The Cognitive Process of Entrepreneurs Seeking Access to External Finance to Drive SMME Growth

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A thesis submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Doctor of Philosophy (PhD)

Johannesburg, February 2024

ABSTRACT

Small, micro and medium enterprises (SMME) need access to external finance to grow. Entrepreneurs' financing decisions play an important role in enabling SMME access to external finance. Existing research does not adequately capture the complexity and dynamics involved when entrepreneurs make decisions. This study explored the cognitive process of entrepreneurs seeking external finance through which entrepreneurs' financing decisions promote or limit SMME access to external finance.

The study collected qualitative data through 14 in-depth interviews with entrepreneurs who operated businesses in South Africa. The data was analysed using reflexive thematic analysis to generate themes.

Based on its findings, the study proposes a model of entrepreneurs' process of choosing a course of action (MEPCCA). In addition, the study proposes an integrated model of the cognitive process of entrepreneurs seeking external finance to drive SMME growth (MCPESEF). The proposed MCPESEF provides a temporal account of the complex and dynamic process of seeking external finance. The study proffers that growth aspirations promote entrepreneurs applying for external finance by increasing its desirability, which positively influences their intention to apply. In contrast, the study proposes that discouragement limits entrepreneurs applying for external finance through its negative influence on entrepreneurs' intention to apply. Further research is required to test the effect of perceived desirability and feasibility on entrepreneurs' intention to apply for external finance.

An in-depth understanding of the cognitive process of entrepreneurs seeking external finance supports efforts to improve SMME access to the external finance needed to drive growth.

Keywords: SMME, Access to Finance, Cognitive Process, Intention to Apply, External Finance, Entrepreneurs, Financing Decisions, Growth Aspirations, Discouragement, Growth.

DECLARATION

I, **Belinda Rathogwa**, declare that this study of the cognitive process of entrepreneurs seeking external finance is my own work. It is submitted in partial fulfilment of the requirements for the Doctor of Philosophy in Management degree at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university. I further declare that I have acknowledged all sources of information used in this study.

SIGNED AT Johannesburg……………………………………………………………

ON THE 12th…………………………….. DAY OF February………………………… 2024

SIGNATURE : Belinda Rathogwa..

ACKNOWLEDGEMENTS

As the African proverb says: ‘It takes a village to raise a child.’ I wish to express my gratitude to those who contributed to the success of this work.

This study would not have been possible without the entrepreneurs who shared their experiences. Thank you for your participation.

I wish to thank everyone in my ‘village’ who encouraged entrepreneurs to participate in the study. Data collection is a challenging task, but with your support, we have a better understanding of the process through which entrepreneurs’ financing decisions promote or limit SMME access to external finance to drive growth.

I am indebted to my peers in the PhD program who provided much-needed support and encouragement. Your encouraging words helped me to persevere through the challenges encountered in this journey.

I offer my thanks to my supervisor, Dr Jabulile Msimango-Galawe. In addition, I am grateful to the reviewers for their insightful comments, which challenged me to improve and refine this work.

I could not have succeeded in this journey without my family. Mom, Sego, I can never thank you enough! Your loving sacrifices made this arduous journey possible.

Funo, Tez, Spikey, thank you for understanding all those times when Mommy had to work. I hope you will one day draw inspiration from my journey. Dream big. You can do anything you set your mind to!

Words fail to capture my gratitude for my husband, Cyril. I could not have accomplished this work without your love and support. You put up with many late nights and early mornings. Selflessly, you did what was needed to keep our family going while I focused on this work. I am eternally grateful for your constant love and support.

MEANING OF ABBREVIATIONS

BASA	–	Banking Association of South Africa
BER	–	Bureau of Economic Research
CIPC	–	Companies and Intellectual Property Commission
COVID-19	–	Corona Virus Disease of 2019
DSBD	–	Department of Small Business Development
DHA	–	Department of Home Affairs
DTI	–	Department of Trade and Industry
GDP	–	Gross Domestic Product
IDC	–	Industrial Development Corporation
NYDA	–	National Youth Development Agency
OECD	–	Organisation for Economic Cooperation and Development
SARS	–	South African Revenue Service
SEDA	–	Small Enterprise Development Agency
SEFA	–	Small Enterprise Finance Agency
SMME	–	Small, Medium, and Micro Enterprises
UIF	–	Unemployment Insurance Fund

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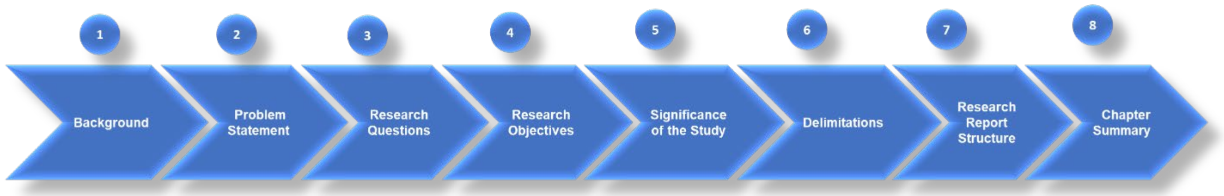
CHAPTER 1: INTRODUCTION

This chapter articulates the foundations of this research. The chapter structure is illustrated below:



The chapter introduces the study by discussing its background and context. The chapter then articulates the research problem, questions, and objectives. Then, the chapter highlights the significance of the study and the study's scope. After discussing the study's delimitations, the chapter outlines the research report structure and concludes with a summary of the research foundations.

1.1. Background

The importance of Small, Micro and Medium Enterprises (SMMEs) in promoting economic growth and employment creation is widely documented (Global Entrepreneurship Monitor, 2020). As a developing country, South Africa faces significant challenges with poverty and unemployment (Statistics South Africa 2019). Therefore, South African SMMEs are expected to play a critical role in creating employment and driving economic growth (National Planning Commission - Republic of South Africa, 2011). The evidence suggests that growing SMMEs have the highest potential to create employment and contribute to economic growth (Coad et al., 2020; Ngek & van Aardt Smit, 2013). Therefore, growth is critical for SMMEs to maximise their contribution to economic growth and employment creation.

The finance literature has established that SMMEs need access to finance to grow (Carbo-Valverde et al., 2016; Carpenter & Petersen, 2002; Cassar, 2004; Kersten et al., 2017; Kumar & Rao, 2015). South African SMMEs can access external finance in the form of crowdfunding, marketplace lending, venture capital, bank credit, trade credit, public sector finance, and public sector COVID-19 business support. Despite the plethora of finance options available, SMMEs have difficulty accessing the external finance they need to grow (Finfind, 2017; International Finance Corporation, 2017).

The finance literature attributes SMMEs' difficulties accessing external finance to challenges that limit the supply of credit (Carbo-Valverde et al., 2016; Cumming et al., 2019; Stiglitz & Weiss, 1981). However, a growing body of literature suggests that entrepreneurs' financing decisions play an important role in enabling SMME access to external finance (Cohen & Wirtz, 2021; Nguyen & Canh, 2021; Wong et al., 2018).

The impetus for this study was the publishing of sector reports, which estimated that up to 80% of entrepreneurs in South Africa do not apply for external finance, even when it is needed to drive SMME growth (Finfind, 2017; Seed Academy, 2018). These findings suggest that entrepreneurs' financing decisions may be limiting SMME access to external finance to a large degree and inadvertently compromising their ability to contribute to socio-economic development. An in-depth understanding of how entrepreneurs' financing decisions promote or limit the use of external finance is important for improving SMME access to the external finance needed to drive growth.

Studies that apply cognitive approaches to explaining entrepreneurs' financing decisions recognise decision-making as a cognitive process (Bilgehan, 2014; Cosh et al., 2009; Du & Nguyen, 2022; Fitzsimmons & Douglas, 2006; Fraser, 2019; Fraser et al., 2015; Tomak, 2013). Cognitive processes control how individuals gather, process, evaluate and act on information (Allinson et al., 2000; Smith & Kelly, 2015). In the context of entrepreneurs seeking external finance, making a decision to apply for external finance is not enough to enable SMME access to external finance. Entrepreneurs must act on their decisions and apply to finance providers to access the funds needed to drive growth. Therefore, to develop an in-depth understanding of how the cognitive process of entrepreneurs promotes or limits SMME access to external finance, research must explore entrepreneurs' financing decisions in relation to their actions when seeking external finance.

The literature highlights that the cognitive process of entrepreneurs can be affected by cognitive factors (Du & Nguyen, 2022; Fraser et al., 2015; Hanifzadeh et al., 2018). Specifically, previous studies suggest that growth aspirations promote entrepreneurs use of external finance (Cosh et al., 2009; Fitzsimmons & Douglas, 2006) while discouragement limits entrepreneurs' use of external finance (Cole & Dietrich, 2019; Kon & Storey, 2003; Mac an Bhaird et al., 2016; Naegels et al., 2022). Understanding how growth aspirations and discouragement influence the cognitive process of entrepreneurs seeking external finance can lead to an improved understanding of how entrepreneurs' financing decisions promote or limit the use of external finance required to drive SMME growth.

1.2. Problem Statement

Entrepreneurs' financing decisions play an important role in enabling SMME access to external finance (Cohen & Wirtz, 2021; Nguyen & Canh, 2021; Wong et al., 2018). Sector reports suggest that by deciding not to apply for external finance, entrepreneurs may be limiting SMME access to external finance to a large degree and inadvertently compromising their ability to contribute to socio-economic development. An in-depth understanding of the process through which entrepreneurs' financing decisions promote or limit the use of external finance would be beneficial for improving SMME access to the external finance needed to drive growth.

Despite more studies focusing on how entrepreneurs make financing decisions (Cumming et al., 2019; Kersten et al., 2017; Kuada, 2021; Rao et al., 2021), existing research does not adequately capture the complexity and dynamics involved when entrepreneurs make decisions (Shepherd et al., 2015; Wright & Stigliani, 2012). Cognitive approaches to explaining entrepreneurs' financing decisions recognise decision-making as a cognitive process that can be affected by cognitive factors (Bilgehan, 2014; Cosh et al., 2009; Fitzsimmons & Douglas, 2006; Fraser, 2019; Fraser et al., 2015; Tomak, 2013). However, the underlying cognitive process through which entrepreneurs' financing decisions promote or limit SMME access to external finance is poorly understood.

Literature that adopts a cognitive perspective on individuals' decisions recognises that cognitive processes control how individuals gather, process, evaluate and act on information (Allinson et al., 2000; Smith & Kelly, 2015). Therefore, research that aims to understand the cognitive process that controls entrepreneurs' financing decisions must explore entrepreneurs' financing decisions in relation to their actions when seeking external finance. The cognitive process that controls how entrepreneurs choose a course of action when in need of external finance is not well understood.

Further, previous studies suggest that growth aspirations can promote entrepreneurs' use of external finance (Cosh et al., 2009; Fitzsimmons & Douglas, 2006). However, the underlying cognitive process through which entrepreneurs' growth aspirations promote SMME access to external finance is poorly understood. In contrast, previous studies have established that discouragement limits entrepreneurs' use of bank credit external finance (Chakravarty & Xiang, 2013; Cole & Dietrich, 2019; Gama et al., 2017; Kon & Storey, 2003; Lucey et al., 2012; Mac an Bhaird et al., 2016). However, there is limited research on SMMEs' use of non-bank finance sources (OECD, 2015). Therefore, the underlying cognitive process through which discouragement limits SMME access to external finance, including non-bank finance, is poorly understood.

1.3. Research Questions

The overarching research question is as follows:

'How does the cognitive process of entrepreneurs seeking external finance promote or limit SMME access to external finance to drive growth?'.

The overarching question was addressed through the following sub-questions:

RQ1: How do entrepreneurs choose a course of action when in need of external finance to drive SMME growth?

RQ2: How do growth aspirations promote entrepreneurs applying for external finance?

RQ3: How does discouragement limit entrepreneurs applying for external finance?

1.4. Research Objectives

This study explores the cognitive process of entrepreneurs seeking external finance through which entrepreneurs' financing decisions promote or limit SMME access to external finance to drive growth.

The following research objectives facilitated the achievement of this aim:

RO1: Explore how entrepreneurs choose a course of action when in need of external finance to drive SMME growth.

RO2: Explore how growth aspirations promote entrepreneurs applying for external finance.

RO3: Explore how discouragement limits entrepreneurs applying for external finance.

1.5. Significance of the Study

Extant research on SMME access to finance has focused on supply-side factors that limit access to finance for small businesses, including credit decision methods and approval rates of finance providers (Cumming et al., 2019; Kersten et al., 2017). Studies investigating demand-side factors have focused on firm characteristics and how those affect an SMME's ability to secure external finance (Chimucheka & Rungani, 2013; Fatoki & Odeyemi, 2010). Despite increasing interest in entrepreneurs' financing decisions, existing research does not adequately capture the complexity and dynamics involved when entrepreneurs make decisions. An in-depth understanding of the process through which entrepreneurs' financing decisions promote or limit the use of external finance would be beneficial for improving SMME access, especially in South Africa, where SMME growth is imperative for socio-economic development.

This study provides a unique perspective on entrepreneurs' financing decisions by applying the Mindset Theory of action phases and its Rubicon model as a lens through which to explore the cognitive process of entrepreneurs seeking external finance. The study extends the current understanding of entrepreneurs' financing decisions by adopting a process-oriented approach to exploring how entrepreneurs choose a course of action when in need of external finance to drive SMME growth. An in-depth understanding of the process through which entrepreneurs' financing decisions promote or limit the use of external finance is important for improving SMME access to the external finance needed to drive growth.

Further, the study contributes to theory building by proposing a model that explains the process through which growth aspirations and discouragement influence entrepreneurs' financing decisions. Unlike many studies in SMME finance that focus on bank credit (Beck, Homanen, et al., 2018; Cole & Dietrich, 2019; Leon, 2015), this study takes a broader view of the provision of external finance and includes non-bank sources of external finance, including crowdfunding, marketplace lending, venture capital, trade credit, public sector finance, and public sector COVID-19 business support. By incorporating different types of finance, the study augments the limited research on SMMEs' use of non-bank finance sources (OECD, 2015). It contributes to a better understanding of entrepreneurs' financing decisions beyond bank credit. The study provides novel insights into the cognitive process through which discouragement affects entrepreneurs applying for crowdfunding, marketplace lending, venture capital, trade credit, public sector finance, and public sector COVID-19 business support.

In addition, this study makes a methodological contribution to the entrepreneurial finance literature. Most studies conducted in SMME finance have favoured quantitative research designs, including panel data analysis and surveys (Beck & Demirguc-Kunt, 2006; Chakravarty & Xiang, 2013; Rao et al., 2021). According to Rao et al. (2021), only 14% of empirical studies in SMME finance have used qualitative analysis. This study used reflexive thematic analysis to generate rich insights into the cognitive process through which entrepreneurs' financing decisions promote or limit SMME access to external finance to drive growth. An in-depth understanding of the process through which entrepreneurs' financing decisions promote or limit the use of external finance is important for improving SMME access to the external finance needed to drive growth.

1.6. Delimitations of the Study

- This study focused on entrepreneurs who run SMMEs in South Africa and have profiles on social networking platforms, i.e., LinkedIn, Facebook, or WhatsApp.
- The study explored entrepreneurs' use of external finance sources offered by registered finance providers. The sources of external finance in the scope of this study are crowdfunding, marketplace lending, venture capital, bank credit, trade credit, public sector finance, and public sector COVID-19 business support. Other sources of external finance such as credit guarantees, tax incentives, microfinance, stokvels, personal finance, or borrowing from friends and family were excluded from the scope of the study.
- While the study supports improvement in SMME access to external finance, the SMME is not the primary unit of analysis. The entrepreneur is the primary unit of analysis in this study as they are critical decision-makers and actors in SMME financing decisions. Only entrepreneurs involved in financial decision-making would be sufficiently informed to provide the required information. Therefore, research participants were limited to entrepreneurs involved in making and acting on financing decisions on the SMMEs' behalf.
- This study focused on demand-side issues of SMME access to finance by exploring the cognitive process of entrepreneurs seeking external finance. Supply-side issues were not explored in this study.

1.7. Research Report Structure

This report provides information on the research conducted to explore the cognitive process of entrepreneurs seeking external finance through which entrepreneurs' financing decisions promote or limit SMME access to external finance to drive growth. The report comprises six chapters as follows:

- **Chapter 1** introduces the study by discussing its background and context. The chapter then articulates the research problem, questions, and objectives. Then, the chapter highlights the significance of the study and the study's scope. After discussing the study's delimitations, the chapter outlines the research report structure and concludes with a summary of the research foundations.
- **Chapter 2** develops a theoretical framework as a lens through which data will be interpreted. The chapter reflects on the importance of SMMEs for economic growth and employment creation. It then highlights the criticality of growth for maximising SMMEs' potential to contribute to economic growth and create employment. In addition, the chapter deliberates on the current literature on how growth aspirations enable SMME growth. After delineating the different types of external finance available to SMMEs, the chapter deliberates on existing theories that apply to entrepreneurs' financing decisions, cognitive processes, growth aspirations, and discouragement to contextualise the current research.
- **Chapter 3** describes the methodological approach taken in this study. The methodology applied was instrumental in providing insights based on the research question. This chapter describes the research paradigm, research design, sampling method, the design of the research instruments, the procedure for data collection, and the techniques employed in the analysis and interpretation of the data. The trustworthiness of the inferences made from the data
- **Chapter 4** presents the findings based on data analysis. First, the chapter presents the demographic profile of the study participants, followed by the themes related to how entrepreneurs choose a course of action when in need

of external finance. After that, the chapter describes themes relating to how growth aspirations promote entrepreneurs' applying and how discouragement limits entrepreneurs applying for different types of external finance.

- **Chapter 5** discusses the study's findings. The discussion explains how the findings address the research questions and how they fit with existing research and theory. First, the chapter discusses participant characteristics and explores the findings relating to how entrepreneurs choose a course of action when seeking external finance. Then, the discussion explains how growth aspirations promote entrepreneurs applying for external finance, followed by how discouragement limits entrepreneurs applying for external finance. Last, the chapter integrates the findings and discusses the proposed model of the cognitive process of entrepreneurs seeking external finance to drive SMME growth.
- **Chapter 6** concludes the study by summarising the Findings and addressing the research questions and objectives. The chapter summarises conclusions from the literature to reiterate the significance of the study. Then, the chapter discusses the study’s conclusions, the associated implications and makes recommendations for finance providers and policymakers. Last, the chapter discusses the study's contributions and limitations and suggests avenues for further research.

1.8. Chapter Summary

The importance of Small, Micro and Medium Enterprises (SMMEs) in promoting economic growth and employment creation is widely documented. As a developing country, South Africa faces significant challenges with poverty and unemployment and greatly relies on SMMEs for economic growth and employment creation. Therefore, efforts to support SMME growth are critical for maximising SMME contribution to economic growth and employment creation.

The finance literature has established that SMMEs need access to finance to grow. Despite the plethora of finance options available, South African SMMEs have difficulty accessing the external finance they need to grow. Entrepreneurs' financing decisions play an important role in enabling SMME access to external finance. Importantly, an in-depth understanding of the process through which entrepreneurs' financing decisions promote or limit the use of external finance is important for improving SMME access to the external finance needed to drive growth.

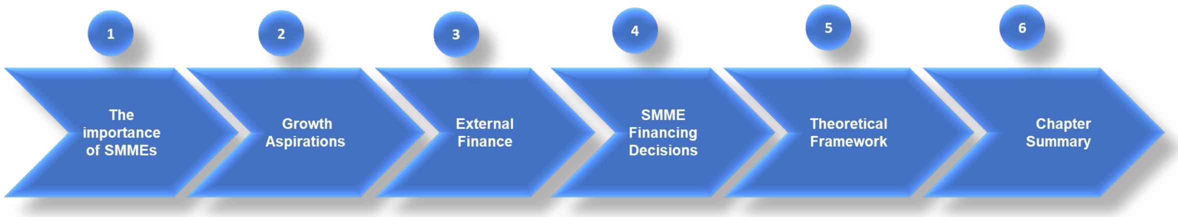
Cognitive approaches to explaining entrepreneurs' financing decisions recognise decision-making as a cognitive process that can be affected by cognitive factors. However, the underlying cognitive process through which entrepreneurs' financing decisions promote or limit SMME access to external finance is poorly understood. The cognitive process that controls how entrepreneurs choose a course of action when in need of external finance is not well understood.

Further, previous studies suggest that growth aspirations can promote entrepreneurs' use of external finance (Cosh et al., 2009; Fitzsimmons & Douglas, 2006). However, the underlying cognitive process through which entrepreneurs' growth aspirations promote SMME access to external finance is poorly understood. In contrast, previous studies have established that discouragement limits entrepreneurs' use of bank credit external finance (Chakravarty & Xiang, 2013; Cole & Dietrich, 2019; Gama et al., 2017; Kon & Storey, 2003; Lucey et al., 2012; Mac an Bhaird et al., 2016). However, such studies have focused on bank credit. Consequently, the underlying cognitive process through which discouragement limits SMME access to external finance, including non-bank finance, is poorly understood. This study explores how growth aspirations and discouragement influence entrepreneurs applying for external finance.

The current study provides a unique perspective on entrepreneurs' financing decisions by applying the Mindset Theory of action phases and its Rubicon model as a lens through which to explore the cognitive process of entrepreneurs seeking external finance, including non-bank finance. The study contributes to a better understanding of entrepreneurs' financing decisions by adopting a process-oriented approach to exploring how entrepreneurs choose a course of action when in need of external finance to drive SMME growth.

CHAPTER 2: LITERATURE REVIEW

This chapter develops a theoretical framework as a lens through which data will be interpreted. The chapter structure is illustrated below:



The chapter reflects on the importance of SMMEs for economic growth and employment creation. It then highlights the criticality of growth for maximising SMMEs' potential to contribute to economic growth and create employment. In addition, the chapter deliberates on the current literature on how growth aspirations enable SMME growth. After delineating the different types of external finance available to SMMEs, the chapter deliberates on existing theories that apply to entrepreneurs' financing decisions, cognitive processes, growth aspirations, and discouragement to contextualise the current research.

2.1 Small, Micro, and Medium Enterprises (SMME)

The importance of SMMEs in promoting economic growth and employment creation is widely documented in the literature (Global Entrepreneurship Monitor, 2020). Despite policymakers and scholars agreeing on the importance of SMMEs for socio-economic development, the previous literature has not agreed on the definition of SMMEs (Global Entrepreneurship Monitor, 2020; International Finance Corporation, 2018). The terms 'Small business,' 'Small to medium enterprise (SME),' 'Small, micro and medium enterprise (SMME), and 'Micro, small and medium enterprises (MSME)' are used interchangeably to refer to businesses that cannot be categorised as large businesses.

For instance, the European Commission (2003, 2020) defines an SME as a business that employs less than 250 people and has an annual turnover of up to EUR 50 million or a balance sheet total of no more than EUR 43 million. Similarly, the United States International Trade Commission (2010) defines SMEs as businesses that employ fewer than 500 employees, with farms and exporting services sectors further classified based on annual revenue. In South Africa, the National Small Enterprise Act of South Africa, amended in 2019 (p.1), defines an SMME as:

> " a separate and distinct business entity, together with its branches or subsidiaries, if any, including cooperative enterprises,
> managed by one owner or more predominantly carried on in any sector or subsector of the economy mentioned in column 1 of the Schedule and classified as a micro, a small, or a medium enterprise by satisfying the criteria mentioned in columns 3 and 4 of the Schedule."

The schedule of size standards categorises SMMEs based on the number of full-time employees and annual sales turnover across various sectors. A summary of the schedule is presented in Table 2-1 below:

Table 2-1: Summarised Schedule of Size Standards for SMMEs in South Africa

Classification	**Number of full-time employees**	**Annual Turnover (Maximum)**
Micro	0 - 10	R20m
Small	11 - 50	R80m
Medium	51 - 250	R220m

Source: Department of Small Business Development (2019)

The definitions presented consider the number of employees, annual sales turnover or asset value. The variance in the definitions attests to no commonly accepted definition of an SMME. The lack of uniformity in how SMMEs are defined creates difficulty for generalisability and comparison of findings across studies as the underlying businesses may be inherently different. This study adopted the definition of SMME by the National Small Enterprise Act (2019).

2.1.1 SMMEs in the South African Context

Estimating the number of SMMEs in South Africa is difficult due to the poor availability of data on informal enterprises (Fourie, 2018). Using data from the South African Revenue Service, the Global Entrepreneurship Monitor, and the Bureau of Economic Research, Finfind (2017) estimated that South Africa had approximately 2.9m to 3.4m SMMEs. More recently, the Small Enterprise Development Agency (2021) estimated that the number of SMMEs has declined to approximately 2,36 million. SMMEs are distributed across the nine provinces in South Africa, with the highest concentration of SMMEs found in Gauteng (35.4%), Kwazulu-Natal (15.3%), Limpopo (11.6%) and the Western Cape (11.3%). Table 2-2 summarises the SMME distribution by province.

Table 2-2: SMME Distribution by Province

Province	Estimated Number of SMMEs	Percentage Distribution
Gauteng	783 410	33,1%
Kwazulu-Natal	414 071	17,5%
Western Cape	268 799	11,4%
Limpopo	243 924	10,3%
Eastern Cape	231 011	9,8%
Mpumalanga	214 393	9,1%
Free State	110 183	4,7%
North West	79 203	3,4%
Northern Cape	18 519	0,8%

Source: Small Enterprise Development Agency (2021)

The distribution of SMMEs mirrors the patterns of urbanisation (Gardner, 2018), with more SMMEs found in metropolitan areas than rural areas.

2.1.2 SMME Contribution to Economic Growth

The importance of SMMEs to economic performance cannot be understated, and their contribution to economic growth makes SMME growth a focus area for policymakers. More specifically, the Global Entrepreneurship Monitor (2017/2018) estimates that in 2015, South African SMMEs contributed 36% to the gross domestic product (GDP). Despite the significant economic contribution by SMMEs, the growth of the South African economy continues to lag in expectations. For example, the World Bank (2022) estimated that the average annual growth in GDP from 2010 to 2020 was 1.08%. The estimated GDP growth rate falls significantly below the average growth rate of 5% required to achieve South Africa's socio-economic objectives (National Planning Commission - Republic of South Africa, 2011). The modest economic growth in South Africa increasingly prioritises the role of SMMEs as a driver of economic growth.

2.1.3 SMME Contribution to Employment Creation

In addition to driving economic growth, SMMEs have the potential to contribute to poverty alleviation by creating employment. For example, the World Bank (2018) estimates that SMMEs employ 67% of working South Africans. As South Africa contends with a high unemployment rate, the ability of SMMEs to create employment has received increasing attention from policymakers (Statistics South Africa, 2021). In the Quarterly Labour Force Survey published in the second quarter of 2021, Statistics South Africa estimated that the unemployment rate in South Africa is 34,4%. Previous studies indicate that SMME growth boosts employment more than larger firms, as SMMEs are more labour-intensive (Luiz, 2002; Taiwo et al., 2012). Consequently, South Africa has a greater impetus to support SMME growth to provide employment for those most adversely affected by unemployment (World Bank, 2018).

2.1.4 Growing SMMEs Drive Economic Growth and Employment Creation

SMMEs' contribution to economic growth and employment is well documented (Global Entrepreneurship Monitor, 2020; World Bank, 2018). However, the evidence suggests that SMMEs do not all have the same potential to drive economic growth and create employment, as failure and low growth are prevalent among SMMEs (Hart et al., 2021; Ngek & van Aardt Smit, 2013). Fatoki and Odeyemi (2010) estimated that 75% of new SMMEs in South Africa do not become established firms. Similarly, Aren and Sibindi (2014) estimated that 70-80% of businesses fail within the first two years. Forty percent of all new businesses in South Africa fail in their first year, while 60% fail in the second year and 90% fail within the first ten years of their inception (Lings, 2014).

SMMEs that succumb to the high failure rate or low growth will not be able to create the required jobs (Kesper, 2000; Ngek & van Aardt Smit, 2013). While small owner-managed enterprises create employment for the owner (Kuada, 2021), the evidence suggests that growing SMMEs that are sustainable have the highest potential to create employment and contribute to economic growth (Coad et al., 2020; Ngek & van Aardt Smit, 2013). This study supports improvement in SMME growth by exploring the cognitive process through which entrepreneurs' financing decisions promote or limit SMME access to external finance to inform initiatives that aim to improve SMME access to external finance.

2.2 Growth Aspirations

Growing SMMEs have the highest potential to contribute to economic growth and employment creation (Coad et al., 2020; Hart et al., 2021). Despite a long-standing interest in the subject, there is no standard definition of growth in the literature (Davidsson et al., 2010; Hafiz et al., 2022). Scholars conceptualise growth as a multidimensional construct (Delmar et al., 2003; Penrose, 1959) with dimensions that are qualitative (Dalborg, 2015) or quantitative (Coad et al., 2018; Fatoki & Garwe, 2010).

Qualitative approaches conceptualise growth as a process that changes a firm's internal attributes over time. For example, the internal processes in the firm may become more efficient, or the founder's attitudes and motivations may change over time (Baum & Locke, 2004). Alternatively, quantitative approaches are concerned with evaluating a 'change in amount' of a business characteristic, including sales, employment, assets, physical output, market share and profits (Coad et al., 2018; Fatoki & Garwe, 2010; Wiklund et al., 1997). The present study conceptualises growth as a change in sales or employment. This way of conceptualising SMME growth is coherent with the desired economic growth and employment creation outcomes.

Growth is a deliberate choice that entrepreneurs make when running a business (Eide et al., 2021; Wiklund et al., 2003). Scholars in the literature use growth ambition (Levie & Autio, 2013), growth intention (Edelman et al., 2010), growth motivation (Delmar & Wiklund, 2008), growth preference (Cassar, 2006) and growth aspiration (Douglas, 2013) interchangeably to refer to an individual's intention to pursue growth (Hermans et al., 2015). This study explores how growth aspirations promote entrepreneurs applying for external finance. Hence, a clear definition of growth aspirations is essential.

2.2.1 Defining Growth Aspirations

Although there is a growing body of research aimed at understanding why and how entrepreneurs pursue growth (Eide et al., 2021; Hanifzadeh et al., 2018; Henríquez-Daza et al., 2019), the literature has not reached a consensus on the definition of entrepreneurial growth aspirations. Douglas (2013) defines growth aspirations as "an entrepreneur's intention to grow an existing business" (p. 636), highlighting the differences between nascent entrepreneurs and those who run existing businesses. He argued that the growth aspirations of nascent entrepreneurs are primarily a desire to pursue growth. In contrast, those of experienced entrepreneurs may be adjusted to reality based on a better understanding of constraints and limitations that could affect business growth.

Following a review of the literature on ambitious entrepreneurship, Hermans et al. (2015) concluded that the literature was fragmented and in need of conceptual clarity. The authors advocated for a distinction between growth aspirations, growth intention and growth expectations. They proposed that growth aspiration is defined as an entrepreneur's intrinsic desire for growth based on their attitude and subjective norms, i.e. what the entrepreneur wants to achieve (Hermans et al., 2015). In contrast, they argue that growth intentions go beyond desire and incorporate the effort the entrepreneur is willing to put in to achieve the growth, i.e., the entrepreneur's readiness to take the necessary action to drive growth.

Lastly, they proposed that growth expectation goes further and incorporates the reality of the business. Thus, they conceptualise growth expectation as growth that the entrepreneur perceives is achievable given the available opportunities and constraints in the business. This study sought to explore how entrepreneurs' desire for growth promotes them taking action to apply for external finance. From this perspective, a distinction is made between the entrepreneur's desire for growth and willingness to take the necessary action to drive growth. Therefore, Hermans et al.'s (2015) definition of growth aspirations was adopted.

2.2.2 Growth Aspirations in SMME Financing Decisions

The literature has established that entrepreneurs’ growth aspirations contribute significantly to the future growth of a firm (Baum & Locke, 2004; Davis & Shaver, 2012; Krueger, 2003; Neneh & Vanzyl, 2014; Wiklund et al., 2003). Previous studies suggest that entrepreneurs’ desire for growth directly and positively affects their actions to pursue growth (Eide et al., 2021; Hanifzadeh et al., 2018). Specifically, research has shown that growth aspirations are positively associated with entrepreneurs’ decision to finance their businesses through equity finance (Fitzsimmons & Douglas, 2006). Moreover, research conducted by Cosh et al. (2009) showed that firms with stronger growth objectives are more likely to seek external finance. Thus, the literature suggests that growth aspirations promote SMME access to external finance. However, the underlying cognitive process through which growth aspirations promote SMME access to external finance is poorly understood.

Previous studies investigating the effect of growth aspirations on financing decisions have focused on conventional sources of finance, including bank credit (Fitzsimmons & Douglas, 2006), trade credit and venture capital (Cosh et al., 2009). Non-bank finance sources, such as public sector finance, crowdfunding and marketplace lending, have received scant attention. Therefore, the underlying process through which entrepreneurs’ growth aspirations promote SMME access to external finance, including non-bank finance, is poorly understood. This study explored the cognitive process of entrepreneurs seeking external finance to generate insights into how growth aspirations promote entrepreneurs applying for different types of external finance.

2.3 External Finance

SMMEs that seek to grow need access to finance to develop new markets, products and services or expand their capacity to support growth (Carbo-Valverde et al., 2016; Carpenter & Petersen, 2002; Cassar, 2004; Kersten et al., 2017; Kumar & Rao, 2015). Previous studies have shown that entrepreneurs prefer internal funds over debt or equity finance (Bulan & Yan, 2010; Myers, 1984; Poutziouris et al., 2022). However, internal funds may not be sufficient to support growth (Kumar & Rao, 2015). Inadequate access to finance can negatively affect business growth (Beck & Demirguc-Kunt, 2006; Cole, 2018; Fatoki & Garwe, 2010; Kersten et al., 2017). Given the importance of adequate finance for growth, financially constrained firms cannot significantly grow the number of people they employ as they need to put a large proportion of profits towards paying other expenses (Beck, Homanen, et al., 2018).

SMMEs that do not have adequate internal funds require external finance to fund business activities that support growth (Mac an Bhaird et al., 2016). Accordingly, previous studies have indicated that SMMEs with access to external finance achieve better performance (Keasey & Watson, 1992; Kersten et al., 2017; Rehm & Xavier, 2016). Despite the recognition that SMMEs need access to external finance to support growth, SMMEs continue to have difficulty accessing the external finance they need to grow. Following its review of access to finance, the International Finance Corporation (2010) found that access to finance ranks among the six top barriers to growth in middle-income countries, including South Africa. Similarly, in a subsequent study spanning 128 countries, the International Finance Corporation (2017) found that $5.2 trillion of external finance required by SMMEs went unaddressed. In South Africa, the value of external finance required by SMMEs that was not fulfilled is estimated to be between R86 billion and R346 billion (Finfind, 2017). Thus, the growth of South African SMMEs' is severely constrained by their inability to access adequate finance at a reasonable cost (Claessens & Tzioumis, 2006).

SMMEs can access additional funds through different types of external finance, depending on their needs and lifecycle stage (Beck et al., 2008). Figure 2-1 illustrates the types of external finance available to South African SMMEs. The external finance options available to SMMEs can be broadly categorised as Equity Finance or Debt Finance (Rao et al., 2021). Conventional equity or debt finance may be inaccessible to SMMEs (Kumar & Rao, 2015). Consequently, the South African government has channelled more funding to public sector finance to support SMME growth (National Treasury - Republic of South Africa, 2018). In addition, innovative sources of external finance are emerging to close the so-called 'funding gap' (Cambridge Centre for Alternative Finance, 2020).

This study explores the cognitive process of entrepreneurs seeking external finance beyond conventional equity or debt finance to develop an in-depth understanding of how entrepreneurs' financing decisions promote or limit SMME access to external finance. This section delineates each type of external finance in the scope of the study, describing the characteristics and intended use of the finance option, the terms of the finance and the methods used by finance providers to evaluate SMMEs' applications to access additional funds through that option.

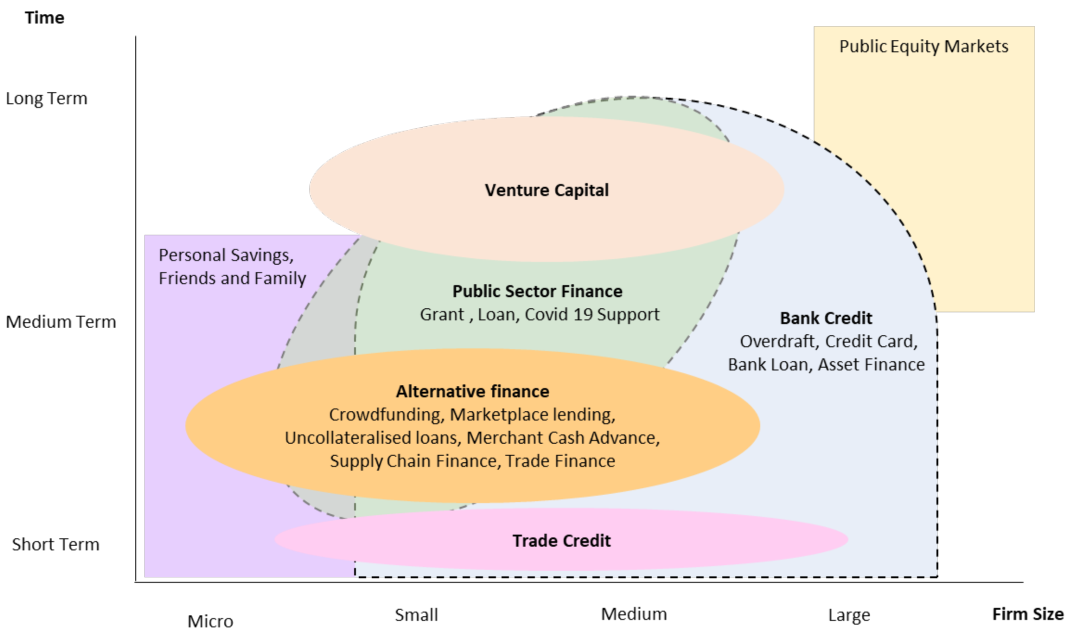


Figure 2-1: Types of External Finance Available to SMMEs

Source: Adapted from Osiba Research (2011)

2.3.1 Equity Finance

Equity finance allows a firm to raise additional funds by giving a share of ownership to investors who expect to profit by selling their shares when the firm has increased in value (Dowling et al., 2019; OECD, 2015). Firms can raise public equity through the public equity markets, or they can raise private equity. While it is suitable for large firms to raise funds, public equity markets are poorly suited for SMMEs to raise funds (Walker, 1989). The poor suitability of public equity markets is due to the significant cost of listing on the stock exchange, the need for comprehensive governance structures and disclosures (Johannesburg Stock Exchange, 2020) that place a significant burden on resource-starved and informationally opaque SMMEs (Berger & Udell, 2006). Consequently, raising external finance through the public equity markets was excluded from the scope of this study as it is not a viable option for SMMEs.

As public equity is not a viable option, SMMEs seeking equity finance can raise private equity through venture capital or informal sources, such as business angels, friends and family or formal sources (OECD, 2015). The study excluded informal sources of private equity and explored how entrepreneurs choose a course of action when presented with venture capital as an external finance option.

2.3.1.1 Venture Capital

Venture capital aims to improve SMME access to equity finance by overcoming hurdles from conventional sources such as public equity finance. It involves the long-term financing of new firms, or those undergoing radical restructuring, by professional investors to make capital gains and earn dividends over time (Wright & Robbie, 2003), typically three to five years (OECD, 2015). Entrepreneurs may seek venture capital as a finance option to access technical and managerial expertise and networks through venture capital investors who can assist the firm in reaching its growth objectives (Cosh et al., 2009).

Unlike public equity markets that require the firm to be transparent to its shareholders, venture capital is better suited to situations with an informational asymmetry between the firm and the finance provider. Venture capital investors overcome information asymmetry by collecting detailed information about the SMME and entrepreneur through their networks and through maintaining close involvement in the business (Dowling et al., 2019; Wright & Robbie, 2003).

Using the information collected, venture capital investors conduct a detailed due diligence process (OECD, 2015) to determine the SMME's growth potential and the potential to generate a superior return on investment. Venture capital investors prefer SMMEs with high growth and revenue-generating potential over those with limited growth prospects (Wright & Robbie, 2003). Although it is better suited to informationally opaque SMMEs than public equity markets, venture capital is not widely available to SMMEs because venture capitalists are highly selective. Venture capitalists focus on firms operating in innovative industries with high growth potential, such as the digital economy and the healthcare sector (OECD, 2015; Shava, 2018).

The value of venture capital invested in South African SMMEs equated to 0.025% of GDP in 2013 (OECD, 2015). In 2018, R5.37 billion of venture capital was invested in South African SMMEs across 665 deals, with an average deal size of R8.3 million (Southern African Venture Capital and Private Equity Association, 2019). Notably, the average value per deal is significantly higher than the value of external finance required by most South African SMMEs, who require external finance to the value of R1m or less (Finfind, 2017). The mismatch between the value of venture capital investments and the value of external finance needed by most South African SMMEs lends further credence to venture capital not being widely accessible. This study contributes to the literature by exploring the process through which entrepreneurs consider venture capital as a finance option when seeking external finance and generates insights on factors that promote or discourage entrepreneurs from applying for venture capital.

2.3.2 Debt Finance

SMMEs that opt not to dilute their ownership through equity finance can raise additional funds through debt finance. Funds accessed through debt finance must be repaid with interest within an agreed timeframe. The use of debt finance by SMMEs has contributed to revenue and employment growth (Kachlami & Yazdanfar, 2016; Robb & Robinson, 2014). While bank credit is the main form of formal debt finance available (OECD, 2015; The Banking Association of South Africa, 2018), SMMEs can also access debt finance through trade credit offered by their suppliers. The characteristics of bank credit and trade credit are discussed below.

2.3.2.1 Bank Credit

Banks are an important source of external finance for SMMEs (Ferrando & Klaas, 2015; Fraser, 2019; Han et al., 2009). Despite increasing competition from fintech and microfinance institutions with a strong tradition of servicing SMMEs, banks remain dominant in SMME financing (The Banking Association of South Africa, 2018). Bank credit is available in various forms, dependent on the intended use of the funds. In addition, banks use varying methods to evaluate SMMEs' applications to access additional funds through bank credit. This section elaborates on the types of bank credit available to South African SMMEs and the methods used by South African banks to evaluate SMME applications.

a. Types of Bank Credit

SMMEs can access funds through bank credit through an overdraft, credit card, bank loan and asset finance.

Overdraft: An overdraft is a credit facility linked to a business bank account (Standard Bank, 2020). An SMME with an overdraft facility can access credit to manage their day-to-day business expenses when funds in the bank account are depleted. The credit facility is automatically repaid when funds are deposited into the bank account. Overdrafts help manage cash flow by allowing SMMEs to access external finance quickly.

Credit Card: Banks offer credit facilities linked to a card. SMMEs with credit cards can purchase items from suppliers or pay for day-to-day business expenses using their credit cards (Standard Bank, 2020). Like overdrafts, credit cards help manage cash flow by allowing SMMEs to access debt finance quickly and for a short period.

Bank Loan: Banks also offer debt finance in the form of a loan. A bank loan can have a fixed or variable term and a fixed or variable repayment (Standard Bank, 2020). A loan differs from an overdraft or a credit card because it is a fixed amount made available to an SMME for an agreed period. In contrast, an overdraft or credit card offers a credit facility that remains in place indefinitely, and the SMME can access varying amounts subject to affordability (Standard Bank, 2020). Loans are beneficial when SMMEs require debt finance for a specific project.

