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Evaluating the effects of foreign currency shortages in Africa on South African corporate growth

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A research proposal submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Management in Business Administration.

Johannesburg, 2025

ABSTRACT

South Africa (SA) is considered Africa's "de facto" economic leader, with the growth of its corporate sector critical to shaping the continent's future. The US dollar (USD) is the primary currency in Africa, and a key driver of cross-border investment is the ability to access foreign currency for repatriating profits, paying suppliers, and receiving payments from customers.

By analysing data collected from South African companies operating in Africa, this study identifies key challenges, risk mitigation measures and ultimately assesses the impact of foreign currency (forex) shortages on South African corporate growth. A mixed-method study approach used Spearman's rank correlation coefficient to measure the strength and direction of the relationship between forex shortages, risk mitigation measures and SA corporate growth. Descriptive statistics identified the primary attributes, challenges and risk mitigation measures. The quantitative analysis was supported by 10 one-on-one interviews with senior executives from SA firms with extensive experience in conducting business in Africa. The data gathered from the participants was then thematically analysed to draw conclusions based on the findings.

The findings indicate that forex shortages hinder cross-border investment, cash flows and impede the expansion of South African companies in African markets but are a contributing rather than a deciding factor to their growth. The study highlights the need for robust internal controls and local presence to mitigate the negative effects of sustained periods of forex shortages. The results further confirm previous research, highlighting stable macro-economic indicators, market share, and opportunities to develop Africa's infrastructure and low technology base as key motivating factors for South African corporate expansion into Africa.

Key Words: liquidity, foreign currency shortages, forex, corporate growth, African expansion

DECLARATION

I, Kavishwar Naidoo hereby declare that this applied research project report titled “Evaluating the effects of foreign currency shortages in Africa on South African corporate growth” is my own unaided work. It was submitted to the Faculty of Commerce, Law and Management at the University of Witwatersrand, Johannesburg for the partial fulfilment of the requirements for the degree of Master of Business Administration (MBA). This report has not been previously submitted to fulfil the requirements for any award at this or any other higher education institution. To the best of my knowledge, it contains no material that has been published or written by someone else, except where proper reference is made.

Signature: ……..

Date: 28 February 2025

DEDICATION

I dedicate this work to my wife, Meryl, and my son, Cole.

It is said that time is the great equaliser of life. A second can be the difference between life and death and many spend a lifetime wishing for just a few more precious moments with those no longer with us. In searching for a better day, we often lose sight of the beauty in the present, forgetting that happiness is not just a destination but a journey. The sacrifice in time required to complete this study has been our sacrifice.

A special mention to Hotdog Froggy – the world's greatest dachshund and smartest dog in all of Phoenix.

ACKNOWLEDGEMENTS

I would like to extend my heartfelt gratitude to my supervisor, Dr. Ademola Ayodele for his guidance, patience and cheerful encouragement. I would like to acknowledge my University of Witwatersrand colleagues who have taught and inspired me. They have given me strength through their strength. I am also grateful to Mr. Bart van Buynder for his mentorship and confidence in me, his ability to motivate through action and sincerity has shaped my career and academic journey. Finally, I would like to acknowledge my family and work colleagues. Their constant support has been invaluable.

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JOURNAL NOMINATION

I plan to nominate the ‘Journal of African Business’ as a potential outlet for publishing the research findings presented in this applied research project, due to its focus on African business practices, which aligns with the scope of my study.

1. INTRODUCTION

1.1 Statement of purpose

This research is a mixed method study whose aim was to determine the relationship between forex shortages in Africa and SA corporate growth into African markets. To support this, the study assessed the impact of using risk mitigation measures on transacting in Africa and further identifies the associated challenges of SA corporate expansion. To maintain efficiency, corporate growth is referred to as "growth" for the remainder of this study. Any other types of growth will be explicitly specified.

1.2 Background of the study

US dollar reserves are critical for global economies, particularly emerging markets, as they promote financial stability and offer a buffer against external shocks such as the Russia-Ukraine war and the COVID-19 pandemic. The recent hardships faced by several emerging economies due to foreign exchange shortages underscore the importance of maintaining adequate reserves to safeguard against such unforeseen disruptions (Amit & Kafy, 2024).

SA is the largest economy in Africa and its corporate sector is critical to its development as it seeks to expand into the continent fuelled by local market saturation and the easing of the South African Reserve Bank's (SARB) capital restrictions on investing and corporate expansion (Games, 2003). Forex liquidity fosters a stable economic environment that benefits both African countries attracting foreign investment and SA companies seeking to grow into African markets. This highlights that forex liquidity is desirable to both ends of the investment spectrum (Arora & Vamvakidis, 2005).

The availability of forex facilitates long-term economic growth by allowing the demand for investment to be met and to give monetary authorities the tools to build short-term macroeconomic stability (Lelissa, 2015). As a result, investors and economic

policymakers view currency concerns as one of the primary barriers to developing Africa's high growth potential (Bee, 2018).

