032	0.325	1.000		
Payment challenges	-0.330	0.335	0.664	-0.002	-0.115	0.948	
SMME Growth	-0.032	0.506	0.382	-0.141	0.192	0.151	0.863

4.8 Hypothesis Testing

An SEM model with bootstrapping was estimated using Smart PLS and is presented in Table 16. The detailed explanation is provided for each hypothesis in the follow-up section.

Table 16: Mean, STDEV, T-Values, P-Values

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Gender -> SMME Growth	0.136	0.145	0.079	1.719	**0.086**
Microfinance Loan Usage -> SMME Growth	0.439	0.456	0.081	5.434	**0.000**
Microfinance Cost -> SMME Growth	0.246	0.250	0.061	4.010	**0.000**
Moderating Effect of Gender on Microfinance cost -> SMME Growth	-0.197	-0.207	0.061	3.239	**0.001**
Moderating Effect of Gender on Microfinance usage -> SMME Growth	0.254	0.240	0.110	2.309	**0.021**
Payment challenges -> Microfinance Cost	0.664	0.669	0.035	18.830	**0.000**

The results of the tested hypothesis can be read below. Where p is less than 0.05 then the impact is significant (Bangsbo et al., 1991; Zhu, 2012).

Table 17: Mean, STDEV, T-Values, P-Values

Group Statistics						
	Gender	N	Mean	Std. Deviation	t-value	P-value
Use of Microfinance	Female	83	4.87	1.245	-2.978	0.003
	Male	55	5.52	1.232		

4.8.1 Results pertaining to hypothesis 1

H1: The use of microfinance loans has a positive impact on SMME growth.

Q1: What impact does the use of microfinance loans have on the growth of SMMEs?

Hypothesis 1 was tested, and it had a good degree of discriminant validity. The respondents were well versed with the concept of microfinance loans and its usage. The results as presented in Table 16 show that use of microfinance loans had a positive and significant impact on SMME Growth, with B = 0.439 and a p-value = 0.000. This implies that the hypothesis was supported. This indicates that there is sufficient evidence at 5% significance level to suggest that the use of microfinance loans has a positive impact on SMME growth.

4.8.2 Results pertaining to hypothesis 2

H2: The cost of microfinance has a negative impact on the growth of SMMEs.

Q2: To what extent does the cost of microfinance have an impact on the growth of SMMEs?

Hypothesis 2 was also tested, it measured the impact of microfinance costs on SMME growth with a good degree of discriminant validity. The results shown on Table 16 show that cost of microfinance, which looks into affordability thereof, had a positive and significant impact on SMME growth, with B = 0.246 and p-value = 0.000. The impact was positive because the path coefficient for microfinance loans (affordability) (B = 0.246) was greater than zero and was significant because the p-value (0.000) was less than 0.05. Since the questionnaire was designed to assess the impact of affordability of microfinance loans on SMME growth and this had a positive and significant impact, it can be concluded that since the factor of affordability has a significant and positive impact, the cost element has a negative and significant effect on SMME growth. Thus, hypothesis 2 was supported and significant.

4.8.3 Results pertaining to hypothesis 3

H3: Gender is a moderating variable for the impact of microfinance loans on the growth of SMMEs.

Q3: What effect does gender have on the impact of microfinance loans on the growth of SMMEs?

When regression analysis is done, the variables used in the model must be continuous, these are the kind of variables that can easily and precisely be quantifiable in terms of volume or extent (Alkharusi, 2012). In this study, there is a categorical variable of interest, which is gender, but not only that, with a keen interest on the interaction of females' use of microfinance loans and SMME growth. Dummy variables are an available aid in assisting with turning categorical variables into variables that can be used in regression analysis, through the accordance of dummy codes (Alkharusi, 2012). In the analysis done here, females were coded 1 as they were the category of prime interest while males

were used as the reference variable and coded 0. That coding in essence means that males were excluded from the equation analysed (Grotenhuis & Thijs, 2015). Simply put, in the model, gender represented females. When a model uses a reference category then that makes all estimates and deductions in reference to that category (Hardy, 1993).

What the study sees regarding the female owned SMMEs group in this model, signifies deviation from the reference group, thus that result is the controlled deviation from males (Grotenhuis, 2015). It can be noted from Table 16 that gender moderates the impact of microfinance loans on the growth of SMMEs. This is because the coefficient of Moderating Effect of Gender on Microfinance loans usage on SMME Growth (B= 0.254, p-value = 0.021) was positive. This implies that among Females (coded 1) the impact of microfinance loans usage on SMME growth is more pronounced than the impact of microfinance loans usage on SMME growth among males. This is because the coefficient was greater than zero. Thus, hypothesis H3 was supported and significant.

4.8.4 Results pertaining to hypothesis 4

H4: Women owned SMMEs use microfinance loans more than their male counterparts.

Q4: What is the difference in the use of microfinance by women compared to men, towards the growth of SMMEs?

A composite scale was computed for the Use of Microfinance construct and a t-test was conducted to assess this hypothesis.

The results presented below show that male owned enterprises rated the use of microfinance loan significantly higher (mean = 5.52 ± 1.232) than the female owned enterprises (mean = 4.87 ± 1.245). Thus hypothesis 4 is not supported. The result was significant since the p-value of 0.003 was less than 0.05.

4.8.5 Results pertaining to hypothesis 5

H5: Gender is a moderating variable for the impact of the cost of microfinance loans on the growth of SMMEs.

Q5: What effect does gender have on the impact of microfinance costs on the growth of SMMEs?

It can be noted from Table 16 that gender moderates the cost of microfinance loans on the growth of SMMEs. This is because the coefficient of Moderating Effect of Gender on Microfinance cost on SMME Growth (B= -0.197, p-value = 0.001) was negative and significant. This implies that among Females (coded 1) the impact of cost of microfinance on SMME growth is less pronounced than the impact of cost microfinance loans on SMME growth among males. This is because the coefficient was less than zero. Thus, hypothesis H5 was supported and significant.

Given that in the dummy coding applied, males are the reference category, and the deviation of females reflects in the negative, then it can be deduced that the impact of microfinance costs on SMME growth is stronger among males than it is among female entrepreneurs.

Table 18: Summary of hypotheses

Hypothesis		Supported/ Not supported	Significant/ Not significant
H1	The use of microfinance loans has a positive impact on SMME growth.	Supported	Significant
H2	The cost of microfinance has a negative impact on the growth of SMMEs.	Supported	Significant
H3	Gender is a moderating variable for the impact of microfinance loans on the growth of SMMEs.	Supported	Significant
H4	Women owned SMMEs use microfinance loans more than their male counterparts.	Not Supported	Significant

H5	Gender is a moderating variable for the impact of the cost of microfinance loans on the growth of SMMEs.	Supported	Significant

Source: Primary data

4.9 Summary of the results

The focus of this chapter was to outline the results of the study. The chapter laid out different elements such as the demographics of the sample, characteristics of the businesses sampled, the reliability validity assessments and most importantly the correlation and moderation results for the hypotheses of the study.

The sample size of the study was 197 completed questionnaires, 138 of those were used in the data analysis in view of missing values in others. The majority of these respondents were women, who made up 60% of the sampled SMME owners. Young people as defined by the South African National Youth Commission are young people between the ages of 18 to 35. This age group made up 24% of the respondents, while those aged 35-44 made up the majority of the sample at a level of 34%. This sample also showed that the respondents are fairly educated with 77% of the SMME owners having some type of post matric qualification, with the concentration mostly being certificates or diplomas.

The results of the investigation indicated support for Hypothesis 1, showing that microfinance loans use has a positive and significant impact on the growth of SMMEs. Based on the business growth components probed in the research instrument, the responses show the sampled SMMEs have seen a growth in business efficiency, revenue growth, business profitability, size of assets and growth in the overall size of the business. On a sum of all results presented on that section of this chapter, therefore, was hypothesis 1 accepted.

Evidence from the investigation also showed alignment with Hypothesis 2. According to the results, microfinance costs have a positive and significant impact on SMME growth. The questions were phrased to assess issues of microfinance affordability. Therefore, these results show that affordability is a significant factor,

which plays a negative role in the growth of SMMEs. Hypothesis 2 was therefore accepted.

Hypothesis 3 was designed to investigate whether gender moderates the relationship between microfinance loans use and the growth of SMMEs. The researcher hypothesised that gender has a moderating effect on the impact of microfinance loans use on SMME growth. The results showed that the moderation exists and that it is significant, with women utilizing microfinance loans more effectively than men, towards the growth of their SMMEs. Hypothesis 3 is therefore accepted.