Asset Finance: Asset finance is granted solely to acquire moveable assets such as machinery or vehicles to support business operations. SMMEs that secure additional funds through asset finance are expected to make repayments over a fixed period until the credit facility is paid up (Standard Bank, 2020). Assets purchased through asset finance are used as collateral and can be liquidated to repay the loan if the SMME fails to make repayments.

b. Methods Used by Banks to Evaluate SMME Applications

SMMEs that access additional funds through debt finance must repay the funds with interest within an agreed timeframe. The borrower's credit risk (i.e. risk of defaulting on loan repayments) determines the interest charged and the efficiency of allocating credit (Jaffee & Stiglitz, 1990). Therefore, banks evaluate SMMEs' risk of defaulting on repayments by assessing the SMME's ability to afford repayments (i.e. affordability) and the SMME's willingness to repay before granting credit (Beck, Degryse, et al., 2018; Ennew & Binks, 1996). SMMEs that demonstrate a low risk of defaulting on loan repayments are associated with low credit risk and are deemed 'good borrowers'. In contrast, those with a high credit risk are deemed 'bad borrowers' and are less likely to succeed in their bank credit applications (Cole, 2018; Han et al., 2009). As this study explores the process through which entrepreneurs' financing decisions promote or limit SMME access to external finance, understanding banks' evaluation methods provides an important context for interpreting this study's data.

Banks use transactional and relationship lending methods to evaluate and manage SMME credit risk (Berger & Udell, 2006; Udell, 2015). Transactional lending methods rely on 'hard', quantitative data that can be observed and verified at evaluation, limiting the cost and time expended on evaluating credit risk (Berger & Udell, 2006; Udell, 2015). Conversely, relationship lending approaches rely heavily on 'soft', qualitative information about the SMME and its owner(s) collected through extended interactions (Berger & Udell, 2006).

South African banks rely heavily on transactional lending methods (The Banking Association of South Africa, 2018), including financial statements lending, small business scoring, and collateral-based lending.

Financial Statement Lending: Financial statement lending uses audited financial statements to evaluate SMMEs' risk of defaulting on loan repayments (Berger & Udell, 2006; Udell, 2015). Audited financial statements provide a view of the SMME's income and expenses, enabling the bank to assess SMMEs' financial position and ability to repay loans. SMMEs are deemed 'good borrowers' if their financial statements reflect a solid financial position (Berger & Udell, 2006). Although this method lends itself to quick, low-cost lending decisions, it cannot be used to evaluate credit applications of small businesses that do not possess audited financial statements. A study by Mungal and Garbharran (2014) showed that South African SMMEs are less likely to keep accurate financial records than large businesses due to entrepreneurs' limited financial knowledge and skills. Aside from limited financial knowledge, entrepreneurs may not have the time required for record-keeping, they may not see the value of keeping such records, or they may avoid keeping records for fear it may disclose their true financial position and increase their tax liability (Orobia et al., 2016; Sibanda & Manda, 2016). As this study explores the process through which entrepreneurs choose a course of action when seeking external finance, obtaining audited financial statements is an important consideration for entrepreneurs who wish to apply for bank credit.

Small Business Scoring: Small business scoring uses substitute information collected from credit bureaus to evaluate credit risk. The information is entered into a loan performance prediction model, which calculates SMMEs' likelihood of defaulting on loan repayments (Berger & Udell, 2006). When this method is used, credit is awarded to SMMEs whose score is within the acceptable range. While it supports faster and more cost-effective evaluation of credit applications, small business scoring in South Africa is limited by the lack of credit bureaus that provide risk-related information on SMMEs (The Banking Association of South Africa, 2018). The limited use of faster application evaluation methods, such as credit scoring, leaves banks reliant on manual methods that require more time. SMMEs that seek to grow must be able to access credit promptly to exploit time-bound growth opportunities (Bilal et al., 2022). Therefore, the duration of the application process is an important consideration for entrepreneurs.

Collateral-Based Lending: Banks may ask SMMEs to pledge collateral in the form of guarantees, fixed assets or current assets, such as inventories or accounts receivable, to reduce the risk of losses if SMMEs default on repayments (Blazy & Weill, 2013; Fatoki & Asah, 2011). When bank credit is used to acquire assets, as in the case of asset-based lending, the underlying asset serves as collateral that can be liquidated to reduce losses in the event of default (The Banking Association of South Africa, 2018; Udell, 2015). Resource-starved SMMEs may have difficulty putting up collateral (Berger & Udell, 2006; Putra et al., 2019). If the assets belonging to the SMME are inadequate, the entrepreneur may have to provide a guarantee secured by their personal assets as collateral. As the primary role players in SMME financing decisions, the need for collateral is an important consideration for entrepreneurs, given that inadequate assets may impede their access to bank credit. In addition, entrepreneurs may want to limit the extent to which they use their personal assets as collateral (Paul et al., 2007) to limit personal losses in the event of repayment default.

Although South African banks primarily rely on transactional lending methods, their use of relationship lending methods is increasing, where they have long-standing relationships with SMME clients (The Banking Association of South Africa, 2018). The underlying assumption of relationship lending is that past behaviour predicts future behaviour (Berger & Udell, 2006; Udell, 2015). Therefore, as banks offer relationship banking services to SMMEs (Beck, Degryse, et al., 2018), they can collect 'soft' information about an SMME's repayment behaviour to use as input in the SMME credit risk evaluation.

While the evidence points to finance providers making more accurate credit decisions when they use 'soft' information collected during the course of the relationship (Jaffee & Stiglitz, 1990), banks may have difficulty using relationship lending methods if they have high staff turnover or rigid credit policies that fail to take into account 'soft' information relating to SMME credit risk (Beck, Homanen, et al., 2018). Entrepreneurs in need of external finance may consider having a relationship with a banker or the duration of their relationship with a bank as an important factor when applying for bank credit, as that determines their ability to access bank credit through relationship lending.

2.3.2.2 Trade Credit

In addition to bank credit, SMMEs can get debt finance in the form of trade credit wherein suppliers defer the payment of goods purchased to a later date, allowing the SMME to generate funds from sales before paying for the goods (Białek-Jaworsk & Nehrebecka, 2016; Carbo-Valverde et al., 2016; Rao et al., 2021). After bank credit, trade credit is the second most important form of debt finance for SMMEs (Udell, 2015). Specifically, trade credit has been shown to provide 33% of debt finance in Spain while providing 24% of debt finance in Japan (Udell, 2015). In the USA, trade credit has been shown to provide as much debt finance as bank credit, wherein 20% of SMMEs use bank credit, 20% use trade credit, and 40% of SMMEs reported using both bank and trade credit (Cole, 2018). The prominent use of trade credit reflected in these findings supports the inclusion of trade credit as a finance option to be explored in this study.

When evaluating trade credit applications, suppliers consider 'hard' and 'soft' information (Udell, 2015). Suppliers consider 'hard' information about the goods sold on credit and 'soft' information about the SMMEs' business and payment behaviour collected during their business interactions with the SMME (Berger & Udell, 2006). Unlike banks, suppliers of trade credit have access to more information about the SMME (Carbo-Valverde et al., 2016), including what the funds are used for (i.e. good purchase) and the frequency with which the SMME turnover their inventory, if the inventory is purchased through the trade credit supplier. Moreover, suppliers can enforce desirable repayment behaviour through the threat of repossession of the purchased goods or cutting off the future supply of goods in the event of non-payment (Chaudhuri et al., 2018).

Statistics on the use of trade credit in South Africa are scarce. In their investigation of the determinants of access to trade credit, Fatoki and Odeyemi (2010) found that out of 417 SMMEs that participated in the research, only 71 used trade credit. The respondents who used trade credit constituted 17% of the sample. The limited use of trade credit by South African SMMEs is surprising, considering the pervasive concerns about SMMEs having limited access to bank credit (The Banking Association of South Africa, 2018). This study explores the process through which entrepreneurs consider trade credit as a finance option when seeking external finance and generates insights on factors that promote or discourage entrepreneurs from applying for trade credit.

2.3.3 Public Sector Finance

Countries that aim to drive SMME growth and improve SMME access to finance take a developmental approach and mandate state-owned institutions to make additional funds available to SMMEs in specific industries, sectors, or regions. Given its reliance on SMMEs to achieve its socio-economic objectives, the South African government has channelled more funding to support SMME growth (National Treasury - Republic of South Africa, 2018). South African SMMEs can access public sector finance in the form of equity finance, grants, or loans. The following section describes the distinguishing features of the different types of public sector finance and the methods used to evaluate SMMEs' applications to access additional funds through public sector finance options.

2.3.3.1 Equity Finance

The South African government allocates funds towards venture capital finance, enabling more SMMEs to access equity finance. According to the Southern African Venture Capital and Private Equity Association (2019), government agencies provided 33,7% of the venture capital finance granted in 2018, making the government one of the top sources of venture capital finance in South Africa. Like private venture capital, public sector venture capital is only accessible to a small proportion of SMMEs operating in sectors with high growth potential (Southern African Venture Capital and Private Equity Association, 2019).

This study explored the cognitive process of entrepreneurs seeking external finance through which entrepreneurs' financing decisions promote or limit SMME access to external finance to drive growth. Public sector venture capital is one option available for entrepreneurs to consider. However, it cannot be distinguished from private venture capital as funds from various sources are pooled into venture capital funds for investment (Southern African Venture Capital and Private Equity Association, 2019). For this reason, this study makes no distinction between venture capital provided by corporates and that which government agencies provide.

2.3.3.2 Grants

Outside of availing funds through venture capital, public sector institutions make funds available to SMMEs through grants and tax incentives (Radas et al., 2015). Grants are payments made by government agencies to subsidise the cost of research and development or innovation projects that do not offer superior returns to private investors but can be justified as they are expected to provide social benefits (Klette et al., 2000). Previous studies have shown that grants can improve SMME access to finance and positively affect survival, employment, assets, sales turnover and performance for younger SMMEs (Dvouletý et al., 2021; McKenzie, 2017; Srhoj et al., 2021). Thus, the evidence points to the effectiveness of public sector grants in supporting SMME growth by enabling access to finance.

As the South African government seeks to drive SMME growth to achieve its socio-economic objectives, the Department of Small Business Development (DSBD), with the Department of Trade and Industry (DTI), provides development grants to SMMEs in targeted sectors, including manufacturing, technology, textiles, and the arts. According to the Department of Trade and Industry (2018), development grants, up to R50m, are offered to cover capital investment, feasibility studies, patent costs, licensing costs or working capital. The DTI issues grants that cover the project's total cost or cost-sharing grants that cover a part of the cost, requiring the entrepreneur to put up the remaining capital.

Unlike debt finance, funds secured through a developmental grant need not be repaid. Therefore, there is no need to evaluate the risk of repayment default when SMMEs apply for public sector grants. However, to optimise the allocation of funds, public sector agencies evaluate the sustainability of projected cashflows and the extent to which an SMME that has applied meets set criteria for the grant, including operating sector, entrepreneurs' age, gender and disability status (Department of Trade and Industry, 2018). This study explored the cognitive process of entrepreneurs seeking external finance through which entrepreneurs' financing decisions promote or limit SMME access to external finance to drive growth. Public sector grants are a finance option available for entrepreneurs' consideration and were included in the scope of the study.

2.3.3.3 Loans

In addition to grants, government agencies offer public sector loans to qualifying SMMEs to alleviate credit constraints from a lack of access to finance (Dvouletý et al., 2021). Public sector loans can be soft loans or credit guarantees offered to SMMEs in specific categories or target sectors to stimulate entrepreneurial activity. Public sector loans differ from bank loans because they offer lenient repayment terms, such as lower interest rates (Nyikos, 2015). However, like bank loans, public sector loans must be repaid within the agreed timeframe. Hence, government agencies use transactional and collateral-based lending methods to evaluate and limit SMMEs' risk of defaulting on loan repayments (Small Enterprise Finance Agency, 2018).

In support of their mandate to improve access to finance for SMMEs, government agencies also offer credit guarantees on bank loans as collateral for firms that would ordinarily not get credit from the banks or those that do not have adequate assets to offer as collateral (Dvouletý, 2017). Through government-backed credit guarantees, the banks substitute the borrower's risk with the government's such that the government guarantees repayment if the SMME cannot repay the bank loan (Arráiz et al., 2014).

In the South African context, the Department of Small Business Development (DSBD), in partnership with the Small Enterprise Finance Agency (SEFA), offers loans to entrepreneurs between the ages of 18 and 35 years operating in the service sector, manufacturing, agriculture, construction, mining and the green industries. SMMEs in the target industries can apply for loans from R500 to R15m through SEFA or one of its intermediaries or partners, including FinFind. Loans to certain categories of entrepreneurs, e.g., people with disabilities, are offered at preferential rates. Public sector loans form part of the financing options available to SMMEs. This study explores the process through which entrepreneurs consider public sector loans as a finance option when seeking external finance and generates insights on factors that promote or discourage entrepreneurs from applying for public sector loans.

2.3.3.4 COVID-19 Business Support

In response to the COVID-19 pandemic, the South African government dedicated additional resources to assisting businesses negatively affected by the state of disaster (The Presidency, 2020). The government's support programme consisted of a debt relief finance scheme comprising a soft loan facility and a business growth/resilience facility aimed at SMMEs that manufacture or supply hygiene, medical products, and food items required to curb and manage the spread of the COVID-19 virus. Moreover, an agricultural disaster support fund aimed to assist farmers with an annual sales turnover between R200,000 and R1 million. Further, a tourism relief fund was established to ensure the sustainability of businesses in the tourism sector. A loan guarantee scheme was set up to assist businesses with an annual turnover of less than R300 million (Republic of South Africa, 2020).

SMMEs that wished to access funds through the public sector COVID-19 business support scheme had to have 100% ownership by South African citizens. The SMMEs had to be registered with the companies and Intellectual Property Commission (CIPC), the national SMME database, the South African Revenue Service (SARS), and the Unemployment Insurance Fund (UIF). In addition, SMMEs had to provide a business profile, three months' bank statements, six months of cashflow provisions, annual financial statements, documentation to support anti-money laundering due to diligence, and proof that the business was negatively affected by the COVID-19 pandemic (Republic of South Africa, 2020). The government relief schemes offered favourable conditions, including lower interest rates and extended repayment periods. This study explored the process through which entrepreneurs seeking external finance choose a course of action, given public sector COVID-19 business support as a finance option.

2.3.4 Alternative Finance

Barriers remain for SMMEs who wish to access external finance through the conventional equity or debt finance described above. For example, SMMEs not amenable to giving away a share of ownership of the firm in exchange for equity investment may have difficulty accessing funds through venture capital. Similarly, SMMEs that do not possess audited financial statements, collateral or have a long-standing relationship with a supplier may have difficulty accessing bank or trade credit as banks and suppliers rely on these inputs to evaluate and manage SMMEs' risk of repayment default (Udell, 2015).

Emerging technologies such as cloud computing, big data and advanced analytics, artificial intelligence, and the increased adoption of mobile phones with Internet connectivity provide new avenues to overcome barriers associated with conventional equity or debt finance. Such technologies improve access to additional data sources, enabling finance providers to use alternative methods of assessing SMME credit risk and reduce the risk of repayment default (Cambridge

Centre for Alternative Finance, 2020; Temelkov & Gogova Samonikov, 2018). Alternative finance providers use technology to reduce the cost of external finance for SMMEs by improving efficiency in assessing credit risk, monitoring loan performance, and collecting repayments (Fenwick et al., 2018; World Bank, 2020).

The literature has not agreed on terms and definitions of concepts associated with using emerging technologies to provide external finance. Some scholars refer to the use of technology in financial services as Financial Technology (Fintech) (Fenwick et al., 2018; Lee & Shin, 2018), while others refer to it as non-bank finance (Temelkov & Gogova Samonikov, 2018) or alternative finance (Cambridge Centre for Alternative Finance, 2020). Given the types of external finance included in the scope, this study uses non-bank finance to refer to external finance sources other than bank credit, and it uses 'alternative finance' to refer to finance sources that use emerging technologies to provide external finance. Therefore, in line with the Cambridge Centre for Alternative Finance (2020), this study conceptualises 'Alternative Finance' as online platforms that provide capital to those seeking external finance, supported by innovative business models.

The Cambridge Centre for Alternative Finance (2020) estimated that $304.5 billion in finance was facilitated through the global online alternative finance industry in 2018. $27.5 million of alternative finance was issued in South Africa in 2018; this constituted 13% of the value of alternative finance in Africa (Cambridge Centre for Alternative Finance, 2020). The increased usage of online platforms necessitated by the COVID-19 pandemic (Arora et al., 2020) spurred entrepreneurs to look beyond conventional sources of external finance. SMMEs can access alternative finance through crowdfunding or marketplace lending, as discussed below.

2.3.4.1 Crowdfunding

Crowdfunding is the most prevalent form of equity-based alternative finance, which allows SMMEs to raise equity finance from large groups of investors or institutions using online platforms (Cambridge Centre for Alternative Finance, 2020; Fenwick et al., 2018). Approximately R1.5 billion in funds were raised through crowdfunding in 2018 (Cambridge Centre for Alternative Finance, 2020). Unlike venture capital, which relies on labour-intensive due diligence processes, crowdfunding automates due diligence processes and reduces documentation requirements to lower the cost of participation (Lee & Shin, 2018). The lower cost of participation makes it viable for SMMEs to raise smaller amounts through crowdfunding platforms.

To raise funds, entrepreneurs must provide details about the business, the specific projects they wish to undertake, and the funding goal (i.e., the amount required) via the online platform. Potential investors can access this information through the online platform and use it to make investment decisions. Crowdfunding investors who invest a small amount take an additional risk as entrepreneurs may be unable to raise sufficient capital to meet their funding goals. Failure to raise sufficient capital may result in investors not getting the expected return. -To minimise this risk, most crowdfunding platforms adopt an ‘All or Nothing’ approach, where funds are only paid to the entrepreneur when the funding goal is met (Fenwick et al., 2018). However, some platforms allow entrepreneurs to keep whatever funds have been raised, even if the funding goal has not been met. Such platforms compensate for the reduced return on investment by charging higher fees on the funds raised (Fenwick et al., 2018). The present study explores the cognitive process of entrepreneurs seeking equity crowdfunding. In addition, the study generates insights into factors that promote or discourage entrepreneurs from applying for crowdfunding.

2.3.4.2 Marketplace Lending

Marketplace lending (also known as peer-to-peer lending) is a form of alternative finance that allows SMMEs to access debt finance using online platforms (Cambridge Centre for Alternative Finance, 2020). The World Bank (2020) estimated that $408 billion of credit facilities were awarded in 2017 using online platforms across G20 countries, with 31% of the lending directed to SMMEs. In South Africa, marketplace lending constituted 33% of alternative finance, estimated at $9.7 million in 2018 (Cambridge Centre for Alternative Finance, 2020).

Like bank or trade credit, funds obtained through marketplace lending must be repaid within the agreed timeframe. Finance providers who offer marketplace lending use technology to reduce the cost of providing external finance for SMMEs by automating the assessment of applications, including the risk of repayment default, and automating the collection of loan repayments (Fenwick et al., 2018; World Bank, 2020). Finance providers use alternative data sources, including industry data, invoice and order data, mobile phone records, bill payments, and digital payment data, to evaluate credit risk and SMME willingness to pay (Fenwick et al., 2018). Using alternative data sources for assessing credit risk reduces the burden on SMMEs without the documentation required for conventional credit risk assessment methods. In addition, marketplace lending platforms require SMMEs to accept digital payments from their customers, enabling them to use the payment data to assess SMMEs' financial position (Cambridge Centre for Alternative Finance, 2020).

SMMEs can access funds through marketplace lending through uncollateralised loans, merchant cash advances, supply chain finance and trade finance.

Uncollateralised Loans: Uncollateralised loans provide short to medium-term financing to supplement working capital with no collateral (World Bank, 2020). Hence, SMMEs can access external finance through uncollateralised loans, even if they do not have adequate assets to cede as collateral. Given that lack of collateral contributes to limiting SMME access to finance (Blazy & Weill, 2013; Fatoki & Garwe, 2010), uncollateralised loans can improve access to lending for those SMMEs without adequate assets to offer as collateral.

Merchant Cash Advance: A merchant cash advance is a “form of collateralised credit that provides an upfront advance of cash to a business with variable, short-term maturity dates” (World Bank, 2020, p. 23). Loan repayments are deducted as a fixed percentage of sales. SMMEs that take up merchant advances make larger repayments when sales turnover is higher and lower repayments when sales turnover reduces. Using digital methods to accept payments is pivotal to this form of lending (World Bank, 2020), as payment data (past sales and estimates of future sales) is used to determine repayment amounts.

Supply Chain Finance: Supply chain finance enables SMMEs to raise finance within a supply chain by selling receivables outstanding or using receivable outstanding or inventory as collateral for a loan (Euro Banking Association, 2016). The sale of outstanding accounts receivable is called invoice discounting because outstanding invoices are sold at a discount to the finance provider. Supply chain financing uses inventory as collateral and is also referred to as inventory financing (Euro Banking Association, 2016). SMMEs that use accounting software can access supply chain finance as they provide greater visibility of outstanding invoices for sale or to be used as collateral (World Bank, 2020). Supply chain finance improves SMME access to finance by leveraging information and assets in the supply chain to assess and mitigate credit risk.

Trade Finance: Trade finance refers to a form of lending where financial institutions provide credit facilities to guarantee the exchange of goods between parties in different countries (World Bank, 2020). Traditional finance providers are disinclined to offer trade finance to SMMEs because of the high cost of processing trade documentation and compliance with trade regulations, including anti-money laundering due diligence (World Bank, 2020). When trade finance is offered using digital platforms, the processing of trade documentation and the associated due diligence is automated, thus reducing the cost of lending.

Using emerging technologies, alternative finance providers can evaluate finance applications faster, enabling them to make decisions in a shorter timeframe. Innovative business models enable them to provide external finance to SMMEs who may not meet the application requirements associated with conventional forms of finance. However, due to the novelty associated with alternative finance, there is a limited understanding of how South African SMMEs use alternative finance (OECD, 2015). This study contributes to the current literature by exploring the process through which entrepreneurs seeking external finance choose a course of action, given crowdfunding and marketplace as finance options.

2.4 SMME Financing Decisions

SMMEs that seek to grow need access to finance to develop new markets, products and services or expand their capacity to support growth (Kersten et al., 2017; Rao et al., 2021). When additional funds are needed, SMMEs can use internal funds, such as retained earnings, to finance growth, or they may opt to use external finance if internal funds are inadequate (Kumar & Rao, 2015). South African SMMEs can access external finance in the form of crowdfunding, marketplace lending, venture capital, bank credit, trade credit, public sector finance and public sector COVID-19 business support. Given the plethora of options available, SMMEs in need of external finance must choose a course of action to secure the funds needed to drive growth. The choices to be made include deciding whether or not to seek external finance. If they choose to seek external finance, SMMEs must decide which finance option they wish to apply for before taking the necessary action. This section discusses the role of the entrepreneur and different approaches used in the literature to explain SMME financing decisions.

2.4.1 The Entrepreneur as a Primary Decision-Maker in SMME Financing Decisions

Entrepreneurs are a focal point in entrepreneurship studies as they play a leading role in starting and running SMMEs and determine business success (Andersson & Tell, 2009; Douglas et al., 2021; Wijewardena et al., 2008). They take risks and coordinate scarce resources to exploit opportunities (Filion, 2011; Urban, 2015) as primary decision-makers in the business (Andersson & Tell, 2009; Francioni et al., 2015). Further, they must decide which opportunities to exploit, which strategies to employ, and how to secure the resources needed to exploit the selected opportunities (Bilal et al., 2022). Therefore, entrepreneurs who seek to grow their SMMEs must decide how they will finance business activities that support growth (Fraser, 2019; Fraser et al., 2015).

Given the variety of options available, entrepreneurs must decide which is the most appropriate source of financing for the business (Kuada, 2021; Nguyen & Canh, 2021; Shepherd et al., 2015). Given their role as critical decision-makers who act on behalf of SMMEs, entrepreneurs are central to SMME financing decisions. The SMMEs' identity and objectives are an extension of entrepreneurs' objectives (Nguyen & Canh, 2021; Wong et al., 2018). Therefore, to better understand SMME financing decisions, research must focus on entrepreneurs' decisions.

Previous studies have shown that entrepreneurs' financing decisions can promote or limit SMMEs' use of available finance options (Cohen & Wirtz, 2021; Nguyen & Canh, 2021; Wong et al., 2018). Thus, entrepreneurs' decision-making process can promote or limit SMME access to finance. Decision-making involves an individual choosing a specific option or a course of action among a set of alternatives based on specific criteria (Wang & Ruhe, 2007). The literature offers different approaches to explaining how entrepreneurs choose a course of action when in need of external finance. Capital structure approaches suggest that entrepreneurs' choices are guided by the desire to optimise the capital structure of the business (Myers, 2001; Myers & Majluf, 1984; Poutziouris et al., 2022; Robb & Robinson, 2014). In contrast, cognitive approaches suggest that entrepreneurs' choices are guided by the desire to maximise the funds available to finance business activities but may be affected by cognitive factors (Bilgehan, 2014; Cosh et al., 2009; Fitzsimmons & Douglas, 2006; Fraser, 2019; Fraser et al., 2015; Tomak, 2013). Each approach is discussed in detail below.

2.4.2 Capital Structure Approaches to Explaining Entrepreneurs' Financing Decisions

The corporate finance literature suggests that entrepreneurs make rational financing decisions to optimise the business's capital structure (Myers, 2001; Myers & Majluf, 1984; Poutziouris et al., 2022; Robb & Robinson, 2014). A firm's capital structure combines retained earnings, debt and equity to finance business operations and growth (Kumar & Rao, 2015; Robb & Robinson, 2014). An optimal capital structure optimises the cash flow required for business operations (Abeywardhana, 2017; Bradley et al., 1984).

To illustrate, the trade-off theory suggests that entrepreneurs set a target debt-to-value ratio and gradually adjust the levels of debt and equity to maximise the tax benefits of debt while offsetting the cost of financial distress or bankruptcy (Abeywardhana, 2017; Myers, 1984, 2001). Similarly, pecking order theory suggests that firms may have a particular preference order of financing options to avail capital for business operations. The theory proposes that when there is a need to improve cash flows, firms prefer to use internal funds, such as retained earnings, before considering external finance. When internal funds are insufficient, firms prefer to avail additional funds by taking on debt rather than selling equity in the firm (Bulan & Yan, 2010; Myers, 1984; Poutziouris et al., 2022).

The research that led to the development of the trade-off theory and pecking order theory was based on public corporations that can sell securities through public equity markets (Myers, 2001; Nguyen & Canh, 2021). However, obtaining external finance through the public equity markets is not viable for SMMEs due to the high cost and burdensome disclosures (Berger & Udell, 1998, 2006; Walker, 1989). Therefore, trade-off theory and pecking order theory have limited applicability to SMMEs because they differ from public corporations. SMMEs are informationally opaque and have limited resources (Berger & Udell, 2006; Cumming et al., 2019). Consequently, their decision-making process may differ from that of public corporations as their financing options differ from those available to public corporations.

The limited applicability of the pecking order theory to SMMEs' financing decisions was supported by Paul et al. (2007), who found that the behaviour of start-up firms is not consistent with the pecking order theory. They found that entrepreneurs prefer equity over bank credit when external capital is required. Paul et al. (2007) suggested that entrepreneurs may prefer equity investment, which enables access to the business skills and social capital offered by equity investors. Similarly, Bulan and Yan (2010) showed that the pecking order theory better describes the behaviour of more mature firms than growth firms.

The pecking order theory is further contradicted by the financial growth paradigm, which argues that the optimal capital structure varies throughout the business lifecycle because different financing options become more attractive as firms become larger, older, and more informationally transparent (Berger & Udell, 1998; Gregory et al., 2005; Lefebvre, 2021). Therefore, while capital structure theories explain firm financing decisions for public corporations, they fail to account for the unique characteristics of SMMEs (i.e., informational opacity and resource limitations). Such theories also assume that entrepreneurs act rationally when making financial decisions and fail to account for the effect of cognitive factors on entrepreneurs when making finance decisions (Bilgehan, 2014; Tomak, 2013).

2.4.3 Cognitive Approaches to Explaining Entrepreneurs' Decisions

Cognitive psychology aims to understand the human mind using the information-processing approach (David et al., 2004). Neisser (1967, 2014) defined cognition as all the processes by which sensory input is transformed, reduced, elaborated, stored, recovered, and used. Similarly, Bandura (1994) defined cognitive processes as thinking processes involved in acquiring, organising and using information. Basic cognitive processes include sensation, attention, and perception. In addition to basic cognitive processes, the human mind performs complex cognitive processes such as memory, learning, language use, problem-solving, decision-making, reasoning, and intelligence (Smith & Kelly, 2015).

Cognitive processes control behaviour (Keh et al., 2002; Smith & Kelly, 2015). Therefore, research that adopts cognitive approaches to explaining entrepreneurs' decisions is concerned with how entrepreneurs gather, process, evaluate and act on information (Allinson et al., 2000). Understandably, Wright and Stigliani (2012, p. 3) called for a better understanding of 'how entrepreneurs' cognitive processes shape growth'. Following this call, subsequent studies suggested that SMME financing decisions are driven by entrepreneurs' choices and actions (Fraser et al., 2015; Kuada, 2021; Nguyen & Canh, 2021).

Entrepreneurship research has investigated the characteristics of the entrepreneur as a decision-maker (Francioni et al., 2015), the cognitive process of decision-making (Wang & Ruhe, 2007) and how entrepreneurs process information when making decisions (Evans, 2019). Further, research has investigated how entrepreneurs make decisions under conditions of uncertainty (McKelvie et al., 2011; Wiltbank et al., 2006), time pressure and high risk (Baron, 2006; Gonzalez et al., 2017; Vanderstraeten et al., 2020).

Previous studies have shown that entrepreneurs' characteristics, mindsets and attitudes to growth and risk influence SMME demand for external finance (Dowling et al., 2019; Kumar & Rao, 2015; Rao et al., 2021; Zwane & Nyide, 2017). Mindsets and attitudes are cognitive factors (Gollwitzer, 2012; Krueger, 2003). Hence, researchers have increasingly adopted cognitive approaches to explaining SMME financing decisions (Adomdza et al., 2016; Cohen & Wirtz, 2021; Evans, 2019; Fastenbauer & Robson, 2014; Wong et al., 2018).

Studies that adopt cognitive approaches conceptualise decision-making as a cognitive process (Bilgehan, 2014; Cohen & Wirtz, 2021; Evans, 2019; Wang & Ruhe, 2007) that can be affected by cognitive factors (Bilgehan, 2014; Cosh et al., 2009; Fitzsimmons & Douglas, 2006; Fraser, 2019; Fraser et al., 2015). Cognitive factors can limit the rationality of entrepreneurs' decisions, resulting in decisions that deviate from rational decision-making logic (Bilgehan, 2014; Fraser et al., 2015; Tomak, 2013). Inspired by sector reports which suggest that most South African entrepreneurs do not apply for external finance, even when needed (Finfind, 2017; Seed Academy, 2018), this study explored the cognitive process of entrepreneurs to provide insights into how entrepreneurs' financing decisions promote or limit SMME access to external finance to drive growth.

2.4.3.1 Heuristics, Cognitive Styles and Cognitive biases

Research that takes a cognitive approach to explain entrepreneurs' decisions has focused on how entrepreneurs use heuristics, the influence of cognitive styles on entrepreneurs' decisions and the effects of cognitive biases on entrepreneurs' decisions. For example, Gigerenzer and Gaissmaier (2011) suggested that entrepreneurs may use heuristics (i.e., rules or strategies) to simplify and reduce the effort involved in making decisions (Cossette, 2014; Gigerenzer & Gaissmaier, 2011).

Offering an alternate view, Evans (2019) proposed that entrepreneurs may adopt specific cognitive styles when making decisions. A cognitive style is defined as stable attitudes, preferences or habitual strategies that determine an individual's mode of perceiving, thinking and problem-solving (Messick, 1976, 2021). When she investigated cognitive styles in entrepreneurial decision-making, Evans (2019) found that entrepreneurs who may prefer facts and detail (Knowing style), structured problem-solving approaches (Planning style) or flexible ways of thinking (creating style) when making decisions can adjust their cognitive style based on the demands of the environment. Similarly, Cohen and Wirtz (2021) examined how decision-making styles affect entrepreneurs' financing decisions to support growth. They found that matching entrepreneurs and venture capitalists who use predictive decision-making boosts strong growth, while matching entrepreneurs and venture capitalists who use control-oriented decision-making styles findings in moderate SMME growth. They also concluded that decision-making styles are not static.

Although using heuristics simplifies decision-making, entrepreneurs' information processing capacity can be overwhelmed when operating under high uncertainty and time pressure, making them more susceptible to cognitive biases (Cossette, 2014). Similarly, entrepreneurs who prefer specific cognitive styles may be susceptible to biases. Consequently, certain underlying beliefs may unduly influence entrepreneurs' decisions, affecting how they perceive and evaluate external finance (Bilgehan, 2014; Fraser et al., 2015). The same argument was made by Tomak (2013), who suspected that managers use more debt when they underestimate risk and overestimate their ability to control events (i.e. overconfident). The results of her study were inconclusive. However, in a similar study, Adomdza et al. (2016) found that the bias of planning fallacy increases the amount of external finance entrepreneurs use. In contrast, optimism and overconfidence did not affect the amount of finance used.

While the literature suggests that entrepreneurs' financing decisions are cognitive processes that can be facilitated through heuristics and cognitive styles or affected by cognitive biases, the current approach of identifying cognitive factors that facilitate or affect entrepreneurs' cognitive processes does not adequately capture the complexity and dynamics involved when entrepreneurs make financing decisions (Shepherd et al., 2015). This study adopted a process-oriented approach to exploring entrepreneurs' cognitive process to capture the complexities and dynamics involved when entrepreneurs make financing decisions to drive SMME growth.

2.4.3.2 The Mindset Theory of Action Phases

Studies that adopt cognitive approaches conceptualise decision-making as a cognitive process (Bilgehan, 2014; Cohen & Wirtz, 2021; Evans, 2019; Wang & Ruhe, 2007). Cognitive processes control how individuals gather, process, evaluate and act on information (Allinson et al., 2000; Smith & Kelly, 2015). Moreover, cognitive processes are inferred from observations of individuals' actions (Smith & Kelly, 2015). Therefore, research on entrepreneurs' decisions must consider entrepreneurs' actions to understand the differences between entrepreneurs who act and those who do not act (Kautonen et al., 2015).

The Mindset Theory of Action Phases and its associated Rubicon model of action phases is concerned with how individuals choose a course of action in relation to a goal (Gollwitzer, 1990, 2012; Heckhausen & Gollwitzer, 1987). By juxtaposing motivation and volition, the model of action phases provides a single theoretical model that allows researchers to analyse the cognitive process through which individuals choose a course of action, initiate an appropriate set of actions and then execute those actions in relation to each other (Gollwitzer, 1990).

The Rubicon model of action phases proposes that individuals who seek to choose a course of action in relation to a goal go through four distinct cognitive phases of choosing, planning, acting, and evaluating the outcomes of their chosen course of action (Gollwitzer, 1990; Heckhausen & Gollwitzer, 1987); the individual's psychological functioning in each phase is governed by different principles and mindsets (i.e. activated cognitive procedures) which guide the type of information preferred for processing and how it is analysed, enabling cognitive tuning that is most conducive to the task (Gollwitzer, 2012). The principles and mindsets that apply in each cognitive phase are described below.

a. Choosing: Pre-Decision Phase

According to the Rubicon model of action phases, choosing occurs before an individual decides on a course of action. In this phase, the individual's main objective is to choose a suitable option from a set of alternatives. Motivational principles govern the individual's psychological functioning as they identify the available options and evaluate the desirability and feasibility of each option. Desirability represents the relative attractiveness of an option based on the expected consequences associated with that course of action (Atkinson, 1957; Gollwitzer, 1990, 2012; Heckhausen, 1977). A course of action associated with pleasant or positive outcomes would be more desirable than one not.

In this context, feasibility represents the individual's expectation that a specific action will result in the desired outcome (Krueger Jr et al., 2000). When deliberating on feasibility, individuals may consider whether they can achieve the desired outcome through their activity and whether the situational context will enable or impede them (Gollwitzer, 2012). A course of action whose outcome can be achieved through the individual's actions would be more feasible than one dependent on others for the outcome to be achieved.

The deliberations on desirability and feasibility in this phase are supported by a deliberative mindset that activates cognitive processes that support selecting a course of action among a set of options (Gollwitzer, 1990, 2012; Heckhausen & Gollwitzer, 1987). This mindset enables the individual to be receptive to information and knowledge that helps them to identify and evaluate the available options by adopting a strong orientation towards objective and impartial processing of information (Gollwitzer, 2012). In this mindset, the individual is cognitively tuned to issues that affect the evaluation of the feasibility and desirability of different options (Gollwitzer, 1990).

The choosing phase culminates in the individual deciding to pursue a specific course of action based on their assessment of its desirability and feasibility. Deciding to adopt a specific course of action results in the individual forming an intention (Gollwitzer, 1990; Heckhausen & Gollwitzer, 1987). Bird (2015, p. 163) defined an intention as “a process, state, or act of conscious willing in the present to make some experience true, realised, manifested, or created in the future.” Accordingly, intentions capture the individual’s motivation to act, including how much effort the individual is willing to put in (Ajzen, 1991; Delmar & Wiklund, 2008). Therefore, forming an intention is the first step toward a goal (Urban, 2020). Individuals who decide to pursue a specific course of action form an intention and switch to an implemental mindset, which supports implementing their chosen course of action (Gollwitzer, 2012). The transition from deliberation to a firm commitment to a specific course of action is described as "crossing the Rubicon” (Gollwitzer, 1990, 2012; Heckhausen & Gollwitzer, 1987).

b. *Planning: Pre-Actional Phase*

Individuals who have chosen a course of action initiate actions in the planning phase. According to Gollwitzer (1990), individuals in the planning phase are concerned with 'when', where' and 'how' to take action to achieve the desired outcome. Planning may be required before taking action if the opportunity to act is unavailable, the individual is not ready to act, or the chosen course of action requires several steps to complete (Gollwitzer, 1990). During the planning phase, the individual may identify potential difficulties and formulate plans to address the anticipated challenges that could put goal achievement at risk.

When they move from choosing to planning, individuals transition into a volitional state oriented toward executing the chosen course of action. In this state, they adopt an implemental mindset that activates cognitive processes that support implementation. This mindset enables individuals to find specific opportunities to act by ensuring that they are cognitively tuned to information that assists them in deciding 'when', 'where' and 'how' to act (Gollwitzer, 1990, 2012). The implemental mindset promotes goal achievement by blocking out distractions or competing objectives. In this mindset, individuals give little consideration to information that could cause them to re-evaluate their chosen course of action (Gollwitzer, 1990, 2012).

c. *Acting: Actional Phase*

In the acting phase, individuals execute the plans they made during the planning phase (Gollwitzer, 1990). Where individuals have identified multiple options with high feasibility and desirability, the option they feel most capable of acting on would take precedence (Gollwitzer, 1990). When faced with obstacles or challenges, their willingness to act may increase temporarily to enable the individual to overcome obstacles and continue to pursue the goal (Gollwitzer, 1990).

d. Evaluating: Post-Actional Phase

After taking action, the individual may assess the outcomes of their actions to determine whether they achieved the goal and the desired outcome (Heckhausen, 2007). In this phase, the individual is concerned with the quality of the outcome and the desirability of the consequences (Gollwitzer, 1990, 2012). As part of this assessment, the individual determines if the outcome matches their expectations (Gollwitzer, 1990). If they had overestimated the desirability or feasibility of an option in the choosing phase, the outcome might fall short of their expectations (Gollwitzer, 1990). The outcome of the assessment in the evaluation phase can affect future deliberations for similar goals (Gollwitzer, 1990).

Based on its ability to provide insight into how individuals choose a course of action in relation to a goal, the Mindset Theory of Action Phases and its Rubicon model have been successfully used to explain how entrepreneurs start a business (Delano-Gueguen & Fayolle, 2019; Van Gelderen et al., 2015). Notably, the process of starting a business is similar to the process of seeking external finance in that both processes are complex and dynamic, requiring entrepreneurs to make decisions and take multiple steps over time to achieve a goal. Therefore, this study adopted the Mindset Theory of Action Phases and its Rubicon model as a lens through which to explore the cognitive process of entrepreneurs seeking external finance. The study draws on concepts from the Mindset Theory of Action Phases and its associated Rubicon model of action phases (Gollwitzer, 2012; Heckhausen & Gollwitzer, 1987) to analyse and interpret entrepreneurs' experiences seeking external finance.

2.4.3.3 The Theory of Discouraged Borrowers

Access to finance does not necessarily result in SMMEs making use of the external finance options available (Kuada, 2021), as evidenced by sector reports which found that 80% of entrepreneurs in South Africa do not apply for external finance, even when it is needed to drive SMME growth (Finfind, 2017; Seed Academy, 2018). Growing research suggests that entrepreneurs' financing decisions can promote or limit SMMEs' use of available finance options (Cohen

& Wirtz, 2021; Nguyen & Canh, 2021; Wong et al., 2018). Despite the long-standing interest in the subject, little is known about the underlying cognitive process that leads SMMEs to use a specific option or eschew external finance (Nguyen & Canh, 2021).

The Theory of Discouraged Borrowers (Kon & Storey, 2003) suggests that some entrepreneurs who need external finance choose not to apply because they fear that their application will not be successful (Cole & Dietrich, 2019; Gama et al., 2017; Kon & Storey, 2003; Naegels et al., 2022). The theory identifies such entrepreneurs as "discouraged borrowers". Discouraged borrowers underestimate the probability of succeeding in their finance application due to the fear of rejection. As a result, they opt not to apply for external finance. By deciding not to apply, discouraged borrowers limit SMME access to external finance. Research that sought to quantify the prevalence of discouragement has shown that discouraged borrowers outnumber the firms that apply for and are denied credit (Cole & Dietrich, 2019; Freel et al., 2012). Thus, there are more entrepreneurs who choose not to apply than those whose applications are unsuccessful.

The literature on discouragement identifies asymmetric and imperfect information as the root cause contributing to the growth of discouraged borrowers. When banks do not have complete information and are not able to access information about SMMEs that entrepreneurs have (i.e. asymmetric, imperfect information), they have difficulties assessing SMME credit risk (Bellier et al., 2012; Bonnet et al., 2016; Stiglitz & Weiss, 1981). Consequently, they may have difficulties differentiating between high-risk and low-risk borrowers. To minimise the risk of credit losses, banks may apply lending restrictions (i.e. grant less credit), offer credit on less favourable (e.g. high interest rates) or increase their application requirements (e.g. request for collateral), which can discourage entrepreneurs from applying for bank credit (Akerlof, 1970; Beck & Demirguc-Kunt, 2006; Stiglitz & Weiss, 1981).

Entrepreneurs can be discouraged by lengthy application processes (Willard & Levenson, 2000), unfavourable terms associated with the finance (Fatoki &

Eyedemi, 2010; Naegels et al., 2020) or perceptions of discrimination in credit allocation (Mijid, 2015), which may be associated with concerns of corruption in the application process (Statnik & Giang, 2019). Discouragement can also arise when entrepreneurs have had negative loan experiences in the past (Mijid, 2015; Naegels et al., 2022) or when they are concerned about losing control of the business when they are unable to repay the loan (Bulan & Yan, 2010)

Limited competition in the banking environment has been shown to contribute to a higher prevalence of discouragement (Leon, 2015), as banks in that context have little incentive to take on the risk of lending to SMMEs (Kersten et al., 2017). Such banks may charge high interest rates that discourage entrepreneurs from applying for bank credit (Cole & Dietrich, 2019; Han et al., 2009; Kon & Storey, 2003). In addition to contextual issues, SMME characteristics can increase the likelihood of discouragement. For example, SMME size and age have been shown to contribute to discouragement.