While recent studies have focused on the causes of forex liquidity challenges, the determinants of SA investment and the factors attracting foreign direct investment (FDI) into Africa, there is limited research into the relationships between these variables. There is a need to assess the nature of these relationships. The current study therefore filled this gap by, providing a greater understanding of the interrelation and impact of forex shortages on SA firms. The section that follows discusses the research problem.

1.3 Research problem

As recently as 2024, prominent African economies such as Angola, Egypt, Ghana, Kenya, Nigeria, Zambia and Zimbabwe were experiencing USD shortages which contribute to a volatile business environment that is not conducive for economic development and growth (African Export-Import Bank [AFREXIMBANK], 2024). SA is seen as the economic engine room of Africa and the expansion and contraction of its private sector into Africa has a direct impact on the economies of the continent (Arora & Vamvakidis, 2005).

In the face of USD scarcity, SA companies need to weigh the benefits of expansion against the risks of financial losses and operational inefficiencies while African countries need to understand the impact on their own economies to take corrective action. Failure to do so may result in prolonged economic stagnation, weakened regional trade ties, and diminished investor confidence. Without coordinated efforts to address currency shortages, both corporate and national development goals risk being undermined, further exacerbating inequality and economic vulnerability across the continent.

It is thus critical that the reasons, methods and challenges of growth into Africa are investigated with the intention of forming a foundation for decision making. The use of mitigation measures to reduce currency risk must also be identified to gauge their influence on growth decisions. The key question that needs to be answered is,

Do US dollar shortages in Africa influence the growth and expansion decisions of South African corporate entities across the continent?

In the section that follows, research objectives are outlined.

1.4 Research aims and objectives

The aim of the study was to evaluate the relationship between forex shortages in Africa and South African corporate growth. The study further aimed to achieve the following objectives:

1. To assess the relationship between SA corporate growth into Africa and the use of currency risk mitigation measures.
2. To Identify the challenges of SA entities when transacting in Africa.

1.5 Research questions

The overall research question guiding the study was: what is the relationship between forex shortages in Africa and SA corporate growth? The study was further guided by the following sub-questions:

1. What is the relationship between SA corporate growth into Africa and the use of currency risk mitigation measures?
2. What are the challenges SA entities experience when transacting in Africa?

1.6 Rationale

The recent devaluation of the Nigerian naira (NGN) and the consequential USD shortages in Nigeria resulted in a 9 billion rand ($507m), first half loss before tax in 2024 for the MTN Group Limited (MTN Group [MTN], 2024). The Shoprite Group's footprint in Africa peaked at 16 countries in 2020 but had reduced to 10 countries by 2024 (Cambaza, 2024). Forex shortages were reported as a contributing factor to their disinvestment from African operations (Shoprite Holdings [Shoprite], 2022) while the Mr Price Group discontinued Nigerian operations in 2021, favouring to focus on SA

growth, specifically citing liquidity constraints and slow repatriation of funds as challenges to their African portfolio (The Mr Price Group [Mr Price], 2021).

Could these entities have prevented losses and operational inefficiencies stemming from forex shortages and what counter measures could they have implemented? African economies are volatile and difficult to navigate (African Development Bank Group [AfDB], 2024). It is crucial that the SA private sector finds solutions to its challenges, as it must ride the wave of Africa's growth to fulfil its own growth ambitions by becoming a market leader on the continent (Leke & Signe, 2019).

This study focused on adding to the current literature and contribute to how SA firms can make informed country specific market entry decisions by investigating how forex shortages in Africa impact their decisions and objectives. The following section discusses the delimitations of the study.

1.7 Significance of the study

This study holds significant value for multiple stakeholders, including South African corporations, African policymakers, investors, and academics.

Critically, for South African firms, understanding the implications of US dollar shortages across African markets is essential for strategic decision-making regarding market entry, investment, and operations. Given that many African economies rely heavily on foreign currency for imports and debt servicing, persistent shortages of USD directly impact the ease of doing business, profitability, and repatriation of funds. By exploring how these constraints influence South African corporate growth, this research provides practical insights into managing financial risk and identifying viable mitigation strategies.

For African policymakers, the study highlights how foreign exchange shortages impact regional integration and private sector investment. Its findings may help inform better currency management policies and support efforts to create a more stable and investor-friendly business environment.

This study also contributes to academic literature on cross-border investment, risk management, and intra-African trade. By focusing on South African firms, it offers

insights into how macroeconomic challenges shape private sector decisions and highlights opportunities to support investment and economic growth across the continent.

Ultimately, the study offers timely insights to support more sustainable and strategic corporate growth in Africa.

1.8 Delimitations of the study

1. For the purposes of this research forex shortages refer only to the US dollar (USD), shortages in all other currencies are outside of the scope of this study.
2. This study was limited to participants with experience and/or knowledge of business operations in Africa.
3. This study was limited to participants who either hold an ownership stake in a SA registered entity or are employed by one.
4. The study focused exclusively on SA private sector companies and excluded public sector organisations, state owned entities (SOEs) and non-profit organisations (NPOs).