Hypothesis 4, sought to measure the relative use of microfinance by women SMME owners compared to the male owned entities. The hypothesised position was that women owned SMMEs use microfinance more than their male counterparts. The results refute this claim, with the reflection that men owned SMMEs use microfinance more than the female owned entities. Therefore hypothesis 4 is rejected but significant.

The last hypothesis which asserts that gender moderates the impact of microfinance costs on SMME growth is accepted per the findings of the data. Indications showing that the negative impact of microfinance costs is more noticeable in the context of male-owned SMMEs than in the case of female-owned ones.

Table 19: Comparison of Literature review and findings

RQ #	State Research Question	Hyp #	State Hypothesis	Study Findings
1	What impact does the use of microfinance loans have on the growth of SMMEs?	1	The use of microfinance loans has a positive impact on SMME growth.	The use of microfinance loans has a positive and significant impact on the growth of SMMEs.

2	To what extent does the cost of microfinance have an impact on the growth of SMMEs?	2	The cost of microfinance has a negative impact on the growth of SMMEs.	The cost of microfinance has a positive and significant impact on the growth of SMMEs.
3	What effect does gender have on the impact of microfinance loans on the growth of SMMEs?	3	Gender is a moderating variable for the impact of microfinance loans on the growth of SMMEs.	Gender is a moderating variable for the impact of microfinance loans on the growth of SMMEs, with this impact being more notable among females than among males.
4	What is the difference between men and women in their use of microfinance loans for SMME growth?	4	Women owned SMMEs use microfinance loans more than their male counterparts.	Women owned SMMEs do not use microfinance loans more than their male counterparts.
5	What is the effect of gender on the relationship between microfinance costs and SMME growth?	5	Gender is a moderating variable for the impact of the cost of microfinance loans on the growth of SMMEs	Gender is a moderating variable for the impact of microfinance costs on the growth of SMMEs, with the negative impact of these costs being less pronounced among females compared to males.

Chapter 5. DISCUSSION OF THE RESULTS

5.1 Introduction

This chapter will be an in-depth discussion of the research findings. The objective of this discussion will be to compare and contrast the results presented in Chapter 4, against the literature review presented in Chapter 2. The focus on these will be the investigative work that has gone into assessing the moderating effect of gender on the impact of microfinance loans use and cost on the growth of SMMEs. The discussion will start by firstly deliberating on the demographic profile of the respondents, the business characteristics, followed by a discussion of the results of the hypothesis testing. Following that, the implications of the findings will be looked into, and the chapter will be concluded with a summation of the key findings.

5.2 Demographic profile of respondents

As outlined in Chapter 4, the key demographics from the sample are gender, age and level of education. The majority, 60%, of all respondents were female. Most of these sampled respondents, about 64% were above the age of 35, up to 54 years of age. While 24% of them are in the youth range classification in accordance with the South African benchmarks of youth demographic group, though strictly speaking it includes even those who are 35. However, the ranges in the research instrument placed those who are already 35 and above in the next group of ages. These respondents mostly obtained formal education, with as many as 33% of them having at least a post matric certificate or diploma.

5.2.1 Respondent Gender

Based on literature, gender is an integral part of business activity, especially in the realm of SMMEs in emerging market economies (Ul-Hameed et al., 2018). In this study, as many as 60% of women took part in this survey, compared to men. Although this may be considered to be unusual in the overall business landscape,

the slanting of the ratios in this study is in alignment with some studies which found that, specifically for the SMME space, there is a greater number of women participants than men (Fiseha & Oyelana, 2015; Mandipaka, 2014). In fact, according to a 2022 report by SEDA, 72% of micro-enterprises and 40% of small businesses in South Africa are women owned (SEDA, 2022). This indicates a surge in women participation in this segment compared to what it was previously, where it was found that all facets of the SMME segment are male dominated. However, this is not to be taken to mean that there's been a complete shift in this dynamic, as women still do face the long standing hindrances of lack of empowerment and general access to forms of funding when embarking on the journey of entrepreneurship (Madison et al., 2022; Neogi et al., 2017; Wellalage et al., 2019;).

Though women on an overall business scale still lag behind men, they remain more likely to embark on opening SMMEs, even if the initial objective is to create self-employment to make ends meet (Kalitanyi, 2019; Mandipaka, 2014). The historic prejudices that women were subjected to in terms of economic activity exclusions, which deepened inequality is why in present day, you will find more and more women being the focus of microfinance opportunities, in a bid to bridge that gaping inequality gap (Ledgerwood, 1998; Mushtaq et al., 2019; Pareek et al., 2022; Ul-Hameed et al., 1998). The findings of this gender participation rate therefore align with literature for both SMME dynamics and microfinance bodies focuses. They also align with the gazetted strides in documents such as the South African Policy Framework for Women Empowerment and Gender Equity, which are aimed at boosting female economic participation which includes entrepreneurial activity.

5.2.2 Respondent Age

Among the survey respondents, there was a concentration of the age spread in the 25 to 64 age range. The majority of these businesses are owned by people in the 35 to 54 range, with 34% of them in the 35-44 range and 30% in the 45-54 range. Young people are also reasonably represented, being the third largest

group with 17% of them amongst the respondents. One would have expected to see a higher number of youth participants in the SMME sector, given the high rates of unemployment amongst the youth in South Africa. This is especially relevant considering that SMMEs are an alternative means of employment in countries where unemployment is high (Fauzi et al., 2020; Fiseha & Oyelana, 2015; Mago, 2013).

5.2.3 Level of education

One of the most disconcerting elements of the South African population is that there has been noteworthy growth in levels of education, despite a continuously strained economic growth and growing unemployment (Maduku & Kaseeram, 2021; Naicker, 2016). A number of factors contribute to this surge, including the fact that more black people who were previously excluded from certain types of higher education institutions, are in the Post-Apartheid South Africa able to attend these. Further to that, another contributing factor has been the gradual introduction of free education both at basic education and higher education level for those who are underprivileged (Mhlanga & Moloi, 2020; Naicker, 2016).

The majority of the respondents hold a post matric qualification, with the largest concentration of these being either Certificate or a Diploma at a level of 33%. Those with degrees, honours and masters' degrees and above made up 44% of the respondents. This indicates a good and relatively high level of education amongst entrepreneurs in South Africa, which aligns with the cited literature (Galawe, 2017). It must be noted though, that the primary mode of disseminating the survey instrument, which was through a link would have made the survey prone to the use by fairly educated entrepreneurs than those otherwise vested. The social media avenues used such as Facebook SMME groups, SMME networks and LinkedIn are platforms used by people with at least enough education levels to have the technological savvy required to fill in a survey of this kind.

5.3 Business Characteristics

In this section the focus will be on only the most key business elements and not all as presented in Chapter 4. These will be the size of the business as presented by the turnover levels and number of employees, the age of the business and the industry of its operation.

5.3.1 Size of the Business

The issue of size for SMMEs is one that is defined in various ways. It also differs according to different types of industries. The survey instrument set the size parameters in terms of turnover and number of employees in alignment with this. The majority of the businesses that participated in the survey are micro, very small and small, with turnover levels up from zero to R500, 000 (48%), R500, 000 to R2, 500, 000 (35%). The balance of the respondent businesses of 17% are in the medium business size range, which varies from industry to industry, but averages the R2, 500, 000 to R10, 000, 000 parameters.

The majority of these SMMEs employed between 1 and 10 employees. This does not come as a surprise given that a fair number of SMMEs do not grow big enough to have the ability to create further employment beyond just the owner, on whom primary and total reliance typically lies (Iwu & Opute, 2019; Kongolo, 2010).

The last important issue to note, though it does not form part of the South African classification of small businesses is the age of the respondent SMMEs. This is an important factor to mention as it allowed for the measurement of the impact of microfinance loans usage on SMME growth, something which would not have been as effectively measured if the respondent businesses were all relatively new in age. It is therefore worthwhile to highlight that the majority of the surveyed businesses (86%) had between 2 – 10 years of existence, with 7% of these in existence for longer than 10 years and only 2% which are less than a year old. This seemingly small number of SMMEs started over the last year may be indicative of the Covid-19 impact on the business landscape, which has made it harder for some to have the requisite resources to start a business.

5.3.2 Industry

The respondent SMMEs operate in various industries with most of them being in the transport, logistics, storage and communications industry. The second most represented industry is the community, social and personal services industry. This makes sense when considering that the bulk of the products provided in these industries are not capital intensive, but rather final product and service oriented in nature (Bhorat, 2018; Matekenya & Moyo, 2022).

5.4 The Impact of Microfinance Loans Use on SMME Growth

The study was premised on the investigation of the relationship between three main variables. Then as an integral part to that, the fourth one was investigated for its moderating effect on those relationships. In this chapter, the researcher therefore discusses those outcomes as hypothesized. The following sections of the chapter firstly start off by discussing the findings on the direct relationships between the predictor variables and SMME growth, with the next portion delving into gender moderation findings. In both sections, the researcher will be contrasting and synchronizing the literature insights presented in Chapter 2 against the investigation results in Chapter 4.