Entrepreneurs who run smaller, younger SMMEs are more likely to be discouraged because they do not have a track record (Berger & Udell, 1998; Chakravarty & Xiang, 2013; Han et al., 2009), they have limited assets that can be used as collateral (Coco, 2000; Cosh et al., 2009; Fatoki & Eyedemi, 2010; Han et al., 2009), and they have limited access to knowledge and skills that could assist in securing external finance (Cumming et al., 2019). The experience of credit rationing among smaller, younger firms can fuel discouragement (Kwapisz & Hechavarría, 2018), while older and larger firms are less likely to be discouraged (Chakravarty & Xiang, 2013).

Discouragement is a cognitive factor that affects entrepreneurs' "assessments, judgements or decisions" (Mitchell et al., 2002, p. 97). Notwithstanding the literature which outlines the determinants of discouragement, little is known about the complexity and dynamic involved when entrepreneurs choose not to apply for external finance (Naegels et al., 2022). Therefore, this study explored the cognitive process of entrepreneurs through which discouragement limits SMME access to external finance. Previous studies provided insights on discouragement in relation to bank credit (Brown et al., 2022; Chakravarty & Xiang, 2013; Freel et al., 2012; Han et al., 2009; Kon & Storey, 2003; Naegels et al., 2022; Rostamkalaei et al., 2020; Statnik & Giang, 2019; Tang et al., 2017). However, little research has been done on SMMEs' use of non-bank finance sources (OECD, 2015). Therefore, this study expanded its scope to include crowdfunding, marketplace lending, venture capital, bank credit, trade credit, public sector finance and public sector COVID-19 business support. Broadening the scope of exploration supports understanding the complexities and dynamics involved when entrepreneurs choose not to apply for external finance beyond bank credit.

2.5 Theoretical Framework

A theoretical framework is a “logically developed and connected set of concepts and premises” that a researcher develops as a foundation for a study (Varpio et al., 2020, p. 7). Multiple theories can work together in a theoretical framework to describe a single phenomenon, with each theory providing insight into a different aspect of the phenomenon (Varpio et al., 2020). Therefore, the theoretical framework must define concepts and theories and connect them logically to form the basis for research. The study developed a theoretical framework to answer this overarching research question:

'How does the cognitive process of entrepreneurs seeking external finance promote or limit SMME access to external finance to drive growth?

The study’s theoretical framework draws on several theories to explore the cognitive process of entrepreneurs seeking external finance. The study draws on the Mindset Theory of Action Phases and its associated Rubicon model of action phases (Gollwitzer, 1990, 2012; Heckhausen & Gollwitzer, 1987) to explore and interpret data on how entrepreneurs choose a course of action when in need of external finance to drive SMME growth. The Mindset Theory of Action Phases and its Rubicon model have been successfully used to explain how entrepreneurs start a business (Delano-Gueguen & Fayolle, 2019; Van Gelderen et al., 2015); a process that closely resembles the process of seeking external finance as it is complex, dynamic and requires entrepreneurs to make decisions based on a goal and take multiple steps over time to achieve the desired outcome. Therefore, the researcher deemed the theory suitable to adopt as a lens through which to explore the cognitive process of entrepreneurs seeking external finance.

In addition, the study draws on the literature on growth aspirations to explore how growth aspirations promote entrepreneurs applying for external finance. While there is no unified theory on growth aspirations, the study adopted Hermans et al. (2015) conceptualisation of growth aspiration to interpret data relating to entrepreneurs’ desire to grow the SMMEs they run.

Lastly, the study adopted concepts from the Theory of Discouraged Borrowers (Kon & Storey, 2003) as a lens to interpret data relating to entrepreneurs who need external finance to grow their SMMEs but choose not to apply. The theory has been used successfully to explain why entrepreneurs may choose not to apply for bank credit (Naegels et al., 2022). Therefore, the researcher deemed it an appropriate lens to explore the complexity and dynamics involved when entrepreneurs choose not to apply for external finance beyond bank credit. Figure 2-2 illustrates the theoretical framework adopted as a lens to interpret this study's data.

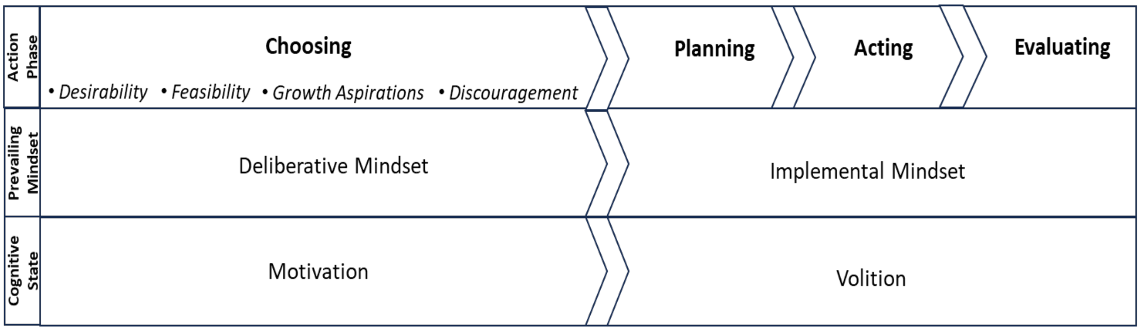


Figure 2-2: Theoretical Framework.

Source : Gollwitzer (1990, 2012); Hermans et al. (2015); Kon and Storey (2003)

The present study is premised on entrepreneurs being critical decision-makers who act on behalf of SMMEs. As entrepreneurs enact SMME financing decisions, research exploring SMME financing decisions must focus on entrepreneurs' decisions. A review of the literature showed that capital structure approaches to explaining entrepreneurs' financing decisions fail to account for the unique characteristics of SMMEs (i.e., informational opacity and resource limitations) and fail to account for the effect of cognitive factors on entrepreneurs when making finance decisions (Tomak, 2013; Bilgehan, 2014). Therefore, this study adopted a cognitive approach to exploring entrepreneurs' financing decisions.

Literature that adopts heuristics, cognitive styles or cognitive biases to explain entrepreneurs' financing decisions does not adequately capture the complexity and dynamics involved when entrepreneurs make financing decisions (Shepherd et al., 2015). Therefore, this study adopted a process-oriented approach to exploring entrepreneurs' cognitive process to capture the complexities and dynamics involved when entrepreneurs make financing decisions to drive SMME growth.

The Mindset Theory of Action Phases and its associated Rubicon model provide a single theoretical model to analyse the cognitive process through which individuals choose a course of action, initiate an appropriate set of actions and then execute those actions in relation to each other (Gollwitzer, 1990). The Rubicon model of action phases proposes that individuals who seek to choose a course of action in relation to a goal go through four distinct cognitive phases of choosing, planning, acting, and evaluating; different principles and mindsets govern the individual's psychological functioning in each phase.

In the choosing phase, the individual's psychological functioning is governed by motivational principles as they evaluate the desirability and feasibility of available options to choose a suitable course of action. Desirability represents the relative attractiveness of an option based on the expected consequences associated with that course of action (Atkinson, 1957; Gollwitzer, 1990, 2012; Heckhausen, 1977), while feasibility represents the individual's expectation that taking a specific course of action will result in the desired outcome (Krueger Jr et al., 2000).

The deliberations on desirability and feasibility in the choosing phase are supported by a deliberative mindset that activates cognitive processes that support selecting a course of action option among a set of options (Gollwitzer, 1990, 2012; Heckhausen & Gollwitzer, 1987). This mindset enables the individual to be receptive to information and knowledge that helps them to identify and evaluate the available options by adopting a strong orientation towards objective and impartial processing of information (Gollwitzer, 2012). The choosing phase culminates in the individual deciding to pursue a specific course of action based on their assessment of its desirability and feasibility. The transition from deliberation to commitment to a specific course of action is described as "crossing the Rubicon” (Gollwitzer, 1990, 2012; Heckhausen & Gollwitzer, 1987).

Individuals who have “crossed the Rubicon” transition into a volitional state oriented toward executing the chosen course of action. In the planning phase, individuals are concerned with ‘when’, ’where’ and ‘how’ to take action to achieve the desired outcome. The planning phase is supported by an implemental mindset that enables individuals to find specific opportunities to act by ensuring that they are cognitively tuned to information that assists them in deciding ‘when’, ‘where’ and ‘how’ to act (Gollwitzer, 1990, 2012). After the planning phase, individuals enter the acting phase, where they execute the plans they made during the planning phase (Gollwitzer, 1990).

When faced with obstacles or challenges, individuals’ willingness to act may increase temporarily to enable them to overcome obstacles and continue to pursue their goals (Gollwitzer, 1990). After taking action, the individual may assess the outcomes of their actions to determine whether they achieved the goal and the desired outcome. If they had overestimated the desirability or feasibility of an option in the choosing phase, the outcome might fall short of their expectations (Gollwitzer, 1990). Notably, the outcome of the assessment in the evaluation phase can affect future deliberations for similar goals (Gollwitzer, 1990, 2012).

Applying the Mindset Theory of Action phases, the study considers the entrepreneur to be the leading actor in financing decisions. The entrepreneur is positioned as an individual who seeks to secure the funds needed (goal) to drive SMME growth (desired outcome). The entrepreneur must choose a course of action among a set of alternatives (i.e, seek or eschew external finance; If choosing external finance, then apply for a specific finance option from a set of available options). The research methodology describes how concepts from the Mindset Theory of action phases and its associated Rubicon model were used to interpret this study's data.

The Mindset Theory of Action phases and its Rubicon Model present a temporal, horizontal path of a course of action, starting with a person's desire to achieve an outcome (Gollwitzer, 1990, 2012). To this end, the theory proposes that individuals evaluate the desirability of available options before choosing a course of action to achieve their goal. Growth aspirations are conceptualised as an entrepreneur's intrinsic desire for growth. Previous studies intimate that entrepreneurs' desire for growth directly and positively affects their actions to pursue growth (Hanifzadeh et al., 2018; Eide et al., 2021). Since the literature positions external finance as a propellant of SMME growth (Kersten et al., 2017; Rao et al., 2021), the study incorporates growth aspirations to explore how an entrepreneur's desire for growth influences the desirability of external finance. In so doing, the study generates insights into how growth aspirations promote entrepreneurs applying for external finance.

While the Mindset Theory of action phases and its Rubicon model provide a single theoretical model for exploring the cognitive processes of entrepreneurs as they choose a course of action to achieve a goal, they fail to capture the complexity and dynamics when entrepreneurs make a conscious choice not to apply for external finance. Discouragement is a cognitive factor that affects entrepreneurs' "assessments, judgements or decisions" (Mitchell et al., 2002, p. 97). The theory of discouraged borrowers has been successfully used to provide insights into why entrepreneurs may choose not to apply for bank credit (Brown et al., 2022; Chakravarty & Xiang, 2013; Freel et al., 2012; Han et al., 2009; Kon

& Storey, 2003; Naegels et al., 2022; Rostamkalaei et al., 2020; Statnik & Giang, 2019; Tang et al., 2017). However, little research has been done on SMMEs' use of non-bank finance sources (OECD, 2015). Therefore, this study adopted the Theory of Discouraged Borrowers as a lens to explore the complexity and dynamics involved when entrepreneurs choose not to apply for external finance beyond bank credit.

2.6 Chapter Summary

SMMEs' contribution to economic growth and employment is well documented in the literature. The evidence suggests that growing SMMEs that are sustainable have the highest potential to create employment and contribute to economic growth. Growth is a deliberate choice that entrepreneurs make when running a business, and the finance literature has established that SMMEs need access to finance to grow.

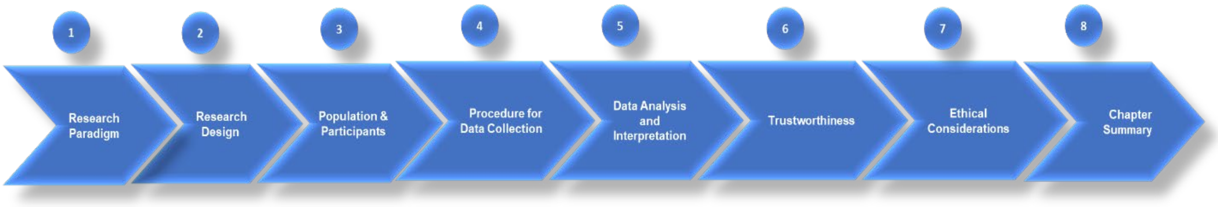
Previous studies have shown that entrepreneurs’ growth aspirations contribute significantly to the future growth of a firm. Moreover, the literature suggests that entrepreneurs’ desire for growth directly and positively affects their actions to pursue growth, including seeking external finance. Capital structure approaches to explaining entrepreneurs’ financing decisions fail to account for the unique characteristics of SMMEs (i.e., informational opacity and resource limitations) or the effect of cognitive factors on entrepreneurs when making finance decisions. Therefore, this study adopted a cognitive approach to exploring how the cognitive process of entrepreneurs seeking external finance promotes or limits SMME access to external finance to drive growth.

Literature that adopts heuristics, cognitive styles or cognitive biases to explain entrepreneurs’ financing decisions does not adequately capture the complexity and dynamics involved when entrepreneurs make financing decisions. Therefore, this study adopted a process-oriented approach to exploring entrepreneurs’ cognitive process to capture the complexities and dynamics involved when entrepreneurs make financing decisions to drive SMME growth.

The study draws on several theories to explore the cognitive process of entrepreneurs seeking external finance. The study draws on the Mindset Theory of Action Phases and its associated Rubicon model of action phases (Gollwitzer, 1990, 2012; Heckhausen & Gollwitzer, 1987) to explore and interpret data on how entrepreneurs choose a course of action when in need of external finance to drive SMME growth. In addition, the study draws on the literature on growth aspirations to explore how growth aspirations promote entrepreneurs applying for external finance. Lastly, the study adopted concepts from the Theory of Discouraged Borrowers (Kon & Storey, 2003) as a lens to interpret data relating to entrepreneurs who need external finance to grow their SMMEs but choose not to apply.

CHAPTER 3: RESEARCH METHODOLOGY

This chapter describes the methodological approach taken in this study. The chapter structure is illustrated below.



The methodology applied was instrumental in providing insights based on the research question. This chapter describes the research paradigm, research design, sampling method, the design of the research instruments, the procedure for data collection, and the techniques employed in the analysis and interpretation of the data. The study's limitations are considered together with the validity and reliability of the inferences made from the data.

3.1 Research Paradigm

A research paradigm is a set of beliefs, principles or philosophical orientations that guide how research is conducted and how meaning is derived from the data gathered (Bryman, 2003; Kivunja & Kuyini, 2017; Mackenzie & Knipe, 2006). Paradigms provide logical frameworks for generating knowledge and guide researchers' decisions during the research process (Babbie, 2020; Teddlie & Tashakkori, 2010).

The philosophical orientation of this study is interpretivism, which emphasises understanding the individual and their interpretation of the world around them (Kivunja & Kuyini, 2017; Mackenzie & Knipe, 2006). This paradigm assumes that reality is subjective and it is socially constructed (Kankam, 2019; Lincoln & Guba, 1986). This means that one person's understanding of a phenomenon may differ from another person's understanding. Therefore, interpretivist researchers collect qualitative data from many perspectives and develop theories based on individuals’ interpretations of the world around them (Cohen et al., 2002; Creswell, 2009; Kivunja & Kuyini, 2017). This approach can facilitate a richer, more nuanced understanding of a phenomenon (Creswell, 2009; Varpio et al., 2020).

Interpretivism assumes that the researcher constructs knowledge socially based on their experiences of real life within the natural settings investigated (Kivunja & Kuyini, 2017). Interpretivist researchers play an active role in interpreting data and, through this process of interpretation, produce knowledge and influence findings by making choices on how to interpret the data (Gale et al., 2013; Swain, 2018; Xu & Zammit, 2020).

The interpretivist paradigm was chosen for this research because it supported the intentions of this research. The study sought to explore the cognitive process of entrepreneurs seeking external finance to develop an understanding of how entrepreneurs’ financing decisions promote or limit SMME access to external finance to drive growth. The study sought to analyse each entrepreneur’s unique experience to generate a richer, more nuanced understanding of the cognitive process of entrepreneurs seeking external finance. Lastly, the researcher recognised their active role in knowledge production by interpreting data shared on entrepreneurs’ experiences to develop an understanding of the cognitive process of entrepreneurs seeking external finance.

3.2 Research Design

Qualitative research facilitates understanding experiences, thoughts or behaviours that apply to a select group (Kiger & Varpio, 2020). This study aimed to develop an in-depth understanding of how entrepreneurs’ financing decisions promote or limit SMME access to external finance to drive growth. Therefore, a qualitative approach was relevant for this study. In embracing a qualitative approach, in-depth interviews allowed the researcher to collect qualitative data about entrepreneurs' experiences seeking external finance, including their thoughts, decisions and actions in a conversational style focused on particular themes (Harrell & Bradley, 2009; Naegels et al., 2022; Qu & Dumay, 2011).

The study’s theoretical framework was used as a lens to interpret data following a deductive reflexive thematic analysis process. Deductive approaches use a pre-existing theory or framework to identify themes of interest to help the researcher focus on a particular aspect of the data that could be best understood in the context of a pre-existing theory (Braun & Clarke, 2006; Kiger & Varpio, 2020).

Based on its ability to create focus while enabling researchers to play an active role in knowledge creation, deductive reflexive thematic analysis has been successfully used in social science research to study individual's experiences, thoughts and behaviours using pre-existing theory (Dillon et al., 2023; Friedman et al., 2022; James et al., 2023; Knox et al., 2021). Hence, the researcher deemed it appropriate to analyse entrepreneurs’ experiences, thoughts and behaviours to generate insights into the cognitive process of entrepreneurs seeking external finance. Figure 3-1 illustrates the research process.

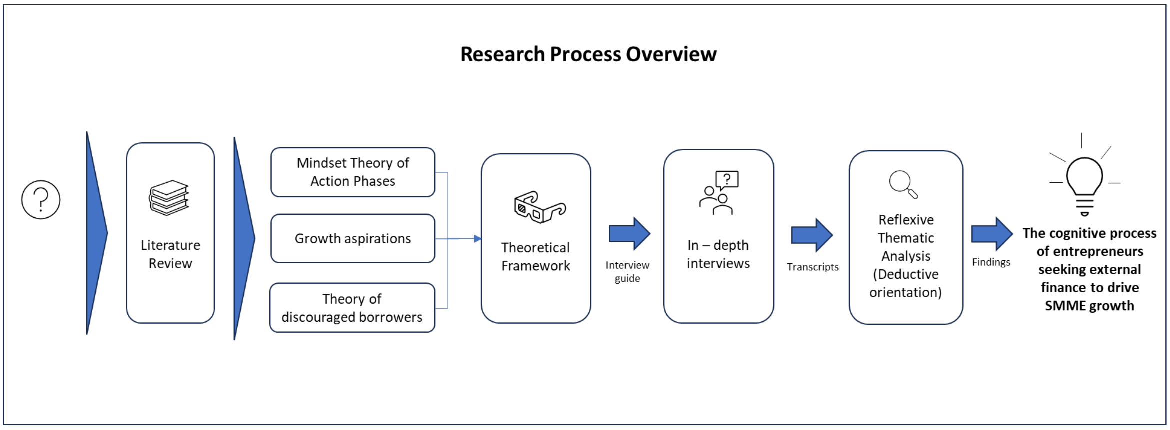


Figure 3-1: Research Process Overview

Source: Researcher’s own

3.3 Population and Participants

3.3.1 Population

This study focused on entrepreneurs who operate SMMEs in South Africa. Estimating the number of entrepreneurs in South Africa is difficult due to the poor availability of data (Fourie, 2018). Notwithstanding that one entrepreneur can run multiple SMMEs (Carbonara et al., 2020; Parker, 2014), the number of SMMEs operating in South Africa (see section 2.1.1) was used as a proxy to estimate the number of entrepreneurs who run SMMEs in South Africa. Based on the SMME population estimates (Small Enterprise Development Agency, 2021), this study estimates that there are approximately 2,36 million entrepreneurs in South Africa.

3.3.2 Participant Selection Strategy

The participant selection strategy refers to the approach used to select the appropriate participants for qualitative research (Braun & Clarke, 2022). A good selection strategy aims to capture variety within the population to allow for an in-depth exploration of the research questions and maximise the opportunity for transferability of findings (Braun & Clarke, 2022; Spencer et al., 2004). To develop an in-depth understanding of a phenomenon, the data collected should be “rich, nuanced, complex, and detailed” (Braun & Clarke, 2022, p. 12).

3.3.2.1 Participant Selection Criteria

This study sought to explore the cognitive process of entrepreneurs seeking external finance. The participant selection strategy supported this aim by purposively sampling participants with rich and relevant information to develop an in-depth understanding of the phenomenon.

Purposive sampling refers to strategies “in which the researcher exercises his or her judgement about who will provide the best perspective on the phenomenon of interest, and then intentionally invites those specific perspectives into the study.” (Abrams, 2010, p. 538). The goal of purposive sampling is to select information-rich cases that yield the most relevant insights and contribute to developing an in-depth understanding of a phenomenon (Andrade, 2021; Guetterman, 2015). The study purposively sampled participants who met the following criteria:

- They must be an entrepreneur who runs an SMME in South Africa.
- They must have experience (s) seeking external finance for their business.
- They must have a profile on LinkedIn, Facebook or WhatsApp.

The study’s scope was limited to SMMEs operating in South Africa. Hence, the study selected participants who run SMMEs in South Africa. Participants who had experience seeking external finance would be ‘information-rich’ and have the relevant information to contribute to developing an in-depth understanding of the process of seeking external finance (Andrade, 2021; Guetterman, 2015).

A participant selection strategy must consider practicalities, including ‘accessibility’, ‘availability’ and ‘willingness’ to participate (Dörnyei, 2007, p. 99). Entrepreneurs who use social networking platforms are more easily accessible (McRobert et al., 2018; Stokes et al., 2019). Previous studies have shown that research participants can be recruited through social networking platforms in a shorter timeframe and at a lower cost than traditional methods (Benedict et al., 2019; Schneider & Harknett, 2019). In addition, his study collected data from December 2020 to April 2021, when COVID-19 lockdown restrictions prevented travel and limited the reach of potential research participants. Therefore, this study recruited participants through social networking platforms to overcome the limitations of COVID-19 lockdown restrictions and reach potential participants at a lower cost. The researcher selected LinkedIn, Facebook and WhatsApp due to their ability to attract large numbers of entrepreneurs.

LinkedIn is a social networking platform aimed at individuals interested in networking to promote their professional and business interests (Stokes et al., 2019). Data Reportal (2022) shows LinkedIn had approximately 9,5 million users in South Africa in 2021. Previous studies have successfully recruited participants through LinkedIn (Leighton et al., 2021; Stokes et al., 2019). Facebook is a social networking platform that allows individuals to connect and share content. In addition, Facebook enables entrepreneurs to sell their services through its marketplace, and it allows entrepreneurs to create online communities dedicated to business networking. According to Data Reportal (2022), there were approximately 24,2 million Facebook users in South Africa in 2021, constituting 96% of Internet users aged between 16 and 64 years.

WhatsApp is a social networking platform that allows users to send text and voice messages, make voice and video calls, and share images and documents with other users. In addition, WhatsApp enables entrepreneurs to sell their services through its marketplace and create groups with shared interests. According to their Digital Report, Data Reportal (2022) estimated 23 million WhatsApp users in South Africa in 2021. Previous studies have successfully used WhatsApp to recruit participants for social science research (Chenane & Hammond, 2022; Manji et al., 2021).

Lastly, the scope of the study included non-bank finance. Therefore, the researcher aimed to collect data on the use of non-bank finance. Non-bank finance sources such as alternative finance are provided through digital platforms, requiring entrepreneurs to have Internet access to use them (Cambridge Centre for Alternative Finance, 2020; Temelkov & Gogova Samonikov, 2018). Entrepreneurs who make use of social networking platforms must have internet access. Therefore, recruiting participants through social networking platforms supported the aim of broadening the scope of finance sources included in the study.

3.3.2.2 Participant Recruitment Process

The process of recruiting participants involved the researcher sharing a public post on their personal profile on LinkedIn and Facebook, inviting entrepreneurs who met the criteria to participate in the research. In addition, the public post stipulating the research objective and qualifying criteria was shared on Facebook groups dedicated to business networking, inviting those who met the criteria to comment on the post and indicate their interest and availability. Further, the researcher sent a message to her WhatsApp contacts who met the study's criteria, inviting them to participate in the interviews or share the message with other entrepreneurs in their network who meet the criteria.

Having met the criteria, those interested in participating were asked to send a WhatsApp message to the researcher indicating their interest and availability. Upon receiving a response, the researcher contacted individuals who indicated an interest in participating in the interviews by sending them a private message on the social networking platform to explain the purpose of the interview, confirm that they met the study’s inclusion criteria and arrange a time for the interview. Further, the researcher confirmed that the participant had the infrastructure needed to participate in a video call. Explaining the interview purpose beforehand created transparency and built trust by allowing participants to prepare for the discussion (Weller, 2017).

3.3.3 Participant Group Size

Unlike quantitative research, which aims to generalise research findings to a population of interest (Riley et al., 2020; Scholtz, 2021; Siddiqui, 2013), qualitative studies aim to develop in-depth knowledge about a particular phenomenon (Braun & Clarke, 2021b; Creswell, 2009; Staller, 2021). The participant group size is important for researchers to determine if the data collected has sufficient depth and breadth to yield an in-depth understanding of the phenomenon under investigation (Abdul Majid et al., 2018; Braun & Clarke, 2022).

The qualitative literature continues to debate the relevance of 'sample size' in determining the adequacy of qualitative samples to yield an in-depth understanding of phenomena. For example, Morse (2015) argued that the 'sample size' must be informed by the complexity of the phenomenon to be investigated. In this approach, a highly complex phenomenon that is not well-documented in the literature would require a larger sample than one well-documented. In contrast, Braun and Clarke (2021b) ventured that the number of participants is not a primary concern if the goal is to develop an in-depth understanding of a phenomenon. Similarly, Staller (2021) suggested that sample size does not matter as much as the adequacy, novelty and richness of evidence collected in a study.

A growing literature points to the achievement of saturation as an indication of a 'sample size' adequate for an in-depth understanding of a phenomenon (Guest et al., 2006; Guest et al., 2020; Hennink & Kaiser, 2021; O'Reilly & Parker, 2013; Vasileiou et al., 2018). However, in the deliberation of conceptual designs for reflexive thematic analysis, Braun and Clarke (2022) argue that the concept of data saturation is not compatible with reflexive thematic analysis as it conceptualises the role of the researcher as one who 'discovers' knowledge rather than actively generate knowledge as is done with reflexive thematic analysis. Thus far, there is no concrete guidance in the literature on the participant group size required to achieve data adequacy when using reflexive thematic analysis (Braun & Clarke, 2022).

Braun and Clarke (2022) recommend that researchers evaluate the "information richness" of the data set during data collection, after data familiarisation, rather than having a predetermined participant group size. They recommend that researchers consider the aim of the research, population focus, the level of detail in the data and the analysis approach. Fewer participants would be required for a study with a narrower aim, a specific population focus and a deductive approach (Braun & Clarke, 2022). While this study had a broad aim of exploring the cognitive process of entrepreneurs seeking different types of external finance, it focused on a specific population of entrepreneurs (defined by inclusion criteria) and collected thick data descriptions through in-depth interviews. In addition, the study conducted reflexive thematic analysis with a deductive orientation, which reduced the need for a large participant group to collect adequate data to address the research question.

As the researcher was required to submit their report within a specified timeframe, the researcher needed to balance collecting enough data to ensure variety in the data with allowing enough time to analyse the data meaningfully and submit the report before the deadline. The researcher began data analysis while data collection was in progress to evaluate the information richness" of the data. Data collection ceased after 14 interviews based on the researcher's assessment that they had adequate breadth, depth and variety in the data to develop an in-depth understanding of the cognitive process of entrepreneurs seeking external finance within the time available.

The researcher assessed the conceptual depth of the data to validate their initial assessment. Conceptual depth measures data adequacy for qualitative studies proposed instead of 'saturation'. Nelson (2017) proposes a scale that measures conceptual depth using five criteria, i.e. Range, complexity, subtlety, resonance and validity. The criteria are assessed on a three-point scale of low, medium, and high. Table 3-1 presents the researcher's assessment of the dataset.

Table 3-1: Conceptual Depth Assessment

Conceptual depth criteria	Criteria description	Rating	Supporting Comments
Range	Evidence of multiple conceptual categories	High	• Had participants that applied and some that did not apply • Participants expressed different types of growth aspirations • Participants covered all types of external finance in scope
Complexity	Network of relationships between concepts and themes	High	• Rich and deep code structure on Nvivo, consisting of 65 codes • Relationships identified between codes and themes
Subtlety	Ambiguity of meaning requiring depth of interpretation	High	• Interpretation identified both semantic and latent meanings
Resonance	Resonates with existing literature	High	• Theoretical framework, based on pre-existing theory, used as a lens for interpretation
Validity	Makes sense to others in a similar context	High	• Codes and themes reviewed by the researcher's supervisor, an entrepreneurship expert, to ensure they make sense outside the research context

All five criteria were rated high, indicating that the dataset had sufficient "information richness" to produce an in-depth understanding of the cognitive process of entrepreneurs seeking external finance.

3.4 Interview Guide

The study developed an interview guide based on the theoretical framework to direct the conversation and maximise the value of information collected from the interviews. The interview guide ensured that the information collected was complete and consistent across respondents (Harrell & Bradley, 2009). In addition, using the same interview guide during all the interviews reduced the possibility of bias when some respondents provided more comprehensive data than others (Patton, 2002). The interview guide comprised the following sections:

Informed Consent: As part of the introduction, participants were provided with information about the research objectives and their participation, including voluntary participation and confidentiality. Participants were required to confirm that they understood and consented to the terms of their participation before proceeding with the interview. The consent was recorded on video.

Demographic Information: The entrepreneurs' age, gender and education level were collected. In addition, the study collected the SMME sector, province, SMME age, number of employees, and annual sales revenue, which enabled the researcher to compare participant characteristics to the broader population of entrepreneurs and SMMEs in South Africa.

Finance Purpose and Amount: In line with the industry reports published by Finfind (2017) and Seed Academy (2018), the interview guide established entrepreneurs' need for external finance using the following questions:

1. "*Think back to the last time you needed to secure external finance for your business."*
    a. *"How much was needed?"*
    b. *"What did you need the additional finance for?"*

Information concerning entrepreneurs' need for external finance provided context for understanding their decisions and actions when seeking external finance.

Cognitive Process: In-depth interviews explored the cognitive process of entrepreneurs seeking external finance to drive SMME growth. Given this aim, it was important for the researcher to collect detailed descriptions of entrepreneurs' experiences seeking external finance to develop an in-depth understanding of the underlying cognitive process (Smith & Kelly, 2015). The interview guide asked an open-ended question to encourage participants to describe their experiences seeking external finance. The researcher formulated the question based on the theoretical framework:

'*Please describe your thought process from when you recognised the need to secure external finance for your business until you took action to address the need. Please highlight your goals, concerns, motivations, and the actions you took as part of this process*.'

In addition to the open-ended question, the guide included probing questions to assist the researcher in clarifying and encouraging participants to provide more details as they described their experiences (Abdul Majid et al., 2018; Boyce & Neale, 2006; McIntosh & Morse, 2015).

The open-ended question and probing questions were derived from the study's theoretical framework, which included the Mindset Theory of action phases and its Rubicon Model, the existing theory on growth aspirations, and the Theory of Discouraged Borrowers. Using existing theories as frameworks can be beneficial in guiding interviews to collect detailed knowledge about a poorly understood phenomenon (McIntosh & Morse, 2015; Varpio et al., 2020).

The researcher conducted two pilot interviews to test the effectiveness of the interview guide in collecting relevant data within the time allocated for the interview. Pilot participants found the questions easy to understand and relevant to their experience. In addition, pilot interviews were completed within the time allocated. Based on the positive feedback from pilot participants, no further changes were made to the interview guide. The complete interview guide is presented in Appendix A3.

3.5 Procedure for Data Collection

In-depth interviews collected qualitative data on entrepreneurs' experiences seeking external finance to drive SMME growth. Data were collected from December 2020 to May 2021. At this time, COVID-19 lockdown regulations were in force, limiting travel and close physical contact between people to limit the spread of the disease (Department of Health, 2020). For that reason, the in-depth interviews were conducted using Zoom video conferencing capabilities (https://zoom.us).

Video conferencing capabilities provide researchers with a viable alternative to in-person interviews that is easy to use, cost-effective and allows the interviewer and participants to see each other without being in the same geographic location (Gray et al., 2020; Weller, 2017). The researcher chose Zoom because it does not require the participant to have an account or download a program; they can simply click a link in the meeting invitation to join the video call. Further, Zoom offers password protection for confidentiality and allows the researcher to save recorded interviews on the researcher's institution's private cloud storage to increase confidentiality (Gray et al., 2020; Zoom video communications, 2022).

At the start of the interview, the researcher introduced themselves, confirmed that the participant had a stable Internet connection, and was in a quiet space where they would not be disturbed. The researcher shared some details of the research and the terms of participation, including voluntary participation and confidentiality, as specified in the participant information sheet. After informing the participants about the research and the terms of participation, the researcher asked them to confirm if they understood the information shared and consent to proceed with the interview, which would be recorded. The participants' consent was included in the video recording.

After participants had consented, the researcher asked questions as directed by the interview guide, including probing questions where needed. Interviews were conducted in-depth so participants could freely describe their experiences seeking external finance. The researcher allowed the participant to direct the flow of the conversation without enforcing the order of questions in the interview guide. This enabled participants to share their experiences in a sequence that made sense to them. The researcher did not enforce the order of the questions in the interview guide. Instead, the researcher asked probing questions to direct the participants to share information they had missed.

The researcher listened actively during the researcher noted points of interest during the interview to aid them in analysing and interpreting the data collected. At the end of the interview, the researcher thanked the participants and allowed them to ask questions before concluding the interview. Video recordings from the interviews were saved in digital form on private cloud storage provided by the researcher’s institution. The researcher's laptop and profile on the institution's cloud storage were password-protected to prevent unauthorised access to the recordings. In addition, the permissions on the private cloud storage folder were altered such that the folder could only be viewed by the researcher. The password protection and restricted access to video recordings increased participant confidentiality.

Each interview participant was assigned a pseudonym to mask their identity and maintain confidentiality when referring to them during data analysis and throughout this report. The literature contains examples of naming conventions used to de-identify research participants, including pseudonyms, epithets and codenames (Allen & Wiles, 2016; Brear, 2019; Heaton, 2022). A pseudonym is a false name that differs from the real name of a research participant or a place. An epithet is a term that describes the character or attributes of a research participant or place. In contrast, a codename is an alphanumeric index term representing a research participant, a place or an organisation (Heaton, 2022; Junge et al., 2022).

While all three approaches have been used successfully to conceal the identity of research participants, Brear (2019) argues that names convey ideas about the identity characteristics of individuals, which can influence how readers relate to them. When using epithets, researchers may define participants in terms of roles or characteristics they may not relate to or regard as meaningful or significant (Heaton, 2022). While using codenames meets ethical standards for maintaining confidentiality, it reduces participants to de-personalised codes, influencing how analysts and readers relate to them when reading research reports (Allen & Wiles, 2016; Heaton, 2022). Unlike Epithets and codenames, Pseudonyms can mask participants' identities while conveying ideas about their identity characteristics, such as gender or race. For that reason, Heaton (2022) has advocated that researchers adopt a more considered approach to how they disguise the identity of participants in qualitative research. Since this study aimed to develop an in-depth understanding of entrepreneurs' experiences when seeking external finance, the researcher opted to use pseudonyms to mask participants' identities while conveying information about the participants' gender, nationality and race to enable readers to better connect with their lived experience.

3.6 Data Analysis and Interpretation

This study conducted a thematic analysis to generate themes and develop an in-depth understanding of entrepreneurs' cognitive process when seeking external finance. Thematic analysis is a 'cluster of methods' that enable researchers to analyse qualitative data and identify themes that address a research question (Braun & Clarke, 2006, 2019; Maguire & Delahunt, 2017). It is useful for understanding experiences, thoughts or behaviours across a dataset (Kriger & Varpio, 2020).

Thematic analysis is not bound to a particular paradigmatic orientation; instead, it can be used within post-positivist, interpretivist, or critical realist research approaches (Braun & Clarke, 2006; Joffe, 2012; Swain, 2018). Hence, it is more accessible to less experienced researchers who require flexibility (Braun & Clarke, 2006; King, 2004; Nowell et al., 2017). As a novice conducting a doctoral study, the researcher followed the recommendation by Braun and Clarke (2006), who maintain that thematic analysis is the first qualitative method of analysis that researchers should learn as it provides a set of foundational techniques and skills that are used in many other forms of qualitative analysis.

The flexibility offered by Thematic Analysis has led to various approaches being adopted in the literature. However, the approach attributed to Braun and Clarke has become the most influential. Their seminal paper, titled 'Using thematic analysis in psychology' (Braun & Clarke, 2006), has become the standard point of reference for Thematic analysis with over 174,000 citations recorded on Google Scholar. Having identified that many researchers confuse different approaches to TA with different philosophical assumptions and fail to adhere fully to the principles of those approaches to thematic analysis, Braun & Clarke (2022) proposed a typology of thematic analysis to delineate the philosophical assumptions, how key constructs are conceptualised and the procedures for coding and theme development associated with each approach. They argued that a clear delineation of each typology could help researchers fully adhere to the principles of each approach and conduct thematic analysis in a way that maintains methodological integrity.

Braun and Clarke (2022) define reflexive thematic analysis as a distinct typology underpinned by an interpretivist paradigm. In this approach, the researcher becomes an instrument of analysis, deriving meaning by interpreting data in a given context and time, informed by their own perspectives and lived experiences (Braun & Clarke, 2006; Parry et al., 2021). Therefore, reflexive thematic analysis highlights the researcher's active role in the production of knowledge and conceptualises codes as the researcher's interpretation of 'patterns of meaning across the dataset' (Byrne, 2022).

Given the emphasis on the researcher's interpretation, the researchers' acknowledgement and articulation of their generative role in research is central to reflexive thematic analysis (Braun & Clarke, 2022). Therefore, researchers must acknowledge and interrogate their assumptions and practices, which may be influenced by their position concerning the topic and research participants. While the researcher had been an entrepreneur in the past, they had worked as a practitioner in financial services for more than 15 years. Therefore, their past experiences could influence how they interpret the data. The researcher was positioned as an 'outsider' in relation to the entrepreneurs who participated in the research. Therefore, they needed to build trust and rapport with participants before commencing with interviews, creating an atmosphere where participants could share honest and detailed accounts of their experiences.

Reflexive thematic analysis researchers can adopt an inductive or deductive orientation when conducting analysis to address their research questions. While coding reliability approaches conceptualise a deductive orientation as a tool for testing a hypothesis, reflexive thematic analysis conceptualises a deductive orientation as one that uses a pre-existing theory or framework as a lens to interpret data and generate themes related to the research question (Braun & Clarke, 2022; Kiger & Varpio, 2020). Adopting a deductive orientation in reflexive thematic analysis can help researchers focus on an aspect of the data that could be best understood in the context of a pre-existing theory (Braun & Clarke, 2022).

This study developed a theoretical framework that consisted of the Mindset Theory of action phases and its Rubicon model (Gollwitzer, 2012; Heckhausen & Gollwitzer, 1987), growth aspirations and the theory of discouraged borrowers (Kon & Storey, 2003). The integrated theoretical framework was used as a lens to interpret data following a reflexive thematic analysis process.

The researcher conducted two rounds of thematic analysis to identify themes addressing the research questions. Although this report presents the analysis process in consecutive steps, the process was organic and iterative, requiring the researcher to be reflective and reflexive (Swain, 2018). Figure 3-2 illustrates the reflexive analysis process to analyse and interpret the data, as recommended by Braun and Clarke (2022). The process is described in detail below.

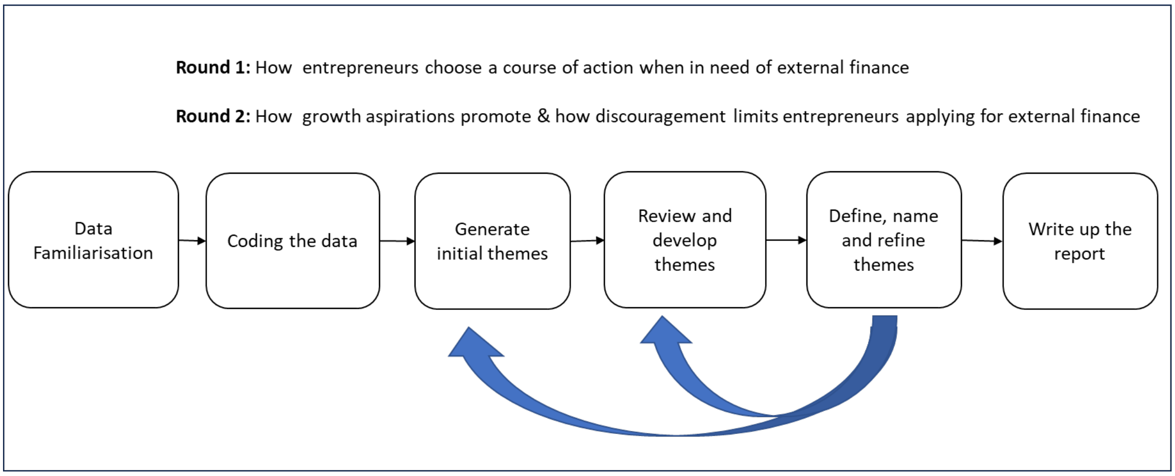


Figure 3-2: Reflexive Thematic Analysis Process
Source: Braun and Clarke (2022)

3.6.1 Automatic Transcription

The researcher transcribed video recordings of the interviews using Sonix automated transcription software to prepare the dataset for analysis. Automated transcription is more cost-effective and takes less time than professional transcription done by a human (Burke, 2011; Liyanagunawardena, 2019). In addition, automated transcription offers greater reliability, accuracy and consistency (Burke, 2011). Moreover, automated transcription software addresses data privacy concerns through an articulated data protection policy

(Liyanagunawardena, 2019), which assures participant confidentiality. In contrast, researchers using a professional transcription service must validate that the transcribers' approach to handling data (storage, processing, deletion) follows ethical standards and maintains participant confidentiality.

Sonix automated transcription software (www.sonix.ai) is increasingly used in social science research (Ganson et al., 2020; Parry et al., 2021; Tykholoz et al., 2021). Previous studies have validated automated transcription through Sonix and reported an average accuracy rate of 77% (Liyanagunawardena, 2019). In addition, Sonix has a robust data protection policy (Sonix, 2021), which helps maintain participant confidentiality. While the researcher saved video recordings from the interviews, Zoom allowed the researcher to retrieve and upload audio without the video content from the interviews to the Sonix platform, further enhancing participant confidentiality. The audio recordings uploaded on the Sonix platform for transcription were protected by data encryption and password protection (Sonix, 2021) to maintain confidentiality.

Once the automated transcription process was completed, the researcher downloaded draft transcripts from the Sonix platform and compared them to the interview recordings. The researcher actively listened while watching the playback of each interview recording to ensure the transcription software had accurately transcribed the interview. Transcription errors were manually corrected on the transcripts when they were detected. The researcher ensured the participants' assigned pseudonym was used in the transcripts to refer to the participants. To conclude the process, the researcher compared the transcripts to the notes taken during the interviews to ensure that all information had been accurately captured. Then, the revised transcripts were exported in Microsoft Word 2016 format and uploaded into NVivo qualitative data analysis software (www.qsrinternational.com) for data analysis and interpretation.