1.9 Assumptions

1. All participants in this study are driven by value creation for shareholders and profit maximisation as their primary goals.
2. This study assumes that SA corporate growth refers to foreign direct investment (FDI) into Africa, an increase in cross-border African sales, and an increase in African in-country operations e.g. Joint ventures

1.10 Conclusion

The current chapter discussed the background to the study, highlighting South Africa's role in fuelling trade across Africa. The chapter highlighted the problem of the study, thus demarcating its focus. The chapter also tabled the research questions and objectives. The next chapter discusses the literature review and the framework guiding the study.

2. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Introduction

This chapter reviews literature and theory on forex shortages and their effects on SA corporate expansion into Africa. It covers key empirical findings, theoretical models, conceptual discussions and highlights the gaps in existing research. It concludes with research hypotheses founded on the reviewed theories and aimed at guiding the analysis of how forex constraints influence corporate strategies, risks, and market entry decisions in African expansion.

Forex reserves are essential for low-income economies, like much of Africa, to achieve financial stability, guard against currency shocks, finance imports and to build global self-confidence (Schanz, 2019).

Since the start of the 21st century, SA companies have led inter-African expansion, with notable examples being MTN, Shoprite, Discovery, Anglo-American, Telkom, Dimension Data, Massmart, and Barloworld. (Boso et al., 2019). Trade among Africa's 54 countries though, disappointingly amounts to approximately 15% of their total international trade due to high tariffs, infrastructure challenges and delays in cross-border payments, due to the lack of dollars to settle trade (Wellisz, 2022). Asongu and Odhiambo (2020) found that the primary challenges to doing business in Africa were finance and infrastructure related but did not list the lack of forex as a challenge while Luiz and Stephan (2001) found that exchange rate considerations only ranked as a secondary concern. Chizema et al. (2021) though stated that forex deficits or convertibility risk was among the key challenges dissuading investment and that it was country specific, even within Africa.

Forex volatility manifests itself in many ways and previous research varies in terms of industry and regional groupings hence the contradictory findings.

This literature review outlines the empirical evidence, key theories and five core concepts of foreign currency, foreign currency shortages, foreign direct investment,

cross-border trade and SA corporate expansion in the context of conducting business in Africa.

2.2 Empirical literature review

2.2.1 The causes of foreign currency shortages

Empirical studies have been restricted to analysis of broad categories of forex variables such as volatility and the many independent variables that influence liquidity due to its complex nature (Clark et al., 2004).

A study by Fontaine (2005) employed the logit method to analyse the predicted impact of macroeconomic variables on currency volatility. The sample comprised 37 countries, with 16 from emerging market economies, which is particularly relevant to this study. The findings revealed that a decline in economic fundamentals and loose monetary policies were major contributors to currency volatility, and that emerging economies were more severely impacted than developed countries.

Another study informing the current research is Musse and Echchabi's (2017) research which sought to examine why the USD was critical to Somalia in the first place. The study found through unstructured interviews that the lack of financial authorities and increase in USD denominated trade made it paramount to investor security. According to Baksay et al. (2012) this is pertinent since demand for forex has a direct impact on the levels of reserves and can result in liquidity management problems.

Another study worth mentioning is that one by Benedict et al. (2022) who used an augmented autoregressive distributed lag (ARDL) bounds test to find that political risk, interest rate, trade openness, public debt and inflation were critical factors in determining Zimbabwes forex demand and by extension, forex reserve levels.

Clark et al. (2004) claims that there is no agreement on which method to use in measuring the relationships between currency related variables and that motives, specific countries and time horizons effect results.

Recent reports highlight that forex shortages are significantly constraining economic activity across several African nations. The IMF (2023) notes a "funding squeeze" in sub-Saharan Africa due to declining private finance and aid, worsening forex access and increasing debt servicing pressures. Similarly, the Standard Bank Africa Trade Barometer (2023) reports that limited USD availability in countries like Nigeria, Ghana, and Zambia is disrupting trade and business operations.

2.2.2 The determinants of South African corporate growth into Africa

Luiz and Charalambous (2009) found that governance and political risk, market size and demand, infrastructure considerations and economic concerns were the most important influencing factors behind FDI of SA financial services firms expanding into Sub-Saharan Africa (SSA) through a semi-structured interview survey of key decision makers. They argue that investment in Africa is not routine and that a highly flexible approach is required, especially from SA based multinationals who may not support a decentralised decision-making structure.

Luiz and Stephan (2001) incorporated a Likert scale questionnaire, open ended questions and one-on-one interviews when assessing the determinants of FDI of 21 SA telecommunication firms into Africa. The study found that market size, government investment policy and a strong regulatory environment to be statistically significant and classified them as important determinants. Currency issues were statistically significant but less important, as participants noted the use of hedging strategies and increased profits to mitigate risks.

A structured interview survey targeting 26 major SA retailers with operations in Africa found that country governance and political risk, government restrictions, market size, and demand emerged as extremely important influencing factors to their African growth plans (Rijamampianina, 2015).