H1: The use of microfinance loans has a positive impact on SMME growth.

The hypothesis was formed on the collaborative basis of the objectives of the research and the literature reviewed. The hypothesis states that microfinance loans usage has a positive impact on the growth of SMMEs. SMME growth in this study is measured through different indices which include business efficiency, quality of service, business revenue, business' profitability, assets, business size and number of employees. While there are some studies in existence that investigate SMME growth, many of those that investigate this growth with a focus

on microfinance are largely conducted in other parts of Africa, with differences in angles, focuses and measures applied.

Out of the limited studies that have investigated varying elements around microfinance impact, there were some few contradicting results with those that measured this relationship directly in the South African context. While microfinance itself has an upside potential for driving SMME growth, it has the often-understated negative impact of driving over-indebtedness due to a poor grasp of the concept of debt and its implications among SMMEs (Daniels, 2004; Green, 2020). Given that the cited studies measured microfinance and microcredit broadly, the researcher here framed the study to specifically focusing on testing the direct relationship of microfinance loans usage on SMME growth.

Based on the findings of this study, the hypothesis is supported with the confirmation of a positive and significant impact caused by the use of microfinance loans on the growth of SMMEs. This aligns with studies conducted in other parts of Africa. In Maseru, Lesotho, a study found that microfinance has a positive effect on SMME growth, and that the respondents in the study found that their businesses were on a steady track and that it also gave them new opportunities for business growth (Tau, 2020). The angle of this study though was broader in analysis investigating the host of all microfinance institutions offerings as a whole. It also highlighted that the effect of these on SMME growth was subdued by cumbersome institutional processes (Tau, 2020).

In Lagos, Nigeria, findings in alignment with this study's findings were reported. Where microfinance was indicated to have contributed notably to the financial performances of the sampled SMMEs (Aladejebi, 2019). Referring back to the formative literature of this study, financial performance is one of the matrixes used in the research instrument to measure SMME growth. It is important to contrast the fact that in this study, financial performance was found to be stronger, with a mean score for revenue growth of 5.11 and profit growth of 4.97. Meanwhile, Aladejebi (2019) reported that in Lagos, the mean score for financial performance impact was 3.54. In both studies therefore, though growth is noted in this respect, it is more pronounced with the sampled SMMEs in Gauteng South Africa.

Anande-kur and Faajir (2020) in a study conducted in Makurdi Mtropolis in central Nigeria also confirmed that microfinance contributes to SMMEs by way of increasing the turnover of the business, its profitability and the assets, all measures incorporated in the research instrument.

While most reviewed studies as discussed in chapter 2 and in this chapter share similar findings with this study, there were some detracting views worth noting. One of the few microfinance impact measuring studies conducted in South Africa in a township called Ga-Rankuwa found that microfinance had induced no benefit for the micro-enterprises under that investigation.The results in some studies done in Nigeria showed that microfinance in fact did not improve SMME growth in Nigeria (Aladejebi, 2019; Babajide, 2012). The differences in findings may partly be attributable to the different indices that were used in measuring growth as well as the confirmed actual use of microfinance loas incorporated in this study. More reviewed literature though is consistent with this study's findings, which asserts a positive impact induced by microfinance loans use on SMME growth.

5.5 The Impact of Microfinance Cost on SMME Growth

H2: The cost of microfinance has a negative impact on the growth of SMMEs.

The concept of microfinance costs as applied in this study refers to the micro loans interest rate otherwise known as microfinance pricing. This excludes any incidental costs of obtaining a microfinance loan, which may be in the respect of initiation fees and any other micro-institutions service fees. This was measured by the impact of microfinance costs on business savings, disposable income and overall affordability thereof.

The hypothesis stated that the cost of microfinance has a negative impact on SMME growth. This was in essence designed to look into the affordability of microfinance. The findings of this study were that the issue of the affordability of these had positive and significant impact on SMME growth. Therefore, the

converse of that which is the cost element has a negative and significant effect on SMME growth, therefore this hypothesis is supported. This is in line with existing literature which posits that there is a significant and negative relationship between microfinance costs and SMME growth based on conducted studies of small businesses (Alper et al., 2020; Hulme, 2000; KPMG, 2013; Magali, 2013; Strøm & Mersland, 2013; Sussan & Obamuyi, 2018).

While according to Beck & Demirguc-Kunt (2006) and Neogi et al. (2017) access to capital is considered as a driver of SMME business growth, some studies have warned of the unintended consequences of the cost of microfinance on this sought after growth. Some studies have highlighted that, due to these costs being higher than the conventional bank pricing models, they are a burden to those who take-up microfinance loans (Alper et al., 2020; Hudon & Sandberg, 2013; Rosenberg et al., 2009). Though microfinance costs are an endeavour to price for risk, Hudon and Sandberg (2013) argue that these costs are in fact such a negative factor on SMMEs that they contribute to their high failure rate.

Tau (2020) outlines the double-edged sword of microfinance costs, which shows up through the high loans default rate by SMMEs, which in turn also negatively affects the lending institutions. This not only impacts the defaulted loans but also the prospects for future loan grants get slimmed down by this poor track record. It is important to point out that in this study, though the issue of affordability did not come through loan defaults, with a mean score of 4.66 for confirmation that the respondents managed to pay their microfinance loan repayments on time, with a standard deviation of 1.81. However, there was a mean score of 5.05 for the assertion that microfinance costs are expensive.

Insights derived from two studies conducted in Nigeria and more recently, Uganda further confirm the findings of this study by stating that interest rates charged for microfinance loans have an inverse relationship with the growth of sales (Akite et al., 2022; Babajide, 2012). In the Nigerian study though, this was found to be statistically significant in specific industries which are the trading, agriculture and certain service industries (Babajide, 2012). This is an interesting observation given that in that same study, microfinance loans were found to be

of no benefit for SMMEs. Aladejebi (2019) whose study was also in Nigeria found microfinance to be beneficial for SMME growth, but also found that the interest rates linked to these loans affected the financial performance of these businesses. Therefore, the results support past and recent literature views with a relatively strong alignment on findings.

5.6 Discussion Gender Moderation Effect Findings

Microfinance and SMMEs are both considered to be tools of empowerment. This trait then inevitably draws attention to those who are the objects of that intended empowerment. The most disadvantaged group of people are women, who were previously excluded from various economic activity, with the ripple effects of some of those inequalities still needing to be redressed (Lamichhane et al., 2020; Mandipaka, 2014; Ukanwa et al., 2018). The issue of gender moderation therefore in the relationship between the two main variables of this study is of utmost importance, with the results thereof presented below.

5.6.1 The Moderating Effect of Gender on the Impact of Microfinance Loans on SMME Growth

H3: Gender is a moderating variable for the impact of microfinance loans on the growth of SMMEs.

The hypothesis implies that the impact of microfinance loans use on SMME growth will vary depending on which gender uses the loans. Gender is a fixed descriptor of sexes. However, in this study, its purpose was to focus on women as the core gender of interest. Therefore, gender in the context of this study leans towards women. The findings of this study are that the effect of gender as a moderator in the relationship between microfinance loans and SMME growth is both positive and significant.

This finding aligns with literature, which found that for SMMEs in the rural areas, there is a positive correlation between microfinance loans and SMME growth, with that growth being more notable among the female owned SMMEs (Makina & Malobola, 2004). Neogi et al. (2017) asserts that women within developing countries are found to be more effective managers of resources than men, having the ability to save and inject micro-credit effectively for income generation. Measuring the difference between business growth for women owned SMMEs versus the man owned SMMEs in Sri Lanka, a study found that women were nearly double more effective than men in their use of microfinance for growth purposes (Kumari et al., 2019).

Microfinance impact studies conducted in parts of Africa such as Kenya and Nigeria also found that women grew their SMMEs mostly in revenue and overall size, where indices such as profits, number of products and employees were also measured (Fabian & Okpanaki, 2022; K'Aol, 2008). It is interesting to note that in this study, revenue was also the highest growth measure, with a mean score of 5.11, while overall business size was strong with a mean of 4.91. On the low growth measure end of both studies, is an increase in the number of employees, with the lowest mean of 4.23 in this study. Overall, there are several studies that confirm the moderating effect of specifically the female gender, with these having found women to have better abilties to stretch limited resources, thus improving the return on investment compared to men (Acheampong, 2018; Boehe & Cruz, 2013; Kumari et al., 2019). The significance of the female gender as a moderator between microfinance loans and SMME growth is a thought-provoking dichotomy to note given than women remain with more restricted access to finance compared to men, a dynamic especially prevalent in developing countries.