3.6.2 Data Familiarisation

Data familiarisation was the first step in the data analysis process. Data familiarisation facilitated the researcher becoming intimately familiar with the data such that they could identify appropriate information relevant to the research questions (Byrne, 2022). Conducting the interviews allowed the researcher to familiarise herself with the data before analysis. In addition, the data transcription process provided an excellent opportunity for the researcher to immerse herself in the data (Gale et al., 2013). Watching the video recordings and reading the transcripts repeatedly enabled the researcher to 'consciously process the information' (Boyatzis, 1998, p. 45). The researcher actively listened while watching the playback of each interview and made notes to capture their impressions of the data and thoughts about analysis as recommended by Gale et al. (2013) and Braun and Clarke (2022). The researcher read each transcript numerous times and made further notes in preparation for analysis. Qualitative analysis software such as NVivo supports researchers when managing and analysing large data sets (Welsh, 2002). However, the choice to use and the extent to which the software is used depends on the size of the project, the availability of time and funds, and the preference and expertise of the researcher (Xu & Zammit, 2020).

In this study, the researcher used Nvivo to code text extracts, identify relationships between codes and generate themes. While Nvivo enables researchers to capture notes as memos associated with transcripts, codes or participants, the researcher recorded reflexive notes using Microsoft One Note, a digital notebook that automatically saves and synchronises notes across devices (Microsoft, 2023). The researcher's preference was driven by ease of use on Microsoft One Note, which enabled the researcher to capture thoughts and reflections on a mobile device when their laptop was not within reach. In addition, Microsoft One Note enabled the researcher to organise notes by topic, supporting the generation of latent themes.

As part of data familiarisation, the researcher generated a word cloud using NVivo qualitative analysis software, which enabled them to see the words used most frequently by interview participants. Figure 3-3 shows that ‘need’, ‘funding’, ‘money’ and ‘business’ were among the most frequently used words, highlighting the topic's relevance. Based on the word cloud, interview participants emphasised the need for additional funds to support business activities.

Figure 3-3: Frequently Used Words

Source: Primary data

Data familiarisation assisted the researcher in identifying preliminary patterns of meaning throughout the data set, which led to more in-depth analysis.

3.6.3 Coding the Data

Coding organises data that informs the research question for the researcher to develop themes (Braun & Clarke, 2006). As part of the coding process, researchers identify interesting sections of text relating to the phenomenon being studied and assign concise labels that capture the meaning of the text (Guest et al., 2012). Codes must capture the ‘qualitative richness of the phenomenon’ and should not be interchangeable or redundant (Boyatzis, 1998, p. 31). The researcher's interpretation of the meaning conveyed by the text is informed by their philosophical orientation.

An inductive orientation is data-driven. It conducts expansive analysis and interprets meaning based on the data (Braun & Clarke, 2006, 2022; Kiger & Varpio, 2020). In contrast, a deductive approach is theory-driven. This approach focuses on a particular aspect of a phenomenon and uses pre-existing theory as a lens for interpreting the data (Braun & Clarke, 2006, 2022; Kiger & Varpio, 2020). This study focused on the cognitive process through which entrepreneurs' financing decisions promote or limit SMME access to external finance. Therefore, a deductive orientation underpinned coding and theme development.

The study's theoretical framework formed the basis for generating initial codes. To start the coding process, the researcher created a code structure in Nvivo and populated it with codes 'motivation', 'volition', 'choosing', 'planning', 'acting, ' and' evaluating', based on the cognitive states and phases defined in the Mindset Theory of action phases and its Rubicon model. Figure 3-4 illustrates the initial codes used to focus the researcher's interpretation of the data.

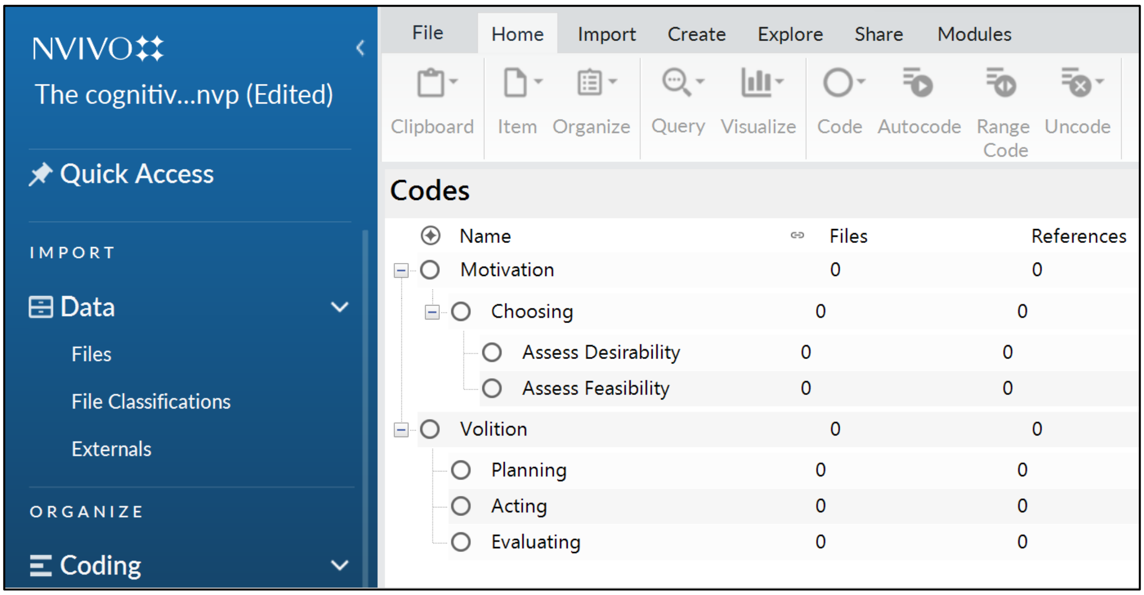


Figure 3-4: Nvivo Code Structure Based on Theoretical Framework

After creating the code structure, the researcher imported interview transcripts in Microsoft Word 2016 format into NVivo for analysis. The researcher read through each transcript and linked text extracts to the initial codes on NVivo. When the initial codes did not adequately describe the meaning conveyed in the text, the researcher added codes based on the data to ensure the codes accurately represented concepts described by interview participants. Coding was done iteratively, and in subsequent iterations, redundant codes were consolidated, and code descriptions were refined. Figure 3-5 illustrates the final code structure for the first round of reflexive thematic analysis, which focused on how entrepreneurs choose a course of action when in need of external finance.

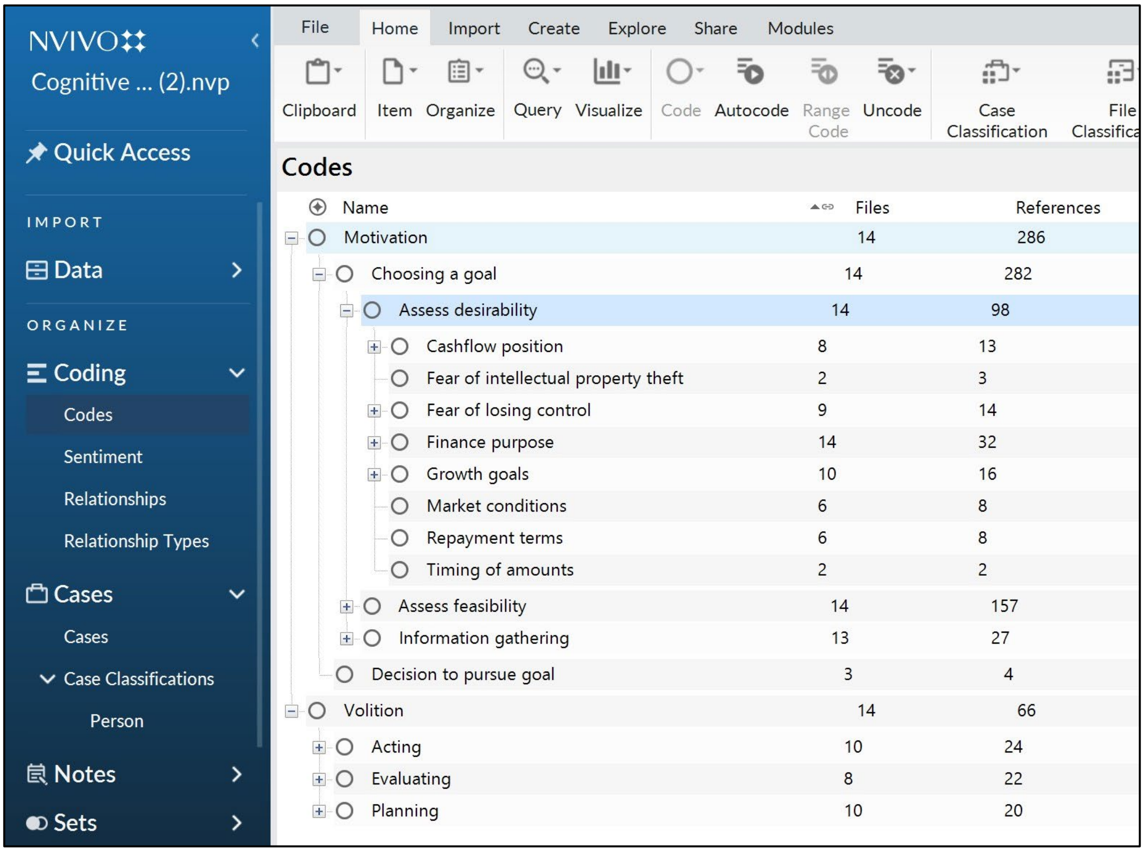


Figure 3-5: Nvivo Code Structure - 1st Round of Thematic Analysis

A similar coding process was followed in the second round of reflexive thematic analysis, which focused on how growth aspirations promote applying and how discouragement limits entrepreneurs applying for external finance. Figure 3-6 illustrates the code structure developed in the second round of thematic analysis.

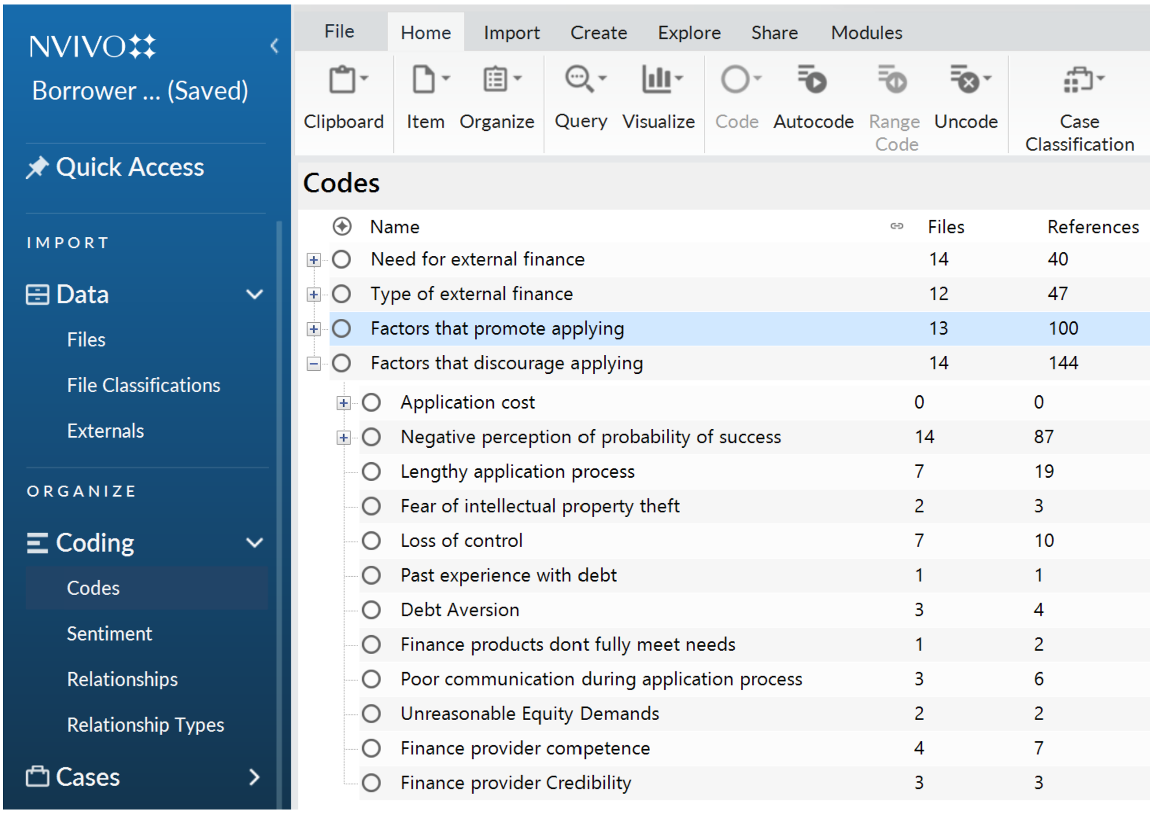


Figure 3-6: Nvivo Code Structure – 2nd Round of Thematic Analysis

While NVivo software improved the efficiency of the analysis process, the researcher played a leading role in deriving meaning from the text and assigning it to codes, as the software cannot conceptualise or make judgements related to the data (Braun & Clarke, 2006). On completion of coding, the researcher proceeded to generate themes.

3.6.4 Generating Initial Themes

A theme is a pattern of explicit and implicit meaning in a dataset that captures crucial information about the data in relation to the research questions (Braun & Clarke, 2006; Joffe, 2012) and organises it around a ‘central organising concept (Braun & Clarke, 2019, 2021a, 2022). When using reflexive thematic analysis, themes are generated by the researcher through an interpretive process wherein the researcher searches for deeper meaning in the data (Braun & Clarke, 2019, 2022; Kiger & Varpio, 2020). The researcher’s focus shifts from identifying individual data extracts that could help address the research question to interpreting shared meaning across codes. The researcher compares sorts, compares and combines to identify broader patterns of shared meanings across the data set that provide insight into the research question (Byrne, 2022; Nowell et al., 2017; Xu & Zammit, 2020). Researchers may use thematic maps to visually demonstrate relationships between concepts, themes and subthemes (Braun & Clarke, 2006) (Braun and Clarke 2006).

In addition, Braun and Clarke (2006, 2019) state that researchers conducting thematic analysis can analyse explicit or latent themes. Analysis that seeks to identify explicit themes looks at the surface meaning of the data and does not look to understand anything beyond what the participant has said. Alternatively, researchers can focus on examining ‘underlying ideas’, ‘assumptions’, ‘conceptualisations’ and ‘ideologies’ that go beyond the surface meaning of the data by analysing latent themes (Braun & Clarke, 2019). This study generated both explicit and latent to develop an in-depth understanding of the cognitive process of entrepreneurs seeking external finance to drive SMME growth.

In this study, the researcher used thematic maps on Nvivo to sort codes and identify how they relate. Through this process, the researcher was able to identify opportunities to collate codes and identify those that could be grouped to form a theme relevant to the research question. In the first round of thematic analysis, the researcher collated codes related to how entrepreneurs choose a course of action when seeking external finance. Codes concerning how they assessed the desirability and feasibility of each available option were analysed with codes related to planning, acting and evaluating the outcomes of the chosen course of action. Figure 3-7 illustrates how codes were grouped to develop themes concerning how entrepreneurs choose a course of action when seeking external finance. A similar process was followed to group themes concerning how entrepreneurs execute a chosen course of action (i.e. planning, acting and evaluating).

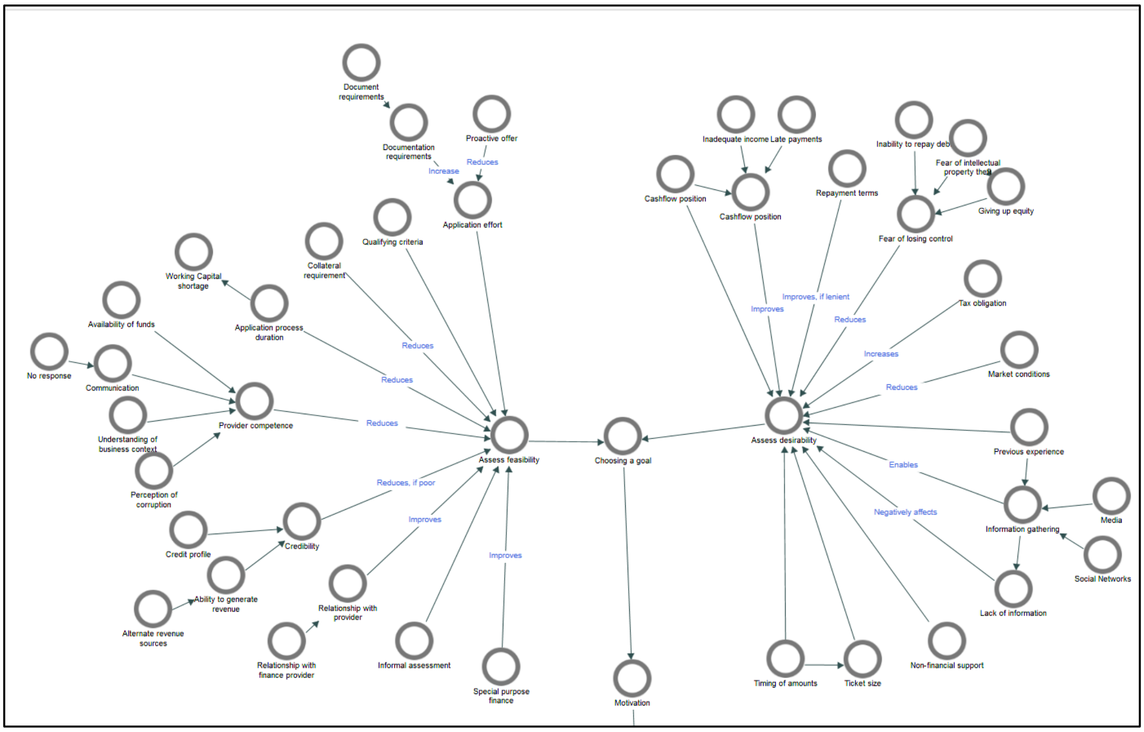


Figure 3-7: Draft Thematic Map - Choosing a Course of Action

In the second round of thematic analysis, the researcher collated codes related to cognitive factors that promoted entrepreneurs applying for external finance. Figure 3-8 illustrates how codes were grouped to develop themes on how growth aspirations promote entrepreneurs applying for external finance.

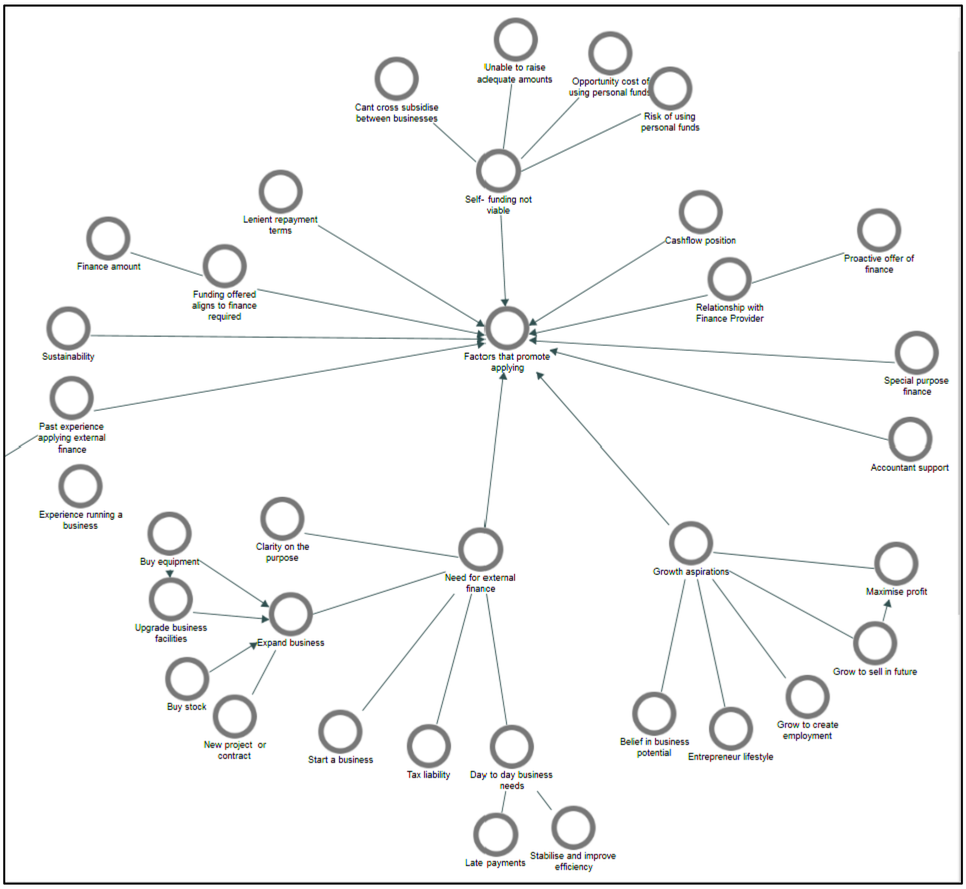


Figure 3-8: Draft Thematic Map - Growth Aspirations

In addition, codes relating to factors discouraging entrepreneurs from applying were collated around a central organising concept to develop themes. Figure 3-9 illustrates how codes were grouped to develop themes on how discouragement limits entrepreneurs applying for different types of external finance.

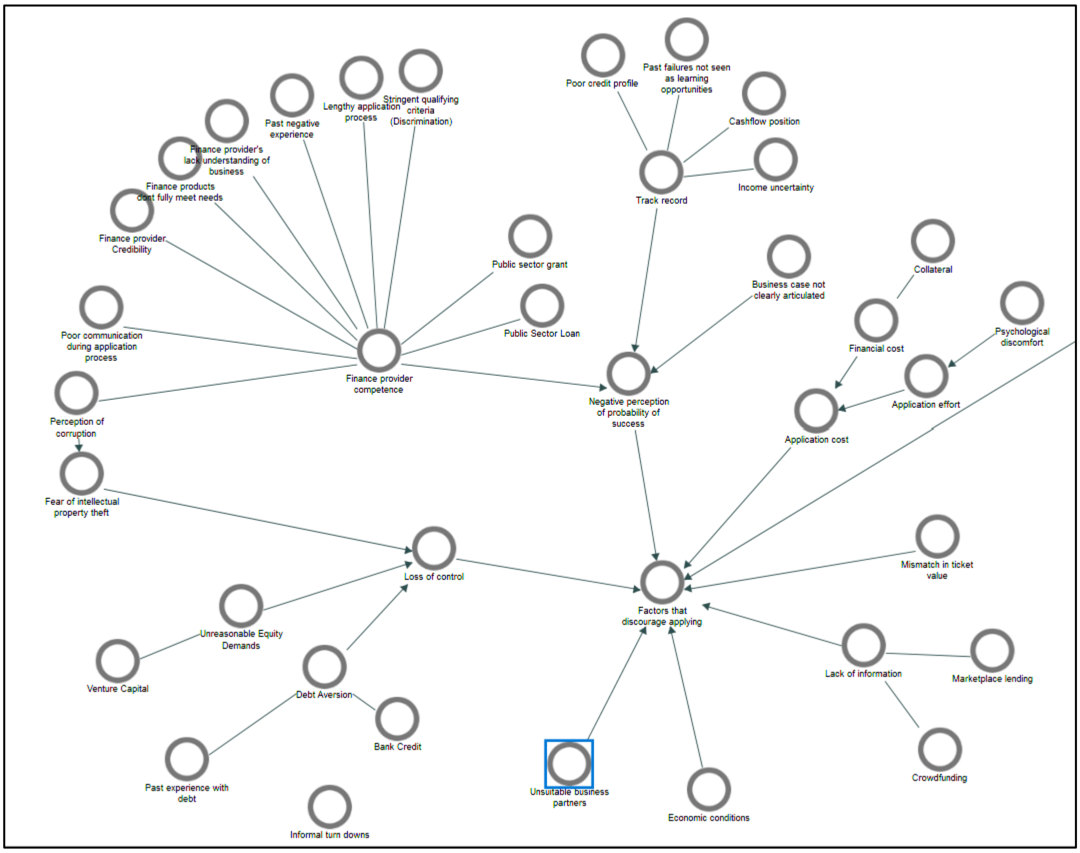


Figure 3-9: Draft Thematic Map – Discouragement

After generating potential themes, the researcher reviewed and amended them where necessary.

3.6.5 Reviewing and Developing Themes

Themes generated through reflexive thematic analysis should be 'rich, complex, and multifaceted' with a distinct core meaning (Braun & Clarke, 2022, p. 20). Data within themes should come together meaningfully, while there should be little or no overlap between themes (Braun & Clarke, 2006). To achieve this, the researcher reviewed the draft thematic maps generated, ensuring that text extracts associated with each theme were congruent with the theme and that the themes represented distinct concepts (Maguire & Delahunt, 2017). The text extracts were further reviewed to ensure no overlap or duplication between themes. After reviewing the potential themes, the researcher redefined some themes and created new themes that better described the 'central organising concept' associated with the underlying text. For example, in the draft thematic map, the researcher generated a theme titled ‘ Finance provider competence’, which included ‘stringent qualifying criteria’. Having read the underlying text extracts, the researcher renamed an existing theme ‘ Application documentation’ to ‘Application requirements’ and redefined that theme to include ‘ stringent qualifying criteria’. Thus, the scope of ‘finance provider competence was ‘ redefined to exclude ‘ stringent qualifying criteria. Similarly, ‘collateral’ was initially defined as a theme. However, since it was not complex or multifaceted, it was incorporated into the ‘ Finance terms’ theme. The final thematic frameworks generated from this process are presented in chapter four.

3.6.6 Defining, Naming and Refining Themes

After reviewing themes, researchers using reflexive thematic analysis must define, name and refine each theme to ensure it accurately represents the underlying data extracts. In addition, the researcher must choose multiple extracts to convey the theme in the report, simultaneously demonstrating the variety and cohesion in the supporting text extracts. The data analysis chapter presents the final names and descriptions of the generated themes.

3.6.7 Writing Up the Report

Since the analysis process was organic and iterative, the researcher adopted a ‘recursive approach’ to report writing (Byrne, 2022). The researcher updated the report write-up as themes changed in the analysis process. According to Braun and Clarke (2006, 2022), themes should be reported in a manner that is logical and meaningful, and it must tell a compelling story to address the research question based on the data. Therefore, it is useful for researchers to decide on the order in which they will present the themes so that the data is presented in an order that best tells the story (Byrne, 2022). The narrative of how the cognitive process of entrepreneurs promotes or limits SMME access to external finance is presented in the data analysis chapter.

3.7 Trustworthiness of Research Findings

This study explored entrepreneurs' experiences in in-depth interviews to draw conclusions about the cognitive process of entrepreneurs seeking external finance to drive SMME growth. Although the process of deriving meaning from qualitative data is subjective (Kankam, 2019; Kivunja & Kuyini, 2017), researchers must be transparent and justify their procedures for analysing qualitative data (Noble & Smith, 2015) for the research findings to be trustworthy. The trustworthiness of research findings is affected by the integrity with which research was conducted and is achieved when research has credibility, transferability, dependability and confirmability (Lincoln & Guba, 1986).

3.7.1.1 Credibility

Credibility assures that inferences made in a study are accurate and well-founded (Morse, 2015). The credibility of qualitative research relies on the truth value of the findings, which represents how confident the researcher is with the truth of the findings based on the research design, participants and the context in which the study was undertaken (Kivunja & Kuyini, 2017; Krefting, 1991; Lincoln & Guba, 1986). A qualitative study is credible when it presents accurate descriptions or interpretations of a participant's account such that other people who share that experience would immediately recognise the descriptions (Sandelowski, 1986).

The study's participant selection strategy ensured credibility. This study purposively sampled entrepreneurs with experience seeking external finance, as they would have rich and relevant information for developing an in-depth understanding of the cognitive process of entrepreneurs seeking external finance to drive SMME growth. The participant selection strategy enhanced credibility by selecting information-rich cases that generated rich insights (Morse, 2015). As a practitioner in financial services, the researcher was knowledgeable about different types of external finance and the associated application processes. The researcher's knowledge of the context and use of probing questions in the interviews enhanced credibility. The researcher could probe participants to share more details and appropriately interpret entrepreneurs' experiences seeking external finance (Krefting, 1991; Lincoln & Guba, 1986).

Last, the researcher enhanced credibility by including thick verbatim descriptions from the interviews in the research report to support findings and ensure that participants' perspectives are interpreted accurately (Noble & Smith, 2015; Nowell et al., 2017). Therefore, the participant selection strategy, the researcher's authority and the interview technique, including thick descriptions of participants' experiences, assured the credibility of this study's findings.

3.7.1.2 Transferability

Inferences made using qualitative research methods must meet transferability criteria to apply to other, similar contexts (Krefting, 1991). Lincoln and Guba (1986) proposed that the responsibility of transferability lies with the person who intends to apply the findings to another situation or population. However, the original researcher must provide sufficient descriptive data or a thick, rich description (Lincoln & Guba, 1986; Noble & Smith, 2015) to allow other researchers to compare contexts. This study included a detailed description of research participants and their businesses, including demographic information, in the report to enable other researchers to identify similar contexts in which the findings of this research can be applied.

3.7.1.3 Dependability

Dependability describes a qualitative study's ability to produce consistent findings given a similar context and respondents (Kivunja & Kuyini, 2017). To improve the dependability of a study, Krefting (1991) recommends a dense description of the research methods. Readers can better judge the dependability of research findings when they clearly understand the research process followed (Lincoln & Guba, 1986). Researchers can achieve dependability by ensuring the research process is logical, traceable, and well-documented. The research methods chapter of the research report provides a detailed description of the research methods used in this study to enhance dependability. Further, the researcher used NVivo qualitative data analysis software, which creates an audit trail of the steps taken to analyse data to improve dependability.

3.7.1.4 Confirmability

Confirmability establishes that research findings are derived from the data (Tobin & Begley, 2004). Researchers can achieve confirmability by justifying theoretical, methodological and analytical choices throughout the study so others can understand why and how decisions were made (Koch, 1994; Nowell et al., 2017). Research methods are documented and justified in the research report to provide a clear account of decisions and actions taken in the research process to establish the confirmability of this study. Further, the approaches that assured credibility, transferability and dependability in this study also established the confirmability of the study’s findings, as confirmability is established when credibility, transferability and dependability are achieved (Lincoln & Guba, 1986).

3.8 Ethical Considerations

This study collected data from human subjects. Careful consideration was given to how data would be collected and analysed ethically. Entrepreneurs who participated were informed about the research, their role in the study, and the time to complete the interview before participating. Participants were also informed of the terms of their participation, including voluntary participation and confidentiality. Only those who consented to the terms participated in the research. The researcher collected demographic data on participants’ age to exclude minors from participating in the research.

Given the nature of in-depth interviews, participants were required to reveal personal information about themselves and their businesses, which is not available in the public domain. For this reason, confidentiality needed to be maintained throughout the study. Pseudonyms were assigned and used to refer to interview participants throughout the study to maintain confidentiality. Interview data was encrypted and password-protected. In aid of transparency, research participants were offered access to the research report once completed.

The measures applied to ensure this study was conducted ethically were reviewed and approved by the ethics committee of the University of the Witwatersrand before the study commenced (Ethics approval included in Appendix A7). In addition, participants were provided contact details for the ethics committee to verify ethics approval or raise issues concerning unethical conduct.

3.9 Chapter Summary

This study explored the cognitive process of entrepreneurs seeking external finance, through which entrepreneurs' financing decisions promote or limit SMME access to external finance to drive growth. Study participants were entrepreneurs operating SMMEs in South Africa, purposively sampled from LinkedIn, Facebook and WhatsApp social networks. In-depth interviews collected qualitative data from 14 entrepreneurs from December 2020 to May 2021. Interview participants were assigned a pseudonym that referred to them to maintain confidentiality during the research process.

The researcher adopted a deductive reflexive thematic analysis approach to interpreting the data and generating themes based on the study's theoretical framework. As the study sought to explore how entrepreneurs choose a course of action when seeking external finance and how growth aspirations and discouragement influence that course of action, the theoretical framework was based on the Mindset Theory of action phases and its Rubicon Model combined with growth aspirations theory and the Theory of Discouraged Borrowers.

The study's participant selection strategy, the researcher's prior knowledge of financial services and the inclusion of thick descriptions of participants' experiences enhanced the study's credibility. In addition, including a detailed description of participants and the research context supports the transferability of this study's findings to other similar contexts. The researcher provided a detailed description of the research methods to provide a clear account of decisions and actions taken in the research process to establish the study's confirmability. The measures taken to enhance credibility, transferability, dependability and conformability assured the trustworthiness of this study's findings. The study's findings are presented in Chapter 4.

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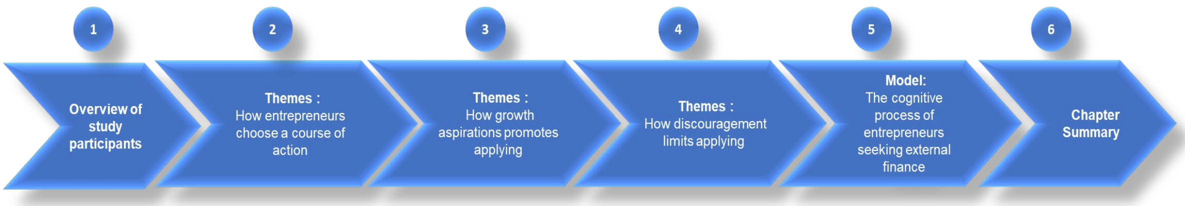
CHAPTER 4: DATA ANALYSIS

This chapter presents the results of the data analysis. The chapter structure is illustrated below. First, the chapter presents the demographic profile of the study participants, followed by the themes related to how entrepreneurs choose a course of action when in need of external finance. After that, the chapter describes themes relating to how growth aspirations promote entrepreneurs' applying and how discouragement limits entrepreneurs' applying for different types of external finance. The chapter concludes with a summary.



4.1 Overview of Study Participants

Understanding the context in which qualitative research is conducted is vital for correctly interpreting the study's findings. Understanding the context also maximises the credibility of inferences drawn from the research (Lincoln & Guba, 1986; Noble & Smith, 2015). Table 4-1 provides an overview of entrepreneurs who participated in the interviews, including information on the SMMEs they run. This synopsis provides the context for interpreting the findings.

Table 4-1: Participant Overview

Assigned Pseudonym	Age	Gender	Race	Education	Business Services offered	SMME Age (Years)	Number of employees	Sales revenue (Rands)	Reason for seeking external finance	Finance amount required	Types of finance considered
Kabelo	27	Male	Black	Postgraduate Degree	Waste management and recovery	1-3	10- 20	R0 - R500 000	Equipment to process the waste and earn more revenue	R200 000	Crowdfunding Marketplace lending Bank credit Public sector grant
Mpho	28	Male	Black	Undergraduate Degree	Online business - promoting community businesses via social media	0-1	0- 5	R0 - R500 000	Develop a business website	R3 000	Crowdfunding Venture capital Public sector grant
Patrick	36	Male	Black	Postgraduate Degree	Fashion design and production	3-5	0- 5	R0 - R500 000	Set up factory, buy equipment, buy vehicle	R250 000	Public sector grant Public sector loan
Elvis	39	Male	Black	Postgraduate Degree	Software application development	1-3	0- 5	R0 - R500 000	Expand sales and marketing activities	R300 000	Bank credit Venture capital Public sector loan
Sipho	42	Male	Black	Postgraduate Degree	Financial services - insurance	5-10	20-50	R1m - R5m	Increase call centre operational capacity	R7 000 000	Bank credit Venture Capital Public sector loan
Edward	43	Male	Black	Postgraduate Degree	Granite mining	0-1	0- 5	R0 - R500 000	Purchase mining equipment	R8 000 000	Public sector loan
Sibusiso	47	Male	Black	Postgraduate Degree	Mining engineering consulting	> 10	10- 20	R1m - R5m	New mining project	R5 000 000	Bank credit Venture capital Public sector loan
Robert	48	Male	Black	Postgraduate Degree	Distributor - car and household cleaning products	3-5	10- 20	R0 - R500 000	Buy delivery vans, branding	R500 000 - R1 000 000	Marketplace lending Bank credit Public sector loan
Harris	50	Male	Black	Postgraduate Degree	Logistics and transport	5-10	5- 10	R500 000 - R1m	Buy a truck	R800 000	Bank credit Venture capital
Eugene	50	Male	White	Postgraduate Degree	Environmental waste management - bio waste	0-1	5- 10	R0 - R500 000	Buy equipment, set up factory	R1 500 000	Bank credit Public sector loan
Lerato	40	Female	Black	Postgraduate Degree	IT Management consulting	3-5	10- 20	R0 - R500 000	Working capital to pay salaries	R100 000 - R500 000	Bank credit
Lillian	45	Female	Black	Postgraduate Degree	Physical security	1-3	0- 5	R0 - R500 000	Buy equipment - firearms, drone technology	R1 800 000	Public sector grant Public sector loan
Nthabiseng	52	Female	Black	Postgraduate Degree	Technology manufacturing - drone technology	0-1	0- 5	R0 - R500 000	Develop a prototype, set up a manufacturing plant	R1 600 000 R20 000 000	Venture capital Public sector grant
Anna	57	Female	Black	Postgraduate Degree	Recruitment and labour broking	>10	10- 20	>R20m	Enhancements to recruitment platform	R500 000 - R750 000	Bank credit

Source: Primary data

4.2 How Entrepreneurs Choose a Course of Action When Seeking External Finance

This study addressed RQ1 by exploring how entrepreneurs choose a course of action when seeking external finance. To aid the exploration, the researcher asked participants to describe their thought processes, highlighting their goals, concerns, motivations, and actions when seeking external finance. Reflexive thematic analysis of participants' accounts of their experiences seeking external finance generated themes relating to how entrepreneurs choose a course of action when seeking external finance. Figure 4-1 presents the themes and sub-themes generated. This section describes and explains the themes related to how entrepreneurs choose a course of action when seeking external finance and supports the themes with participant quotes.

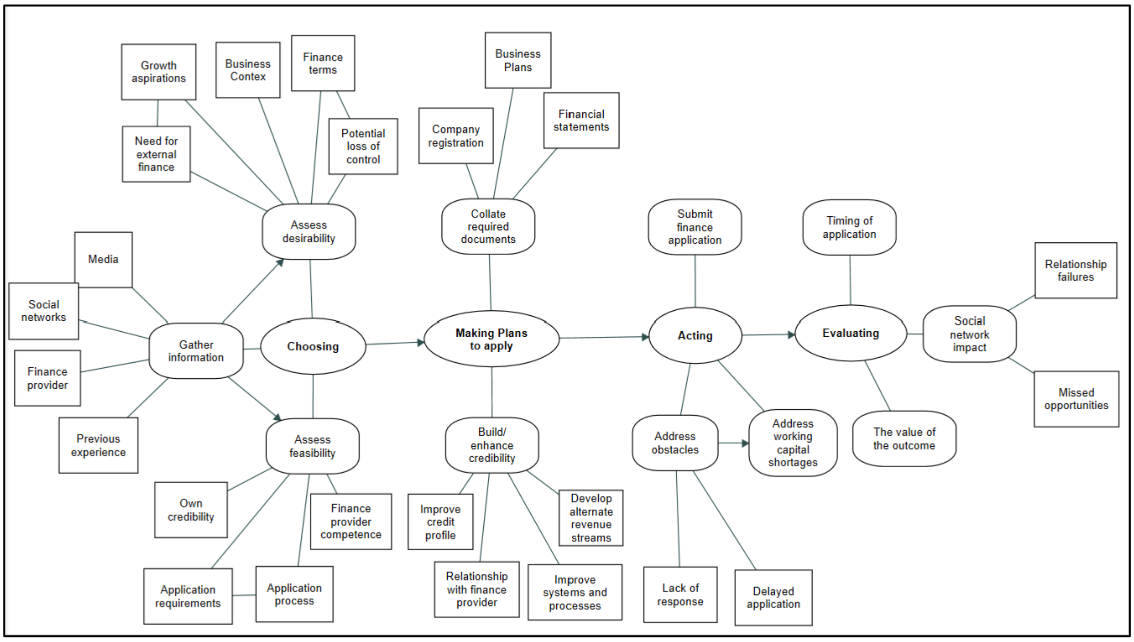


Figure 4-1: Thematic Map – Cognitive Process of Entrepreneurs

Data analysis results suggest that participants went through distinct cognitive phases when choosing a course of action, each with a clear objective and focus. Participants described gathering information to enable them to deliberate on the desirability and feasibility of each available option before choosing a finance option. In some instances, deliberations concluded with a decision to defer the application or eschew external finance. However, those who decided to pursue a specific finance option described making plans to apply and submitting their finance applications when ready. Some participants evaluated the outcomes associated with their chosen course of action to identify what they could do differently to improve their odds of securing additional funds in future.

Participant accounts of their experiences indicate that the process of seeking external finance is complex, comprising several steps that require entrepreneurs to make decisions and take action. This section elaborates on the themes concerning how entrepreneurs choose a course of action when seeking external finance.

4.2.1 Choosing a Course of Action

Participants in the choosing phase were concerned with choosing a course of action among alternatives. Figure 4-2 summarises the themes associated with the choosing phase.

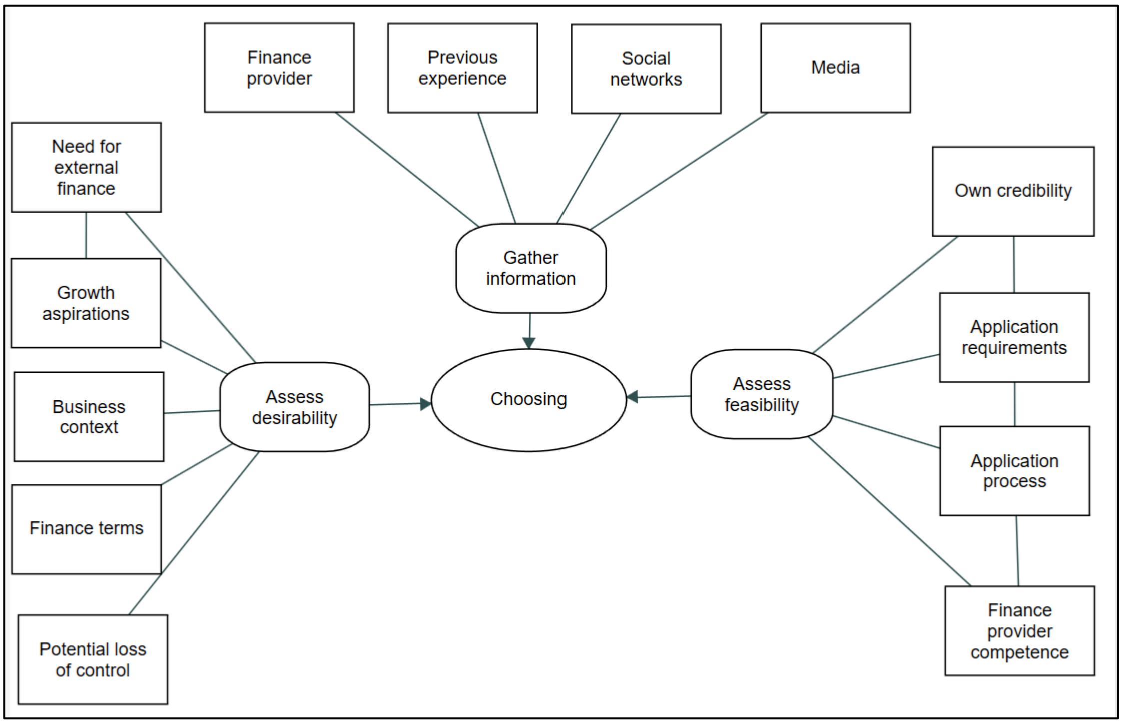


Figure 4-2: Thematic Map - Choosing a Course of Action

Participants in the choosing phase evaluated different finance options to determine which options were most desirable (i.e. most attractive to them) and most feasible (i.e. most likely to help them achieve the goal of securing the funds needed). Participants gathered information on the available finance options before assessing their desirability and feasibility to aid their assessment.