Existing empirical studies reflect consistent primary determinants, and that market size is at least very important. AFREXIMBANK (2024), confirms the presence of such markets, noting that SA firms account for 40% of Africa’s estimated $33 billion export potential thus providing the impetus for expansion. The section that follows unpacks the challenges of corporate growth into Africa.

The scarcity of US dollars directly impacts corporate investment, particularly for South African firms operating across Africa. According to Standard Bank (2023), forex constraints hinder import capacity and cross-border transactions. The African Development Bank (2024) further emphasizes that South African firms must adapt to these constraints to sustain regional growth strategies.

2.2.3 The challenges of corporate growth into Africa

An analysis of data from private firms in Africa, gathered through the World Bank's enterprise survey, identified electricity shortages, limited access to finance, and political instability as the three primary challenges to private sector development on the continent, accounting for a combined weighting of 53% (World Bank Group, 2019).

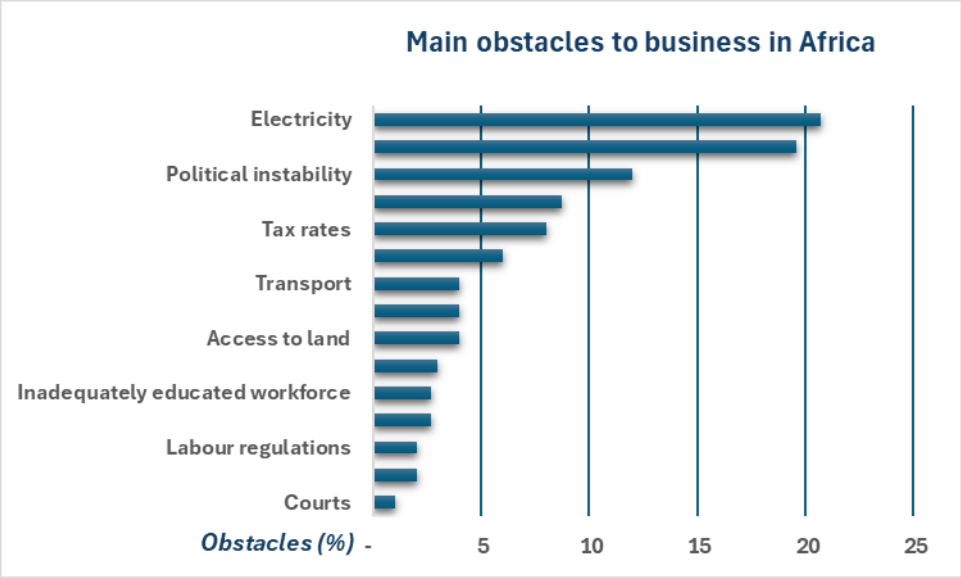


Figure 1: Main obstacles to business in Africa
Source: World Bank Enterprise Survey, 24 June 2019.

According to the United Nations Economic Commission for Africa [UNECA] (2020), infrastructure related concerns are paramount as more than 590 million Africans lack electricity and those with access are plagued with unreliability as evidenced by the 79% of firms who experienced outages between 2007 and 2018. Individual elements of currency volatility did not feature as a challenge although access to finance was the primary obstacle for small enterprises who relied on retained earnings for working capital (UNECA, 2020).

The African Private Equity and Venture Capital Association [AVCA] (2022) identified the difficulty in repatriating income from African operations as a significant concern. Additionally, their 2021 Annual Private Equity Industry Survey revealed that 56% of limited partners and 44% of general partners considered currency risk a major challenge when investing in Africa.

The Economist Intelligence Unit [EIU] (2023) highlighted that 16 of the 51 African countries in their operational risk portfolio reflected deteriorated scores by mid-2023. Inflationary pressures, exchange rates, monetary policy, political instability, corruption, and infrastructure deficiencies were found to be contributing factors.

Broader macroeconomic instability, including exchange rate volatility, inflation, and infrastructure constraints, poses additional risks for South African companies expanding into Africa. The International Monetary Fund (2024) identifies these factors as major barriers to investment and profitability, highlighting the importance of assessing country-specific risks in corporate strategy.

2.2.4 The gap in existing research

While existing literature acknowledges the challenges posed by forex shortages and macroeconomic instability in Africa, there is a paucity of empirical studies examining the specific impact of US dollar shortages on the growth and expansion decisions of South African corporate entities. This gap is particularly evident in the context of intra-Africa trade and investment, where South African firms play a crucial role. Addressing this gap is imperative to inform both corporate strategies and policy interventions aimed at mitigating the adverse effects of forex shortages.

2.3 Analytical frameworks

2.3.1 Theoretical frameworks

2.3.1.1 Theories of foreign currency shortages

The Balance of Payments (BOP) is a record of monetary transactions between private, corporate and government residents of a country and the rest of the world that measures the net cash flows of forex originating from international trade, capital, and investing activities, including FDI (Chitra & Murugesan, 2024). BOP deficits occur when forex payments surpass receipts, leading to an inability to generate enough forex to meet foreign liabilities, ultimately resulting in a forex shortage (Chitra & Murugesan, 2024).