5.6.2 The use of Microfinance Loans on SMME Growth by women compared to men

H4: Women owned SMMEs use microfinance loans more than their male counterparts.

This hypothesis sought to investigate specifically if microfinance loans are used more by female entrepreneurs compared to male entrepreneurs. The findings of the study refuted this hypothesis and found that in the sample, men use microfinance more than their female counterparts. This is a surprising outcome as it was anticipated that female SMME owners would, particularly in a developing nation like South Africa, utilize microfinance more than their male counterparts.

The finding for this study also goes against various studies which will be revisited below, which defined microfinance primarily as a tool created for the empowerment of women entrepreneurs (Hiatt & Woodworth, 2006; Ledgerwood, 1998; Pareek et al., 2022). The very origins of microfinance as a concept were premised on seeking out the least privileged in society, which were found to be women, on whom microfinance was availed as a bridging mechanism for the financial access gap experienced by the poor (Kumari et al., 2019; Mayoux, 1998; Pareek et al., 2022; Yunus, 1999;). Different scholars have found that microfinance is positioned both by MFIs and governments as a pro-woman lending scheme, which prioritizes them in terms of access over men (Ul-Hameed et al., 2018). Studies have found that, due to the relatively more restricted access to funding faced by women compared to men, microfinance in especially more developing countries, is used more by women than men (Acheampong, 2018; Halim, 2020).

That being said, there are scholars who argue that despite microfinance naturally being geared for female preference and empowerment, women still make up the biggest group of underfunded entrepreneurs (Khaleque, 2018; Ocholah et al., 2013). Some studies found that though microfinance is defined as a facility that

is geared for the primary accessing of disempowered women, women are typically discouraged and lack confidence in the prospects of MFIs actually giving them the loans (McCarter, 2006; Metu & Nwogwugwu, 2022; Naegels et al., 2018). Women then are less likely to pluck up the courage to approach lending institutions and seek microfinance (McCarter, 2006; Metu & Nwogwugwu, 2022; Naegels et al., 2018). While there remain some studies that associate microfinance use to women than men (Omondi & Jagongo, 2018), the results of this study and some other scholars show that this is still lip service in some regions. This finding is especially disturbing considering that in this study, the sample comprised of more women entrepreneurs than men, who were found to have more pronounced SMME growth results compared to their male counterparts. These elements may reflect that women entrepreneurs are still getting excluded, despite improved business performance results.

5.6.3 The Moderating Effect of Gender on the Impact of Microfinance Costs on SMME Growth

H5: Gender is a moderating variable for the impact of the cost of microfinance loans on the growth of SMMEs.

As indicated in the discussion for hypothesis 3, gender in this study was, through the use of dummy variables in the analysis, made to represent females. Therefore, the context of analysis and deduction is from that angle of interest. The hypothesis states that gender moderates the relationship between the impact of microfinance costs and SMME growth. The moderating effect of gender, represented by females was tested and it was found that women when utilizing microfinance loans, achieve more growth for the businesses than men, therefore microfinance impact is influenced by gender.

Given that the findings show a distinct difference between males and females, with the impact of the cost of microfinance loans being more less pronounced on

female owned SMMEs than male owned ones, the hypothesis is supported and significant. Based on these results, the finding is that microfinance costs, which have been found to be a disturbance on business growth as they diminish disposable income, have a greater ability to derail the growth of the male-owned SMMEs than that of the female-owned entities. The implication of this is that women are better likely to persist towards growing their SMMEs despite the tide of high interest rates.

Some of the core measures of this is the ability to make loan repayments on time and to overall afford the costs, as outlined in the research instrument. There is literature provides this insight, which found that women have a far better microfinance loan repayment performance compared to men (Neogi et al., 2017). More recently, Shahriar et al. (2020) found that women exhibit a stronger ability than men to prudently utilize microfinance and to repay the loans on time. Interestingly enough, this study indicated that, regardless of SMME performance and despite challenges they may face, women are more likely than men to repay their microfinance loans (Shahriar et al., 2020) . Therefore, the issue of gender does play a role in how microfinance loans impact SMME growth, with the strains of this showing up more in men's relative inability to repay on time.

The notable irony here is that despite being found to be better at maintaining loan repayments, and thus being a lower credit risk, women still have less access to finance than men (Neogi et al., 2017). It is also a surprising finding given that women are prone to higher interest rate charges compared to men (D'espallier et al., 2013; Wellalage et al., 2019). Therefore, while the hypothesis asserted that gender would have a moderating effect in the relationship between microfinance costs and SMME growth, its direction has come as a revelation. With women being more prejudiced by loan pricing models and thus being charged higher, the expectation was that costs would derail growth in their businesses more, but the results reveal the resilience in their business growth abilities.

5.7 Chapter Conclusion

The purpose of this chapter was to analyze and discuss the results as they pertain to the impact of microfinance loans use and microfinance costs on SMME growth. In addition to that, the aim was to assess the extent to which gender moderates the relationship between these two variables, microfinance loans use and costs and SMME growth.

The empirical findings deducted from the results analysis was then reviewed against the literature reviewed in this study. The findings and literature concur that microfinance loans usage has a positive and significant impact on the growth of SMMEs. SMME growth in this study is measured in line with various past studies which lean on indices such as turnover, profits, assets, number of employees and overall size as a measure of business performance.

Further to that, the study found that microfinance costs which are interest rates charged for microfinance loans, analyzed through the lens of affordability, have a negative impact on SMME growth. Affordability of these costs induces a positive impact on growth. However, the opposite of that is that exorbitant interest rate costs derail growth and thus have a negative impact.

Thirdly, the researcher compared the gender moderating effect results against the literature. The first of the two moderation hypotheses conducted in this study were supported. The finding was that gender moderates the relationship between microfinance loans and SMME growth, with more favorable results for women than men. The fourth tested hypothesis was tested to see if microfinance use was more prevalent amongst women-owned entities than it is amongst male-owned ones. The results showed that men use microfinance loans more than women, a finding that went against numerous studies which linked microfinance use with women.

Lastly, a test was conducted to investigate if gender moderates the relationship between microfinance costs and SMME growth. The findings indicated that

gender does moderate this relationship, with the negative impact of microfinance costs weightier in the male-owned SMMEs than the female-owned entities.

The meaning of these findings and the pertinent recommendations thereof will be discussed in the next chapter.

CHAPTER 6. CONCLUSIONS & RECOMMENDATIONS

6.1 Introduction

Th focus of this chapter is to highlight the conclusions of this study. The study's findings provide empirical evidence that supports and validates the underpinning theories of this study. These theories explain the concept of growth in an SMME context, microfinance use and the feminist empowerment theory for small business. The study contributes to the growing body of knowledge on not only SMMEs, but most importantly on women entrepreneurship. In the next sections that follow, the findings and what they imply will be outlined, followed by a summary of the contributions that the research has brought about to the field of research. Lastly, the researcher's recommendations for future research will be discussed to close off the chapter.

6.2 Conclusions regarding research question 1

The first research question asked: What impact does the use of microfinance loans have on the growth of SMMEs? The results from the survey showed extensive evidence of the positive and significant impact caused by the use of microfinance loans on SMME growth. The results show that the SMMEs that used microfinance loans experienced business revenue growth, the business' profitability, the business' efficiency, and the overall size of the business. There were also positive changes in quality of service, the marketability of the businesses and the quality of their products. The results showed growth in all the indices as can be seen in Chapter 4, but with the strongest areas of growth being those that have been highlighted.

Based on the results supporting the hypothesis, it can be deducted that microfinance can be used as a tool, not just for SMME business expansion, but also as one for deepening the competitive edge of SMMEs that utilize microfinance. The study has found that the injection of funds engenders the ability

to introduce efficiencies into the businesses that go with better service levels, improved products and in turn boosts the ability to market these SMMEs. Most SMMEs in the sample had 1 to 10 employees, now while this was the most subdued area of growth, 36.2% of these SMMEs reported growth from moderate to substantial in the number of their employees. While this study did not delve into the nuances of whether these were temporary or permanent workers, the deduction which is that with the assistance of microfinance, SMMEs create job opportunities is one of glaring importance. One that, when considering the fact that corporate South Africa enters economic bouts of shedding jobs and thus worsening unemployment, microfinance and SMMEs collaboration in mitigating these, needs to be noted by key government and funding institutions with more intentionality.