4.2.1.1 Gathering Information on Available Finance Options

When choosing a finance option, participants reported being more alert to information about finance opportunities and the different types of finance available. Entrepreneurs turned to various sources for information, including the finance provider, information gathered in a previous experience seeking finance, their social networks or the media to learn more about the available finance options.

a. Finance Provider

Participants reported having a relationship with a bank if they held their account with the bank or had a relationship banker assigned. Participants who had a relationship with a finance provider (e.g., a relationship banker) obtained information directly from the provider, as explained by **Robert**, **Anna** and **Lerato**.

When we started, we actually went to some of the banks and spoke to them.” **Robert**

“*After we received the email from our relationship manager, we went back to the relationship manager to say 'We are looking at this'. It is actually quite interesting because, come to think of it, we did not think of anything else. We did not look anywhere else.”* **Anna**

“They would sell it to you... If you want an overdraft, these are the steps that you need to undertake.” **Lerato**

While some participants initiated contact with the finance provider, some interactions were initiated by the finance provider, prompting participants to approach them to get more information. Interestingly, when a finance provider prompted participants, they were less inclined to do a broad search to identify other options available. Instead, they narrowed their information search to the options offered by the finance provider.

b. Previous Experience

Those who did not have a relationship with a specific finance provider relied on information gathered from previous experience seeking finance. Therefore, previous experiences or exposure influenced the external finance options considered by entrepreneurs in the choosing phase:

> *"Some of us have gone through this process, and with my experience, I know what the funders are looking for."* **Edward**

> *"There were a couple of options on the table. Because I have been around, I knew people, and I knew certain processes."* **Patrick**

> *"When I was still working in corporate, I would hear from our CSI (Corporate Social Investment) department that there are funds to assist small businesses. Some businesses would come and testify that these companies did assist them."* **Lillian**

c. Social Networks

Some participants drew on their social networks to gather information about the external finance options available. Notably, gathering information through social networks was not limited to asking their network contacts about the available options. In some instances, the information was gathered through observing other entrepreneurs' journeys seeking external finance, as highlighted below:

“I Have come across many people who have tried the IDC and all those things.” **Elvis**

“I have considered crowdfunding. In fact, someone suggested it. Someone was trying to build an electric vehicle. I saw their website said that they had raised R25 000 from members.” **Mpho**

“I saw that one lady got funded for R1million, so now I am considering it (crowdfunding). I am already attending the meetings. I plan to apply for it.” **Kabelo**

d. Media

In addition to direct interactions with the bank or others who had walked a similar journey in the past, participants relied on public media such as the radio, newspapers or the Internet for information about the different external finance options available:

“I should try applying through an eCommerce platform. I have seen a few of them advertising online.” **Kabelo**

Venture capitalists …I read about them in the newspaper. I heard them speaking on the radio.” **Sibusiso**

Therefore, when gathering information about the available finance options, participants turned to various sources of information, including the finance provider, their own previous experience, people in their social networks or the media. While some participants knew where they could go for information about the finance options available, others highlighted that information about finance options is not readily available or accessible to entrepreneurs. Lack of information limited the external finance options considered by participants:

“No, I have never looked into something like that. I actually was not even aware of something like this.” **Eugene**

"I think generally entrepreneurs do not have access to information about how to get funding. Funding is easily available, but I think people just do not have the know-how or access to information." **Edward**

"I think if it is there (funding), people do not know about it, and that is why you always find the same people getting access to the money." **Anna**

The effort required to access information about finance options was also highlighted as an impediment to seeking external finance, especially for SMMEs with limited time and resources. While finance providers prompted some participants to consider the options they offer, their efforts to make information available were considered inadequate, burdening entrepreneurs with seeking information.

"Banks do not do much in terms of reaching out and engaging with the small guys and saying 'listen; these are the kind of services we understand you need'. I need to go out there and seek it (information). There are other business things or activities that I am trying to do as I am growing. Sometimes it helps when somebody comes to you and says, you know what, you are doing this, and this (product) will be well suited. That proactiveness can really help as opposed to me seeking that information." **Lerato**

While there is a plethora of external finance options available for SMMEs, findings suggest that the lack of information limits entrepreneurs' external finance options by limiting the set of alternatives from which they can choose a course of action.

4.2.1.2 Assessing the Desirability of Finance Options

When they had acquired information about available finance options, study participants assessed the desirability of each option (i.e. attractiveness) relative to other options. Participants could only assess the desirability of options they were aware of. When evaluating each option's desirability, participants considered the advantages and disadvantages of each option and compared it to other options to identify the option best suited for their needs. They were able to assess the advantages and disadvantages of each option by considering their need for external finance, their growth aspirations, the business context, the associated finance terms and whether there was potential for them to lose strategic control in the business. Each theme is described below.

a. Establish the Need for External Finance

Establishing the need for external finance initiated the participants' process of seeking external finance. Participants reported that they needed external finance to support specific business initiatives. **Lerato** highlighted the importance of clarifying the purpose of the additional funds' before seeking external finance. Being clear on what the additional funds will be used for is vital for optimising the use of the funds:

"You must make sure that you are clear on the need. I think, at the time, we did not quantify it. We have survived without it. That means the need was not crystallised, so I was not able to plan... So, I think the key to funding is really to quantify it have plans in place that will speak to the capital you are looking for so that when it comes, it is used for the purpose you have intended. Don't go for debt for the sake of going for debt and for the sake of things that you can probably do without." **Lerato**

The need for external finance describes the reasons for participants to seek external finance. Their reasons for seeking external finance influenced participants' desire for external finance. Study participants revealed that they needed external finance to start a business, expand a business or address day-to-day business needs. In addition, participants' desire for external finance was influenced by whether they could raise the required funds themselves instead of seeking external finance.

i. Finance Needed to Start a Business

External finance needs associated with starting a business were linked to exploiting a market opportunity:

"There was a project that we were looking into … They were looking for partners to help unlock that opportunity. So, we went into a partnership to try and apply for funding..." **Edward**

"We want to build fixed-wing drones here in South Africa. So, we needed finance." **Nthabiseng**

ii. Finance Needed to Expand a Business

Participants who needed external finance to enable business expansion included those who sought to purchase equipment to increase production capacity in the business to take on more clients or accommodate new projects. Table 4-2 summarises the perspectives shared by participants.

Table 4-2: Business Expansion – Participant Quotes

Reasons for seeking external finance	Participant quotes
Business expansion	• *"The finance we think we need is for a marketing and sales drive. We need to burn a bit of capital trying to have on the ground customer education and marketing, alongside what we do on social media and electronically."* **Elvis** • *"I was looking to set up a warehouse. I wanted to have a sweatshop with 20 to 40 machines, overlockers, industrial machines. We could scale the business and produce in bulk, not one-one."* **Patrick** • *We needed expansion capital because we had a contact centre where we would have the sales drive. We needed to get more bums on seats. So, we needed to expand our office space to allow for that."* **Sipho**
Purchase equipment	• *"To make it work well, I need to make this thing bigger. We need a crane truck and a TLB (Tractor Loader Backhoe). We will probably need two bakkies and a forklift, and I need bigger premises."* **Eugene** • *"I needed funding from the bank to purchase a truck."* **Harris** • *"The demand for waste has grown substantially. Working capital is not enough to cover the demand. So, I need funding to get additional equipment and to be able to buy more waste that I can process and sell to meet the demand of my customers."* **Kabelo**
Finance a new project	• *"It was a project."* **Sibusiso** • *"We need funding because … we have put together a recruitment strategy platform …we now recognize that there's an opportunity to get funding …and it can enable us to do a version two of the platform."* **Anna** • *"We need to have it, especially as we grow and as we change or go for more work."* **Lerato**

The study’s findings suggest that entrepreneurs need external finance to start or expand a business. Those aiming to expand their businesses sought external finance to support business activities that drive growth.

iii. Finance Needed for Day-to-Day Business Needs

In addition to starting or expanding a business, participants sought external finance to address day-to-day business needs such as paying salaries or buying stock. Participants sought external finance to address these needs due to working capital shortages that arose from late payments from their clients:

> *“We are looking to have funders or potential investors who can help us with the operations of the business. In terms of the salaries that we need to pay people. That is why we cannot afford to employ people on a permanent basis because there is nothing that we can pay them with.”* **Lillian**

> *“When you work with big companies, you have to deliver the stock before they pay…in some cases, they pay late. The funds I have are not enough to support the growth that I am going for.”* **Kabelo**

> *“With the work that we do with government, they pay in 30 days. Most of them take 30 days or even more than that. So, you need that contingency in your bank to be able to meet your daily needs and pay your contractors. After they have worked, you cannot say 'No, I am waiting for clients to pay,' and they work for two months without being paid. So, you need some working capital to meet those commitments that you have on a month-to-month basis.”* **Lerato**

Notably, some participants who needed external funds to expand their businesses needed finance to address multiple purposes in the business. For example, **Kabelo** sought external finance to purchase equipment but also required additional funds for day-to-day operations. Similarly, **Lerato** needed additional funds for a project associated with acquiring new clients and to finance day-to-day business needs. Therefore, when seeking to expand the business, the need for external finance was not limited to a single purpose. Instead, external finance was needed for multiple purposes associated with expanding the business.

iv. Self-Funding is Not a Viable Option

The need for additional funds does not necessarily translate into a need for external finance. Entrepreneurs may consider other funding alternatives, including internal funds (e.g. retained earnings in the business) or use personal assets to finance business activities. Analysis results showed that the need for external finance arose when self-funding was not considered viable. This occurred when participants did not have sufficient internal funds or were not willing to take the risk of using personal assets to finance business activities:

"I have now realised that I can't achieve what I want just using the profits I make in the business... Working capital is not enough to cover the demand. So, I need funding to get additional equipment, " **Kabelo**

"When we thought about it, it wasn't really the most ideal situation because it took money that we could use for other opportunities, and we locked it into this system, which made it very risky if anything went wrong…It has taken away all our reserves... We realize that we cannot do it through self-funding." **Anna**

"I was not willing to risk my own money because if what I forecasted doesn't work, I wouldn't have any leg to stand on. I would have to start from scratch again and it's going to take me a long time because I'm the only breadwinner." **Patrick**

Therefore, the findings suggest that entrepreneurs seek external finance to start or expand a business or address day-to-day business needs if self-funding is not viable.

b. Growth Aspirations

Growth aspirations describe entrepreneurs' intrinsic desire for growth. In explaining their reasons for seeking external finance, most study participants indicated that they sought external finance to support activities that drive business growth. Therefore, participants were motivated by their growth aspirations to pursue business growth. Seeking external finance was perceived to enable participants' growth aspirations. Therefore, growth aspirations made external finance more desirable for participants as it was seen to enable their growth aspirations. While the intrinsic desire for growth was common across all participants, there was notable heterogeneity in the desired outcome that participants hoped to attain through growth.

i. Aspiration to Dominate the Market

Some participants were driven to grow their businesses based on the aspiration to dominate the markets in which they operate:

"*The thought or the imagination that one day we could be a big name on the JSE (Johannesburg Stock Exchange) is the only fascination. That is what motivates us. The day this thing catches fire, you will hear about us instead of hearing about E.O.H (a large technology service provider)! Dominance normally translates into financial gain. So, the focus is what can we do to dominate the market."* **Elvis**

"Growth means being able to do mass production of these drones but of high quality." **Nthabiseng**

ii. Aspiration to Maximise Profit

Others were motivated by the aspiration to maximise profit. The aspiration to maximise profit also manifested as an aspiration to grow the business sufficiently to sell it at a profit in future.

"Getting the additional funding would help me grow my business. If I had more funds to get equipment, I could process the waste a bit more before selling it. That way, I could get more margin." **Kabelo**

"For us, it is an investment that enables us to have an asset that we can sell into the future, that we can grow. And when we are ready, we can sell this business and make money out of it." **Anna**

"The end goal was always very clear - Develop it, start it, build it and sell it. My plan was that in the space of five years, I need to get this thing to a point where it is sellable and attractive to someone else, cash out and move to the next. I was quite clear on that." **Sipho**

iii. Aspiration to Create Employment

Those who were not only motivated by economic profit reported that they aspired to grow their businesses to empower others by creating employment,

"In the next three to five years, I would like to recruit a minimum of ten (10) to fifteen (15) permanent women who will be running this journey with us. I would like to ensure that the workforce that we have is empowered enough to take the business forward even in my absence." **Lillian**

"I will rate my growth by the number of jobs created through me having this manufacturing (facility). Also, the number of people I would have trained. If I make a difference by upskilling them to be part of this drone journey, that is going to make me happy." **Nthabiseng**

iv. Aspiration to Achieve the Desired Lifestyle

The growth aspirations highlighted that some participants desired specific outcomes for the business. In addition to that, the data showed that participants pursued external finance because they desired to live a specific lifestyle, which could be achieved if they grew the business sufficiently:

"Looking at my age, I would like to be free from working on our business. So, it becomes self-sustainable, and it gives us freedom as owners. We really want to move to a place where we control our time and have more freedom to do with the time as we wish." **Anna**

Therefore, analysis results suggest that growth aspirations positively influence the desirability of external finance because participants see external finance as an enabler of their growth aspirations. Participants were motivated to grow their businesses to maximise the profit they generated. The aspiration to maximise profit also manifested as an aspiration to grow the business sufficiently to sell it at a profit in future. Further, some participants desired to grow their businesses to empower others through employment creation or to support a specific lifestyle that the entrepreneur desires for themselves.

c. Business Context

The business context comprises an external and internal environment that facilitates the need for external finance. Analysis results suggest that the market opportunity, market conditions and the business cashflow position play an important role in creating a business context that makes external finance more desirable.

i. Market Opportunity

Market opportunity describes a situation where there is an unmet need that presents an opportunity to provide products or services to address the need and create commercial value. Findings on reasons entrepreneurs seek external finance highlighted that some entrepreneurs sought external finance to start or expand a business to exploit market opportunities. Therefore, the prospect of exploiting a market opportunity improved the desirability of external finance for study participants. However, market conditions can have a bearing on the effort required and the benefit derived from exploiting a market opportunity.

ii. Market Conditions

Market conditions describe the conditions in the external environment that can make it more or less attractive for a business. The condition of the market can influence an SMME’s ability to acquire and retain clients. In addition, market conditions can influence clients' ability and willingness to pay for goods and services offered by SMMEs. Conducive market conditions can facilitate SMME growth, while unfavourable conditions can inhibit growth. Analysis showed that market conditions played an important role in participants' decisions to seek external finance. Some participants reported being concerned about getting suboptimal returns if they secured external finance when market conditions were unfavourable. The perception of unfavourable market conditions weakened their desire to seek finance, resulting in some participants deferring their finance application until market conditions were favourable :

"I think the thing standing between us and funding is the economy, nothing else. By now, we know a few things that we want to put more money behind. The context is just not right in the market because you think you can easily throw good money after a low probability." **Elvis**

"The reason why it is taking us a bit of time (to seek finance) is that we need to understand this third wave (COVID), where it is going and what it means. You apply for funding where it is needed. Otherwise, you might apply for funding and use the funding in places where the funding is not needed, and the return on investment is not going to be visible." **Robert**

iii. Unfavourable Cashflow Position

In addition to the availability of a market opportunity and the conduciveness of the market environment, some participants considered the SMME's cash flow position as they deliberated on their finance options. Those whose businesses were in an unfavourable cash flow position, primarily due to inadequate income or late payments from clients, felt compelled to seek external finance as they needed the cash flow to cover the cost of business operations. An unfavourable cash flow position in the business increased the desirability of external finance. Table 4-3 presents participants' perspectives on the role of the business's cash flow position in their decision-making process.

Table 4-3: Unfavourable Cash Flow Position – Participant Quotes

Unfavourable cashflow position	Participant quotes
Inadequate income	• *"We did not manage a good sales pipeline. So, when big companies cut our projects, we wanted money to sustain (the company). We looked for funding."* **Sibusiso** • *"I was not making money. I was putting my own money, my bonuses, my savings, and that is why I was running around looking for funding."* **Patrick** • *"When you are in need, you go all out. You think that the business does not have the money at the moment, but you tell yourself that because we require money now, we need to comply."* **Lillian**
Late payments	• *"These guys take forever to pay. When invoices were delayed, payments could be delayed by six months. That is when I actually applied."* **Harris** • *"Our clients pay ten days after payday. During that time, we have to be able to pay contractors."* **Lerato**

In summary, analysis of how entrepreneurs choose a course of action suggests that the business context affects the desirability of external finance. The findings suggest that the availability of a market opportunity and an unfavourable cash flow position improves the desirability of external finance. However, unfavourable market conditions may reduce the desirability of external finance.

d. Finance Terms

Finance terms describe the conditions associated with the external finance option, including conditions entrepreneurs must meet before accessing external finance. Analysis results suggest that finance terms, including the finance amount that can be accessed, the timing of the amounts, and the associated repayment terms, influence the desirability of external finance. In addition, the requirement for collateral and the availability of non-financial support from the finance provider influenced the desirability of a finance option. This section elaborates on the sub-themes associated with finance terms.

i. Finance Amount

The finance amount describes the value finance that can be accessed through an external finance option. Participants in this study reported that they had determined the amount required to achieve their purpose before seeking external finance. Participants in this study needed amounts between R3 000 and R20 million to achieve their intended purpose. As they considered different finance options, participants contemplated the finance amount available through that option to ensure it aligned with their needs. When the finance amount offered by finance providers was misaligned to what was needed in the business, participants found external finance to be less desirable:

"Funding institutions have got what they referred to as ticket size in relation to deals. Banks also operate like that. So that is why there would be challenges in terms of where you would want to go and look for funding. We knew the kind of deal that we were looking for; we had to go for those kinds of institutions."
Edward

"I thought of applying to IDC (Industrial Development Corporation). I found out that the IDC gives funding from R1million and above. I needed R200 000, which was much less than their minimum." **Kabelo**

"When I was trying to seek this overdraft, they had a minimum amount and a maximum amount. So that is another thing as well, you might get something, but it might not be adequate for you to meet your monthly commitments."
Lerato

"I went to NYDA (National Youth Development Agency) because I knew that it was quite supportive in terms of start-ups…They were giving very small amounts. I lost interest in the process." **Patrick**

In some instances, securing amounts that were smaller than what was required in the business motivated participants to apply for external finance as they perceived receiving a smaller amount as a stepping stone to accessing larger amounts in future. Therefore, when participants framed getting a smaller amount as a stepping stone towards getting large amounts in future, smaller amounts made external finance more desirable:

"I applied to Standard Bank - I thought that maybe the small amount could be a stepping stone. If they could approve me for a small amount, maybe in time, they would consider giving me a higher amount." ***Kabelo***

ii. Timing of Amounts

In addition to the finance amount, participants considered when they could access the funds if their finance applications succeeded. Accessing funds timeously was critical for the business to deliver the expected returns. Opinions regarding the desirability of finance options that delayed access to the total amounts differed. Some participants perceived such options as less desirable. However, others, especially those seeking large amounts, perceived progressive access to funds, starting with smaller amounts, as a welcome mechanism for building credibility and minimising losses in the event of failure:

"Let's say you wanted R10 million. In a lot of cases, you probably need 80 percent of that R10 million in the short term and then the balance over a period of time. What they tend to do is trickle it the wrong way around…That can frustrate the business because it chokes it. Getting money in dribs and drabs when you have a medium-term plan can kill that medium-term plan. I need all that capital because I can guarantee the returns if properly rolled out. I guess that is the misalignment." **Sipho**

"You cannot give someone R10 million if they have never seen it before, and you expect that things will work out. That is why funding is paid in milestones that are based on performance." **Edward**

In addition to the finance amount and the timing of amounts, participants considered the repayment terms associated with an external finance option.

iii. Repayment Terms

When assessing the desirability of a specific finance option, entrepreneurs were concerned about their ability to repay borrowed funds. As a result, repayment terms formed a critical part of their assessment. Lenient repayment terms made external finance more desirable as some participants felt there would be less pressure associated with making repayments:

"It means that the business can really grow and have a cash cushion for quite a while before we start paying back." **Anna**

"If I can get free money, there is always this free money." **Patrick**

"I prefer to work with them because I do not have to pay the money back. It is a grant - you pay 20%, and they pay 80%." **Nthabiseng**

"Other lenders are very expensive. They go up to 20, 30, 35 per cent. So, you end up working for them. That is basically the challenge." **Robert**

iv. Collateral Requirements

Data analysis results suggest that the requirement for collateral affects participants' assessment of the desirability of an external finance option. Several participants intimated that collateral requirements impeded their ability to access finance as they did not have adequate assets to pledge as collateral. Therefore, those who did not have adequate assets found finance options that required them to pledge collateral less desirable as they did not have the means to meet the requirement. Similarly, participants with adequate personal assets found finance options that required collateral less desirable as they feared losing their personal assets in the event of business failure. Participants worried that losing their personal assets would adversely affect their families. Hence, they did not have the appetite to pledge their personal assets as collateral. Consequently, external finance options that required collateral were less desirable. Table 4-4 presents the relevant participant quotes.

Table 4-4: Collateral Requirements – Participant Quotes

Collateral requirements	Participant quotes
Lack of assets to pledge as collateral	• *"I was sceptical about approaching the banks as my first point of contact. You also ask yourself, 'Where on this earth do the banks think that the small businesses will have collateral while we are still starting."* **Lillian** • *"We went to IDC. They wanted, I think 30% of the funding ...you must put money. When I asked them, why do you do that? They said it is because people are giving money to undeserving people. So now you are punishing everyone because you guys made a mistake?"* **Sibusiso** • *"What banks require, you do not have at that time, because if you did have it from a collateral point of view, you would not need the bank."* **Sipho**
Fear of losing personal assets	• *"I do not want to use my unit (Property) because if I fail, the bank is going to sell my house, and I would have to start from scratch. That was my fear. I am the only one working here. So, if we fail, the bank can come and liquidate my stuff - I did not have any other assets (other than) my house."* **Patrick** • *"So, a bank was one avenue, but it was not going to work. The founding partners … were all willing to put up our houses, our kids' school fees, et cetera. Working in a contract environment… you work on rolling 12-month contracts. So, you don't know. You might have an account; next year, It's gone,"* **Sipho.**

v. Non-Financial Support

Non-financial support describes the support offered beyond the provision of finance. Business incubators may offer non-financial support through accountants who support entrepreneurs in developing the business case or skilled consultants who support and mentor entrepreneurs as they develop and grow their businesses. Some participants believed that participation in incubation programs enhanced the likelihood of them securing external finance as they would be close to external finance providers. In addition, some participants recognised the role of non-financial support in addressing skills and resource gaps that made it challenging to apply for external finance. With non-financial support in place, the participants felt more confident to seek external finance. Therefore, the provision of non-financial support made external finance more desirable for study participants :

"I thought that if I participate in these innovation hubs because they have access to financial houses, that will help me. Hence, I applied and was accepted as a beneficiary at the Innovation Hub. They give you support on financial and non-financial needs." **Nthabiseng**

"They were operating more like an incubator, but ultimately, they would fund you. They were trying to teach us things like writing a business case, doing market research, and just basics. Ultimately, you had to present to a panel. Once the panel sees that your idea makes sense, is practical, and can be profitable in a year or three years, then they invest a certain amount." **Patrick**

e. Potential Loss of Control

As primary actors and decision-makers in their SMMEs, some participants were concerned about losing control of their business if they could not repay the funds or if they gave up some equity in the business in exchange for finance. In addition, some participants were concerned about losing strategic control of their unique assets if external finance providers misappropriated their intellectual property.

i. Inability to Make Repayments

Some participants hesitated to apply for external finance because they feared losing control if they could not repay the funds when repayments fell due. The pressure that could arise if participants needed to repay outstanding debt after experiencing business failure made external finance less desirable for some participants:

"I was not in favour of applying for funding. In my first business, I took a personal loan from the bank to use for the business. When the business failed, I was liable to pay back the loan. That was very painful. So, in my second business, I did not want any debt because of that." **Kabelo**

"People are afraid. That is why I was more comfortable sacrificing my own money. At the end of the day, I will not feel obliged that I would be owing someone, be blacklisted or sequestrated, going to small claims court." **Patrick**

"It is a good thing that we did not (apply) because we would have this debt that's revolving and that you cannot gain control of." **Lerato**

ii. Giving Up Equity in Exchange for Finance

In addition to the loss of control associated with outstanding debt, some participants were concerned about losing strategic control of their business if they gave up equity in exchange for external finance. Being primary actors and decision-makers in the business, some participants worried that the business might change its strategic direction under the control of third parties who did not understand the founder's intentions for the business. Hence, finance options that required entrepreneurs to give equity to an investor in exchange for funds were less desirable to participants who feared losing strategic control of the business:

"If it is still a small business, you want control because when you start a business, you have the vision for it. It is your baby. You know more about it than an investor who comes in then wants a controlling stake. They might come and start wanting to change things. I (might not) agree with that. That is where challenges come in with someone who is coming to buy an equity stake." **Harris**

"We would want to make sure that the vision of the business is still intact. We would not want to be bought or go into the venture for somebody to want to kill the brand." **Robert**

" Grant funding is my ideal one because I don't have to exchange equity, but now since I'm not winning, I thought let me rather dilute the shares… so would dilute it with the increased investment, but having said this, one thing that I'm not prepared to give in on is a controlling share. So I want to have a 51 percent controlling share." **Nthabiseng**

"Venture capitalists are worse than loan sharks. They will come and offer you a million (R1 million) for a seventy per cent (70%) stake. That is ridiculous, and it completely disrupts how you work because you start having to account to them on a daily basis. Venture capitalists, because they are under pressure for the return, they sit on your neck. They start wanting to tell you what to do. When venture capitalists come, they try to influence too much, and that will just kill the spirit. They are definitely not an option; we would rather consider something else." **Elvis**

iii. Intellectual Property Theft

In addition to losing control when unable to repay debt or when they give up equity in exchange for finance, some participants were concerned about losing strategic control of their unique assets if their intellectual property was misappropriated by following disclosures to external finance providers. These concerns arose based on the level of detail required for the application process. Therefore, external finance options that required detailed disclosures of information on unique assets were less desirable for some study participants as they created a risk of intellectual property being misappropriated:

"They want to know about the asset, serious confidential stuff that when I give you, already you have got the asset. That means you can take it and sell it." **Sibusiso**

"You do not know who will come out with the exact idea that you presented. When you apply for funds, you must present a business plan with projections and all sorts of details, which is a donation of IP (Intellectual Property). If somebody behind the scenes decides to adopt that and go and use it. We have

seen this happen, and it has a fair probability. The government is not very famous for shying away from those kinds of things." **Elvis**

Overall, analysis results suggest that entrepreneurs' need for external finance, their growth aspirations, the business context, the terms of the finance and the potential for losing strategic control of the business influenced participants' assessment of the desirability of external finance options.

4.2.1.3 Assessing the Feasibility of Securing Funds Through a Specific Finance Option

After assessing the desirability of each external finance option, participants deliberated on the feasibility of securing funds through that option compared to other options. In doing so, participants evaluated the likelihood of securing the required funds through each external finance option. To assess the feasibility of securing funds through each option, participants considered their own credibility, application requirements, the application process and the finance provider's competence. These themes and the associated sub-themes are discussed below.

a. Own Credibility

When assessing the feasibility of securing funds through a specific external finance option, study participants were concerned about whether finance providers believed they were credible enough to qualify for external finance. Poor perceptions of credibility were associated with a lower likelihood of securing funds. Therefore, poor perceptions of their own credibility were associated with lower feasibility. Given finance providers' application evaluation methods, participants considered their own credit profile, whether they had a relationship with a finance provider and if they could demonstrate a proven ability to generate revenue for the finance provider. In addition, participants considered their social networks and the extent to which they could unlock opportunities to secure external finance. Combined, these sub-themes informed participants' perceptions of their own credibility.

i. Credit Profile

A credit profile is a record of an individual's credit activity. Banks consider individuals' credit profiles when evaluating their credit risk. Given the importance of a good credit profile for securing external finance through bank credit, study participants who had adverse credit profiles were concerned that their credit profiles would hamper their ability to secure funds through bank credit. Participants with an adverse credit profile due to past business failures expressed frustration at the prospect of having to make more of an effort to secure finance for other business ventures, even if they were viable. The participants believed that a poor credit profile diminished their credibility and reduced their odds of securing funds, notwithstanding the lessons learned and the skills and knowledge they developed from their previous experience running a business. Therefore, participants who had an adverse credit profile believed that securing funds through bank credit was less feasible:

"My first business failed, and I had to go under debt review. After four months, my debt was paid off, and I was cleared. When I put in my application, the bank did not care if my current business was doing well. They say that they do not fund an entity. They fund the person." **Kabelo**

"That is another problem that South Africa has; it is a very big problem. It is called ITC (credit bureau). I am listed. I cannot do anything…I have this mental block that nobody wants to borrow me money right now." **Eugene**

ii. Relationship with Finance Provider

In addition to the credit profile, having a relationship with a finance provider influenced participants' perceptions of their own credibility and the feasibility of securing external finance. Participants highlighted the difficulties they faced when trying to secure external finance from providers with whom they had no relationship. In contrast, those who had a relationship with a finance provider felt that a pre-existing relationship enabled them to build trust over time by sharing information about the business, which reduces application requirements and improves the likelihood of a successful finance application. In addition, some participants’ experiences showed that establishing trust with a financial services provider creates the necessary foundation for proactive offers of finance from the provider. Therefore, having a relationship with a finance provider improved participants’ credibility and increased the feasibility of securing funds through that provider:

“Unless you have people that you know, that have got money, that trust you will pay back their money. Many people would not be too keen to give their money to a stranger.” **Harris**

“When you have a profile at the bank, you do not have to come and give all those fancy things unless you are looking for super big money. We just need to build a profile.” **Elvis**

“The bank sent information to say, 'hey, there is money that you can access'. So we thought, 'actually, we do need money!'… After we received the email from our relationship manager, we went back to the relationship manager to say 'We are looking at this'. The relationship manager said, 'It's fine, I think we would be willing'- remember, they also look at our finances regularly...Now and then, we need to send them reports of what our financials look like. We are in the process, but it seems quite probable that we will get the funding... All indications are from them that they would look at an application quite favourably.” **Anna**

iii. Proven Ability to Generate Revenue

A business's ability to generate sales revenue indicates its sustainability. Some study participants were keenly aware of finance providers’ expectations for them to demonstrate a proven ability to generate sales revenue. Those who could not demonstrate this felt it dented their credibility; finance providers were unlikely to approve an application if these criteria were unmet. Therefore, the inability to demonstrate a proven ability to generate sales revenue negatively influenced participants’ perceptions of the feasibility of securing external finance:

“One investor told me that I need to have revenue of three million (R3m) before they can help. I am shocked by that… I need to demonstrate the record that I have had sales in my business.” **Nthabiseng**

"We know that you need to have a profile which shows a proven record that you have a revenue stream if we were to approach formal institutions." **Elvis**

"I am going to approach him again. At first, I did not go with everything I wanted to do because people would think I am mad. Now, I can put it all together, and we know how to do it. I can now go and say to an investor, come and have a look, see what we do." **Eugene**

iv. Social Networks

Social networks are a critical resource for entrepreneurs, enabling access to knowledge, skills and resources needed to grow a business. When reflecting on their journey seeking external finance, some participants noted that having limited access to diverse social networks was harmful to their credibility as they could not leverage relationships in their social networks to access external finance. In contrast, those with access to diverse social networks were more optimistic about their prospects of securing external finance if they leveraged their social networks. Notably, some participants felt that their own race and the race of people in their social networks also influenced their credibility.
Therefore, analysis results suggest that social networks may influence entrepreneurs' credibility and the feasibility of securing external finance:

"Our venture capital sponsor was an individual that I became aware that a particular bank had been trying to land for a very long time…I dangled the individual to this bank… That is how the capital I needed was landed." **Sipho**

"We wanted funding. It was three black guys... This guy was going to assist us in getting funding. He says to us, who is in the project? Where is your white guy? People will think it is more credible. They are not going to run away with our money. They probably they know him; they know his parents as well." **Harris**

" I cannot get any finance because the problem in South Africa is that there is no help… especially if you are a 50-year-old white male, there is nothing."
Eugene

"As a black person, if I tried to do that (apply for crowdfunding), people would take it as if I am trying to scam them….I really do not have the energy to convince people that I am not trying to scam them." ***Mpho***

b. Application Requirements

Application requirements describe the conditions that must be met for a finance application to succeed. Finance providers determine these requirements based on their intentions to increase the provision of external finance to specific groups or to ensure the required data is available when assessing an SMME's ability and willingness to repay and the likelihood of the SMME generating the expected return on investment. Following analysis, the researcher identified qualifying criteria and documentation as critical application requirements that influenced participants' assessment of the feasibility of securing the required funds through a specific external finance option.

i. Qualifying Criteria

Since different types of external finance were designed to meet specific needs, finance providers may stipulate criteria to be met before SMMEs can access funds through that finance option. For example, public sector finance agencies that take a developmental approach may stipulate qualifying criteria to improve access to finance for particular groups such as youth, women or people with disabilities. In addition, finance providers may stipulate criteria to maximise the return on investment, especially on larger amounts. Further, finance providers may set aside funds to address specific industries that need investment to address societal concerns (e.g., environmental rehabilitation). These funds are only made accessible to SMMEs that aim to address those areas of concern. Study participants considered qualifying criteria when evaluating the feasibility of securing funds through a specific finance option. Participants who did not meet the criteria felt that the criteria were too stringent and precluded businesses that did not meet the criteria from accessing funds. Such participants deemed it less feasible to secure finance with the criteria in place. On the contrary, participants who met the stipulated qualifying criteria felt that limiting applicants to those who met the qualifying criteria improved the feasibility of securing funds. Table 4-5 summarises the participant quotes associated with these sub-themes.

Table 4-5: Qualifying Criteria – Participant Quotes

Qualifying criteria	**Participant quotes**
Stringent qualifying criteria	• *"I think the application process for getting funding is very stringent. They shouldn't just say because you are in the retail sector, your business won't create jobs."* **Patrick** • *"When we wanted to apply for funding at the time, one of their criteria for applying for their funding was 'you shouldn't be in the recruitment space; you shouldn't be in labour broking'. We were automatically disqualified."* **Anna** • *"If we were to approach funders like the government, some of us, unfortunately, have exceeded the expiry date on the youth bracket. So, we thought about that, and we decided that that's going to be a waste of energy."* **Elvis** • *"I thought of applying to IDC (Industrial Development Corporation). They expect you to have a finance manager, an operations manager and a lawyer. You can't bring a graduate from those professions; they expect a person who has experience. They also expect you to create a board that looks over the business. How do they expect you to afford that if you are a small business that is still looking for funding?"* **Kabelo**
Funds set aside for a specific purpose	• *"We are at the right place (to seek external finance), right now. There is funding for entrepreneurs based on COVID… The knowledge that the funding is available It is waiting for people to come to get it. Money has been made available to banks that we can access to grow our business."* **Anna** • *"The innovation hub has the Climate Innovation Centre of South Africa. That is why I contacted them today because I am sure there must be international funding or even government funding with them for what I am now planning to do."* **Eugene**

	• *"We went to institutions that we know assist small institutions like ours ...SEDA (Small Enterprise Development Agency). This is where most of us as small businesses look because they are departments meant to assist, empower, and uplift us as we are still starting. We thought that is the right place where we need to tap into."* **Lillian**

As shown in Table 4-5, participants in this study felt that qualifying criteria influenced the feasibility of securing funds through a specific finance option. However, they differed on whether the influence was positive or negative based on their ability to meet the criteria.

ii. Documentation Requirements

Finance providers require entrepreneurs to provide information and documentation to support their finance applications. Some study participants were overwhelmed by the requirements as the documents required were not readily available. In addition, participants indicated that the document requirements were onerous, needing entrepreneurs to expend effort and incur additional costs to collate the documents. Hence, participants deemed it less feasible to secure funds through an option associated with onerous document requirements. Table 4-6 summarises participants' quotes relating to documentation requirements.

Table 4-6: Document Requirements – Participant Quotes

Document requirements	Participant quotes
Documents not readily available	• *"So, it is all those documents that we need to get ready and make sure that we can submit. For a small organisation such as ours, it is not that easy. I do not have a full-time financial person. I do not have a full-time legal person; you just do it as and when you need to. So, that is a hurdle, especially for a small organisation."* ***Lerato***
Document collation requires additional effort and cost	• *"The type of information that they ask for is information that requires a company that is established, and that has worked with finances long enough to know what is expected. As a small business person putting together that business plan and going through all those questions, and ...it is a hell of a difficult."* **Anna** • *"They need your FICA (Financial Intelligence Centre Act) documents, company documents, your BEE (Black Economic Empowerment status), tax clearance, VAT (Value Added Tax certificate) if you have it...We submitted everything - we had to submit all the licenses, the agreements, the details behind the shareholders, and we also had to put in a very extensive business plan. I think it is almost 60 pages. That is where I see a lot of challenges in terms of people getting access to funding."* **Edward** • *"I had to register for VAT (Value Added Tax). Before I can do anything, I need to bring all those requirements, tax certificate, VAT certificate and all the due diligence was required prior to applying for that. So, I was struggling with the VAT registration. I had to try to source it from somebody, and they were asking me for a lot of money. I started feeling demotivated because I did not have an in-house accountant. You need to have a business account, and you need to have audited financial statements. I felt like the process was too rigorous."* **Patrick** • *"The first (reason) we are not considering those things is the quantum of information required to submit - the forms, the meetings and all those things...I am not a fan of that."* **Elvis**

Notably, one participant pointed out that the documentation requirements when applying for trade credit were less onerous:

> *"Suppliers ask you for a few things. Some of them will check your creditworthiness from the credit bureau. Some of them will ask you if you are dealing with other suppliers, and if they do those checks, and that is it. It is quite simple."* **Robert**

Therefore, while participants felt that onerous documentation requirements made securing external finance less feasible, one participant highlighted that reduced requirements for documentation improved the feasibility of securing external finance.

c. Application Process

The application process describes the processes through which finance providers receive, evaluate and advise entrepreneurs of the outcome of their application. Results of the analysis suggest that the duration of the application process and perceptions of corruption in the application process influence entrepreneurs' expectations of securing external finance.

i. Application Process Duration

When seeking external finance, participants in this study were conscious of the duration of the application process, i.e., the time elapsed between applying for external finance and when they would have access to the funds if their applications succeeded. The time-bound market opportunities they sought to exploit once they had secured external finance necessitated the focus on the duration of the application process. Delays in application processing placed participants at risk of losing business opportunities and incurring expenses that could have been avoided. A lengthy application process detracted from the feasibility of a finance option:

“We put in an application, but it took a while to get... The process just took forever. I think it took almost a year to get the process done. It just took a while, and the opportunity went away.” **Edward**

“I think the only challenge was the amount of time it took for this thing (application) to be processed all the way. Luckily, I did get the funding, but the whole process probably took about four months.” **Harris**

“Some of the things that wasted money, truly speaking, was that phase because we approached the banks, and it takes three months giving you hope.” **Sibusiso**

ii. Perceived Corruption

Study participants suspected corruption when they thought finance application decisions were not transparent and were unduly influenced by foul motives. Participants perceived corruption as harmful to their chances of securing external finance. Consequently, they felt that it was less feasible to secure the funds needed through an application process that is unduly influenced by corrupt individuals. Precisely, public sector finance was thought to be prone to corruption as participants felt they needed to have political affiliations or social connections to succeed in securing finance:

“We were not sure whether you are going to get it or not because the NYDA has been viewed as an apolitical, but many things were going on there. So then I thought I of going somewhere else.” **Patrick**

“Government-related funders like the SEDA (Small Enterprise Development Agency) can fund you, but most people say you need to be connected for you to get the funding. That also discouraged me from pursuing it.” **Harris**

“You will see it in newspapers. PIC gives people money, but it is a political thing.” **Sibusiso**

Therefore, analysis results suggest that a lengthy application process susceptible to corruption is deemed to be a less feasible means of securing the funds needed to drive SMME growth.

d. Provider Competence

In their accounts of their experiences seeking external finance, some participants reported having a higher confidence level in securing additional funds if they perceived the provider as competent. Participants intimated that a competent provider understood the business context adequately to evaluate a finance application appropriately. In addition, a competent provider could make funds available when they had approved applications, and they communicated effectively throughout the process.

i. Understanding of Business Context

Study participants indicated they had little confidence in securing external finance if the finance provider appeared to have a limited understanding of the SMME business context. A finance provider who appeared to understand the SMME context was perceived to be able to assess the finance application appropriately. In contrast, a finance provider with a limited understanding of the business context was expected to delay application evaluation. Further, participants worried they would need to put more effort toward ensuring the finance provider understood the business context and could evaluate the application appropriately. For that reason, participants felt that the feasibility of securing finance was low if the provider had a limited understanding of the business context. The negative perception of feasibility worsened if a finance provider provided an informal assessment that suggested the application would not succeed. However, when a finance provider provided an informal assessment that suggested that the entrepreneurs' application would succeed, participants' perceptions of the feasibility of that finance option improved:

“There was a lot of going back and forth. I do not think they understood what we wanted to do. So, we had lots of back and forth because they had to consult with the office in Gauteng. So, in the end, there was involvement from the IDC from a mining side to understand these things.” **Edward**

“When you apply online, Vodalend asks you to choose what you need the funding for. You have to choose either equipment or inventory. I want to do both. It feels like they do not understand what I am trying to do. I sent an email explaining that there is additional demand from my customers, so I need both equipment and inventory. It has been really hard to get them to understand.” **Kabelo**

“Someone advised me to go to GEP (Gauteng Enterprise Propeller). They said they needed something tangible like a physical store. The guy was like; how do you measure the value of an online store? It does not have assets to back it up. I have the numbers. It did not matter to them. I went down intending to apply, but I was discouraged because of that thing ... you can apply but just know you will not get it.” **Mpho**

“Our bank understands our business model - they see the portfolio of our businesses and what is happening in our businesses, and they are able to look at it holistically. So, that is why we have not even considered these other institutions. ” **Anna**

ii. Availability of Funds

In addition to the provider’s understanding of the SMME business context, participants formed perceptions of providers’ capacity to make the necessary funds available. These perceptions affected the entrepreneurs’ feasibility assessment. For example, some participants were wary of applying when finance providers did not seem to have the capacity to make the necessary funds available. Specifically, some participants believed that public sector finance providers had a lower capacity to provide capital as funds were redirected to other initiatives to counter the effects of the COVID-19 pandemic. This perceived inability to make funds available was harmful to the participant's perception of the provider’s competence. Likewise, private equity and venture capital financiers who could not avail funds for projects they had indicated an interest in were seen to have lower competence. Consequently, the perceived feasibility of securing finance through a provider who could not make funds available was diminished:

“*Some people say that …they might want to loan me the money as long as I can prove I can pay back. I spoke to a few people, and they were promising. When I said I had got a few quotations for trucks and I needed this amount of money, people would start ducking and diving. So, that is not much of a viable option.”* **Harris**

“Unfortunately, SEFA has just said that due to COVID, no money will be allocated to small businesses.” **Lillian**

“I want to speak to the right investors. There are many of them, but some are just doing it for publicity. They do not mean it. I need to think carefully about which investors I am talking to.” **Nthabiseng**

“They talk as if they are venture capital funders; they do not have a cent! They cannot raise the money... we had a small project, he said he will (provide finance), but there came a time when we needed eight hundred thousand (R800 000) for environmental applications and mining rights, he did not have that eight hundred thousand (R800 000)!” **Sibusiso**

iii. Communication

The finance provider’s ability to communicate effectively during the application process influenced participants’ perception of the feasibility of securing the required funds through that provider. Some participants reported having lower confidence in securing finance through providers who communicated poorly. Overall, finance options associated with providers who did not communicate effectively were deemed less feasible:

"There has not been much engagement. With the experience from SEDA, I just painted them with one brush to say they are the same. I am going to see five (5) people for a year. At the end of that year, I still do not know if I will get the support I am requesting. So, you end up not believing in them." **Lillian**

"I do not know what the reasons were, but they had not communicated anything to me. They said they were still busy. I had written it off, thinking it would not happen." **Harris**

4.2.1.4 Deciding on a Course of Action

The deliberations in the choosing phase culminated in a decision. Participants who identified a desirable option they deemed feasible made a decision and formed an intention to apply for that finance option:

'I'm planning to do that. It will be some time in the coming few months." **Robert**

"I saw that one lady got funded for R1million, so now I am considering it. I am already attending the meetings. I plan to apply for it." **Kabelo**

" I've decided to approach investors directly... I took the decision that I'm going to follow up with those from corporate. So I'm busy talking to them now; by next year, I need to have secured the money for the plant" **Nthabiseng**

"When I needed funding from the bank to purchase a truck, and I was looking for R800 000 real. Naturally, I looked at the bank where we bank already because they have already got your profile." **Harris**

Participants who felt that the finance options they had deliberated on were not sufficiently desirable or feasible were discouraged from applying, choosing to discard them. Study participants who had negative perceptions of the desirability or feasibility of their finance option were discouraged from applying. Consequently, they had a diminished intention to apply for external finance:

They are not an option; we would rather consider something else.” **Elvis**

I had been down that road. I was not comfortable going down there again.” **Sipho**

I lost interest in the process.” **Patrick**

Participants who thought their options were not feasible or experienced delays in securing external finance through their chosen finance option re-entered the choosing phase to deliberate on other finance options that could help them secure the necessary funds. Many participants went through the choosing phase iteratively, deliberating on different finance options until they could identify one sufficiently desirable and feasible. Therefore, the analysis results suggest that choosing is an iterative process that allows entrepreneurs to evaluate the desirability and feasibility of finance options supported by available information. Table 4-7 supports this conclusion by summarising the iterations of choosing undergone by participants in this study.