FERM theory refers to a situation where monetary authorities intervene to set the exchange rate, deliberately maintaining it outside the market-driven equilibrium, which leads to a misalignment with actual market conditions (Lim, 2000). Sustained divergence from the real exchange rate is likely to result in macroeconomic instability (Carrera et al., 2021). An overvalued currency, relative to the market rate, enhances local purchasing power, leading to increased demand for forex denominated goods and investments. This enhanced demand for forex depletes reserves, resulting in a shortage (Rodrik, 2008). An undervalued currency has the potential to increase inflation, which results in foreign goods becoming cheaper and capital flight, thus increasing the strain on forex reserves (Garton & Chang, 2005).

2.3.1.2 Theories of cross-border corporate expansion

Musabeh (2018) reviewed several theories of FDI to support future studies and found that no single theory completely explained FDI and the location decisions of multinational organisations. The theories that were reviewed by Musabeh (2018) and the expected relationship between the research variables are summarised below.

The Capital Market Theory suggests that firms are attracted to host countries with weaker or unstable financial markets because they offer opportunities to gain control

of underpriced assets. In the context of forex shortages, South African firms may perceive high-risk environments but also potential high returns where assets are undervalued due to financial instability. However, persistent USD scarcity increases transaction costs and may deter investment despite potential cost advantages. USD shortages may negatively impact investment decisions by increasing transaction and operational costs, outweighing capital market advantages.

The Product Life Cycle Theory centres around comparative advantage in line with the innovation, growth, and maturity life cycles. As South African firms seek new markets for matured products, they are likely to expand into less saturated African economies. Forex shortages in these markets can disrupt distribution, payments, and profitability, making it difficult to introduce or sustain products during their maturity phase. US dollar shortages weaken the benefits of expansion in the maturity phase of the product life cycle, potentially slowing or redirecting growth strategies of SA firms outside of Africa.

Internationalization Theory assumes that established multinationals are motivated to increase profits by reducing transaction costs of intermediate products abroad. Forex shortages increase these costs, especially for repatriating profits making it less attractive to internationalize operations. South African firms may be discouraged to move into African countries with volatile currency regimes, thus affecting growth and foreign direct investment for these countries.

Industrial Organisation Theory is based on firms moving operations abroad to take advantage of capabilities and positions regarding consumer preferences that are not shared by competitors in foreign markets. Forex shortages reduce the ability of South African firms to leverage competitive advantages abroad, thereby affecting market entry decisions.

The International Production Theory suggests that firms invest in foreign production when they have the right combination of ownership, location, and internalization advantages that make FDI more attractive and cost-effective than importing or licensing. A forex shortage directly affects the “Location” component by reducing the attractiveness of the host country due to financial instability. Even when firms have

strong ownership and internalization capabilities, poor currency access may discourage production investment.

Entry Mode Theory posits that multinational enterprises expand geographically to obtain host country raw materials, sell surplus stock in foreign markets, gain efficiency through economies of scale, and increase global competitiveness by acquiring foreign assets or shares. Higher risk of USD shortages will cause SA firms to move towards lower risk markets or in some cases such as the Shoprite group to withdraw from certain locations entirely.

The Investment Development Theory suggests that a country's level of FDI activity evolves over time in line with its stages of economic development, moving from FDI importers to exporters as their economic growth increases. Persistent forex shortages will discourage SA firms from long-term African corporate growth strategies.

2.3.2 Conceptual frameworks

2.3.2.1 The concept or foreign currency reserves

According to Amit and Kafy (2024) forex reserves are a critical component of a country's financial assets as it facilitates international trade and payments.

Kester (2001) defines international reserves, which consist of forex assets, gold, special drawing rights, the reserve position in the IMF and others, as a country's external assets that are readily available and controlled by the monetary authorities, mainly but not exclusively for the direct financing of payment imbalances and exchange rate intervention. Ellerbeck (2022) supports this by stating that a country's central bank is responsible for maintaining forex reserves, which are overwhelmingly held in USD for purposes of maintaining local currency stability, maintaining liquidity, meeting international finance obligations and bolstering investment confidence.

The International Monetary Fund's Currency Composition of Official Foreign Reserves or COFER report for the fourth quarter of 2023 indicates that 58.41% of the world's allocated reserves are held in USD (International Monetary Fund [IMF], 2023). This is significant as Africa is most reliant on the US dollar as highlighted by the

AFREXIMBANK (2024), which states that it is used in more than 45% of trade transactions.