It is worth noting that there were in the minority deviating studies, that found microfinance to be of no impact on SMME growth. However, it must be noted that the two studies conducted in the Tshwane district township of Ga-Rankuwa conducted the microfinance impact study, by measuring impact both from recipient and non-recipients of microfinance (Klingelhöfer et al., 2012; Olugbenga & Mashigo, 2017). It therefore can be expected that those who have not used the product, could not cite nor prove its benefit to the growth of their entities. These studies, though positioned to measure impact, tested microfinance awareness which, though an important element, cannot be equated to actual use. The majority of the SMMEs in these studies did not know of, nor did they have access to microfinance.

The results of this study though show microfinance loans as assisting in what could pay them back, which are the revenue and bottom-line aspects of these SMMEs. With as many as 81.9% citing increased revenue and 71.8% of them having seen an increase in profit. All other things held constant; microfinance loans can foster the ability for their own repayment through the growth of available income.

6.3 Conclusions regarding research question 2

The second research question was: To what extent does the cost of microfinance have an impact on the growth of SMMEs? The results from the survey reflected that the relationship between microfinance cost and SMMEs is negative, strong and significant, with the cost of microfinance having a stifling effect on SMME growth. The results show that the SMME owners in the sample have a negative sentiment for the interest rate charges for microfinance loans. Their feeling is that microfinance loan costs are expensive, not affordable, while their perception is that microfinance loans are not fair. The results also showed that 46.4% of the sampled SMMEs viewed the issue of microfinance loans costs as having an impact on their disposable income, with 15.2% being neutral on the point and 38.4% asserting no felt impact.

The hypothesis that was tested supported that microfinance costs do negatively influence SMME growth. This exposes a gap in the microfinance lending model, that can be improved for the betterment of the SMMEs. Given that microfinance is positioned as an empowerment tool for the poor and as a solution of bridging the gap of inequalities in society, the area of their contribution against growth is a blind spot that needs to be resolved. It is worth nothing that, while the results show that concerns over the expensive nature of the costs are there, the majority of the sample are still committed to adhering to the repayment terms of the loan agreements. It can be noted therefore that though MFIs typically use these interest rates to price for risk, there may be improvements in actual payment track records that warrant a review of this pricing approach. This is possible especially considering the short-term nature of these loans, with most in the sample obtaining these loans more than once a year. Therefore, given the commitment shown by some SMME owners not to default on their repayments, a more nuanced and customised approach can be used in the pricing of microfinance, as opposed to the existing blanket approach of pricing this segment of business for risk.

6.4 Conclusions regarding research question 3

The third research question addressed in this study was: What effect does gender have on the impact of microfinance loans on the growth of SMMEs? The findings reflect the different experiences undergone by the SMME depending on their gender group. The findings showed that there was a more positive and more notable outcome of growth for the SMMEs, where the owners who were using the microfinance were females, compared to the growth outcomes experienced by males. The implication of this does not diminish the overarching results as discovered in hypothesis 1, which are that microfinance has a positive and substantial impact on the growth of these businesses. The implication here is that there is an opportunity to study, develop and expand on microfinance propositions for the female led group of SMMEs.

In the results, growth was highlighted for the majority of the sampled businesses in various respects. These were from quantitative growth measures such as the customer base numbers, business revenue levels, business profitability, sufficiency of actual stock levels at all times, number of staff members and the assets of the business. The qualitative measures were the areas of business efficiency, quality of the service, quality of the products, the business' marketability, staff productivity, the attainment of business targets and the overall size of the business. It can be argued that some of the qualitative measures have a quantitative element. However, for SMMEs, the qualitative measures of growth may need deeper investigation to ensure that they are not owner-perception based, but based on collected data. This risk of perceptions may arise due to the fact that, while SMME owners may keep a record of revenue patterns, they may not necessarily have a system for measuring insights for business marketability for instance. Overall though, growth was measured and shown in all these elements, with the moderation results showing a more pronounced outcome where the gender is female. The implications and suggestions derived from this will be discussed in the relevant section further below.

6.5 Conclusions regarding research question 4

The fourth research question was: What is the difference between men and women in their use of microfinance loans for SMME growth? The findings reflect that more men use microfinance loans compared to women. This deviated from those scholars who associated microfinance use with female entrepreneurs instead of their male counterparts. Different causes are cited as a reason for men leading in microfinance loans usage, the core of those are the unequal opportunities and restrictions faced by women when it comes to accessing finance in general. In this particular study, where there were more female respondents than men, it would have been expected that women would also come up strongly as making more use of microfinance than men, however the results show otherwise. This may highlight an access gap, which is both a historic and general finance phenomenon that has long existed for the poor and underprivileged, which include women. Despite studies that have affiliated microfinance use more with women than men (Boehe & Cruz, 2013; K'Aol, 2008; Mayoux, 2006; Ul-Hameed et al., 2018), this study has found that women remain lagging behind men in the use of the very product which is idealized as being for their empowerment.

6.6 Conclusions regarding research question 5

The fifth and last research question asked: What is the effect of gender on the relationship between microfinance costs and SMME growth? This was to assess how microfinance costs are experienced by each gender grouping compared to the other. The findings reflect that gender does play a moderating role in the relationship between microfinance costs and the growth of SMMEs. It was found in the results for hypothesis 2 that microfinance costs derail or hinder the growth of SMMEs. These findings linked to hypothesis 5 reflect that the negative impact of that cost burden discovered in hypothesis 2 and its resultant impact on business growth, is not experienced the same, among the two genders represented in this study.

The results show that among women entrepreneurs, the hindering impact of microfinance costs is less pronounced on the growth of their businesses, compared to its impact on the male owned businesses. This aligns with the findings from previous studies that female owned entrepreneurs have a better microfinance loan repayment track record compared to men. This leaves an opportunity to investigate though, why male entrepreneurs, despite the relatively more preferential rates compared to females, struggle more with microfinance costs.

Apart from its effect on loan repayments and the timeous repayment thereof, the role of microfinance costs affects practical elements such as savings and cash reserves of the business and the available disposable income. When constrained, these elements mean an insufficiency of funds for the furtherance of business objectives. Therefore, in this dynamic, exorbitant costs create a constant dependence on external funding, which in this market comes by way of more microfinance loans. This result is also reflected in the mean score of the repeated use of microfinance loans which is more than once a year being 5.17, reflecting this dependency for external funding, given the absence of internal cash reserves, which are depleted when costs affiliated to repayment are high.

6.7 Recommendations, Empirical and Practical Implications

Based on the findings of the research, the below recommendations are made for the consideration and benefit of SMMEs, MFIs and other funding institutions, policy makers and other supportive government departments for how to quell negatives related to microfinance and improve their offerings for the benefit of all.

The first recommendation if for mainly MFIs but also other financial institutions that do microfinance lending to SMMEs to devise a cash-levels based assessment lending model. This is based on the finding that, growth in these businesses is most notable in areas such as sales and profits than it is on assets, which form part of current risk assessment models for lending institutions. The creation of this cash deposits monitoring lending system and product, which should incentivize SMMEs for more frequent banking of their business takings, would not only encourage better banking practices, but it would in turn provide MFIs with direct access to monitoring the financial performance and trends of these SMMEs.

As noted from the results, while SMMEs reflect growth where microfinance loans are used, the effect of this growth is weaker on areas such as assets and number of workers. This is not novel as the lack of assets by most SMMEs was also highlighted by literature, but this study demonstrates that a lack of growth in or even an absence of assets does not mean there is no resounding growth in the financial position as measured and strongly reflected by other key matrixes. The seeming insistence then by lending institutions for the perpetual use assets or the lack thereof as a business performance tool is both baffling and confusing, but even more detrimental is that it locks out and restricts SMMEs with potential growth in other key business areas. This only stands to worsen the prejudices they face. Measuring their performance and assessing their loan requests against cash patterns only, will encourage the deposits that MFIs wish to see, and it will be a more aligned approach to servicing this market.

The second recommendation stemming from this study is for government institutions, specifically the DSBD to provide microfinance interest rates learning workshops. This study has highlighted the negative impact of microfinance costs, as a deterring factor for SMME growth. This then requires that there be more of a concerted creation of awareness about the importance of the role played by finance costs and how detrimental they can be to the businesses if they are not properly considered against realistic and stress-tested cashflows. The awareness

brought about by these findings is not intended to dissuade microfinance use, but it is to enable better and more informed decision making by SMMEs, which should consequently lead to more productive use thereof. It is imperative for all business sizes to conduct a cost-benefit analysis for any type of funding they get, the importance of this becomes more emphasized for SMMEs, which historically have a higher loan default and consequent business failure rate.