Table 4-7: Iterations of Choosing Undergone by Study Participants

Participant	Iterations of deliberation	External finance option considered	Outcome of Choosing phase	Reason for outcome	Key drivers of outcome	Theme	Application Outcome
	Iteration 1	Venture capital	Discouraged	Low desirability	Giving up equity in exchange for finance	Potential loss of control	-
	Iteration 2	Crowdfunding	Discouraged	Low feasibility	Relationship with finance provider	Own credibility	-
Mpho	Iteration 3	Public sector grant	Discouraged	Low feasibility	Provider understanding of business context	Provider competence	-
	Iteration 1	Public sector loan	Discouraged	Low feasibility	Qualifying criteria	Application requirements	-
	Iteration 2	Crowdfunding	Discouraged	Low feasibility	Finance amount	Finance terms	-
	Iteration 3	Bank credit	Discouraged	Low feasiblity	Credit profile Inability to make repayments	Own credibility Potential loss of control	-
Kabelo	Iteration 4	Marketplace lending	Intention to apply	High feasibility	Documentation requirements	Application requirements	Delayed outcome
	Iteration 1	Public sector grant	Intention to apply	High feasibility	Qualifying criteria	Application requirements	Successful
Patrick	Iteration 2	Public sector loan	Discouraged	Low feasibility	Provider understanding of business context	Provider competence	-
	Iteration 1	Public sector loan	Discouraged	Low feasibility	Lengthy application process Perceived corruption Intellectual property theft	Application process Potential loss of control	-
	Iteration 2	Crowdfunding	Discouraged	Low feasibility	Provider ability to make funds available	Provider competence	-
	Iteration 3	Venture capital	Discouraged	Low desirability	Giving up equity in exchange for finance	Potential loss of control	-
Elvis	Iteration 4	Bank credit	Opted to delay application	Low desirability	Market conditions	Business context	-
Lerato	Iteration 1	Bank credit	Discouraged	Low feasibility	Documentation requirements Inability to make repayments	Application requirements Potential loss of control	-
	Iteration 1	Public sector loan	Discouraged	Low feasibility	Qualifying criteria	Application requirements	
Anna	Iteration 2	Bank credit	Intention to apply	High feasibility	Relationship with finance provider	Own credibility	Application in progress
	Iteration 1	Bank credit	Intention to apply	High feasibility	Relationship with finance provider	Own credibility	Delayed outcome
	Iteration 2	Public sector loan	Discouraged	Low feasibility	Lengthy application process Perceived corruption	Application process	
	Iteration 3	Venture capital	Discouraged	Low desirability	Giving up equity in exchange for finance	Potential loss of control	-
Harris	Iteration 4	Venture capital	Discouraged	Low feasibility	Social networks	Own credibility	-
	Iteration 1	Bank credit	Discouraged	Low feasibility	Qualifying criteria	Application requirements	-
	Iteration 2	Trade credit	Intention to apply	High feasibility	Documentation requirements	Application requirements	Successful
	Iteration 3	Public sector loan	Opted to delay application	Low desirability	Market conditions	Business context	-
Robert	Iteration 4	Marketplace lending	Opted to delay application	Low desirability	Market conditions	Business context	-
	Iteration 1	Bank credit	Discouraged	Low feasibility	Credit profile	Own credibility	-
	Iteration 2	Venture capital	Intention to apply	High feasibility	Provider ability to make funds available	Provider competence	Successful
Eugene	Iteration 3	Public sector loan	Not concluded, still gathering information	High feasibility	Qualifying criteria	Application requirements	-
	Iteration 1	Public sector grant	Intention to apply	High desirability	Repayment terms	Finance terms	Successful
Nthabiseng	Iteration 2	Venture capital	Opted to delay application	Low feasibility	No proven ability to generate revenue	Own credibility	-
	Iteration 1	Bank credit	Discouraged	Low feasibility	Collateral requirements	Finance terms	
	Iteration 2	Public sector grant	Intention to apply	High feasibility	Non-financial support	Finance terms	o response from provider
Lillian	Iteration 3	Public sector loan	Intention to apply	High feasibility	Qualifying criteria	Application requirements	Delayed outcome
	Iteration 1	Bank credit	Discouraged	Low feasibility	Credit profile	Own credibility	-
	Iteration 2	Public sector loan	Discouraged	Low feasibility	Collateral requirements	Finance terms	-
Sibusiso	Iteration 3	Venture capital	Discouraged	Low feasibility	Provider understanding of business context Provider ability to make funds available	Provider competence	-
	Iteration 1	Public sector loan	Discouraged	Low feasibility	Lengthy application process; Perceived corruption	Application proces	-
	Iteration 2	Venture capital	Discouraged	Low desirability	Giving up equity in exchange for finance Timing of amounts	Potential loss of control Finance terms	-
Sipho	Iteration 3	Bank credit	Intention to apply	High feasibility	Social networks	Own credibility	Successful
Edward	Iteration 1	Public sector loan	Intention to apply	High feasibility	Social networks	Own credibility	Delayed outcome

Based on the findings, this study proposes a model describing entrepreneurs' process of choosing a course of action. Figure 4-3 illustrates the proposed model of the cognitive process of choosing a course of action when seeking external finance (MEPCCA).

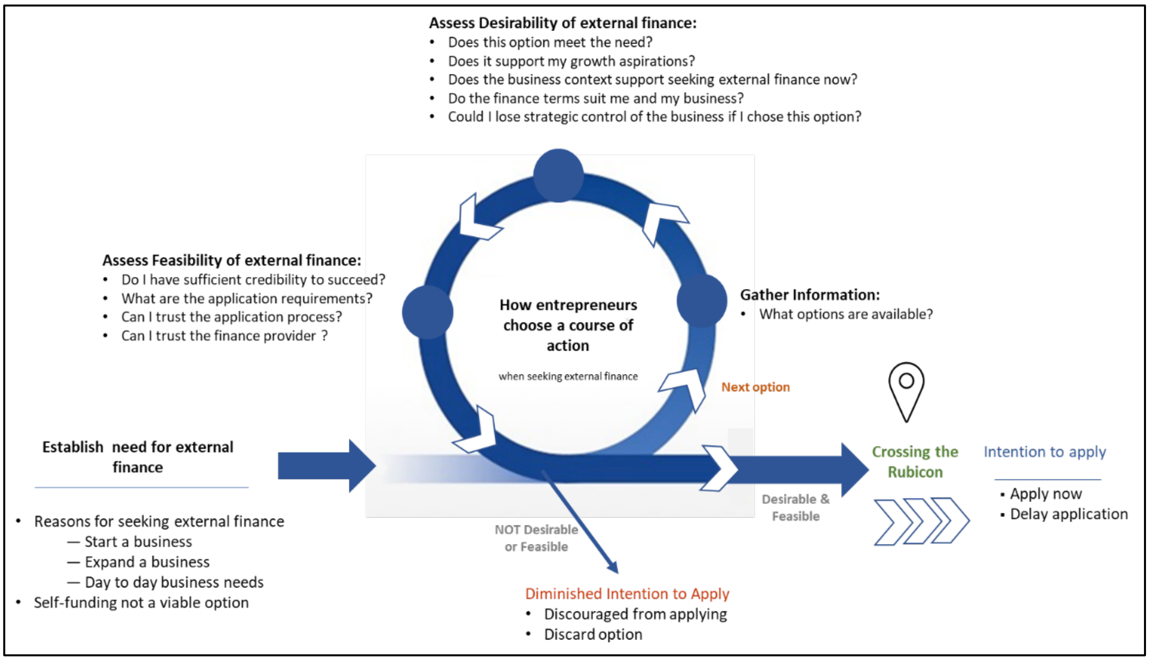


Figure 4-3: Proposed Model - Choosing a Course of Action (MEPCCA)

Source: Researcher's own - Based on research findings

MEPCCA proposes that entrepreneurs choose a course of action from a set of available alternatives. Their choice is based on their assessment of the desirability of each external finance option relative to others and their perception of the feasibility of securing the required funds through a specific option. Before they can assess desirability and feasibility, entrepreneurs gather information on available options supported by a deliberative mindset, making them more alert to information about finance opportunities and the different types of finance available.

Once they have gathered information, entrepreneurs assess the desirability of each finance option by considering their need for external finance, their growth aspirations, the business context, the terms associated with the finance and whether they can potentially lose strategic control of the business. In addition, the model proposes that entrepreneurs assess the feasibility of securing the required funds through a specific option by considering their own credibility, application requirements, the application process and the finance provider's competence.

Entrepreneurs' deliberations in the choosing phase culminate in a decision informed by the relative desirability and feasibility of external finance options. Negative perceptions of desirability and feasibility diminish entrepreneurs' intention to apply and discourage entrepreneurs from applying for that option. Based on the study's findings, the model proposes that the process of choosing a course of action is iterative. Entrepreneurs who are discouraged from applying for one option re-enter the choosing phase to deliberate on other finance options that could help them secure the necessary funds. In contrast, positive perceptions of desirability and feasibility enhance entrepreneurs' intention to apply, resulting in them choosing to apply for that finance option. Entrepreneurs who choose to apply for a specific option proceed to the next phase, where they make plans to apply and make a decision to defer or proceed with plans to submit a finance application.

4.2.2 Making Plans to Apply

In the planning phase, participants were focused on initiating the actions associated with their chosen course of action. Figure 4-4 illustrates the themes associated with the planning phase.

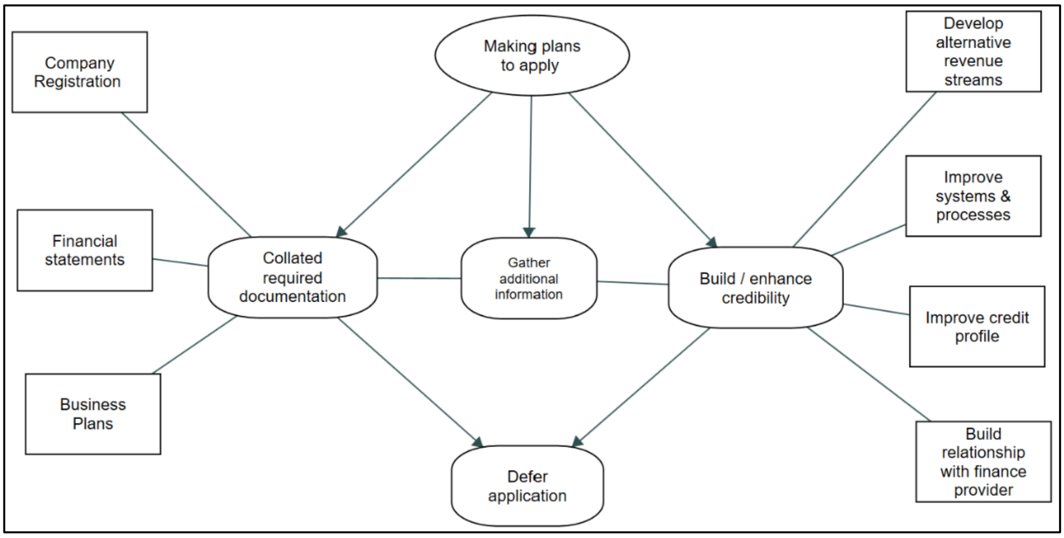


Figure 4-4: Thematic Map - Making Plans to Apply

Once they had chosen a finance option they intended to apply for, participants changed their focus to establishing the details required to apply and planning when they would take action to apply. Participants prepared to submit their applications by establishing 'when', 'where' and 'how' they would submit their finance application. Where further clarity was needed, participants sought additional information about the type of external finance they intended to apply for.

a. Gather Additional Information

Unlike in the choosing phase, where they were open-minded and receptive to a variety of information to learn about the finance options available, participants in the planning were concerned with details about the external finance option they had chosen. Therefore, they narrowed their search for information to details on how to act on their chosen course of action. Some participants reported approaching finance providers directly to get additional information before they proceeded to submit an application:

"I sent them an email, and they did not get back to me. Someone advised me to go to GEP (Gauteng Enterprise Propeller). I went to their Joburg office." **Mpho**

"I approached my bank. The lady that I was dealing with is a relationship manager." **Lerato**

"The first step that I did I went to NYDA (National Youth Development Agency)." **Patrick**

b. Collate the Required Documentation

When they had established the necessary details on how to apply for the chosen option, study participants proceeded to collate documentation that needed to be submitted with the finance application. Collating the required documentation formed a core part of the planning phase. Documentation requirements included company and tax registration documents, financial statements, tax clearance and business plans. Given the informationally opaque nature of SMMEs, many participants reported not having the required documents readily available. In such cases, participants had to invest significant time, effort and cost to have the documents prepared by third parties. Notwithstanding the significant effort required to collate the required documents, the prospect of securing funds to help them achieve their goals motivated some participants to put in the necessary effort. Table 4-8 summarises participant quotes articulating the effort required to collate documents during the planning phase.

Table 4-8: Collating Documents – Participant Quotes

Collating documents	**Participant quotes**
Company and tax registration documents	• *"You had to have a business registered; you need to be operating at least for three years and then making a turnover under fifty thousand rands. I was actually ticking the boxes; I was falling within that category. I had to register for VAT (Value Added Tax) because I was selling clothes. Before I can do anything, I need to bring all those requirements, tax certificate, VAT certificate and all the due diligence was required prior to applying for that. So, I was struggling with the VAT registration. I had to try to source it from somebody and they were asking me for a lot of money."* **Patrick** • *"We went through that tedious process of acquiring the documents that you cannot acquire yourself and, in some instances, you will also pay people for Tax certificates and all those things. As much as it is not a comfortable process, one has to go through it. As an entrepreneur, this is what I want my business to have. I will definitely go all out for it. Whatever comes up en route, I will make sure I overcome it and acquire what we need. You are constantly looking forward to the end result."* **Lillian**
Financial statements	• *"We had gone through the process; we had filled in the forms, and I had really spent a lot of time with my financial manager working through the stuff, putting the financial information together."* **Anna**

Business plans and supporting documents	• *"We had to submit all the licenses, the agreements, the details behind the shareholders and we also had to put in a very extensive business plan. I think it is almost like 60 pages, basically taking them through the structure of the company, the understanding the market and, how are we going to put it together, the people that are going to be involved with, where we are going to be selling the product and we had to do an extensive market overview indicating where we will be taking the product. Some of it was going to go overseas; we needed to specify the contact there as well as how we are going to be transporting it through the road networks."* **Edward**

c. Build or Enhance Credibility

In addition to onerous documentation, some participants identified their own credibility as a potential challenge that could prevent them from successfully securing the funds they needed. In response, those participants focused on improving their credibility by building relationships with the respective finance providers or improving their credit profiles. Others accelerated their efforts to improve systems and processes to make their business more attractive to finance providers or develop revenue streams to demonstrate their ability to generate revenue. Participants who opted to improve credibility before submitting their applications did so to maximise the likelihood of succeeding in securing the external finance needed to drive SMME growth. Table 4-9 summarises participant quotes related to the sub-theme of building or enhancing credibility during the planning phase.

Table 4-9: Building or Enhancing Credibility–Participant Quotes

Building credibility before applying	Participant quotes
Build a relationship with the finance provider	• *"Many nights in watering holes (social gatherings/networking), a common thread starts coming through with some bank of friends. From casual conversations over many years with guys from within the banks..."* **Sipho** • *"We were speaking to potential investors; most were from the government, but there were a few corporates. I took the decision that I am going to follow up with those from corporate. I am busy talking to them now, and I am seeing some progress."* **Nthabiseng**
Improve credit profile	• *"You have to make it a point that you have got your ducks in a row. Have a good relationship with your suppliers, pay them on time, have a good relationship with the landlord… Just be in good standing, that is all. Have a good track record."* **Robert**
Improve systems and processes	• *"I think we tried to make sure that our systems are watertight, to give any funder comfort in knowing that this business is going to fly - it is worth looking at and putting your money into it. So, what we have done is to put in place systems and processes that would convince a funder that this business is at a place where it can go to the next level."* **Anna** • *"I tried to increase my readiness for funding…I started using accounting software; I worked on the company branding – I got a new logo done. I put together a company profile, and I got a company email address."* **Kabelo**
Develop alternate revenue streams	• *"The people at the … accelerator said manufacturing takes time. They asked me what the alternative revenue models are. Now I am aggressively pursuing other revenue models like training... Not as a core business. Training is a cash cow. I am beginning to entertain that as an alternative."* **Nthabiseng** • *"We supply security materials. You put together; you go buy whatever then you supply."* **Lillian**

d. Defer Application

Participants in the planning phase carefully considered the timing of their application (i.e. when to submit) to maximise both the likelihood of a successful application and a good return on investment. Some participants opted to defer submitting their applications to address concerns about their own credibility or until they felt the business context was conducive for delivering a good return on investment:

“Those are some of the things that I have learned based on suppliers asking me questions. It was a big shock when the investor told me that I need to have R1.5m - R3m of revenue before he can invest. That's another reason that motivated me to look at other things that I can do so that my account has money.” **Nthabiseng**

“I think the thing standing between us and funding is the economy, nothing else. By now we know a few things that we want to put more money behind. The context is just not right in the market because you think you can easily throw good money after a low probability…For you to go and push for that, you would just be throwing away good money. What we will be keeping busy with while we wait for the economy to start firing is to build tangent applications…Those are the things that we will be busy building now while we wait for the economy to open up to do more.” **Elvis**

“I'm planning to do that. It will be sometime in the coming few months. The reason why it's taking us a bit of time is we needed to understand this third wave (COVID) where it's going, how it's going and what it means. You apply for funding where it's needed. Otherwise, you might apply for funding and use the funding in places where the funding is not needed, and the return on investment is not going to be visible.” **Robert**

4.2.3 Acting

Participants were concerned with enacting their plans to realise their chosen course of action in the acting phase. Figure 4-5 summarises the themes associated with the choosing phase.

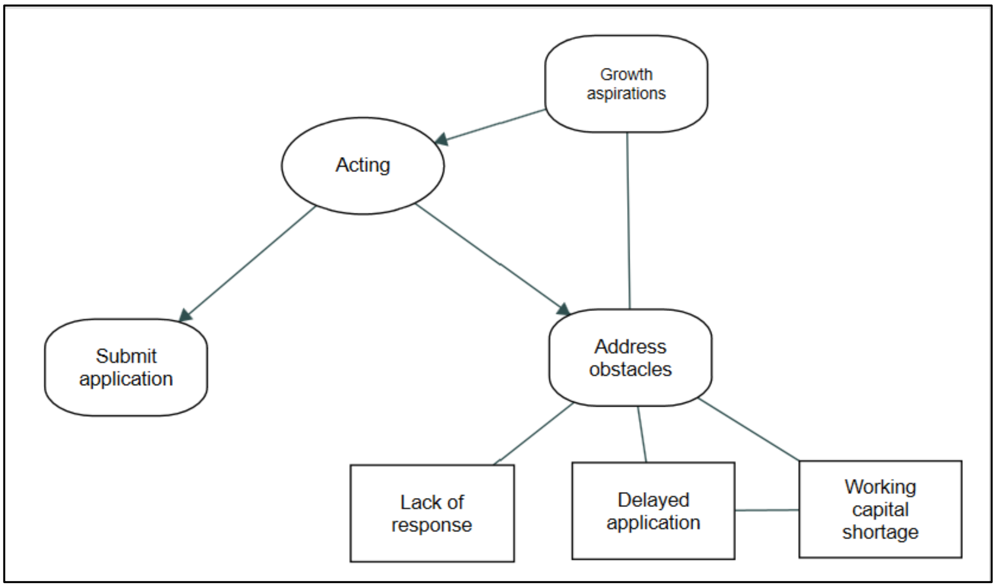


Figure 4-5: Thematic Map – Acting

a. Submit Application

Preparations in the planning phase culminated in some participants submitting their finance applications when ready. Those not ready opted to defer their application (see Table 4-7). For those who were ready, submitting an application required them to identify an opportunity to hand over the complete application, with supporting documents, to the finance provider. Some participants reported submitting applications online, while others went to the finance provider's point offices to submit.

b. Address Obstacles

After submitting their finance application, some participants reported encountering obstacles that threatened to undermine their goal of securing funds.

The obstacles encountered included a lack of response from finance providers, application delays and working capital shortages.

i. Lack of Response

Some participants reported being frustrated by a lack of response when finance providers did not acknowledge or communicate the outcome of the application process. The lack of response from finance providers left participants unsure of what had gone wrong with the application, and it deprived them of an opportunity to learn from the experience and improve their odds of securing external finance in the future. **Lillian** explains:

"At the end of the day, when we did not get the feedback we were looking forward to. Feedback might be positive or negative as long as you know where you went wrong. Now, you do not know where you stand. Is there something that you are doing right or not? You do not know." **Lillian**

ii. Delayed Application

Delayed applications occurred when finance providers took longer than expected to advise participants of the application outcome. Application delays presented an obstacle as participants were uncertain about the outcome of their application for an extended time:

"We put in an application, but it really took a while to get... in fact, I don't think it ended up being approved. The process just took forever. I think it took almost a year to get the process done." **Edward**

"I think the only challenge really was the amount of time it took for this thing to be to be processed all the way. Luckily, I did get the funding, but the whole process probably took about four months." **Harris**

"Then we tried these guys that talk on the radio. They talk on the radio as if they are venture capital funders…They wasted almost three months of our time, and we were still paying (salaries)." **Sibusiso**

iii. Working Capital Shortage

Application delays contributed to working capital shortages. Working capital shortages occur when a business does not receive sufficient income to cover its expenses. Working capital shortages required participants to use their personal savings or borrow funds from family or friends to cover the shortfall while waiting for external finance. In addition, some entrepreneurs adjusted their business models by introducing additional services that could assist with generating additional cash flow in the short term:

"We had put in our own money… There was an issue of the lease for the property- we had to maintain the property. You need to plan carefully, as there might be equity that you need to put together to sustain the business while still looking for funding. Funding applications take time. That is the reality of it." **Edward**

"Instead of being solely focused on the work with the municipality, given the challenges that we have, I thought it's better if I can diversify and get other forms of income." **Harris**

"I'm aggressively pursuing other revenue models like training. I didn't want to do training, but now I'm beginning to consider it... Not as a core business. Training is a cash cow." **Nthabiseng**

c. Growth Aspirations Support Overcoming Obstacles

When they encountered obstacles, participants' growth aspirations provided additional motivation to overcome obstacles and continue acting on their decision to seek external finance. The prospect of achieving their growth aspirations enabled participants to remain resolute in their action to apply, even when faced with obstacles. **Kabelo**, **Lillian** and **Harris** elaborate:

"The potential of the business keeps me going – I know exactly what I need to do to get to the next level. I don't want to take two years to do it if it can be achieved in 2 months if I can get some funding. If I give up, I will be giving up on my business!" **Kabelo**

"I am saying if this business were not in my heart, I would have thrown in the towel and said I cannot do it. But because this is what I love, this is what I want to do; this is where I want to be, I had to go all out." ***Lillian***

"Well, I did not have many options... I believed this thing could work. All it needed was that capital to get it going. I believe it has a viable business case, and it can work and sustain itself and grow into something bigger. So that is why one would keep knocking on people's doors trying to go forward with it." **Harris**

4.2.4 Evaluating

When they had executed their plans, participants entered an evaluative phase. Figure 4-6 summarises the themes associated with the evaluation phase.

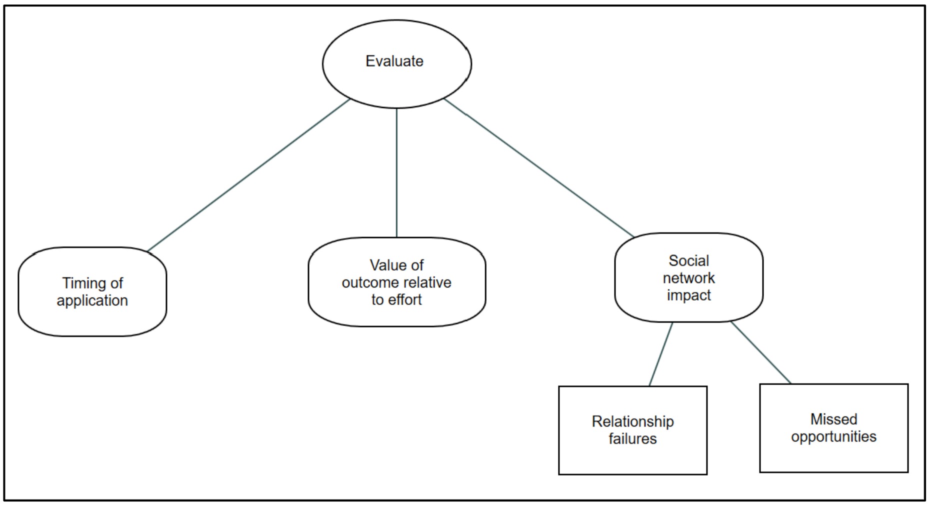


Figure 4-6: Thematic Map – Evaluating

In the evaluation phase, participants reflected on the extent to which they had secured the funds they needed for their business. As part of this reflection, participants evaluated whether the timing of their finance application was well suited to the context in which they were operating. In addition, they reflected on the value of the outcome relative to the effort they had put into applying, as well as how their actions (or lack thereof) impacted their social networks. In their reflections, participants recognised that there may be occasions in future where they need to seek external finance. Hence, their reflections in the evaluation phase were focused on identifying lessons that can be applied in future. The effect of experiences seeking finance on future experiences was congruent with the finding that entrepreneurs rely upon previous experiences of seeking finance to inform their choices on the course of action to adopt when seeking external finance. Participants' reflections on timing, value and social network impact are shared below:

a. Timing of Application

The timing of the application reflects participants' choice of when to take action to apply for external finance. In the evaluation phase, some participants recognised that they had made poor judgements on the timing of their finance applications, and this may have negatively affected the outcome of their finance applications:

"I think I have made mistakes. I approached some funders too early, while I was not ready, and they asked for a lot of things that I did not have. So, it is a learning journey for me." **Nthabiseng**

"I feel like maybe if I had gotten it a bit earlier, I could have breathed a little easier." **Sipho**

b. Value of Outcome Relative to the Application Effort

In addition to the timing of the application, some study participants reflected on whether the effort and cost they expended when applying for external finance equated to the benefit they had derived. This was especially relevant in instances where participants had not succeeded in securing the required funds. **Sibusiso** explains:

"Some of the things that wasted money, truly speaking, was that phase (applying) because we approached the banks, and it takes three (3) months. Then you leave them and go somewhere else; it takes another month or two. Then you got to a venture capitalist. So, you are already in deep. Had I known that this thing would not work, I would have dismissed people there and then because it was a loss-making exercise for us." **Sibusiso**

c. Social Network Impact

Participants reflected on how their social networks affected their finance applications. From this perspective, participants reflected on the credibility they had derived from their social networks in the evaluation phase. In addition, some participants reflected on their failure to manage relationships critical for securing external finance.

"I think if we had just spent a little bit of time understanding the people that we are dealing with, things could have turned out differently." **Edward**

"I refused to look for a white guy. In hindsight, I should have… I am thinking about that now, but at the time, I had this ego that said, 'No, I am not going to do that!'. So, we lost the project to other people that were quick to get the money." **Harris**

While many participants were concerned about how their failure to manage relationships affected their ability to secure finance in the past, some were concerned about how it may affect their ability to secure finance in the future:

"Some of the regrets that I have from a funding point of view are one or two bridges that I burned. Let us be clear; banks are run by people. In order to access what the bank can unlock for you, you have to get through the people. So, if you burn some of those bridges, you cannot knock on that door until that person has left that organisation." **Sipho**

By reflecting on how their experiences seeking finance would affect them in the future, participants recognised the possibility of seeking external finance again in the future and sought to take the lessons learned into future iterations.

4.3 How Growth Aspirations Promote Entrepreneurs Applying for External Finance

This study addressed RQ2 by exploring how growth aspirations promote entrepreneurs applying for external finance. Through this exploration, the study sought to generate insights into how the cognitive process of entrepreneurs seeking external finance promotes SMME access to external finance. The findings in section 4.2.1.1 suggest that entrepreneurs seek external finance to support their growth aspirations, as shown in Figure 4-7.

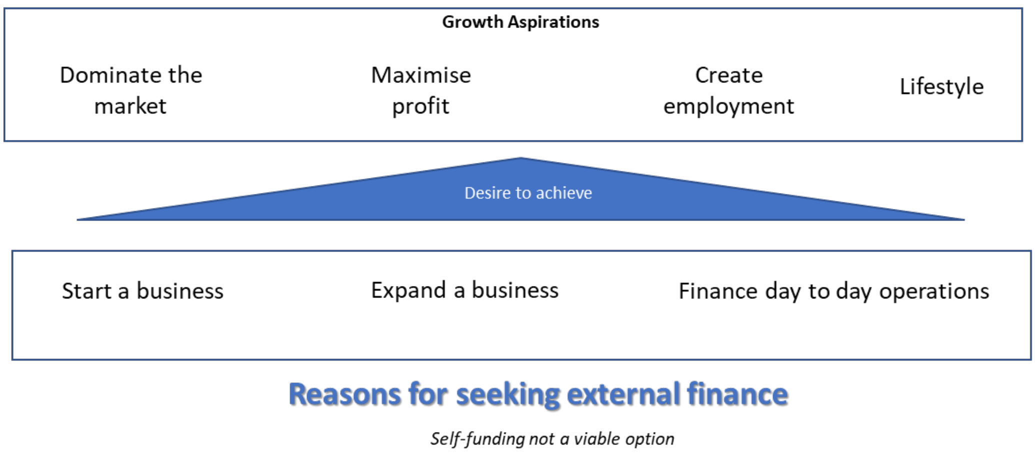


Figure 4-7: Growth Aspirations Motivate Seeking External Finance

Source: Researcher's own – Based on research findings

Thematic analysis of participants' experiences seeking external finance suggests that entrepreneurs' intrinsic desire for growth (i.e. their growth aspirations) influences their desire for external finance. The relationships between the themes of growth aspirations, desirability of external finance and participants' actions to apply are shown in Figure 4-8. This section describes the themes and sub-themes related to how growth aspirations promote entrepreneurs applying for external finance, supported by participant quotes.

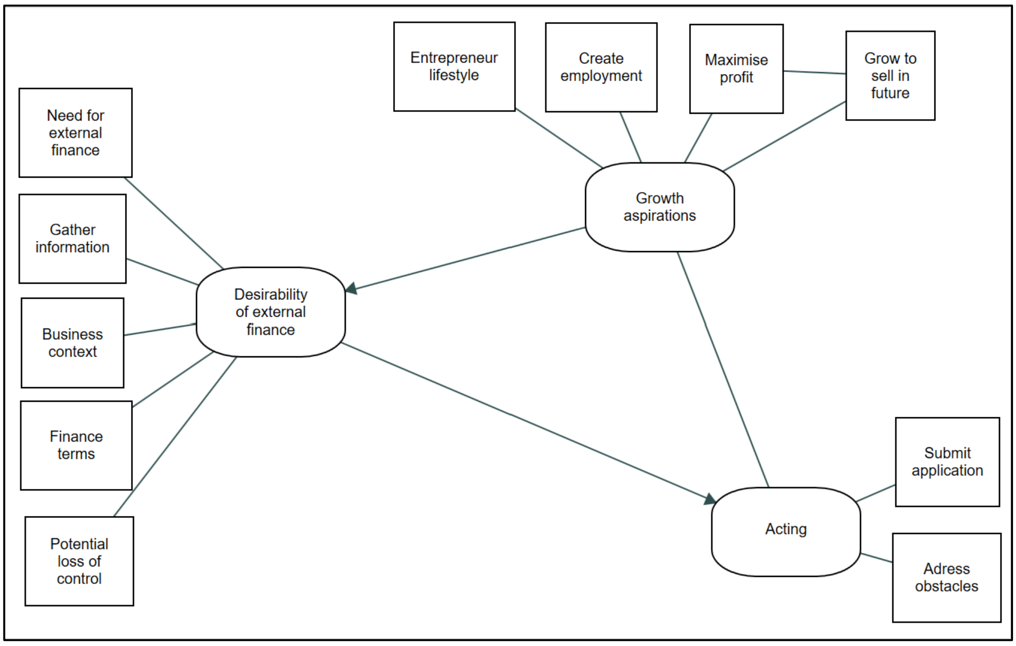


Figure 4-8: Thematic Map - Growth Aspirations

Most study participants reported that their decision to apply for external finance was motivated by their desire to achieve their growth aspirations. Therefore, participants' growth aspirations positively influenced the desirability of external finance because participants viewed external finance as an enabler of their growth aspirations:

"Getting the additional funding would help me grow my business. If I had more funds to get equipment, I could process the waste a bit more before selling it. That way, I could get more margin." **Kabelo**

"To make it work really well, I need to make this thing bigger… I need to have one or two crane trucks on the road …but that costs money." **Eugene**

*"Funding helps a lot, especially now we're talking to some partnerships, forming a consortium. If we're going to lead the consortium, it's important for us to then say this is the capital." **Lerato***

In addition, study participants reported that their growth aspirations motivated them to overcome obstacles when applying for external finance. Growth aspirations made external finance desirable such that when participants encountered obstacles in the application process, their desire for external finance did not wane:

"I believed this thing could work. All it needed was that capital to get it going. I believe it has a viable business case, and it can work and sustain itself and grow as well, not just sustain but grow as well into something bigger. So that's why one would keep knocking on people's doors trying to go forward with it." **Harris**

"The potential of the business keeps me going – I know exactly what I need to do to get to the next level. I don't want to take two years to do it if it can be achieved in 2 months if I can get some funding. If I give up, I will be giving up on my business! " **Kabelo**

"The journey that they have gone through is a frustrating one …I would have given up and said, 'No, I'm not going to continue with this journey. It is not working for me'. With those frustrations, I said one day, this company will get to where it is supposed to be. I will keep on pushing. I will keep on knocking on different doors." **Lillian**

Based on the findings, the study proposes that growth aspirations promote entrepreneurs applying for external finance by making external finance more desirable to entrepreneurs seeking to drive SMME growth.

4.4 How Discouragement Limits Entrepreneurs Applying for External Finance

The present study addressed RQ3 by exploring how discouragement limits entrepreneurs applying for external finance. Based on the study's findings, section 4.2.1.4 proposed a model of entrepreneurs' process of choosing a course of action when seeking external finance (MEPCCA). The model proposes that entrepreneurs searching for external finance deliberate on the desirability and feasibility of external finance options before deciding on a course of action. Those who identify a desirable option that they deem feasible make a decision to apply for external finance. In contrast, those who find the available finance options insufficiently desirable or feasible are discouraged from applying, and their intention to apply is diminished (see Figure 4-3). This section describes the themes and sub-themes generated in relation to how discouragement limits entrepreneurs applying for external finance. The section presents participant quotes to support the themes. Figure 4 -9 summarises the associated themes and sub-themes.

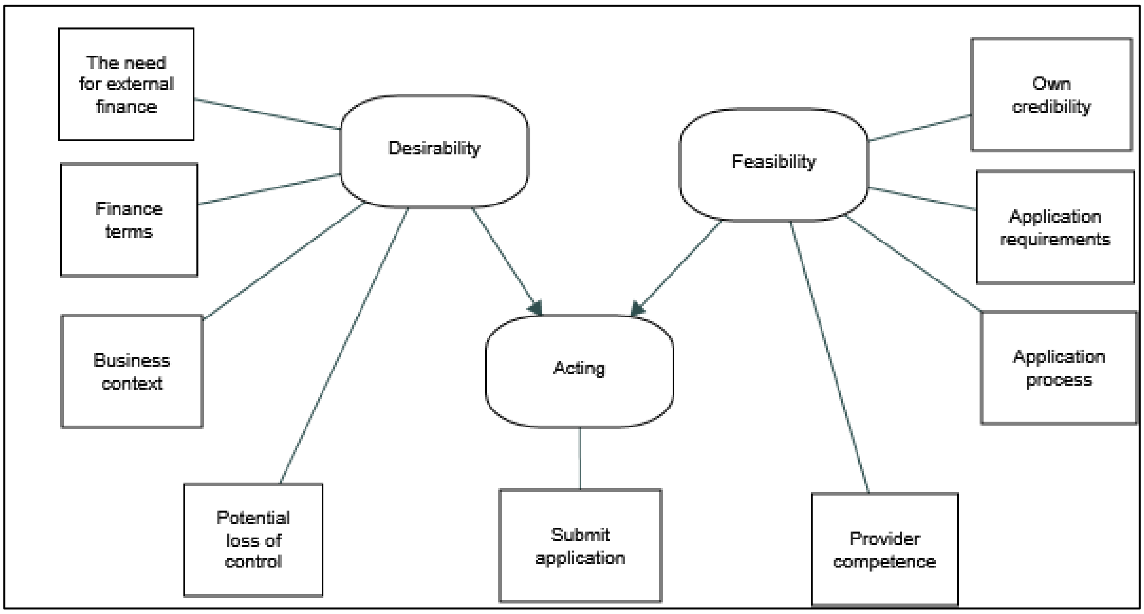


Figure 4-9: Thematic Map - Discouragement

The thematic analysis results indicated that external finance options that did not meet participants' needs discouraged some participants from submitting a finance application. Similarly, unfavourable finance terms, an unconducive business context and the potential loss of control discouraged some participants from applying for external finance. In addition, entrepreneurs' negative perceptions of their own credibility, onerous application requirements and processes, together with negative perceptions of the providers' competence led to negative perceptions of the feasibility of securing external finance. As this study sought to explore discouragement beyond bank credit, further analysis was conducted to explore how discouragement limits SMME access to different types of external finance. Figure 4-10 presents the themes and sub-themes associated with negative perceptions of desirability and feasibility for each type of external finance in the study's scope.