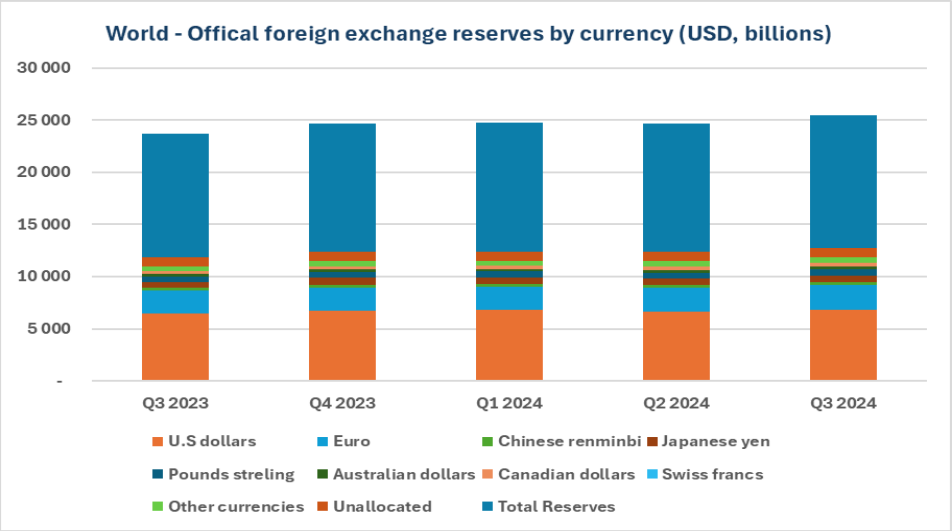


Figure 2: Composition of world forex reserves
Source: International Monetary Fund COFER report, 20 December 2024.

2.3.2.2 The concept of US dollar shortages

According to Sun (2023) a USD shortage has a wide definition ranging from BOP deficits to increased funding costs for financial institutions. “dollar shortage has a broad definition, ranging from countries’ balance of payment deficit to banks’ currency and maturity mismatch in their dollar balance sheet” (Sun, 2023, p. 2). Baba and Packer (2009) narrow the definition to USD funding illiquidity suffered by financial institutions. Adam (2023) simplifies it further by defining it as a situation where USD demand exceeds supply at the prevailing exchange rate.

Sun (2023) claims that USD shortages originate from a country’s balance of payment deficit. It takes on two forms depending on a country’s exchange rate regime, in a fixed exchange rate regime it manifests in a physical shortage while a flexible rate regime experiences USD availability at a higher cost (Adam, 2023). Research shows that shortages can arise from excessive government borrowings, liquidity shocks and an overvalued exchange rate with the risk of an inadequate supply being especially critical to dollarized economies such as much of Africa (Rajan, 2004; Sun, 2023).

The USD is the world’s primary reserve currency and is dominant in global monetary and financial systems (Adler et al., 2020). According to Sun (2023), the USD is the

dominant currency globally. Recently, most countries in Africa have experienced USD shortages, with the entire continent feeling the repercussions through an inability to pay off foreign debts and fund critical imports, which has affected economic activities and growth (Ndosi, 2023). In what follows, the discussion focuses on the concept of SA corporate expansion into Africa.

2.3.2.3 The concept of South African corporate expansion into Africa

SA firms expand into Africa to utilise their capital strength and technological capabilities to seek profits in new markets, due to local stagnation, applicability of products to cross-border markets and geographical reach (Games, 2003).

Odusola (2018) suggests that the private sector should capitalize on investment opportunities in Africa, as it represents a strong business prospect and a sustainable corporate strategy for foreign investors. Grobbelaar (2004) found that the SA private sector was a keen investor in Africa but used a prudent approach due to the unpredictable nature of African economies.

A study by Horn (2022) indicates that the choice of entry mode for foreign companies entering new markets is a critical decision and a key factor in determining the success or failure of the venture. The World Bank (2024) defines FDI as a type of cross-border investment where a resident of one economy holds control or a substantial influence over the management of a business located in another country.

Addae and Addae (2013) identified the following forms of FDI as being relevant to growth in Sub-Saharan Africa while stressing that a one size fits all approach may not work due to the differences in country specific macroeconomic factors.

Greenfield investments entail the setting up of new operations in a foreign country.

Mergers and acquisitions refer to the purchasing or merging with an existing business operation.

Joint ventures entail partnering with a local company to share ownership, profits and control in a foreign country.

Bagudu (2022) added the following as cross border entry strategies.

Exporting refers to the selling of products or services directly to an international customer or indirectly through intermediaries.

Licensing and franchising give rights to operate under another's trademark name using their business processes in return for royalties.

2.4 Research hypothesis

The following hypotheses are developed based on the current understanding of Africa's macroeconomic environment, with a specific focus on how forex shortages affect the operational and financial performance of South African firms seeking to expand into African markets.

H1: Foreign currency shortages in Africa have a negative impact on South African corporate growth into Africa. This hypothesis posits that SA companies reduce their African investment and trade plans as forex scarcity increases. Forex shortages disrupt cash flows and supply chains, ultimately impeding SA corporate growth.

Justification: Institutional theory suggests that firms are influenced by the macroeconomic and regulatory environments in which they operate. Forex shortages create constraints, such as the inability to repatriate profits which reduce financial performance and discourage market entry or expansion.

Resource Dependence Theory posits that firms must secure critical resources from their operating environment. In this context, access to foreign currency is a vital resource. Shortages hinder companies' ability to conduct cross-border transactions, repatriate profits, and finance operations thus contributing to a negative impact on SA corporate growth into Africa.