The third recommendation is for MFIs and other financial institutions that provide microfinance to create tailormade behavioral pattern reading systems specifically for SMMEs. Financial behavioral patterns are studied based on the respect and treatment of availed financial accounts. A product of this nature would improve the levels of microfinance received by women, who still lag behind, despite resounding research that shows that they are better payers of microfinance repayments than men. This reality suggests that MFIs do not factor in these patterns for the benefit of their female customers. This means that, whether you pay timeously every time or you do not, there is no upside. The existing systems are therefore designed to provide punitive responses, by way of bad credit record but not rewarding responses that upgrade the SMMEs prospects for better microfinance terms. It should be noted that this is not to be a standalone feature, but this behavioral scoring feature tailored for SMMEs should be used as a supplement to existing financial risk assessment models. The difference in this proposal is that, while MFIs and other funding institutions use some form of behavioral reading systems to determine the loan levels to accord and the level of risk associated with each, which then determines final pricing, this one should be based on SMME nuanced patterns, as the existing ones prove unrealistic and unattainable for small businesses.

The fourth recommendation requires collaboration from SMMEs, MFIs and Government, with the government taking the lead on funding this application tool. The tool would be an daily business activity recording application for SMMEs,

created by government with joint inputs from SMMEs and MFIs. One of the innate characteristics of microfinance or micro loans, as the name implies is that the loan amounts approved will be small. The other element linked to the general market patterns and the research literature reviewed is that they will typically be pricier than bigger and more conventional bank loans. One of the most cited reasons for this is the information asymmetry that is experienced by lending institutions in the SMME market which was discussed in chapter 2. In this segment, business patterns which include funds are recorded and received with less predictability than in more established businesses with accounting systems. In this day and age, where more and more South Africans have cellphones, an application of this nature can serve both as an educational tool for SMMEs to know what Key Performance Indicators to record daily, while also churning out the reports so yearned for by institutions. Creating an uncomplicated application that is moulded against SMME literacy levels and patterns as opposed to general business standards, will derive more useful Management Information Systems, highlighting red flags and risks specifically applicable to this market segment. This will enable a more informed response from the funding institutions. The sampled SMMEs reflect high education levels, therefore the aptitude required for widely used cellphone applications such as Facebook, Instagram, LinkedIn and Qualtrics should suffice. The South African government sponsored the rapid development of applications to monitor load-shedding patterns and individual's proximity to Covid-19 cases, the importance of an SMME-daily performance application I dare argue, has longer-term benefits.

The fifth recommendation is for MFIs to design a bespoke microfinance lending product that rewards growing SMMEs with better and more beneficial opportunities for further funding. It is noted with interest that, despite the growth reported by the SMMEs, along with a fair degree of loan repayment adherence, the general sentiment is still that these SMMEs are charged high interest rates. This indicates that there is a missing link and an untapped opportunity for rewarding SMMEs that show a stable pattern of repayments. This will enable

these businesses to access higher loans that match not just their repayments but their growth. It is interesting to note that despite there being a notable number of respondent businesses in the R500k to R2.5m, the ranges of microfinance most accorded to the sample are R5, 000 to R10, 000 and R15, 000 to R20, 000. While it must be noted that these may be accorded at different frequencies to the borrowing SMMEs, it does show an inability in the financial systems to properly tailor-make a lending response that can be dynamic enough to not continue prejudicing SMMEs which are showing growth.

The sixth recommendation is for the Ministry of Small Business Development which is the DSBD to develop a simplified credit basics education program for the benefit of SMMEs. This should be with the prime focus of teaching SMME owners not just about microfinance, but also general credit principles that will help sharpen their decision making ability in this area. SMME owners should be enabled to understand what it means for their credit record when they have repeated patterns of requests for new loans. While the ability to access these is seemingly improved given the results, this is a contributing factor to the punitive costs that are linked to new microfinance loans. SMMEs also need to be financially literate enough to identify the points in their business cycle where obtaining the microfinance may be of no benefit. This kind of holistic training and guide can help engender credit practices that aid in retaining funding benefits, while minimizing the downside.

The seventh recommendation is for the DTI and DSBD to create a structure for the provision of Government guarantees to bridge the collateral gap for SMME lending. SMME funding should be backed by government guarantees which are custmized for assessed levels of risk. The existing microfinance system creates a blanket approach to risk assessments where SMMEs are concerned. Due to the absence of sophisticated track records by way of audited financials, a lack of collateral for secondary recourse, SMMEs are placed on harsher pricing tables

compared to bigger companies. While additional measures may be required to curb the risk of lending to SMMEs, there seems to be an overuse of the pricing component to bridge this risk gap. In that context then, government guarantee backed loans can be used as a risk mitigating tool, up to a point, where segment upgrading/changing growth can be recorded for those SMMEs. If government can bridge the risk gap affiliated with SMMEs, it will remove the hindering elements of microfinance costs.

The next recommendation to be noted which is the eighth stems from the fact that MFIs cite the cost of lending to SMMEs as part of the reason for the burdensome pricing mechanisms they pass on and apply in this market. Given that these are regulated and influenced by government structures such as the Monetary Policy Committee (MPC), DTI, DSBD and regulating institutions such as the MFRC, there is a major role that these stakeholders can play. The proposal is therefore for the government to subsidize microfinance loans costs for SMMEs that fall within specific turnover benchmarks, this would be a way of averting the flow of the biggest portion of these costs onto the least privileged economic participants. This would be more in line with the purported empowerment aims of governments for SMMEs.

The ninth recommendation is for a revision of the interest rate policies applied to SMMEs, as regulated by the government. Governments across the world play a fundamental and integral role in regulating the relationship between small business segments and the lending institutions. SMMEs are after all in existence because of gaps created in economies by inefficiencies in government that derail the fostering of thriving economies that create jobs and improve standards of living. In that respect then, it is disconcerting to accept that the pricing mechanisms applied to the poorest of the poor who operate within the SMME segment, are derived from government regulated interest rate parameters. In South Africa, SMMEs can be legally charged as much as Prime plus 18% for the

loans they take. This almost immediately curtails the purported empowerment characteristics of these micro loans. This reality, when compared to bigger businesses that enjoy conventional banking facilities at times accorded at Prime Minus decided basis points, paints a grim picture of the true aims of microfinance.

The tenth recommendation is for the DSBD to establishment a financial advisory office or centre for SMMEs to receive free financial and funding advice. While it may not be possible for the funding schemes devised by the government to service all SMMEs, it should be possible for them to receive financial advisory services. Bigger businesses with more sophisticated and educated leadership, place reliance for the financial mapping of their businesses on accredited financial advisors, a service that they pay for. An office of this nature should be availed for SMMEs so they may receive proper and impartial advice on the types of products and loans they should consider for the long-term growth of their businesses.

The eleventh recommendation is for the introduction of a gender specific microfinance repayment product, with aligned terms. With the study finding that men have more struggles related to microfinance costs than women entrepreneurs, there may be grounds to exploring lending terms that are unique to each gender. It must be highlighted though that present financial products have a suspected inborne element of this which is a gender bias in systems that accord lower loans on higher pricing for females than it does for males. This proposed product is not that. The existing approaches uses gender to disadvantage one gender over the other, this type of product would be to enhance the strong points noted in each gender group. Where repayment struggles are noted in males, quarterly payment terms as opposed to the standard monthly ones can be explored. To incentivise women for being better at adhering to terms, a point system can be introduced for every month they paid timeously, with a related discount to be factored in on the final repayment at the end of the life of the loan.

This tool can also be applied to men to encourage better adherence to lending terms.

The twelfth and last recommendation is for the introduction of SMME services monitoring applications. Most SMMEs in the study operate in the services and final product retailing type of businesses. Several studies that have been reviewed also reflect this finding. This requires a custom-made response to service industry patterns than the production and manufacturing industries where the number and quality of tangible products can be measured, a matrix still relied on by lenders. SMMEs should be empowered with service rating systems applications, which can be used by their customer base following the delivery of services. These service ratings can be used by SMMEs to improve their service offerings and levels. These ratings can also be used by the MFIs and other lenders to read the productivity trends of the businesses they bank. These insights can also be used to compare similar SMMEs on their database and ultimately to make more nuanced lending decisions, with these scorings used in the risk assessment model. Government can also use the insights from this app to identify training gaps for the SMMEs they seek to develop.

To conclude it must be noted that despite claims that microfinance is an empowerment tool, there are elements thereof that stifle the purported empowerment and growth outcomes for SMMEs. It is further worth noting that in spite of the positioning of microfinance as a tool with a focused interest in women development, there remains scope for more women studies in South Africa, especially in the respect of business and entrepreneurship, where gender equity remains underachieved, thus still requiring more robust development. This study adds a step in bridging that literature gap. There is still a misunderstanding of women entrepreneurs and their abilities, that is seen in financial institutions, which translates in how they lend to females, especially those in the least privileged circumstances, who happen to be mostly women of colour. This study

creates better education and awareness for financiers who have an interest in funding women entrepreneurs, of the business growth results women show, when given the right opportunities with access to capital.