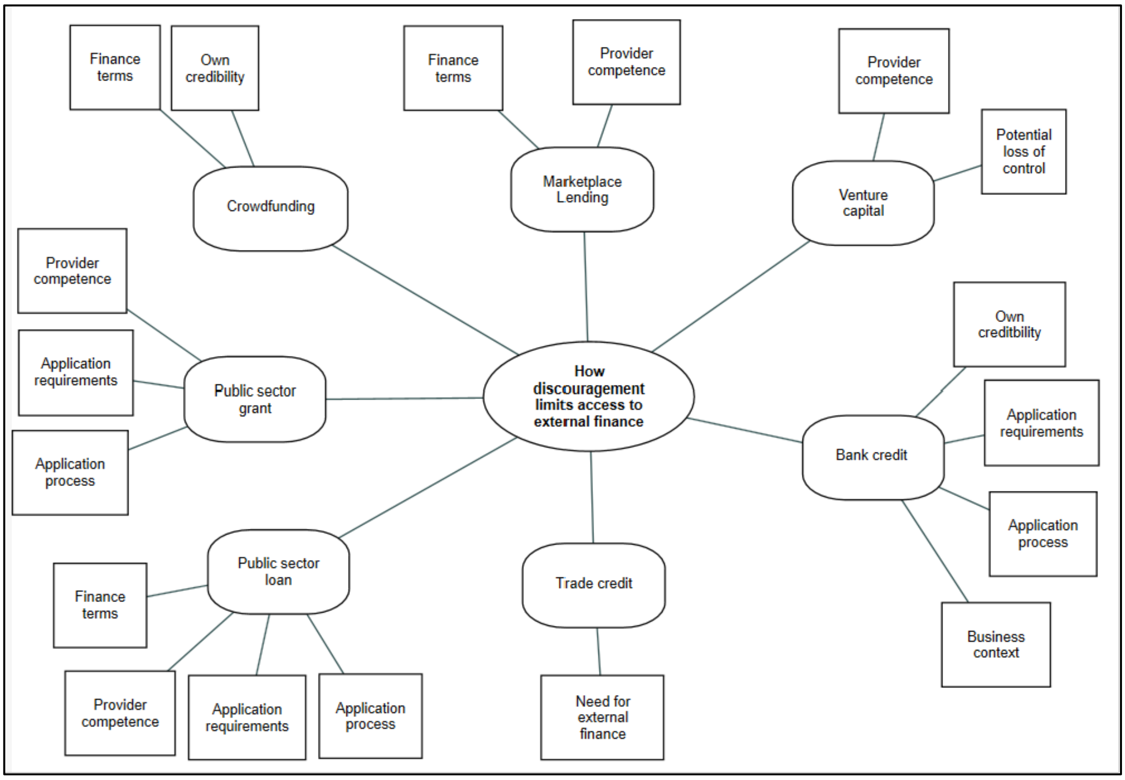


Figure 4-10: Thematic Map – Discouraging Factors

a. Crowdfunding

Crowdfunding allows SMMEs to raise equity finance from large groups of investors or institutions using online platforms. The lack of information discouraged participants from applying for crowdfunding, as only three participants reported being aware of crowdfunding as an external finance option. The lack of information not only excluded crowdfunding from consideration as an alternative, but it also affected participants' assessments of feasibility. Specifically, one participant reported being aware of it but was doubtful about being able to secure crowdfunding as they did not have enough information to suggest that it could work:

"No, I've never looked into something like that. I actually wasn't even aware of something like this." **Eugene**

"We also thought about checking the crowdfunding sources like Rainfin, but you don't get a sense that it's proven to work." **Elvis**

The finance terms associated with crowdfunding also discouraged some participants from applying. One participant who considered was discouraged from applying because the finance amounts available through crowdfunding were not sufficient to meet their business need:

"I didn't think of it when I first started looking for funding. The amounts given through crowdfunding are small, but I have been following it." **Kabelo**

Lastly, one participant was discouraged from applying for crowdfunding due to concerns that potential investors would have negative perceptions of their own credibility. Growth in online fraud contributed to these concerns, creating an additional burden for the participant to prove their credibility when raising funds through crowdfunding:

*"As a black person, if I tried to do that (apply for crowdfunding), people would take it as if I am trying to scam them…. I really do not have the energy to convince people that I am not trying to scam them. I feel like it would take plenty of effort...." **Mpho***

Therefore, the findings suggest that lack of information, finance terms and concerns about credibility discourage entrepreneurs from applying for crowdfunding.

b. Marketplace Lending

Marketplace lending enables SMMEs to access debt finance using online platforms. Lack of information discouraged participants from applying for Marketplace lending, as only two participants reported being aware of marketplace lending as an external finance option. Participants had conflicting views on finance providers' competence when offering Marketplace lending. Based on the innovative use of alternative sources of information, one participant perceived that FinTechs providing marketplace lending understood SMMEs better than banks. However, another participant felt that the finance terms offered with Marketplace lending indicated that FinTechs who offered marketplace lending had a poor understanding of the business context:

"It seems like the FinTechs now understand small business more than the banks. Those are the other things that we thought of before." **Robert**

"When you apply online, Vodalend asks you to choose what you need the funding for. You have to choose either equipment or inventory. I want to do both. It just feels like they do not understand what I am trying to do." **Kabelo**

Therefore, findings suggest that despite innovative approaches to enabling access to finance, negative perceptions of marketplace lending providers' competence and the associated finance terms discourage entrepreneurs from applying for marketplace lending.

c. Venture Capital

Venture capital enables SMMEs to access equity finance, expertise and networks through venture capital investors who can assist the firm in reaching its growth objectives. Some study participants were discouraged from applying for venture capital due to the associated finance terms. While they expected to give up equity in exchange for funding, some participants felt that venture capitalists' equity demands were unreasonable and exploitative. In addition, the potential loss of control associated with transferring equity to venture capitalists made venture capital less desirable. As the founders and primary actors in the business, participants expressed a strong need to maintain strategic control. The fear of losing control of their business discouraged entrepreneurs from applying for venture capital:

"Venture capitalists are worse than loan sharks. They will come and offer you a million (R1 million) for a seventy per cent (70%) stake. That is ridiculous and completely disrupts how you work because you start to account for them daily. When venture capitalists come, they try to influence too much, which will kill the spirit. They are not an option; we would rather consider something else." **Elvis**

"But I also think there are requirements and the need for control again. It depends on what sort of stake they will be looking at. If you start losing control of that thing, then it becomes a challenge (The business). It is your baby; you know more about it than an investor who comes in then wants a controlling stake." **Harris**

"The private equity firm may recognise your strategic direction as the entrepreneur, at that point in time. There is no guarantee that they will come along for the ride in two or three years' time because then they start trying to infuse their strategy into yours, and the two can clash. I had been down that road. I was not comfortable going down there again." **Sipho**

In addition to giving up equity, the venture capital approach of releasing funds at key milestones was seen as a constraint that hinders business performance. Consequently, the timing of amounts made the finance terms associated with venture capital less desirable :

"What they tend to do is trickle (funds)... That can frustrate the business because it chokes it. Getting money in dribs and drabs when you have a

medium-term plan can kill that medium-term plan. I need all of that capital because I can guarantee you the returns if rolled out properly." **Sipho**

Lastly, negative perceptions of venture capital providers' competence discouraged entrepreneurs from applying. Especially when participants perceived an inability to make the required funds available:

"I want to speak to the right investors. There are many of them, but some are just doing it for publicity. They do not mean it. I need to think carefully about which investors I am talking to." **Nthabiseng**

"They talk as if they are venture capital funders; they do not have a cent! They cannot raise the money... we had a small project, he said he will (provide finance), but there came a time when we needed eight hundred thousand (R800 000) for environmental applications and mining rights, he did not have that eight hundred thousand (R800 000)!" **Sibusiso**

Therefore, the results of the analysis suggest that the finance terms, potential loss of control, and negative perceptions of provider competence discourage entrepreneurs from applying for venture capital.

d. Bank Credit

Bank credit enables SMMEs to access debt finance through an overdraft, credit card, bank loan and asset finance. Some study participants reported that their business context dampened the feasibility of securing bank credit. Specifically, those who had an unfavourable cashflow position found external finance desirable. However, based on their understanding of bank requirements, they perceived a reduced feasibility of securing bank credit if they had an adverse cashflow position:

"Whereas the banks are looking for you to have a lot of money in their account, which is impossible because if you are starting your business, where do you get all this money?" **Lerato**

“We know that funders don't fund people who need money. Banks don't fund people who need money. They fund people who have money. It's the weirdest thing. So if you come to a bank and your account is empty, they are not going to give you money. But if they can see that there is movement and, at any given point in time, you've got decent money in your account, they are more likely to find you.” **Anna**

“Banks want to fund you when you are successful, not when you really need them.” **Sibusiso**

Some participants were discouraged by negative perceptions of their own credibility. Banks evaluate entrepreneurs’ credit profiles when evaluating credit risk. Therefore, participants with adverse credit profiles were discouraged from applying for bank credit:

“My first business failed, and I had to go under debt review. After four months, my debt was paid off, and I was cleared. When I put in my application, the bank did not care if my current business was doing well. They say that they do not fund an entity. They fund the person.” **Kabelo**

“That is another problem that South Africa has; it is a very big problem. It is called ITC (credit bureau). I am listed. I cannot do anything…I have this mental block that nobody wants to borrow money right now.” **Eugene**

In addition to the business context and their own credibility, some study participants were discouraged by banks’ application requirements. Specifically, qualifying criteria applicable to bank credit excluded start-ups and SMMEs in certain sectors. Moreover, some participants were discouraged by the banks’ documentation requirements and collateral requirements as they perceived the feasibility of being able to meet those application requirements:

“When we started, we actually went to some of the banks and spoke to them. One of the main banks in South Africa said they do not fund new start-ups. We went to another bank, and they shared the same sentiments.” **Robert**

"It was going to be the recruitment and labour broking business. We were automatically disqualified. Since then, we have never really gone back to consider such institutions as an option …Banks continue to be quite averse to companies that are in the recruitment space." **Anna**

"So, it is all those documents that we need to get ready and make sure that we can submit. For a small organisation such as ours, it is not that easy. I do not have a full-time financial person. I do not have a full-time legal person; you just do it as and when you need to. So, that is a hurdle, especially for a small organisation." **Lerato**

You also ask yourself, 'Where on this earth do the banks think that the small businesses will have collateral while we are still starting." **Lillian**

Lastly, some participants who considered bank credit as an external finance option were discouraged by the banks' application process. The duration of the application led to some participants perceiving lower feasibility of securing funds through bank credit:

"To be honest, I actually forgot about it. When they called me and said your loan had been approved, I asked what loan are you talking about. I had actually forgotten. I had written it off, thinking it was not going to happen, and then they called saying it had been approved, but that was four (4) months later. It's a bit of a challenge." **Harris**

"Some of the things that wasted money, truly speaking, was that phase because we approached the banks, and it takes three months giving you hope." ***Sibusiso***

Therefore, the findings suggest that entrepreneurs may be discouraged from applying for bank credit by the business context, perceptions of their own credibility, application requirements and the application process.

e. Trade Credit

Trade credit supports entrepreneurs accessing debt finance in the form of deferred payment of goods purchased, allowing the SMME to generate funds from sales before paying for the goods. One participant reported considering trade credit as an external finance option. However, they were discouraged by the inability of trade credit to meet their business needs. By giving credit for goods, trade credit limits the utility of funds such that the funds accessed through trade credit cannot be used for purposes other than buying stock or equipment. The utility of funds provided through trade credit was limited.

> *“Suppliers are limited because they are giving you stock; they are not giving you marketing unless if you partner with them for marketing. You are quite limited because if you want to rebrand your cars, they will not give you the money to rebrand your cars.”* **Robert**

f. Public Sector Finance

Public sector grants and loans enable SMMEs in selected industries, sectors, or regions to access finance through state-owned institutions mandated to improve SMME access to finance. The developmental approach of government agencies that provide public sector finance improved desirability and drew participants to consider public sector finance. However, some participants who considered it reported being discouraged by its associated finance terms. Some agencies provided amounts that were too small, while others could not provide smaller amounts as they focused on larger amounts. The amounts offered did not meet the business need. As a result, participants were discouraged from applying. In addition, some public sector institutions required participants to pledge collateral, a finance term that further discouraged participants:

> *“I went to NYDA (National Youth Development Agency) because I knew that it was quite supportive in terms of start-ups…They were giving tiny amounts. I lost interest in the process.”* **Patrick**

"I found out that the IDC gives funding from R1million and above. I needed R200 000, which was much less than their minimum." **Kabelo**

"We went to IDC … we wanted R33 million, so they wanted us to have R10 million. If I had R10 million, I could have started this thing." **Sibusiso**

Beyond the finance terms, application requirements discouraged entrepreneurs from applying for public sector finance. Some participants reported that the document requirements were onerous, requiring significant effort and cost to collate the documents and, in some instances, pay third parties to prepare the documents. Onerous application requirements created negative perceptions of feasibility among resource-starved SMMEs, resulting in discouragement:

Before I can do anything, I need to bring all those requirements, tax certificate, VAT certificate and all the due diligence was required prior to applying for that… I started feeling demotivated because I did not have an in-house accountant. You need to have a business account, and you need to have audited financial statements. I felt like the process was too rigorous." **Patrick**

"The first (reason) we are not considering those things is the quantum of information required to submit - the forms, the meetings and all those things...I am not a fan of that." **Elvis**

"We went to IDC… we wanted R33 million, so they wanted us to have R10 million. If I had R10 million, I could have started this thing." **Sibusiso**

One participant associated the onerous application requirements with potential loss of control if the intellectual property were to be misappropriated. The fear of intellectual theft reduced the desirability of public sector finance and discouraged them from applying :

"You do not know who will come out with the exact idea that you presented. When you apply for funds, you must present a business plan with projections

and all sorts of details, which is a donation of IP (Intellectual Property). If somebody behind the scenes decides to adopt that and go and use it. We have seen this happen." **Elvis**

In addition, some participants were discouraged by the application processes associated with public sector finance. A lengthy application process and perceptions of corruption created uncertainty of outcome, resulting in negative perceptions of the feasibility of securing funds:

"The only problem with government-related funds is our perception because we have not even started that process. It is the pain of what you need to submit and just sit there and wait and pray." **Elvis**

"The turnaround time of those development financial institutions... What needs to be a three-to-six-month turnaround on a decision will take two years. Small businesses do not even have six months. If you are in an environment where you need to turn things quickly, they cannot do anything for you." **Sipho**

"We put in an application, but it took a while to get... The process just took forever. I think it took almost a year to get the process done. It just took a while, and the opportunity went away." **Edward**

"I approached the government for a grant, but they take time to come back to us. So, I realised that a grant is nice, but it will take about three years to get the funding. So, I decided to go to angel investors, equity investors and VCs (Venture Capitalists) because they are quicker on turnaround times." **Nthabiseng**

"We were not sure whether you are going to get it or not because the NYDA has been viewed as an apolitical, but many things were going on there. So then I thought I of going somewhere else." **Patrick**

Further, participants who considered public sector finance were discouraged by negative perceptions of the finance providers' competence, specifically their understanding of the business context, their communication throughout the application process and their ability to make funds available :

> *"There was a lot of going back and forth. I do not think they understood what we wanted to do. So, we had lots of back and forth because they had to consult with the office in Gauteng. So, in the end, there was involvement from the IDC from a mining side to understand these things."* **Edward**

> *"There has not been much engagement. With the experience from SEDA, I just painted them with one brush to say they are the same. I am going to see five (5) people for a year. At the end of that year, I still do not know if I will get the support I am requesting. So, you end up not believing in them."* **Lillian**

> *"I sent them an email, and they didn't get back to me."* **Mpho**

> *"Unfortunately, SEFA has just said that due to COVID, no money will be allocated to small businesses."* **Lillian**

Therefore, the findings suggest that finance terms, the potential loss of control, application requirements, the application process and negative perceptions of provider competence discourage entrepreneurs from applying for public sector finance.

Through in-depth interviews, this study explored how discouragement limits SMME access to different types of external finance. Findings suggest that discouragement arises from negative perceptions of desirability or feasibility. Further analysis enabled the study to identify factors that give rise to negative perceptions of desirability or feasibility, resulting in participants being discouraged. Figure 4-11 summarises the factors that drive discouragement for each type of external finance in the scope of the study.

Crowdfunding	Marketplace lending	Venture capital	Bank credit	Trade credit	Public sector finance
• Lack of information • Finance terms • Own credibility	• Finance terms • Provider competence	• Finance terms • Potential loss of control • Provider competence	• Business context • Own credibility • Application requirements • Application process	• Need for external finance	• Finance terms • Potential loss of control • Application requirements • Application process • Provider competence

Figure 4-11: Factors that Contribute to Discouragement

Source: Researcher’s own – Based on research findings

Study participants were discouraged from applying if they had negative perceptions of the desirability or feasibility of the finance options they deliberated on. Consequently, their intention to apply for external finance was diminished:

"They are not an option; we would rather consider something else." **Elvis**

"I had been down that road. I was not comfortable going down there again." **Sipho**

"I lost interest in the process." **Patrick**

In addition, findings presented in section 4.2.1 highlighted that some participants who were discouraged by a specific finance option re-entered the choosing phase to deliberate on other external finance options. This result suggests that discouragement is specific to a finance option, fueled by factors associated with that external finance option. Therefore, while entrepreneurs may be discouraged from applying for a specific external finance option, they can remain open to considering other external finance options.

4.5 The Cognitive Process of Entrepreneurs Seeking External Finance to Drive SMME Growth

The study addressed the overarching research question through sub-questions RQ1, RQ2 and RQ3. Findings that address these sub-research questions facilitate an in-depth understanding of how the cognitive process of entrepreneurs seeking external promotes or limits SMME access to external finance to drive SMME growth. This section integrates the study's findings and proposes a model of the cognitive process of entrepreneurs seeking external finance to address the overarching research question (See Figure 4-12).

This study explored how the cognitive process of entrepreneurs seeking external promotes or limits SMME access to external finance to drive growth. Findings suggest that entrepreneurs go through distinct cognitive phases when seeking external finance, each with a clear objective and focus. In the initial phase, participants were concerned with choosing a course of action from the available options. Section 4.2.1.4 proposed MEPCCA, which suggests that entrepreneurs gather information on the available external finance options to choose a course of action. Once they have the requisite information, they deliberate on the desirability and feasibility of external finance options, taking into account their need for external finance, their growth aspirations, the business context, the terms associated with the finance and whether there is potential for them to lose strategic control of the business. In addition, MEPCCA proposes that entrepreneurs assess the feasibility of securing the required funds through a specific option by considering their own credibility, application requirements, the application process and the finance provider's competence.

Based on the proposed MEPCCA, entrepreneurs' deliberations in the choosing phase culminate in a decision informed by the relative desirability and feasibility of external finance options. Entrepreneurs are discouraged from applying if they fail to identify an option they believe to be desirable or feasible, and their intention to apply is diminished. If they identify an option that is desirable and feasible, entrepreneurs' intention to apply is enhanced, and they 'cross the Rubicon' proceeding to making plans to apply. MEPCCA explains entrepreneurs' financing decisions but does not account for their subsequent actions.

The study's findings showed that participants who chose to apply for a specific finance option entered a planning phase where they prepared and made plans to submit their finance application. This phase was characterised by participants contacting the finance provider, getting additional information on their selected finance option, compiling documentation that must be submitted as part of the finance application or taking steps to improve their credibility. Study participants undertook these activities to maximise their odds of a successful application. In this phase, some participants opted to defer their application while they took steps to improve their credit profile, improve business systems and processes or develop revenue streams to demonstrate their revenue-generating ability to potential investors.

When they had finished planning and preparing, participants proceeded to the acting phase, where they submitted their finance applications and addressed any obstacles. The acting phase was followed by an evaluation phase where they reflected on the extent to which they had secured the funds they needed for their business, identifying lessons learned that could help them succeed if they embarked on a similar journey in the future.

The study's findings further showed that participants' growth aspirations influenced their desire for external finance. Based on the findings, the study proposed that growth aspirations promote entrepreneurs applying for external finance by making external finance more desirable to entrepreneurs seeking to drive SMME growth. In addition to growth aspirations, the study's findings showed that participants' need for external finance promoted them applying for external finance, especially when self-funding was not a viable option. Similarly, the business context and finance terms, including lenient repayment terms and the availability of non-financial support, promoted participants applying by making external finance more desirable. Further, participants who had a pre-existing relationship with a finance provider received a proactive offer of finance, which positively influenced participants' perceptions of the feasibility of securing funds, thereby promoting action to apply for external finance.

The study's findings concerning discouragement indicate that negative perceptions of the desirability or feasibility of finance options discouraged participants from applying for external finance. Findings suggest that external finance options that did not meet the need discouraged participants from applying. Similarly, finance terms such as the amount, the timing when amounts would be made available and collateral requirements made external finance less desirable and discouraged participants from applying. An unfavourable business context and the potential loss of control due to giving up equity in exchange for finance or the risk of intellectual property theft made external finance less desirable, discouraging participants.

Participants who found a desirable option were discouraged by negative perceptions of feasibility if they felt finance providers could question their credibility or if application requirements required significant effort and cost. Moreover, an application process that was lengthy or perceived to be susceptible to corruption was associated with lower feasibility, discouraging participants from applying. Lastly, negative perceptions of the finance providers' competence detracted from the feasibility of securing external finance and discouraged participants from applying. Based on the above, the study proposes a model of the cognitive process of entrepreneurs seeking external finance to drive SMME growth (MCPESEF). The proposed model, shown in Figure 4-12, complements MEPCCA by accounting for entrepreneurs' actions following their decision to apply for their chosen course of action. Further, MCPESEF accounts for factors that promote or limit applying beyond the choosing phase. In doing so, MCPESEF provides a temporal account of the complex and dynamic process of seeking external finance.

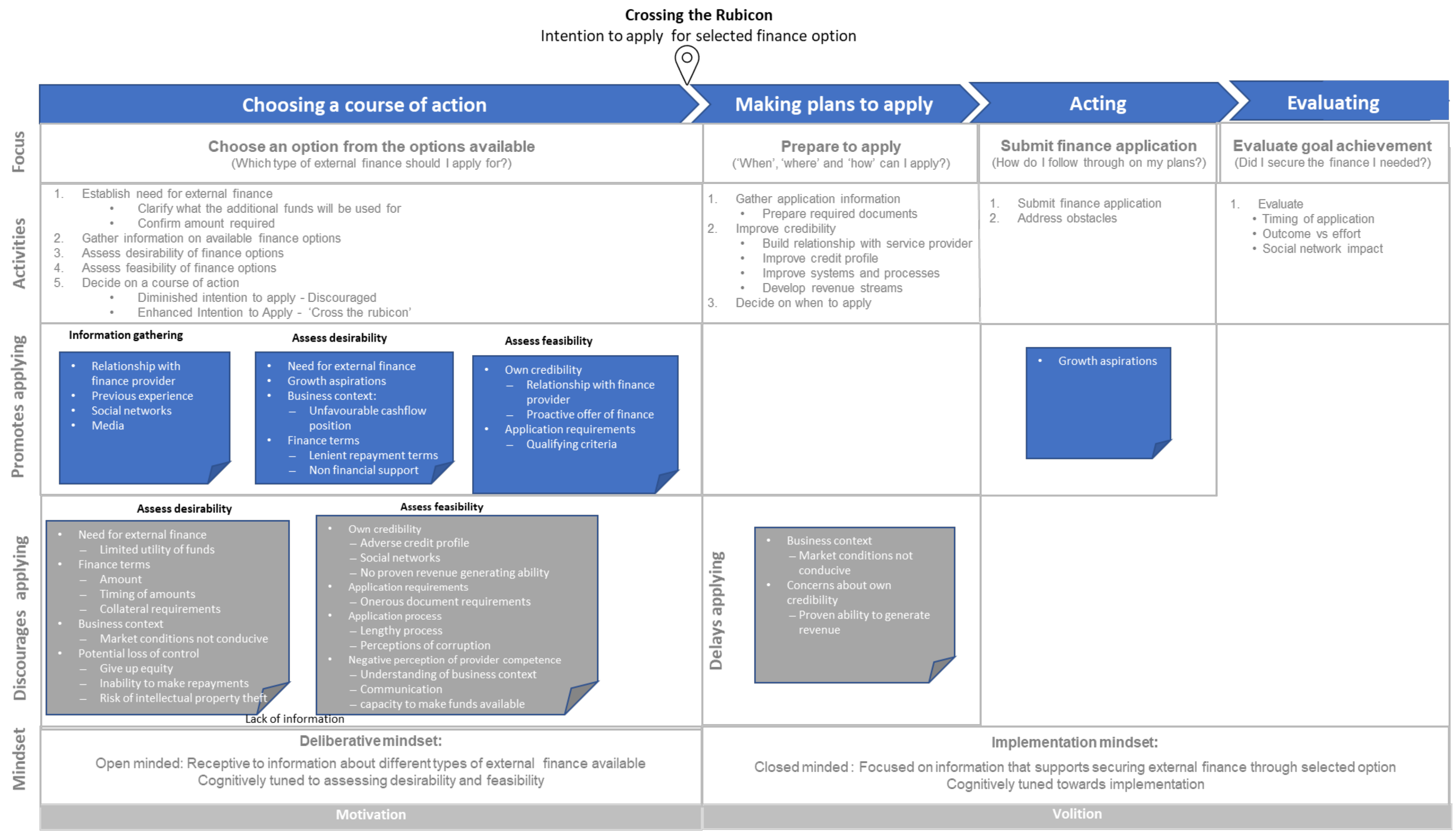


Figure 4-12: The Cognitive Process of Entrepreneurs Seeking External Finance to Drive SMME Growth (MCPESEF)

Source: Researcher's own - Based on research findings

4.6 Chapter Summary

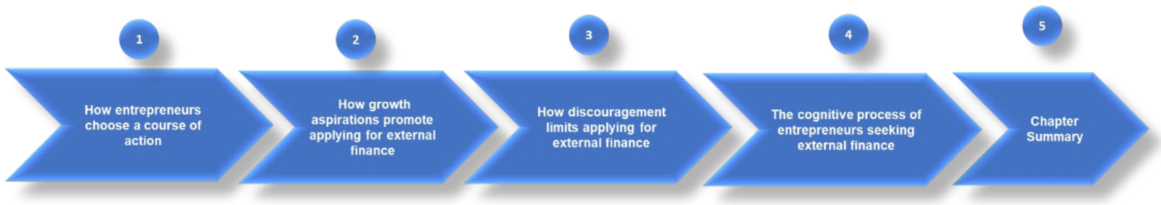
This chapter presents the results of the reflexive thematic analysis, which generated themes relating to how the cognitive process of entrepreneurs promotes or limits SMME access to external finance. Analysis results suggest that entrepreneurs go through distinct cognitive phases when seeking external finance, each with a clear objective and focus. Based on the findings, the study proposes a model of entrepreneurs' process of choosing a course of action when seeking external finance (MEPCCA). The model proposes that entrepreneurs gather information on the available external finance options to choose a course of action. Once they have the requisite information, they deliberate on the desirability and feasibility of external finance options.

Based on the proposed MEPCCA, entrepreneurs' deliberations in the choosing phase culminate in a decision informed by the relative desirability and feasibility of external finance options. Entrepreneurs are discouraged from applying if they fail to identify an option they believe to be desirable or feasible, and their intention to apply is diminished. If they identify an option that is desirable and feasible, entrepreneurs' intention to apply is enhanced, and they ' cross the Rubicon' proceeding to making plans to apply. The proposed MEPCCA explains entrepreneur's financing decisions but does not account for their subsequent actions.

The study further proposes a model of the cognitive process of entrepreneurs seeking external finance (MCPESEF), which complements MEPCCA by accounting for entrepreneurs' actions following their decision to apply for their chosen course of action. Further, MCPESEF accounts for factors that promote or limit applying beyond the choosing phase. The proposed MCPESEF provides a temporal account of the complex and dynamic process of seeking external finance.

CHAPTER 5: DISCUSSION

This study explored the cognitive process of entrepreneurs seeking external finance to develop an in-depth understanding of how entrepreneurs' financing decisions promote or limit SMME access to external finance. Proceeding from the findings reported in Chapter 4, this chapter discusses the study's findings. The discussion explains how the findings address the research questions and how they fit with existing research and theory. The structure of the chapter is summarised below.



First, the chapter discusses participant characteristics and explores the findings relating to how entrepreneurs choose a course of action when seeking external finance. Then, the discussion explains the findings on how growth aspirations promote entrepreneurs applying for external finance, followed by how discouragement limits entrepreneurs applying for external finance. Last, the chapter integrates the findings and discusses the proposed model of the cognitive process of entrepreneurs seeking external finance to drive SMME growth. The chapter concludes with a summary of the discussion.

5.1 Participant Characteristics

Chapter 4 presented a detailed overview of the study participants. This section discusses the characteristics of entrepreneurs and SMMEs represented in this study and compares them to the broader population of entrepreneurs and SMMEs in South Africa.

a. Entrepreneur Age

Two participants in the study were younger than 34 years old. South Africa has a large youth population, with youth aged between 18 and 34 comprising 35,1% of the total population (Statistics South Africa 2019). Unemployment is exceptionally high among youth; 64,4% of youth aged 15-24 are unemployed, while 42,9% of youth aged 25-34 are unemployed (Statistics South Africa, 2021). Hence, the South African government has implemented programmes to promote youth participation in entrepreneurship. An entrepreneur in the 18-34 age group contributed to this study, developing an in-depth understanding of the cognitive process of entrepreneurs seeking external finance. Therefore, this study's findings can support finance providers and government agencies in improving their support of youth entrepreneurs.

The study's findings showed that the young entrepreneur deliberated on marketplace lending and public sector finance aimed at young entrepreneurs (Youth Development Agency). This result is not surprising because marketplace lending eschews conventional methods and uses alternative information sources to provide funding through digital platforms. Younger entrepreneurs who may not have a well-developed credit profile, financial statements or assets for collateral required for conventional finance (Christensen & Hai, 2014) and who are more digitally savvy (OECD, 2018) may find marketplace lending more attractive. Younger entrepreneurs who have a greater interest in applying for public sector finance and marketplace lending provide an opportunity for policymakers and finance providers to support youth entrepreneurship.

b. Gender

Four out of 14 study participants were women. According to the World Bank (2018), 38% of SMMEs in South Africa are owned by women. By representing the perspectives of female entrepreneurs, the study can support finance providers and government agencies in improving their support of female entrepreneurs. The role of gender in enabling or restricting SMME access to external finance remains under debate (Bryan, 2018; Mijid, 2015; Orser et al., 2020). Studies in the literature contend that women-owned businesses get less access to external finance and need additional support to improve their access to finance (Chaudhuri et al., 2018; Orser et al., 2020). While Shava (2018) found a difference in the accessibility of venture capital between male and female-owned SMMEs, Fatoki and Asah (2011) found no evidence to support a significant relationship between the entrepreneur's gender and access to debt finance for South African SMMEs.

Two of the four women in this study deliberated on public sector grants. Similarly, two out of the four women deliberated on public sector loans. The women's consideration of public sector finance suggests that the inclusion of gender as a qualifying criterion in some public sector financing schemes has positively influenced women to seek external finance when required. In this study, three out of four women considered bank credit, and two were discouraged from applying. In contrast, seven men considered bank credit and four of them were discouraged from applying. This result is consistent with previous studies that have shown that more women are discouraged from applying for bank credit than men (Freel et al., 2012; Gama et al., 2017; Garwe & Fatoki, 2012; Kwapisz & Hechavarría, 2018).

c. *Education Level*

One out of 14 participants in this study had an undergraduate degree, while 13 out of 14 participants had postgraduate degrees. On the contrary, 7% of South African adults have a tertiary qualification. In 2018, 59% of adults had matric as the highest level of education, while 26% did not qualify for matric (OECD, 2019). The discrepancy in the education level can be attributed to the participant selection strategy for this study. Study participants were purposively sampled from social networking platforms - LinkedIn, Facebook and WhatsApp. Socioeconomic status is a driving force on some platforms (Blank & Lutz, 2017). Moreover, research has shown that limited education, skills and technological literacy limit inclusion and participation on digital platforms (OECD, 2018). Therefore, the bias towards higher levels of education in this study may be attributed to the participant selection strategy, which recruited participants from social networking platforms.

Previous studies suggest that a higher level of education supports an entrepreneur’s ability to present financial information and business plans when applying for external finance (Dlova, 2017). In addition, entrepreneurs with lower levels of education have a limited understanding of finance application processes and costs (Naegels et al., 2022). As a result, entrepreneurs with lower levels of education are more likely to be discouraged from applying for external finance (Chakravarty & Xiang, 2013). This study’s findings challenge that assertion. Despite high education levels among study participants, 12 out of 14 were discouraged from applying for an external finance option. The lack of differentiation by education level is consistent with previous studies showing that education does not significantly affect SMME access to finance (Irwin & Scott, 2010; Ogubazghi & Muturi, 2014).

d. SMME Age Group

Eleven out of fourteen study participants had operated their businesses for less than five years, and 13 out of 14 participants were discouraged from applying for one external finance option or another. The literature suggests that younger SMMEs experience higher levels of discouragement (Han et al., 2009) as they are less likely to have a track record (Berger & Udell, 1998) or assets to pledge as collateral (Coco, 2000; Cosh et al., 2009; Fatoki & Eyedemi, 2010). In addition, younger SMMEs have limited access to knowledge and skills that could assist in securing external finance (Cumming et al., 2019). Hence, they perceived a lower likelihood of securing external finance based on the effort and cost needed to meet application requirements. This study’s findings are consistent with the literature as most of the SMMEs represented in this study are ‘younger’ SMMEs, and most participants running these ‘younger’ SMMEs were discouraged from applying for at least one form of external finance.

e. Number of Employees

The number of employees is an indicator of SMME size. In his investigation of the financing of business startups, Cassar (2004) found that size influences SMME financing decisions (Cassar, 2004). According to Finfind (2017), most SMMEs in South Africa (85%) employ less than five people. In this study, 6 out of 14 participants employed less than five people, five out of 14 employed between 10 and 20 people and one employed between 20 and 50 people. Entrepreneurs who run small and medium-sized businesses contributed to this study, developing an in-depth understanding of the cognitive process of entrepreneurs. Therefore, this study's findings can support finance providers in improving their support of SMMEs.

f. Sales Revenue

Annual sales revenue is another measure of business size, which indicates an SMME's potential to contribute to economic growth. Finfind (2017) estimated that 90% of SMMEs in South Africa generate less than R1 million in revenue. Similarly, Seed Academy (2018) estimated that 89% of SMMEs generate turnover below R1 million. 10 out of 14 participants in this study reported generating less than R500 000 in the last financial year. While this revenue is consistent with most SMMEs in South Africa, the researcher notes that the revenues reported by the participants may not accurately reflect the business potential. Most participants indicated that their revenues in the last financial year were severely impacted by COVID-19 regulations, which restricted trade activity, ultimately limiting the SMMEs' ability to generate sales revenue.

5.2 How Entrepreneurs Choose a Course of Action When Seeking External Finance

The cognitive process that controls how entrepreneurs choose a course of action when in need of external finance is not well understood. This study explored how entrepreneurs choose a course of action when seeking external finance. By adopting the Mindset Theory of Action Phases and its Rubicon model as a lens through which to interpret the data, the study aimed to develop an in-depth understanding of how entrepreneurs choose a course of action when in need of external finance to drive SMME growth. This section discusses the study's findings in relation to the research questions and the literature.

While scholars in the literature have recognised the need to understand the complexity and dynamics involved when entrepreneurs make decisions (Shepherd et al., 2015; Wright & Stigliani, 2012), the cognitive process that controls how entrepreneurs choose a course of action when in need of external finance is not well understood. The Mindset Theory of action phases and its Rubicon Model (Gollwitzer, 1990; Heckhausen & Gollwitzer, 1987) provide a temporal account of goal pursuit. By adopting the Mindset Theory of Action phases and its Rubicon model as a framework, this study provides a temporal account of the complex and dynamic process of seeking external finance. Exploring how entrepreneurs choose a course of action enabled the study to provide an account of entrepreneurs' financing decisions in relation to their actions when seeking external finance. In doing so, the study laid the foundation for developing an in-depth understanding of the underlying cognitive process through which entrepreneurs' financing decisions promote or limit SMME access to external finance. The cognitive phases that constitute the process of seeking external finance are discussed below.

5.2.1 Choosing a Course of Action

Participants in the choosing phase were concerned with choosing a course of action among a set of alternatives. Findings suggest that entrepreneurs gather information and evaluate the desirability and feasibility of available options to choose a suitable course of action when seeking external finance.

According to Wang and Ruhe (2007), decision-making is a process that involves an individual choosing a specific option among a set of alternatives based on specific criteria. Entrepreneurs in this study used desirability and feasibility as criteria for evaluating and comparing the external finance options available before choosing a course of action. Further, the decision-making literature intimates that individuals make decisions to achieve a goal that involves maintaining a specific state or maximising utility or value (Gonzalez et al., 2017). This study's findings suggest that entrepreneurs seek to choose a course of action that maximises the likelihood of securing the funds needed to drive SMME growth.

The study proposed a model of entrepreneurs' process of choosing a course of action when seeking external finance (MEPCCA). The model suggests that entrepreneurs gather information before choosing a course of action to aid their assessment of the available options. Findings suggest that entrepreneurs gather information from various sources, including their finance providers, social networks, and the media, or they rely on knowledge gathered from previous experience seeking external finance. This result supports Robb and Robinson (2014), who found that entrepreneurs with prior experience starting up a business relied more on external finance than those with less experience. Moreover, previous studies have shown that entrepreneurs are tied through social relationships and embedded into networks, which are a source of knowledge, support and resources (Aldrich & Zimmer, 1986; Greve & Salaff, 2003; Murzacheva & Levie, 2020). Therefore, entrepreneurs turning to their social networks for information on available external finance options is congruent with the existing literature.

Findings showed that the lack of information constrained participants' ability to evaluate the available external finance options. The entrepreneurial finance literature has established that credit rationing occurs as a result of asymmetric and imperfect information (Myers & Majluf, 1984; Stiglitz & Weiss, 1981), which makes it difficult for finance providers to assess SMME credit risk and predict loan repayment behaviour (Beck, Degryse, et al., 2018; Ennew & Binks, 1996). Meanwhile, previous studies have also shown that asymmetric and imperfect information can limit access to finance when SMMEs cannot obtain information about appropriate sources of finance (Beck et al., 2008; Kumar & Rao, 2015). This study's findings suggest that participants were less inclined to deliberate on external finance options if they did not have adequate information about them. Therefore, this result is consistent with the entrepreneurial finance literature, which intimates that lack of information about appropriate sources of external finance constrains SMME access to finance.

Over and above proactively seeking information, entrepreneurs in the choosing phase were open-minded and receptive to information about finance options when it was broadcast through media channels. Participants' receptivity to information in the choosing phase is consistent with a deliberative mindset where individuals are receptive to a broad range of information related to their goals (Gollwitzer, 2012).

Entrepreneurs in this study needed external finance to start or expand a business. Those aiming to expand their businesses sought external finance to support business activities that drive growth. Therefore, the data suggests that entrepreneurs' reasons for seeking external finance positively influence their desire for external finance. This finding supports Finfind (2017), who reported that business expansion was the main reason for SMMEs outside micro-enterprises seeking finance.

Similarly, the study's findings suggest that entrepreneurs' growth aspirations positively influence their desire for external finance, such that those with high growth aspirations deem external finance to be more desirable. In their study of entrepreneurs' funding decisions, Fitzsimmons and Douglas (2006) found that entrepreneurs who intend to pursue growth consider access to external finance an enabler of growth. Therefore, the result is consistent with previous studies suggesting that entrepreneurs with high growth aspirations are more likely to seek external finance (Cosh et al., 2009; Fitzsimmons & Douglas, 2006; Khalil et al., 2020; Wong et al., 2018).

In addition to growth aspirations, the model suggests that the business context and finance terms can influence the desirability of external finance. The business context comprises an external and internal environment that facilitates the need for external finance. While entrepreneurs may opt not to apply for external finance if they feel that the market environment is not conducive to an optimal return on investment, analysis results suggest that an unfavourable cashflow position improves the desirability of external finance. An SMME can have an unfavourable cash flow position due to late payments from clients, making it difficult for the SMME to meet its financial obligations (Bailey, 2018). Under these circumstances, entrepreneurs may seek external finance to finance day-to-day business needs.

The terms associated with external finance affected participants in various ways. For example, lenient repayment terms, such as those offered in public sector finance, enhanced the desirability of external finance, indicating that the cost of finance is important to entrepreneurs. This result is consistent with the theory on discouraged borrowers, wherein entrepreneurs find high interest rates unattractive and may choose not to apply for credit if interest rates are too high (Beck & Demirguc-Kunt, 2006; Cole & Dietrich, 2019; Kon & Storey, 2003; Stiglitz & Weiss, 1981).

On the contrary, findings indicate that the finance amount negatively influenced the desirability of external finance when the finance amount offered by finance providers was misaligned to the amount needed to fund business activities that drive growth. The cost of evaluating and managing loans or investments influences the finance amount providers offer. For example, banks prefer to lend between R250,000 and R5 million to optimise profitability (The Banking Association of South Africa, 2018). While entrepreneurs may require smaller amounts, banks may not fulfil the request because it erodes their profitability. This points to a need for finance providers to adopt lower-cost methods of evaluating and managing loans or investments to improve profitability on lower finance amounts. Further, the requirement for collateral reduced the desirability of external finance for entrepreneurs. This is consistent with the finance literature, which has shown that resource-starved SMMEs may have difficulty putting up collateral (Berger & Udell, 2006; Putra et al., 2019), and entrepreneurs may want to avoid using their personal assets as collateral (Paul et al., 2007) to minimise their of losses in the event of failure.

Entrepreneurs' fear of losing strategic control in the business and the risk of intellectual property theft have been recurring themes in the equity finance literature. Previous studies have shown that entrepreneurs may opt not to seek external finance to avoid diluting their ownership and control in the business (Bulan & Yan, 2010; Cressy, 1995; Myers & Majluf, 1984; Shava, 2018). Moreover, entrepreneurs are concerned about intellectual property being misappropriated after divulging proprietary information to equity investors who are closely involved in the business (Atanasov et al., 2012; Dowling et al., 2019). This study's findings, which suggest that external finance options that increase the potential loss of control are less desirable, are congruent with extant literature.

MEPCCA suggests that when evaluating the feasibility of securing funds through an external finance option, entrepreneurs form perceptions about their own credibility, application requirements, the application process and the finance provider's competence. Given finance providers' application evaluation methods, entrepreneurs form perceptions of their own credibility based on their own credit profile, whether they had a relationship with a finance provider and if they could demonstrate a proven ability to generate revenue for the finance provider. A good credit profile is essential when banks use information collected from credit bureaus to evaluate credit risk calculations (Berger & Udell, 2006). When this method is used, credit is awarded to SMMEs whose score is within the acceptable range. Therefore, entrepreneurs with poor credit profiles may be concerned about whether their credit score is conducive to a successful finance application.

Participants who had a pre-existing relationship with a finance provider had positive perceptions of the feasibility of securing funds through that provider. The relationship created a basis for relationship lending, which overcomes challenges with information asymmetry by using ‘soft’ information collected during the course of the relationship (Jaffee & Stiglitz, 1990) to evaluate credit risk. Moreover, a relationship with the finance provider created the basis for proactive offers of external finance to the entrepreneur, reinforcing their confidence in the feasibility of securing funds and promoting applying for external finance. The positive influence of a pre-existing relationship with finance providers underscores South African Banks’ growing use of relationship lending methods (Berger & Udell, 2006; Udell, 2015).

MEPCCA indicates that entrepreneurs’ perceptions about application requirements and the application process can affect their perception of the feasibility of securing the required funds through a specific finance option. This result is consistent with Naegels et al. (2022), who found that entrepreneurs’ perceptions of loan application procedures and allocation play an important role in SMME financing decisions. External finance options may be associated with qualifying criteria to ensure they meet the specific needs of predetermined groups. Entrepreneurs’ perceived feasibility differed based on their adherence to the qualifying criteria. Participants believed there was a high feasibility of securing funds if they met the qualifying criteria. In contrast, those who did not meet the criteria believed it was less feasible to secure funds.

In addition, the study’s findings suggest that entrepreneurs associate onerous documentation requirements with lower feasibility of securing external finance. SMMEs with limited access to resources (Cumming et al., 2019; Kumar & Rao, 2015) may have difficulty submitting business plans, financial statements or tax certificates if they are not routinely used in the business (Dlova, 2017; Sibanda & Manda, 2016). The findings suggest that entrepreneurs’ perceptions of the application process can affect their perceptions of the feasibility of securing external finance. An application process that was lengthy or perceived to be susceptible to corruption was associated with lower feasibility. This result supports Statnik and Giang (2019), who found that corruption discourages entrepreneurs from applying for external finance as they believe corruption could negatively influence their application outcome.

Last, the findings suggest that entrepreneurs' perceptions of the finance provider's competence can influence their assessment of feasibility. Entrepreneurs expect a competent finance provider to understand the business context adequately to evaluate a finance application appropriately. In addition, they expect a competent provider to make funds available when they have approved applications and communicate effectively throughout the process. Finance providers that did not meet the above expectations were associated with a lower feasibility of securing external finance.

The proposed MEPCCA indicates that entrepreneurs make a decision to apply based on positive perceptions of desirability and feasibility. The model suggests that positive perceptions of feasibility and desirability enhance entrepreneurs' intention to apply for the selected external finance option, enabling the entrepreneur to 'cross the Rubicon'. The intentions literature has established that intentions are central to voluntary behaviour (Ajzen, 1991; Audi, 1993; Bird, 1988, 2015; Douglas et al., 2021; Krueger & Carsrud, 1993; Sheeran, 2002; Van Gelderen et al., 2015) as forming an intention is the first step in the process of working towards a goal (Neneh, 2019; Urban, 2020). For entrepreneurs seeking external finance to drive SMME growth, the formation of intention is the first step to securing the funds needed to drive growth. Therefore, positive perceptions of desirability and feasibility enhance entrepreneurs' intention to apply through a decision to apply for their chosen finance option.

In their investigation of the financing decisions of rural farmers in China, Aisaiti et al. (2019) found that SMMEs positive perceptions of benefits associated with finance positively influenced their financing intention. Similarly, Naegels et al. (2022) found that perceptions of loan terms and processes shaped entrepreneurs' intention to apply. By indicating that positive perceptions of the desirability and feasibility of an external finance option enhance entrepreneurs' intention to apply through a decision to apply, this study's findings are consistent with existing literature. The study contributes to the literature by identifying perceptions of desirability and feasibility as factors influencing entrepreneurs' intention to apply for external finance.

5.2.2 Making Plans to Apply

Planning helps entrepreneurs evaluate alternative courses of action and adapt strategies (Shepherd et al., 2015). Individuals in the planning phase are concerned with establishing the details of 'when', 'where' and 'how' to take action to achieve the desired outcome (Gollwitzer, 1990). Findings suggest that entrepreneurs in this phase gather additional information and collate the required documentation. Aiming to maximise the likelihood of succeeding in securing the required funds, participants contacted the finance provider associated with their chosen finance option to get additional information concerning their chosen finance option. The focused search for a narrow set of information is consistent with an implemental mindset as described in the Mindset Theory of Action Phases (Gollwitzer, 2012).