According to World Bank (2024), forex shortages in several African economies have led to import backlogs, disrupted business operations, and weakened investor confidence. Bhorat et al. (2019) highlight how SA multinationals face liquidity issues and working capital inefficiencies in African countries with limited foreign reserves. UNCTAD (2020) also indicates that foreign exchange constraints are a key non-tariff barrier, negatively affecting trade flows and deterring FDI.

When forex is scarce, SA companies face operational disruptions, delayed payments, and repatriation difficulties, thus stalling their growth in African markets.

H2: The use of risk mitigation measures to counter forex shortages have a positive effect on South African corporate growth into Africa. It is widely accepted that a reduction in risk promotes investor confidence. This hypothesis posits that a strategic approach to risk management that incorporates strong internal controls and external mechanisms, such as hedging reduces the negative impact of forex shortages thus facilitating SA corporate growth into Africa.

Justification: Risk Management Theory and the Transaction Cost Economics (TCE) framework support this hypothesis. Risk Management Theory emphasizes that proactive strategies such as hedging, diversification, and financial controls can buffer firms against environmental volatility. TCE argues that uncertainty increases transaction costs. By adopting risk mitigation tools, firms reduce uncertainty and transaction costs, improving operational efficiency and expansion prospects.

Molele (2018) found that firms that use currency hedging perform better in volatile African markets. PricewaterhouseCoopers South Africa [PwC] (2021) also identifies effective risk management as a critical enabler of growth for South African corporations in Africa.

When firms implement structured risk mitigation strategies, they can offset the adverse effects of forex instability, thus maintaining or accelerating their expansion into African markets.

2.5 Conclusion

The US dollar is dominant across Africa with its significance to the continent beyond doubt (Adler et al., 2020). Africa's reliance on the USD combined with its multitude of challenges leaves it open to forex shortages which deters foreign inward investment and erodes economic confidence (World Bank, 2024).

SA corporate entities seek to maximize value and profits for shareholders through expansion into new markets (South African Business Journal, 2018). Africa, with its potential for economic growth, the composition of its population, and the scope for

technological and infrastructural developments, presents SA firms with an opportunity to expand operations and profits (Grobbelaar, 2008).

Africa’s challenges create opportunities, although thoughtful strategies are required to navigate the vast complexities toward profitable and sustainable growth (Chironga et al., 2021).

3. RESEARCH METHODOLOGY

3.1 Introduction

This section outlines the research methodology used to evaluate the effects of forex shortages in Africa on SA corporate growth.

A mixed-methods research study employed both quantitative and qualitative techniques to collect information on the key concepts outlined in the literature review, aiding the analysis of empirical data. The views of those responsible for growth into Africa were assessed to provide meaningful insight and recommendations on navigating the complex African business landscape.

3.2 Research design

The committed research design for this study was a quasi-experimental mixed-method design which was used to gather data and measured cause-effect relationships between the independent variables (currency shortages in Africa and the use of risk mitigation measures) and the dependent variable (SA corporate growth). Spearman's rank correlation coefficient test (Spearman's correlation) which is well-suited for ordinal data and non-parametric distributions (Schober et al., 2018), was used to quantitatively assess the strength and direction of the monotonic relationship between the variables. Descriptive statistics and qualitative assessments were used to support the findings. The qualitative approach was based on grounded theory, which allowed for the development of theories based on the perspectives of participants gained from one-on-one interviews.

Advantages

- Controlled groups consisting of individuals who frequently use data around forex shortages in Africa and those responsible for corporate expansion decisions were targeted.

- The use of a mixed method study allowed for a comprehensive understanding of the problem including insights to support statistics and to give context to analysis (Malina et al., 2011).
- The Spearman correlation test does not require data to be normally distributed and was used to analyse data that was ordinal in nature (Schober et al., 2018).

Disadvantages

- Participants who recently experienced challenges due to forex shortages may have been biased towards its significance.
- Spearman's correlation assessed the strength and direction of the relationship between variables but did not fully explain the magnitude of the relationships. (Schober et al., 2018).
- Qualitative assessments could be subjective and open to the interpretation of the researcher (Bumbuc, 2016).

The chosen quasi-experimental mixed-method design offered a balanced approach to this study. It enabled the measurement of relationships while integrating insights from SA firms who are directly impacted by forex shortages. The benefit of this design lies in its ability to integrate empirical and statistical rigor within the context of subjective human experiences, making the research both statistically valid and practically relevant.

Chizema et al. (2021), investigated the determinants of outward foreign direct investment decisions of South African retail enterprises investing into Africa. The primary objective of this research was to examine the key factors influencing outward FDI decisions among five leading SA retail firms with substantial FDI operations across Africa. A mixed-method design was employed to assess statistical relationships while capturing the nuanced insights provided by contextual factors. The research found that market-seeking, efficiency-seeking and ownership advantages were the primary push determinants and that market size, political and macro-economic stability were the main pull factors. The findings also indicated that investment risks in the African retail sector are primarily associated with inadequate infrastructure, political instability, and complex bureaucratic processes. The use of semi-structured interviews provided flexibility, while the qualitative approach was grounded in the belief that knowledge

and evidence are shaped by specific contexts, interactions, and situations—thereby supporting the idea that interviews capture insights drawn from lived social experiences.