6.8 Suggestions for further research

This study has highlighted the strength of the relationship that exists between microfinance loans use, costs of microfinance and the growth of SMMEs. It has also shown the role played by gender in influencing these relationships, a role which has been found to be of significance. While the study sought to address some existing gaps in literature, its ability to do that is limited, leaving scope for future research based on some of the findings. The following are suggested areas for further studies:

- This study found that women owned SMMEs have a more pronounced growth when microfinance loans are used than the male owned SMMEs. This leaves scope for further research for a more nuanced study on what actions are carried out by women entrepreneurs that fosters better growth, that male-entrepreneurs perhaps do not do. There could be an exchange of ideas and learnings resultant from that research, which could be done by way of both quantitative and qualitative research.
- If there was sufficient time, a mixed methods study would have helped to deepen the insights. Therefore, future research can be done by way of actual interviews with both male and female entrepreneurs on a one-on-one basis. This can delve deeper into not just the results of growth obtained by each, but also the approaches utilised in their entities that enable growth. Patterns, similarities and incongruencies can then be drawn from the experiences of each gender group.
- The study found that male owned SMMEs are more likely to struggle with microfinance costs than women. This is an interesting finding considering that general finance interest rate pricing patterns are kinder to men than

they are to women. Future research can investigate why men have a higher default rate than women.

- The respondent SMMEs were sampled only from the Gauteng province, which has less rural areas than provinces such as Kwa-Zulu Natal, Eastern Cape and Limpopo. In order to gain a better understanding of microfinance impact on SMME growth, it may be useful to engage this study in a country-wide approach. This is especially important since the limited township-based studies for microfinance impact reflected contradicting results to this study, though the measures used for impact were misaligned. It will still be more beneficial to understand what microfinance impact looks like in urban versus rural SMMEs. This would be an ideal study provided that the issue of financial access was still not prevalent.

6.9 Conclusion

The purpose of this study was firstly to investigate the impact of microfinance loans usage and costs on the growth of SMMEs in Gauteng. It was also to look into the role played by gender in the relationship between these variables. The contribution of the study has been mainly practical and empirical. The suggested frameworks, applications, systems, measurement mechanisms and SMME monitoring tools recommended can make a notable contribution to the effectiveness of microfinance loans as a tool of small business development. The gender nuances brought by this study into this much needed research area also adds a layer of further contribution to the focus that MFIs and Governments at all must provide to women entrepreneurs for the proper empowerment of this group.

While the study is localized to Gauteng as the economic hub of the country, some of the recommendations and contributions can be of benefit to similarly characterized South African economic hubs such as Durban in Kwa-Zulu Nata, Cape Town in the Western Cape and Gqeberha in the Eastern Cape. While the dynamics for SMMEs in each of the nine provinces will have points of difference,

the aid provided by the DTI and DSBD in growing these can have a consistency matrix that can be developed from some of the recommendations outlined above.

This study has responded to the concerns related to pricing tools used towards SMMEs by MFIs and made indications about the scope that exists for pricing to be used as a growth propagation tool than a deterrent thereof. The highlighting of that however must be accompanied by the acknowledgement that no one study is exhaustive, therefore there remains ample scope for other researchers to deepen this research into more nuances in terms of socio-economic, rural and industry groupings.

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APPENDIX A – QUESTIONNAIRE COVER LETTER

Start of Block: Block A

WITS BUSINESS SCHOOL

Dear SMME owner,

I am a Master of Management by Research student from Wits Business School and as part of my study I am required to collect data from a few small, medium and micro enterprise owners within South Africa. The purpose of this research is to investigate the moderating effect of gender on the impact of microfinance loans and costs on SMME growth. I will appreciate it if you can spare approximately 10 – 15 minutes of your times to complete the survey.

Please be assured that your responses will remain private and will be treated with the utmost confidentiality. Participating in this research study is entirely voluntary and anonymous, you may choose to withdraw from this research study at any stage. Participants who chose not to participate or who withdraw from the study will have no adverse repercussions.

Please note that your continuation to complete the survey is taken to mean consent for participating in the research study. Your response will be of great value to this study. Please feel free to contact my supervisor, Dr. Jabulile Msimango-Galawe, or me should you have any questions regarding my study or would like to access a summary of my research. If you have any concerns or complaints regarding the ethical procedures of this study, you are welcome to contact the University Human Research Ethics Committee (Non-Medical), telephone +27(0) 11 717 1408, email hrecnon-medical@wits.ac.za.
Thank you for considering taking part in the study.
The survey can be accessed on the link below:
https://qfreeaccountssjc1.az1.qualtrics.com/jfe/form/SV_8HVLqbcCo8dH326

Yours Sincerely,
Researcher
Ncebakazi Msomi
Email: 767880@students.wits.ac.za

Supervisor
Dr. Jabulile Msimango-Galawe
Email: jabulile.galawe@wits.ac.za

APPENDIX B – RESEARCH INSTRUMENT

End of Block: Block A

Start of Block: Section A: Selection Criteria

Q1 Select the level of turnover

- Less than R500k p.a (1)
- R500k - R2.5m p.a (2)
- R2.5m - R10m p.a (3)

Q2 Do you keep financial records

- Yes (1)
- No (2)

Q3 Have you used any microfinance loans before?

- Yes (1)
- No (2)

Q4 How long have you used microfinance loans

- Less than 6 months (1)
- 6 months and above (3)

End of Block: Section A: Selection Criteria

Start of Block: Section B: Demographics

Q5 Age Range

- ○ 18-24 (2)
- ○ 25-34 (3)
- ○ 35-44 (4)
- ○ 45-54 (5)
- ○ 55-64 (6)
- ○ 65 and above (7)

Q6 Gender

- ○ Male (1)
- ○ Female (2)
- ○ Non-binary / third gender (3)
- ○ Prefer not to say (4)

Q7 Highest Level of Education

- ○ No formal education (1)
- ○ Primary/High School (2)
- ○ Certificate/Diploma (3)
- ○ University Degree (4)
- ○ Honours Degree (5)
- ○ Masters Degree and above (6)
- ○ Other (7)

Q8 Age of business

- Less than 1 year (1)
- 2-3 years (2)
- 4-5 years (3)
- 6-10 years (4)
- Greater than 10 years (5)

Q9 Number of employees

- 1-10 (1)
- 11-49 (2)
- 50-99 (3)
- 100-200 (4)
- Greater than 200 (5)

Q10 Select Industry Type

- ○ Agriculture, Forestry, Fishing (1)
- ○ Transport, Logistics, Storage and Communications (2)
- ○ Mining and Quarrying (3)
- ○ Manufacturing, Motor vehicles (4)
- ○ Wholesale, Retail, Restaurants (5)
- ○ Tourism and Hospitality (6)
- ○ Community, social and personal services (7)
- ○ Construction (8)
- ○ Electricity, Gas and Water Supply (9)
- ○ Financial, Real Estate and Business Services (10)
- ○ Other (11)

End of Block: Section B: Demographics

Start of Block: Section C: The Impact of Microfinance Use

Q11 Select the last period in which you received and used microfinance

- ○ 2016 - 2017 (1)
- ○ 2018 - 2019 (2)
- ○ 2020 - 2021 (3)

Q12 Please select the range of the microfinance amount you received

- ○ R300 - R1, 200 (1)
- ○ R1, 201 - R5, 000 (2)
- ○ R5, 001 - R10, 000 (3)
- ○ R10, 001 - R15, 000 (4)
- ○ R15. 000 - R20, 000 (5)

Q13 Please indicate the revenue performance of your SMME over the below financial periods (where microfinance was used)

	Declined substantially (over 20%) (1)	Declined moderately (less than 20%) (2)	Declined marginally (10% and less) (3)	Remained the same (4)	Grow marginally (10% and less) (5)	Grow moderately (less than 20%) (6)	Grow substantially (more than 20%) (7)
2016 - 2017 Income (1)	○	○	○	○	○	○	○
2018 - 2019 Income (2)	○	○	○	○	○	○	○
2020 - 2021 Income (3)	○	○	○	○	○	○	○

Q14 In the period(s) of microfinance use, what other factors were introduced to the business?