The findings suggest that entrepreneurs in this phase collate the documentation required for the finance application. If they perceive their chosen external finance option as highly desirable but associate it with lower feasibility due to application requirements or the business context, entrepreneurs may defer their application until they can meet the application requirements or until the business context is conducive to a good return on investment. Through this finding, this study distinguishes between discouragement (i.e., choosing not to apply) (Kon & Storey, 2003) and deferred applications (i.e., choosing to apply at a later date). In doing so, entrepreneurs can maximise the likelihood of succeeding in securing the required funds when they do apply. The distinction between discouragement and deferred applications is coherent with previous studies that suggest that discouragement is not a permanent condition but rather a temporary condition that improves as the business matures (Fastenbauer & Robson, 2014; Naegels et al., 2022). The proposal that discouragement is a condition that improves as the business matures (Fastenbauer & Robson, 2014) suggests a passive role for the entrepreneur as one whose choices are driven by the maturity of the business. However, the findings of this study suggest a more proactive role where entrepreneurs defer their application to address the factors that threaten their ability to achieve their goals. By distinguishing between a discouraged borrower and an entrepreneur who defers their application to improve feasibility, this study extends on the findings by Fastenbauer and Robson (2014).

5.2.3 Acting

The data suggests that after collating the required documentation, entrepreneurs take the necessary action to submit their finance applications and address obstacles threatening their goal of securing the funds required to drive growth. One such obstacle was a lack of response from finance providers. This study found that entrepreneurs perceived the lack of response as an obstacle threatening the goal of securing additional funds. This finding is congruous to FinFind (2020), who reported that 51,5% of applications to public sector finance institutions did not receive a response, while 32,2% of applicants to banks did not receive a response. Entrepreneurs who had not received a response from the finance provider remained committed to their goal of securing additional funds and considered alternative options.

Working capital shortage is another obstacle that can emerge when applications for external finance are delayed. Participants who experienced working capital shortages due to delays in the application process used their personal savings or borrowed funds from family or friends to cover the shortfall while waiting for an outcome on their finance application. The current literature reports how entrepreneurs use personal savings or borrow funds from family and friends (Berger & Udell, 1998; Finfind, 2017; Seed Academy, 2018). This study contributes to an improved understanding of entrepreneurs' use of personal funds in their businesses by highlighting the intersection between different types of finance. The study highlights that personal funds may be used temporarily to compensate for delays in securing external finance. If they do not have sufficient personal funds, entrepreneurs may adjust their business models by introducing additional services to generate additional cash flow if they anticipate delays in securing external finance.

5.2.4 Evaluating

The data suggests that entrepreneurs evaluate goal achievement after applying for external finance. This evaluation entails weighing the outcome of their finance application against the effort invested in the application process, reflecting on the appropriateness of the timing of their application, and the impact that their actions have on their social networks. This finding is congruent with Heckhausen (2007), who proposed that after taking action, individuals must be concerned with assessing the outcomes of their actions and the consequences thereof. As part of this assessment, the individual determines if the achieved outcome matches the expected outcome (Gollwitzer, 1990). The actual value will likely fall short of the expected value if desirability and feasibility were overestimated (Gollwitzer, 1990). Further, the outcome of the assessment in the evaluation phase can affect future deliberations for similar goals (Gollwitzer, 1990). This aligns with the findings, which showed that previous experiences can influence entrepreneurs' deliberations in the choosing phase when seeking external finance.

5.3 How Growth Aspirations Promote Entrepreneurs Applying for External Finance

The underlying cognitive process through which entrepreneurs' growth aspirations promote SMME access to external finance is poorly understood. This study explored how growth aspirations promote entrepreneurs applying for external finance. This section discusses the findings in relation to the research question and the literature.

Growth is a deliberate choice that entrepreneurs make based on their reasons for starting or running a business (Wiklund et al., 2003). Entrepreneurs' growth aspirations represent their intrinsic desire for growth (Hermans et al., 2015). Previous studies have shown that entrepreneurs who intend to pursue growth consider access to external finance an enabler of growth (Fitzsimmons & Douglas, 2006). The study's findings suggest that entrepreneurs' growth aspirations positively influence their desire for external finance, such that those with high growth aspirations deem external finance to be more desirable. Positive perceptions of desirability in the choosing phase support entrepreneurs in making a decision, which increases their intention to apply for their chosen option.

In addition to increasing the desirability of external finance in the choosing phase, the data suggests that growth aspirations motivate entrepreneurs to overcome obstacles when applying for external finance. Therefore, entrepreneurs' intrinsic desire for growth positively influences their intention to apply for external finance even when faced with obstacles. Desires are important motivators in decision-making, providing the impetus for intentions (Perugini & Bagozzi, 2001). Additionally, intentions capture the individual's motivation to act, including how much effort the individual is willing to put in (Ajzen, 1991; Delmar & Wiklund, 2008). Therefore, the proposition that growth aspirations promote entrepreneurs applying for external finance by increasing its desirability, which positively influences their intention to apply, is consistent with previous studies suggesting that entrepreneurs with high growth aspirations are more likely to seek external finance (Cosh et al., 2009; Fitzsimmons & Douglas, 2006; Khalil et al., 2020; Wong et al., 2018). This study extends the literature by proposing that growth aspirations promote entrepreneurs applying for external finance by making external finance more desirable to entrepreneurs seeking to drive SMME growth.

5.4 How Discouragement Limits Entrepreneurs Applying for External Finance

The underlying cognitive process through which discouragement limits SMME access to external finance is poorly understood. This study explored how discouragement limits entrepreneurs applying for external finance to address RQ3. This section discusses the study's findings in relation to the research questions and the literature.

According to Kon and Storey (2003), discouraged borrowers need external finance but do not apply due to a fear of rejection. While this study collected data on the experiences of entrepreneurs discouraged from applying for external finance, the fear of rejection was not a predominant theme supported by the data.

Instead, the study's findings suggest that entrepreneurs are discouraged from applying for external finance if they deem the available option not to be sufficiently desirable or feasible. However, by showing that negative perceptions of feasibility contribute to discouragement, this study's findings are concordant with the literature on discouragement, which contends that entrepreneurs opt not to apply for external finance if they perceive a lower probability of succeeding in securing additional funds (Freel et al., 2012; Kon & Storey, 2003; Mac an Bhaird et al., 2016; Naegels et al., 2022).

Discouraged entrepreneurs' decision not to apply for external finance even when needed to drive growth demonstrates the bounded rationality of entrepreneurs' financing decisions. Entrepreneurs who seek external finance to drive SMME growth aim to maximise the likelihood of securing the funds needed to drive growth. However, the decision to eschew external finance is contrary to that aim. When entrepreneurs choose not to apply for much-needed finance, they are no longer driven by the need to maximise the likelihood of securing funds but rather by other cognitive factors. This perspective supports the notion that cognitive factors can affect financing decisions (Bilgehan, 2014; Cosh et al., 2009; Fitzsimmons & Douglas, 2006; Fraser, 2019; Fraser et al., 2015; Tomak, 2013). Discouragement is a cognitive factor that affects the entrepreneur's "assessments, judgements or decisions" (Mitchell et al., 2002, p. 97).

The study's findings indicate that participants were discouraged from applying if they had negative perceptions of the desirability or feasibility of the finance options they deliberated on. Consequently, their intention to apply for external finance was diminished. Therefore, discouragement limits entrepreneurs applying for external finance through its negative influence on entrepreneurs' intention to apply. This result supports Naegels et al. (2022), who found that negative perceptions of loan application, allocation and payback procedures cause an unfavourable attitude towards formal loans, which, together with entrepreneurs' perceptions of societal norms, lead to a low intention to apply. By demonstrating an enhanced intention to apply when entrepreneurs have positive perceptions of desirability and feasibility together with a diminished intention to apply when entrepreneurs are discouraged, this study supports Naegels et al.

(2022) in their assertion that it may be more insightful to measure discouragement using a scale based on intention rather than the current convention of measuring discouragement using a binary construct.

This study's findings also showed that entrepreneurs discouraged from applying for one finance option re-entered the choosing phase to deliberate on alternative options that could help them achieve their goal of securing the funds needed to drive growth. This suggests that choosing is an iterative process supported by the availability of alternative external finance options. Moreover, the finding suggests that discouragement is specific to a finance option. In their theory of discouraged borrowers, Kon and Storey (2003) posit that discouragement falls with increasing alternative funding sources. Based on the above result, this study expounds on the dynamics of discouragement in a context where different types of external finance are available. In such a context, discouragement should not necessarily lead to self-imposed credit rationing if entrepreneurs know of alternative sources of external finance.

5.5 The Cognitive Process of Entrepreneurs Seeking External Finance to Drive SMME Growth

The underlying cognitive process through which entrepreneurs' financing decisions promote or limit SMME access to external finance is poorly understood. The study addressed the overarching research question through sub-questions RQ1, RQ2 and RQ3. Findings that address these sub-research questions facilitate an in-depth understanding of how the cognitive process of entrepreneurs seeking external promotes or limits SMME access to external finance to drive SMME growth. Integrating the findings into a coherent account, the study proposed a model of the cognitive process of entrepreneurs seeking external finance (MCPESEF). The model proposes that entrepreneurs go through distinct cognitive phases of choosing, planning, acting and evaluating when seeking external finance to drive SMME growth. The choosing phase is supported by a deliberative mindset that renders the entrepreneur open-minded and receptive to information about the finance options available. In contrast, the planning, acting, and evaluating phases are supported by an implemental mindset, which helps them focus on the actions needed to secure external finance through their chosen external finance option.

In addition, the model proposes that entrepreneurs' need for external finance, their growth aspirations, the business context, the finance terms and the potential loss of control in the business influence their perceptions of the desirability of an external finance option. Further, the model proposes that entrepreneurs' perceptions of their own credibility, application requirements, the application process and the finance provider's competence influence their perceptions of the feasibility of securing funds through a specific finance option. According to the model, positive perceptions of desirability and feasibility enhance entrepreneurs' intention to apply through a decision to apply for their chosen finance option, while negative perceptions of desirability and feasibility lead to discouragement.

Previous studies in the literature have proposed models to explain the process undertaken by entrepreneurs when making financing decisions. For example, the financial growth paradigm proposes that different financing options become more attractive as firms become larger, older, and more informationally transparent (Berger & Udell, 1998; Gregory et al., 2005; Lefebvre, 2021). However, the financial growth paradigm is based on capital structure theories, which assume that entrepreneurs act rationally when making financial decisions and fail to account for the effect of cognitive factors on entrepreneurs when making finance decisions (Bilgehan, 2014; Tomak, 2013).

Attempting to account for cognitive factors in entrepreneurs' financing decisions, Fraser (2019) conceptualises the entrepreneurial credit journey as one that follows an entrepreneur from developing credit needs through application and lending decisions to the consequences of the decisions on firm performance. The journey accounts for cognitive factors affecting whether credit needs are translated into a credit application. While the entrepreneurial credit journey is conceptualised as a dynamic and recurrent process (Fraser, 2019), it is limited to explaining financing decisions related to debt finance (i.e. credit) and does not account for decisions on equity finance.

Recognising the need to account for the effect of cognitive factors on entrepreneurs' decision-making process, Naegels et al. (2022) modelled the process through which female entrepreneurs become discouraged. The model demonstrates the process through which entrepreneurs' perceptions of formal loans shape their intention to apply for formal loans. While this process model advances the current understanding of how entrepreneurs make decisions to eschew bank credit, it does not account for the process through which entrepreneurs make financing decisions related to non-bank sources of external finance. In addition, the process model stops at the formation of an intention to apply and does not explain the process through which entrepreneurs act on their intentions. Moreover, the process model of Naegels et al. (2022) is focused on female entrepreneurs and does not account for male entrepreneurs.

The proposed MCPESEF uses the Mindset theory of action phases and its Rubicon model of action as a framework to provide a temporal account of the complex and dynamic process of seeking external finance. The proposed model extends beyond bank credit and explains entrepreneurs' financing decisions related to non-bank finance. Further, the proposed model expands on the current understanding by explaining entrepreneurs' financing decisions in relation to their actions when seeking external finance, irrespective of gender. In doing so, the process model develops an in-depth understanding of the complexities and dynamics involved when entrepreneurs make financing decisions to drive SMME growth.

5.6 Chapter Summary

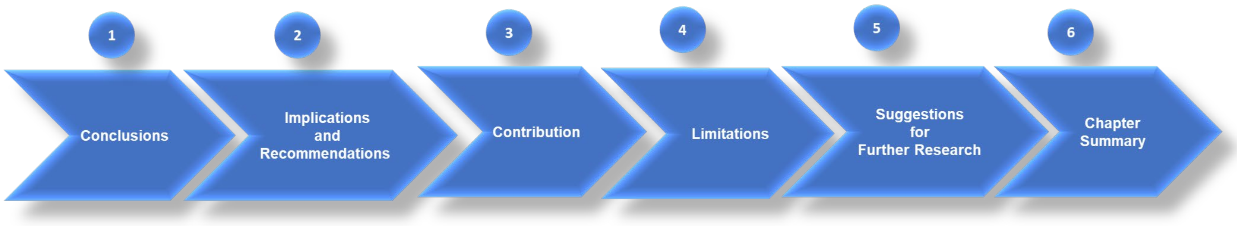
Entrepreneurs' financing decisions play an important role in enabling SMME access to external finance. However, the underlying cognitive process through which entrepreneurs' financing decisions promote or limit SMME access to external finance is poorly understood. This qualitative study uses reflexive thematic analysis to explore the cognitive process of entrepreneurs seeking external finance through which entrepreneurs' financing decisions promote or limit SMME access to external finance to drive growth. To address the overarching research question, the study explores how entrepreneurs choose a course of action when seeking external finance. In addition, the study explores how growth aspirations promote entrepreneurs' applying and how discouragement limits entrepreneurs applying for external finance to drive SMME growth.

Based on the findings, the study proposed a model of the cognitive process of entrepreneurs seeking external finance (MCPESEF). The proposed model uses the Mindset theory of action phases and its Rubicon model of action as a framework to provide a temporal account of the complex and dynamic process of seeking external finance. The proposed model extends beyond bank credit and explains entrepreneurs' financing decisions related to non-bank finance. Further, the proposed model expands on the current understanding by explaining entrepreneurs' financing decisions in relation to their actions when seeking external finance.

In addition to the proposed process model, this study extends the literature by demonstrating that growth aspirations promote entrepreneurs applying for external finance by making external finance more desirable to entrepreneurs seeking to drive SMME growth. Further, the study expounds on the dynamics of discouragement in a context where different types of external finance are available. It theorises that discouragement limits entrepreneurs applying for external finance through its negative influence on entrepreneurs' intention to apply.

CHAPTER 6: CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS

This chapter concludes the study by summarising the findings and addressing the research questions and objectives. The chapter summarises conclusions from the literature to reiterate the significance of the study. Then, the chapter discusses conclusions from the literature, conclusions from the study, the associated implications and makes recommendations for finance providers and policymakers. Last, the chapter discusses the study's contributions and limitations and suggests avenues for further research.



6.1 Conclusions From the Literature

This study was inspired by industry reports, which estimated that up to 80% of entrepreneurs in South Africa do not apply for external finance, even when it is needed to drive SMME growth (Finfind, 2017; Seed Academy, 2018). The finance literature has established that SMMEs need access to finance to grow (Carbo-Valverde et al., 2016; Carpenter & Petersen, 2002; Cassar, 2004; Kersten et al., 2017; Kumar & Rao, 2015). Entrepreneurs' financing decisions play an important role in enabling SMME access to external finance (Cohen & Wirtz, 2021; Nguyen & Canh, 2021; Wong et al., 2018). Therefore, findings from the industry reports suggest that entrepreneurs' financing decisions may limit SMME access to external finance to a large degree and inadvertently compromise their ability to contribute to socio-economic development.

Despite more studies focusing on how entrepreneurs make financing decisions (Cumming et al., 2019; Kersten et al., 2017; Kuada, 2021; Rao et al., 2021), existing research does not adequately capture the complexity and dynamics involved when entrepreneurs make decisions (Shepherd et al., 2015; Wright & Stigliani, 2012). Cognitive approaches to explaining entrepreneurs' financing decisions recognise decision-making as a cognitive process that can be affected by cognitive factors (Bilgehan, 2014; Cosh et al., 2009; Fitzsimmons & Douglas, 2006; Fraser, 2019; Fraser et al., 2015; Tomak, 2013). However, the underlying cognitive process through which entrepreneurs' financing decisions promote or limit SMME access to external finance is poorly understood. An in-depth understanding of how entrepreneurs' financing decisions promote or limit the use of external finance is important for improving SMME access to the external finance needed to drive growth.

6.2 Conclusions of the Study

The study used reflexive thematic analysis to explore the cognitive process of entrepreneurs seeking external finance through which entrepreneurs' financing decisions promote or limit SMME access to external finance to drive growth. To address the overarching research question, the study explored how entrepreneurs choose a course of action when seeking external finance (RQ1). In addition, the study explored how growth aspirations promote entrepreneurs' applying (RQ2) and how discouragement limits entrepreneurs applying for external finance to drive SMME growth (RQ3).

RQ1: How Entrepreneurs Choose a Course of Action When Seeking External Finance

Using the Mindset theory of action phases and its Rubicon model as a framework, the study proposes a model which describes entrepreneurs' process of choosing an appropriate course of action (MEPCC). The model proffers that entrepreneurs go through distinct cognitive phases of choosing a course of action, making plans to apply, acting and evaluating when seeking external finance to drive SMME growth. The choosing phase is supported by a deliberative mindset that renders the entrepreneur open-minded and receptive to information about the finance options available. In contrast, the planning, acting, and evaluating phases are supported by an implemental mindset, which helps them focus on the actions needed to secure external finance through their chosen external finance option.

The proposed model expounds on factors that influence the desirability of external finance, including the entrepreneurs' need for external finance, their growth aspirations, the business context, the finance terms and the potential loss of strategic control of the business. In addition, the model enucleates factors that influence entrepreneurs' perceptions of the feasibility of securing funds through a specific external finance option. The factors include entrepreneurs' perceptions of their own credibility, application requirements, the application process and perceptions of the finance provider's competence. The study concludes that positive perceptions of desirability and feasibility enhance entrepreneurs' intention to apply for their chosen finance option, while negative perceptions of desirability and feasibility lead to discouragement.

RQ2: How Growth Aspirations Promote Entrepreneurs Applying for External Finance

The study theorises that growth aspirations promote entrepreneurs applying for external finance by making it more desirable to entrepreneurs seeking to drive SMME growth, thereby enhancing their intention to apply. Therefore, the study concludes that growth aspirations promote entrepreneurs applying for external finance by increasing their desirability, positively influencing their intention to apply.

RQ3: How Discouragement Limits Entrepreneurs Applying for External Finance

The study's findings indicate that discouragement arises due to negative perceptions of the desirability or feasibility of external finance in the choosing phase. In addition, the findings suggest that discouragement is specific to an external finance option. When discouraged by an external finance option, entrepreneurs who need external finance re-enter the choosing phase and deliberate on other available options. The study concludes that discouragement limits entrepreneurs applying for external finance through its negative influence on entrepreneurs' intention to apply. The inferences made in this study extend beyond bank credit and explain entrepreneurs' financing decisions related to non-bank finance. Further, the study contributes to the current understanding by explaining entrepreneurs' financing decisions in relation to their actions when seeking external finance. In doing so, the study develops an in-depth understanding of the complexities and dynamics involved when entrepreneurs make financing decisions to drive SMME growth.

Overarching RQ: 'How the Cognitive Process of Entrepreneurs Seeking External Finance Promotes or Limits SMME Access to External Finance to Drive Growth

Using the Mindset theory of action phases and its Rubicon model as a framework, the study proposes a model of the cognitive process of entrepreneurs seeking external finance (MCPESEF). The model proffers that entrepreneurs go through distinct cognitive phases of choosing a course of action, making plans to apply, acting and evaluating when seeking external finance to drive SMME growth. The choosing phase is supported by a deliberative mindset that renders the entrepreneur open-minded and receptive to information about the finance options available. In contrast, the planning, acting, and evaluating phases are supported by an implemental mindset, which helps them focus on the actions needed to secure external finance through their chosen external finance option.

The MCPESEF complements MEPCCA by accounting for entrepreneurs' actions following their decision to apply for their chosen course of action, and it accounts for cognitive factors that promote or limit entrepreneurs applying for external finance in each phase of the cognitive process of entrepreneurs seeking external finance. In doing so, MCPESEF provides a temporal account of the complex and dynamic process of seeking external finance. By proposing MEPCCA and MCPESEF, the study provides an in-depth understanding of the complexities and dynamics involved when entrepreneurs make financing decisions to drive SMME growth.

6.3 Implications and Recommendations

Based on the proposed model of the cognitive process of entrepreneurs seeking external finance, the study recommends the following measures to support entrepreneurs in making financing decisions that promote SMME access to external finance when needed to drive growth.

6.3.1 Increased Awareness and Access to Information About Available External Finance Options

Entrepreneurs' ability to choose an appropriate course of action when seeking external finance is limited by the information available to them. In particular, entrepreneurs' consideration of non-bank finance options such as crowdfunding and marketplace lending were constrained by limited available information. Further, the lack of information discouraged entrepreneurs from applying. Finance providers and policymakers aiming to improve SMME access to finance should focus on improving SMME access to information about available finance options to address possible discouragement.

This study recommends that finance providers increase marketing efforts to increase awareness of their offerings and assist entrepreneurs in understanding the benefits and terms of each option. In addition, it is recommended that such marketing efforts emphasise how entrepreneurs can apply for external finance. Moreover, this study recommends that finance providers with existing relationships with SMMEs (e.g., suppliers or banks that offer transactional accounts) proactively identify SMMEs with good risk profiles and approach them with proactive offers of external finance. Proactive offers empower entrepreneurs to assess the feasibility of securing external finance more accurately and help them overcome discouragement due to a lack of information.

The prospect of increasing profits incentivises each finance provider to increase awareness and encourage SMMEs to take up their offerings. However, no single provider has the incentive to maximise awareness of all available finance options as this competes with their commercial interests. Thus, it is recommended that policymakers play a more active role in creating awareness and improving SMMEs' understanding of the different financing options available to them.

6.3.2 Goal-oriented Guidance that Supports Entrepreneurs' Financing Decisions

While finance providers provide information to help entrepreneurs choose a suitable finance option, their approaches emphasize the features and benefits of their finance products. They do little to demonstrate how the different types of external finance can help entrepreneurs achieve their goals and aspirations when seeking to drive SMME growth. An in-depth understanding of the cognitive process of entrepreneurs seeking external finance empowers policymakers and finance providers to guide entrepreneurs better through the decision-making process. Goal-oriented guidance can assist entrepreneurs in overcoming cognitive constraints and using external finance appropriately to drive SMME growth. This study recommends that policymakers support the provision of services that guide entrepreneurs' financing decisions as follows:

a. Guidance Focused on Goal Achievement

External finance is an enabler of growth. Therefore, securing external finance supports SMMEs' growth goals. This study recommends policymaker intervention to create processes that guide entrepreneurs seeking external finance. The guidance should extend beyond determining the appropriate external finance options and must include goal setting and evaluation of goal achievement. The choice to seek external finance must be guided by the anticipated benefit to be realised when the entrepreneurs' goals have been achieved. In addition, entrepreneurs must be supported in tracking progress towards their goals and identifying areas of improvement. Enabling entrepreneurs to define and track progress on their goals and success measures in relation to seeking external finance can improve the rate of goal achievement and optimise the return on the external finance secured. In addition, entrepreneurs will be able to learn from their experiences and apply lessons learnt in future iterations of seeking external finance to drive growth.

b. Technology Use to Scale Goal-Oriented Guidance

Initiatives that aim to improve SMME access to finance can fail to achieve a significant impact due to a lack of scale (OECD, 2015). The study recommends leveraging technology to ensure that entrepreneurs can access the guidance at a low cost, at any time (not limited to office hours), irrespective of location. Given the extensive adoption of mobile phones in South Africa, the guidance can be offered through a mobile application that can be accessed using a smartphone. According to the Social Media Landscape Report 2022 (Ornico & World Wide Worx, 2022), 51,5% of internet users in South Africa use online financial services on a monthly basis. Therefore, a mobile application is likely to reach more entrepreneurs because a large proportion of internet users are already accustomed to accessing financial services online. Importantly, a mobile application could lessen the effect of other cognitive factors, such as fear, doubt and aversion (Van Gelderen et al., 2015) that may prevent entrepreneurs from seeking information through face-to-face interactions.

c. Removal of Cost as a Barrier to Accessing the Goal-Oriented Guidance

The cost of services can be a barrier to adoption for resource-starved SMMEs. Therefore, entrepreneurs must be able to access the guidance at no cost. Should the guidance be offered through a mobile application, the cost of mobile data may become a barrier to accessing the service. The Department of Small Business Development can remedy this challenge by offering a zero-rated application that can be accessed without data. The cost of running and enhancing the mobile application can be offset by charging a referral fee to each finance provider who receives a finance application through the mobile application. The justification is that this mobile application would facilitate sales on behalf of finance providers. Policymakers concerned about remaining neutral in their dealings with finance providers can regulate participation, ensuring that all finance providers participate equally in the service.

d. *Recommendations to Support Entrepreneurs in Choosing an Appropriate Course of Action*

Choosing an appropriate course of action does not only require entrepreneurs to have adequate knowledge about available finance options. It also requires entrepreneurs to understand the finance terms, application requirements and the associated application process. The study recommends that the goal-oriented guidance provides information about available finance options and recommends suitable options based on entrepreneurs' goals, their ability to meet the application requirements and the anticipated return on investment. The benefits and drawbacks of each finance option must be highlighted, enabling entrepreneurs to assess the desirability and feasibility of each option. Ratings and reviews completed by other entrepreneurs can be incorporated to build confidence in less common finance options such as crowdfunding or marketplace lending, encouraging entrepreneurs to consider and apply for them, where appropriate. Algorithms used to make recommendations can be published to allow scrutiny and removal of potential bias.

Finance option recommendations must be driven by the suitability of options for SMME needs, considering their finance terms, application requirements and the application process. Recommending suitable options will meet SMME needs and drive competition among finance providers, improving options available to SMMEs in the long run.

e. *Reduced Complexity and Friction in the Application Process*

Unlike the current approaches that separate decision-making from applying, the study recommends enabling entrepreneurs to act on their intention to apply by submitting an application through the same channel that provides goal-oriented guidance. Friction in the application process can be reduced by sourcing information and documentation from third-party data sources. Supporting information and documents can be sourced digitally from third-party data sources, such as the Department of Home Affairs (DHA), the Companies and Intellectual Property Commission (CIPC) and the South African Revenue

Services (SARS), to reduce application effort and cost. This study supports calls in the literature for policymakers to enable the development of credit bureaus that collect and provide SMME data to aid finance providers in evaluating applications. Digitizing the application process will reduce application effort and cost and shorten the application process, enhancing entrepreneurs' perception of the feasibility of securing external finance. Therefore, a digitized application process with less complexity and friction can reduce discouragement for entrepreneurs seeking external finance to drive SMME growth.

In addition, the study recommends that finance providers enhance their application processes to evaluate applications that require funds for multiple purposes that contribute to business growth. The study showed that entrepreneurs' need for external finance was not limited to a single purpose. Hence, entrepreneurs sought to secure additional funds for multiple purposes, contributing to business growth. Finance providers who focus their evaluation on a single purpose are at risk of understating SMME risk or offering inadequate finance if entrepreneurs require external finance for more than one purpose to achieve growth. For example, an entrepreneur who wishes to expand their business capacity to serve more clients may require additional equipment, inventory, and staff. A finance provider who only evaluates the risks and potential benefits of financing additional equipment may understate the risk of losses if the entrepreneur cannot secure additional funds for the additional inventory and staff required to achieve the benefit projected in the business case. Therefore, this study recommends that finance providers enhance their application evaluation processes to accommodate entrepreneurs who need external finance for multiple purposes, contributing to growth.

6.4 Contribution of the Study

By addressing the research question, this study has improved the understanding of the cognitive process through which entrepreneurs' financing decisions promote or limit SMME access to external finance to drive growth. The study's theoretical, empirical and methodological contributions are outlined below.

6.4.1 Theoretical Contribution

The study contributes to extant theory in several ways. The study applies the Mindset Theory of action phases and its Rubicon model in a new context. By adopting a process-oriented approach to exploring how entrepreneurs choose a course of action when in need of external finance, the study proposes a model of the process of choosing a course of action (MEPCCA), which describes entrepreneurs' process of choosing a course of action when seeking external finance. In addition, the study proposes an integrated model of the cognitive process of entrepreneurs seeking external finance to drive SMME growth (MCPESEF), which provides a temporal account of the complex and dynamic process of seeking external finance to drive SMME growth.

The study identifies entrepreneurs' perceptions of desirability and feasibility as factors that influence entrepreneurs' intention to apply for external finance. By identifying the role of desirability and feasibility in financing decisions, the study provides a basis for explaining the difference between entrepreneurs who take action to apply and those who do not.

The study contributes to the literature by theorising that growth aspirations promote entrepreneurs applying for external finance by increasing its desirability, which positively influences their intention to apply. By suggesting associations between growth aspirations, desirability and intention to apply, the study provides a basis for explaining the positive relationship between growth aspirations and seeking external finance as observed in the literature (Cosh et al., 2009; Fitzsimmons & Douglas, 2006; Khalil et al., 2020; Wong et al., 2018).

The study contributes to discouragement theory in several ways. The study demonstrates that discouragement arises due to negative perceptions of the desirability or feasibility of external finance. In addition, the study theorises that discouragement limits entrepreneurs applying for external finance through its negative influence on entrepreneurs' intention to apply. Moreover, the study supports the literature by showing that discouragement is specific to an external finance option and is distinguishable from deferred applications. Extant theory intimates that discouragement is a condition that improves as the business matures (Fastenbauer & Robson, 2014), suggesting a passive role for the entrepreneur as one whose choices are driven by the maturity of the business. However, the findings of this study suggest a more proactive role where entrepreneurs defer their application to address the factors that threaten their ability to achieve their goal of securing the external finance needed to drive SMME growth.

By incorporating different types of finance, the study augments the limited research on SMMEs' use of non-bank finance sources (OECD, 2015) and contributes to a better understanding of entrepreneurs' financing decisions beyond bank credit. The study provides novel insights into factors discouraging entrepreneurs from applying for crowdfunding, marketplace lending, venture capital, trade credit, public sector grants, and public sector loans. In so doing, this study improves the current understanding of government finance options and innovative and emerging sources of external finance.

6.4.2 Empirical Contribution

Bank financing is the most researched theme in SMME finance (Rao et al., 2021). Scholars in the literature have lamented the lack of data to improve the current understanding of SMME financing decisions (Fraser, 2019; Fraser, Bhaumik, & Wright, 2015) and the dearth of data on the use of non-bank finance sources limits the assessment of policy effectiveness in this area (OECD, 2015). This study made an empirical contribution by collecting qualitative data on the use of non-bank finance, including crowdfunding, marketplace lending, venture capital, trade credit, public sector grants and public sector loans.

The study also makes an empirical contribution by collecting data in the African context. SMME financing in Africa has received limited attention in research. As a result, Rao et al. (2021) called for more research in this region, consisting of developing and emerging markets wherein SMMEs play a significant role in economic development and employment creation. This study responds to this call by collecting empirical data on SMME financing in South Africa.

6.4.3 Methodological Contribution

Research on SMME financing decisions has favoured quantitative designs over qualitative designs that can provide rich insights into the experiences of entrepreneurs as they seek external finance (Beck & Demirguc-Kunt, 2006; Chakravarty & Xiang, 2013). Qualitative research examining entrepreneurs' experiences seeking external finance is limited (Fastenbauer & Robson, 2014; Fraser, 2019; Junge et al., 2022; Naegels et al., 2022; Rao et al., 2021), making up only 13% of SMME finance research (Rao et al., 2021). Reflexive thematic analysis enabled the study to contribute to theory development, providing an in-depth understanding of the complex, dynamic process of seeking external finance to drive SMME growth.

6.5 Limitations of the Study

While this study makes theoretical and practical contributions to entrepreneurial finance literature, it has some limitations:

The study purposively sampled participants from social networking platforms, including LinkedIn, Facebook and WhatsApp. While purposive sampling selects information-rich cases that yield the most relevant insights and contribute to developing an in-depth understanding of a phenomenon (Andrade, 2021; Guetterman, 2015), it is a non-probability sampling technique that limits the generalisability of the study's findings. Consequently, the inferences made in this study cannot be generalised to all South African entrepreneurs. The study's findings may be transferable to similar contexts.

The study relied on participants' accounts of their past experiences seeking external finance. Such accounts were drawn from participants' memory. Information recalled from memory may not be accurate due to distortion or 'rewriting' history, especially for events that go beyond six months (Britten et al., 2012; Koussaifi et al., 2020). This study did not limit participant accounts to a specific timeframe. Therefore, the participants' accounts used as the basis for analysis may not be complete, or they may contain inaccuracies.

Public sector COVID-19 support is a type of public sector finance available to participants. However, this study did not collect data on Public sector COVID-19 support due to a lack of data. Therefore, this study's findings do not apply to public sector COVID-19 support.

Lastly, most participants in this study had a postgraduate degree or diploma. This may result from the participant selection strategy, which purposively sampled from social networking platforms - LinkedIn, Facebook and WhatsApp. The inferences made in this study may not be transferrable to entrepreneurs with low education levels or those who do not use social networking platforms.

6.6 Suggestions for Further Research

This study contributed to an improved understanding of the cognitive process through which entrepreneurs' financing decisions promote or limit SMME access to the external finance needed to drive growth. However, given the study's limitations, further research would be beneficial to build on this study's findings:

The findings of this study indicated that entrepreneurs' financing decisions are influenced by their assessment of the desirability and feasibility of a finance option. In addition, the findings suggest that positive perceptions of desirability and feasibility enhance entrepreneurs' intention to apply for external finance. However, the effect of desirability or feasibility on entrepreneurs' intention to apply was not quantified. Further research is required to quantify the effect of desirability and feasibility on entrepreneurs' intention to apply for external finance.

The Entrepreneur Event Model (Shapero & Sokol, 1982) establishes relationships between perceptions of desirability and feasibility and intention. While the model has been used to explain how entrepreneurs form an intention to start a business, the process of starting a business is similar to the process of seeking external finance in that both processes are complex and dynamic, requiring entrepreneurs to make decisions and take multiple steps over time to achieve a goal. Therefore, the entrepreneur event model may offer new avenues for quantifying the effect of desirability and feasibility on entrepreneurs' intention to apply for external finance.

This study's findings suggest that entrepreneurs' need for external finance, their growth aspirations, the business context, the finance terms and the potential loss of control in the business influence their perceptions of the desirability of an external finance option. Similarly, the findings indicate that entrepreneurs' perceptions of their own credibility, application requirements, the application process and the finance provider's competence influence their perceptions of the feasibility of securing funds through a specific finance option. Further research is required to determine the extent to which the above factors affect entrepreneurs' perceptions of desirability and feasibility, respectively.

Previous studies indicate that growth aspirations positively affect entrepreneurs applying for external finance (Cosh et al., 2009; Fitzsimmons & Douglas, 2006). This study's findings suggest that growth aspirations promote entrepreneurs applying for external finance by increasing its desirability, which positively influences their intention to apply. An indirect effect, through a mediating variable, can offer a possible explanation for this result. A mediating variable transfers the effect of an independent variable on a dependent variable (MacKinnon et al., 2007). Further research is required to test the mediating effect of the desirability of the relationship between growth aspirations and entrepreneurs' intention to apply for external finance.

This study identified factors that contribute to discouragement across different types of external finance. However, the effect of each factor on entrepreneurs' intention to apply was not measured. There is an opportunity for further research to determine the extent to which each factor contributes to discouragement. A clear understanding of the relative effects of the factors that contribute to discouragement would enable finance providers and policymakers to prioritise and address factors with the highest impact on SMME demand for external finance.

The study contributes to the discouragement literature by demonstrating a distinction between discouraged entrepreneurs and those who opt to defer their applications while taking proactive steps to improve the feasibility of securing the funds needed to drive growth. However, little is known about the extent to which SMMEs defer their demand for external finance. Further research could focus on quantifying the extent to which this behaviour occurs and its impact on SMME growth.

Study participants were purposively sampled from social networking platforms, including LinkedIn, Facebook and WhatsApp, which limits the generalisability of the findings to entrepreneurs with similar characteristics. Further research is required to replicate this study in different contexts, including participants with lower education levels and participants who do not use social networking platforms, to validate the transferability of the inferences made in this study.

The study recommends that goal-oriented guidance is offered to entrepreneurs to support them in choosing an appropriate course of action when in need of external finance to drive growth. The study suggests that technology is used to scale the offering and lower the cost of access for entrepreneurs in the form of a mobile application. Further research is required to test the efficacy of a mobile application in delivering goal-oriented guidance to entrepreneurs who seek to drive SMME growth.

6.7 Chapter Summary

This study was inspired by industry reports, which estimated that up to 80% of entrepreneurs in South Africa do not apply for external finance, even when it is needed to drive SMME growth. Despite more studies focusing on how entrepreneurs make financing decisions, existing research does not adequately capture the complexity and dynamics involved when entrepreneurs make decisions. An in-depth understanding of how entrepreneurs' financing decisions promote or limit the use of external finance is important for improving SMME access to the external finance needed to drive growth.

The study used reflexive thematic analysis to explore the cognitive process of entrepreneurs seeking external finance through which entrepreneurs' financing decisions promote or limit SMME access to external finance to drive growth. Using the Mindset theory of action phases and its Rubicon model as a framework, the study proposes a model of the cognitive process of entrepreneurs seeking external finance, which provides a temporal account of the complex and dynamic process of seeking external finance. The model proffers that entrepreneurs go through distinct cognitive phases of choosing a course of action, making plans to apply, acting and evaluating when seeking external finance to drive SMME growth. The study concludes that in the choosing phase, positive perceptions of desirability and feasibility enhance entrepreneurs' intention to apply for their chosen finance option, while negative perceptions of desirability and feasibility lead to discouragement. In addition, the study concludes that growth aspirations promote entrepreneurs applying for external finance by increasing its desirability, which positively influences their intention to apply. Further, the study concludes that discouragement limits entrepreneurs applying for external finance through its negative influence on entrepreneurs' intention to apply.

The study contributes to the literature in various ways. It applies the Mindset Theory of action phases and its Rubicon model in a new context and provides a temporal account of the complex and dynamic process of seeking external finance. In addition, the study contributes to an improved understanding of discouragement beyond bank credit by showing that discouragement limits entrepreneurs applying for external finance through its negative influence on entrepreneurs' intention to apply. Moreover, the study supports the literature by showing that discouragement is specific to an external finance option and is distinguishable from deferred applications. The inferences made in this study cannot be generalised to all South African entrepreneurs due to the study's limitations. However, they may be transferable to similar contexts. The study concludes by suggesting avenues for further research.

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APPENDIX

A1: PARTICIPANT INFORMATION SHEET

My name is Belinda Rathogwa, and I am a PhD student at the University of the Witwatersrand, Johannesburg. As part of my studies, I have to undertake a research project, and I am investigating '**how entrepreneurs think' about seeking external finance** under the supervision of Dr Jabulile Msimango-Galawe.

As part of this project, I would like to invite you to take part in an interview, which will take approximately 1 hour. With your permission, I would also like to record the interview using a digital device.

There will be no personal costs to you if you participate in this project. You will not receive any direct benefits from participation, but there are no disadvantages or penalties if you choose not to participate or if you withdraw from the study. You may withdraw at any time or not answer any question if you do not want to. The interview will be completely confidential, and the information you give me will be held securely and not disclosed to anyone else. To maintain confidentiality, I will use a pseudonym (false name) to represent your participation in my final research report.

If you have any questions during or afterwards about this research, feel free to contact me using the following email address: 1664852@Students.wits.ac.za. This study will be written up as a research report and made available online through the university library website. The data collected from this research project will be stored securely and kept for six years.

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.

A2: CONSENT FORM

The consent form was read out to interview participants after the participant information sheet had been read to them.

Now that we have gone through the information sheet, I would like to ensure that you understand what your participation in this research project involves.

Are there any questions you would like to ask regarding your participation in this research?

I need to obtain your explicit consent before we start the interview. I will read out six questions. If you agree, please answer YES after each question. If you disagree, your answer should be 'NO'.

Do you understand what your participation will involve?	YES	NO
Do you agree to participate in this research?	YES	NO
Do you agree that your participation will remain anonymous?	YES	NO
Do you agree that I may use anonymous quotes in my research report, based on this interview?	YES	NO
Do you agree for me to record the interview in the form of a video recording or an audio recording?	YES	NO
Do you agree that the information you provide may be used anonymously after this project has ended for academic purposes by other researchers, subject to their own ethics clearance being obtained?	YES	NO

Today's date is……………………….

I have noted that you have agreed / NOT agreed to proceed.

Thank you for your confirmation.

A3: INTERVIEW GUIDE

Topic	Conversation guideline
Demographic information	1. Please indicate your age. 2. *Gender status will be observed.* 3. What is your highest level of education? 4. What is your position in the company? 5. Which sector does your business operate in? 6. Which province does your business currently operate in? 7. How many years has your business operated in this sector? 8. How many people do you employ? 9. What was the value generated from sales in the last financial year?
Finance Requirement	Think back to the last time you needed to secure external finance for your business. 10. How much was needed? 11. What did you need the additional finance for?

Cognitive Process	**Please describe your thought process from when you recognised the need to secure external finance for your business until you took action to address the need. Please highlight your goals, concerns, motivations and the actions you took as part of this process.**
Choosing	12. What would it mean for your business if you could secure the additional finance? o How important was that to you? 13. Which sources of external finance did you consider? 14. What was your goal as you considered the different sources of external finance available? 15. How did you go about choosing the source of external finance to apply for? o What kind of research did you do to get more information? o What did you consider important when making your choice? o What past experiences came to mind as you were deliberating on what to do? Why? 16. What obstacles did you expect to encounter while trying to achieve your goal? o What did you find demotivating as you considered how to move forward? o What thoughts or beliefs motivated you to keep going?
Planning	17. What plans did you make after deciding on your preferred external finance option? o What milestones did you set for yourself? o What were you concerned about as you made these plans? o Who did you contact for assistance as you made your plans? 18. What obstacles did you encounter in your planning? o What motivated you to act on your plans?

Acting	19. Did you apply for external finance? 20. Which source of external finance did you apply for? 21. Why did you choose to apply for that particular source of external finance? 22. What issues threatened to get in the way of achieving your goal of applying? How did you deal with them? *For those who opted NOT to apply* 23. Why did you choose not to apply? o How did you plan to achieve your business goal without applying for external finance?
Evaluating	*For those who opted to apply* 24. What was the outcome of your application? 25. Do you believe you made the right decision to apply? Why? 26. What would you do differently in future if you needed external finance for your business? *For those who opted NOT to apply* 27. Do you believe you made the right decision by not applying? Why? 28. What would you do differently in future if you needed external finance for your business?
Closing	Those were all the questions I wanted to ask. 29. Do you have any final thoughts that you would like to share about your experiences when seeking external finance for your business?

A4: ETHICS CLEARANCE CERTIFICATE

UNIVERSITY OF THE
WITWATERSRAND,
JOHANNESBURG

Research Office

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

CLEARANCE CERTIFICATE	**PROTOCOL NUMBER: H20/07/41**
PROJECT TITLE	The cognitive process of entrepreneurs seeking access to external finance to drive SMME growth
INVESTIGATOR(S)	Mrs B Rathogwa
SCHOOL/DEPARTMENT	Wits Business School/
DATE CONSIDERED	24 July 2020
DECISION OF THE COMMITTEE	Approved Risk Level: Minimal
EXPIRY DATE	17 December 2023

DATE 18 December 2020 **CHAIRPERSON** J-Knight

(Professor J Knight)

cc: Supervisor : Dr 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 resubmit the protocol to the Committee. **I agree to completion of a yearly progress report.**

Belinda Rathogwa
Signature

18 / Dec / 2020
Date

PLEASE QUOTE THE PROTOCOL NUMBER ON ALL ENQUIRIES