- ○ New product(s) (1)
- ○ Staff training (2)
- ○ Employed more skilled worker(s) (3)
- ○ Better cost/resource management (4)
- ○ Improved management skills by the owner (5)
- ○ Other or No new factor (6)

Q14.1 Please Specify if other factor introduced was selected

_____

End of Block: Section C: The Impact of Microfinance Use

Start of Block: Section D: SMME Growth

Q15 Please indicate the performance of your SMME over the last year where microfinance was used on the following factors:

	Declined substantially (over 20%) (1)	Declined moderately (less than 20%) (2)	Declined marginally (10% and less) (3)	Remained the same (4)	Grow marginally (10% and less) (5)	Grow moderately (less than 20%) (6)	Grow substantially (more than 20%) (7)
The business' efficiency (1)	○	○	○	○	○	○	○
The quality of your service (2)	○	○	○	○	○	○	○
The business' marketability (4)	○	○	○	○	○	○	○
The customer base (5)	○	○	○	○	○	○	○
The business' revenue (6)	○	○	○	○	○	○	○
The business' profitability (7)	○	○	○	○	○	○	○
Sufficiency of stock levels at all times (8)	○	○	○	○	○	○	○
The number of staff members (9)	○	○	○	○	○	○	○
Staff productivity (10)	○	○	○	○	○	○	○

The assets of the business (11)	○	○	○	○	○	○	○
The quality of the products (12)	○	○	○	○	○	○	○
The attainment of the business' targets (13)	○	○	○	○	○	○	○
The overall size of the business (14)	○	○	○	○	○	○	○

End of Block: Section D: SMME Growth

Start of Block: Section E: Microfinance loans

Q16 Please indicate your experience of access and use of microfinance loans in terms of the following:

	Strongly disagree (1)	Disagree (2)	Somewhat disagree (3)	Neither agree nor disagree (4)	Somewhat agree (5)	Agree (6)	Strongly agree (7)
I can easily access microfinance loans (1)	○	○	○	○	○	○	○
I use microfinance loans from time to time (more than once a year) (3)	○	○	○	○	○	○	○
Microfinance loans are vital (4)	○	○	○	○	○	○	○

End of Block: Section E: Microfinance loans

Start of Block: Section F: Microfinance costs

Q17 Please indicate your experience of microfinance costs in affecting the following:

	Strongly disagree (1)	Disagree (2)	Somewhat disagree (3)	Neither agree nor disagree (4)	Somewhat agree (5)	Agree (6)	Strongly agree (7)
I can pay microfinance interest rates with ease (1)	○	○	○	○	○	○	○
I always pay microfinance loan repayments on time (2)	○	○	○	○	○	○	○
Microfinance costs have no major bearing on my disposable income (4)	○	○	○	○	○	○	○
My business' savings and cash reserves keep increasing year on year (5)	○	○	○	○	○	○	○
Microfinance costs are expensive (6)	○	○	○	○	○	○	○
Microfinance costs are affordable (7)	○	○	○	○	○	○	○
Microfinance costs are fair (8)	○	○	○	○	○	○	○

End of Block: Section F: Microfinance costs

Start of Block: Section G: Follow up Interviews

Q18 Please indicate if you would like to participate in an interview post this survey

- Yes (1)
- No (2)

Q19 If you selected yes above, please provide your contact details below

_____

End of Block: Section G: Follow up Interviews

APPENDIX C – ETHICS CLEARANCE CERTIFICATE

UNIVERSITY OF THE WITWATERSRAND JOHANNESBURG

Research Office

HUMAN RESEARCH ETHICS COMMITTEE (NON-MEDICAL)
R14/49 Msomi

CLEARANCE CERTIFICATE	**PROTOCOL NUMBER: H21/10/32**
PROJECT TITLE	The moderating effect of gender on the relationship between microfinance and the business growth of SMMEs in Gauteng
INVESTIGATOR(S)	Mrs N Msomi
SCHOOL/DEPARTMENT	Wits Business School/
DATE CONSIDERED	22 October 2021
DECISION OF THE COMMITTEE	Approved Risk Level: Minimal
EXPIRY DATE	16 May 2025

DATE 17 May 2022 **CHAIRPERSON** _____
(Professor J Watermeyer)

cc: Supervisor : Professor J Msimango-Galawe

DECLARATION OF INVESTIGATOR(S)

To be completed in duplicate and **ONE COPY** returned to the Secretary at Room 10004, 10th Floor, Senate House, University. Unreported changes to the application may invalidate the clearance given by the HREC (Non-Medical)

I/We fully understand the conditions under which I am/we are authorized to carry out the abovementioned research and I/we guarantee to ensure compliance with these conditions. Should any departure to be contemplated from the research procedure as approved I/we undertake to submit an amendment of the protocol to the Committee. **I agree to completion of a regular progress report. For Minimal and Low studies, this is due annually on 31 December. For Medium and High Risk studies, this is due twice annually on 30 June and 31 December.**

N. Nkambu
Signature

30/05/2022
Date

PLEASE QUOTE THE PROTOCOL NUMBER ON ALL ENQUIRIES

APPENDIX D – CONSISTENCY MATRIX

To investigate the moderating effect of gender on the relationship between microfinance and the business growth of SMMEs							
Subproblems or Aims	**Literature review**	**Research questions**	**Hypothesis**	**Variables**	**Source of Data**	**Type of data**	**Analysis**
Aim 1: To investigate the impact of the use of microfinance loans on SMME growth.	Olowe, F.Moradeyo, O.& Babalola, O. (2013) Aladejebi(2019) Uusiku(2019)	**1:** What impact does the use of microfinance loans have on the growth of SMMEs?	**Hypothesis 1:** The use of microfinance loans has a positive impact on SMME growth.	Microfinance loans Use (IV) SMME growth(DV)	Survey Questionaires	Ordinal, 7-Likert Scale	Regression Analysis Descriptive analysis Cofirmatory Factor Analysis PLS-SEM SPSS SMART-PLS
Aim 2: To investigate the impact of the cost of microfinance on SMME growth	Strøm, R. & Mersland, R.(2013) Woldie, A., Isaac Mwita, J. & Saidimu, J,(2012)	**2**: What impact does the cost of microfinance have on the growth of SMMEs?	**Hypothesis 2**: The cost of microfinance has a negative impact on the growth of SMMEs	Microfinance cost (IV) SMME growth(DV)	Survey Questionaires	Ordinal,	Regression Analysis Descriptive analysis Confirmatory Factor Analysis PLS-SEM SPSS
Aim 3: To investigate the moderating effect of gender on the relationship between microfinance loans and the growth of SMMEs.	K'aAol (2008) Mayoux (2006 Shahriar et al., (2020).	**3**.What effect does gender have on the impact of microfinance loans on the growth of SMMEs?	**Hypothesis 3:** Gender imoderates the relationshio between microfinance loans use and the growth of SMMEs.	Microfinance loans Use (IV) Gender (MV) SMME growth (DV)	Survey Questionaires	Ordinal Nominal	Regression Analysis Descriptive analysis Confirmatory Factor Analysis Moderation Analysis

Aim 4: To compare the use of microfinance loans between men and women entrepreneurs	Mayoux (2006 Ekpe, Razak, & Mat (2013)	4.What is the difference in the use of microfinance loans by women compared to men, towards the growth of SMMEs?	**Hypothesis 4:** Women owned SMMEs use microfinance loans more than their male counterparts.	Microfinance loans Use (IV) SMME growth (DV)	Survey Questionaires	] Ordinal Nominal	Regression Analysis Descriptive analysis Explanatory Analysis T-Test
Aim 5: To investigate the moderating effect of gender on the relationship between microfinance costs and the growth of SMMEs.	Beck, Behr & Madestam (2011) D'espallier, Guerin & Mersland (2013) Shahriar, Unda, & Alam (2020)	**3**.What effect does gender have on the impact of microfinance costs on the growth of SMMEs?	**Hypothesis 5:** Gender is a moderating variable for the impact of microfinance costss on the growth of SMMEs.	Microfinance Costs (IV) Gender (MV) SMME growth (DV)	Survey Questionaires	Ordinal Nominal	Regression Analysis Descriptive analysis Confirmatory Factor Analysis Moderation Analysis

APPENDIX E – CERTIFICATE OF EDITING

CERTIFICATE OF EDIT

Issued to Wits Business School Student: Ncebakazi Msomi 767880

Date: 28 February 2023

Thesis Title: The moderating effect of gender on the relationship between microfinance and the business growth of SMMEs in Gauteng

To whom it may concern:

This letter serves to confirm that the thesis corresponding to the above information, was edited by a professional academic editor, Dr Nqobile Zulu at Professori Consultancy.

I guarantee language accuracy in the text as edited and delivered to the author on the 26th of February 2023. I make no claims as to the substantive matter covered by the thesis and have not altered the intent or research content drafted by the author.

It is the author's prerogative to accept or reject any of my comments or suggestions upon receipt of the document I edited.

Should you have any queries or concerns, please contact ***Dr Nqobile Zulu at +27 (0)739240208 or zulunqobile@gmail.com***

Sincerely,

Dr Nqobile Zulu

PhD Development Studies, Wits