3.3 Data collection methods

3.3.1 Population

The population consisted of SA organisations from various industries with plans to expand into or with current operations in Africa (excluding SA), and consisted of individuals from the following business function roles.

- Executive Officers
- Business Development
- Finance and Support Divisions.

3.3.2 Sample and sampling method

A purposive sampling method was used to collect data relevant to this study. For the quantitative study, a total of 120 data points were collected from more than 15 organisations of varying sizes, classified as small, medium, and large based on the number of their employees. The companies and individual participants were identified through consultations with industry experts and publicly available data. The participants were purposely selected because they were fitting the criteria and would provide information-rich data.

The qualitative sample consisted of 10 industry leaders from seven South African companies each with at least 10 years of experience in African business operations. The sample size was sufficiently large and diverse in terms of gender, race and geographical area, thus they were envisaged to provide a broad range of perspectives. Executive officers were contacted and asked to promote participation within their organisations.

3.4 The research instrument

The quantitative instrument took the form of a semi-structured survey questionnaire, that was distributed to participants via an emailed link. The survey employed a 5-point Likert scale to collect standardized responses from 15 close-ended questions, with each question assigned numeric ratings from 1 to 5, representing different levels of agreement, enabling analysis of the variables. Responses were numerically coded as per the scale below.

Response	Numeric Code
Strongly disagree	1
Disagree	2
Neither agree nor disagree	3
Agree	4
Strongly agree	5

Table 1: Likert scale rating

Three open-ended questions were used to collect data that enabled a descriptive analysis of the attributes attracting SA firms to African markets, challenges associated to doing business in Africa and the risk mitigation measures employed to counter threats.

The qualitative instrument took the form of a semi-structured one-on-one interview. An interview guide, consisting of 17 questions structured along the concepts as outlined in table 2 was used to guide interviews while allowing room for flexibility.

Item	Interview Question	Concept
1	What is your involvement in your organisations business decisions in Africa?	General
2	In what form does the African operations take? e.g. legal entity, branch, exports from SA?	Corporate Growth
3	Does your organisation specifically seek to strategically expand business into Africa?	Corporate Growth
4	Which African countries does your organisation conduct business in?	Corporate Growth
5	Are there any countries that your organisation specifically disqualifies doing business in?	Appetite for Risk
6	What are the key determinants of African market entry decisions for your organisation?	Key Attributes
7	What are the challenges that you encounter when doing business in Africa?	Challenges
8	Do you specifically consider country specific liquidity challenges before transacting with customers?	Forex Shortages
9	Are liquidity challenges a deal breaker when conducting business in Africa?	Forex Shortages
10	Have you experienced liquidity challenges on historical deals in Africa?	Forex Shortages
11	If Yes, has it changed your appetite for risk when conducting business in Africa?	Forex Shortages
12	Do you actively utilise risk mitigation measures to reduce risk?	Risk Mitigation Measures
13	If yes, what types of risk mitigation measures do you use?	Risk Mitigation Measures
14	What importance do you place on strong internal control measures and policies to protect the organisation against forex shortages?	Risk Mitigation Measures
15	Do you believe that the benefits from business opportunities in Africa outweigh the risks of doing business in Africa?	Corporate Growth Appetite for Risk
16	Would you consider forex shortages a contributory or deciding factor when transacting in Africa?	Forex Shortages
17	Are there any further information that you would like to contribute that you believe is relevant to the research topic?	General

Table 2: Interview guide and associated concepts

3.4.1 Data Collection

Quantitative survey creation, distribution, data collection, and storage were facilitated through the SurveyMonkey online platform (SurveyMonkey, 2024). The data was collected from December 15, 2024 to January 31, 2025. The IBM SPSS software platform was used for statistical data analysis and for data driven insights (IBM, 2024).

Qualitative interviews were conducted from January 16, 2025, to February 24, 2025, during which it was emphasized that all responses would remain anonymous, the information was kept confidential, and participation was voluntary. Six interviews were conducted in person and four electronically through Microsoft Teams. Participant's received context into the research topic and were informed that the intention was for the interviews to be recorded. An inductive approach was used to promote flexibility and allow insights to emerge naturally from the interview process. Interviews were structured according to the interview guide and further probing questions were asked based on the responses received. Each interview recording was transcribed into Microsoft Word for analysis. In the next section, I discuss data analysis strategies.

3.5 Sources of data

3.5.1 Sources of quantitative data

The survey was open from December 15, 2024 to January 31, 2025. A total of 162 responses were received, 33 of which were disqualified due to a lack of experience or knowledge in transacting in Africa, as this was a qualifying question for the survey. Nine were entirely excluded due to incomplete answers to the Likert scale questions. This led to a final response rate of 74% (120 data points).

The composition of responses across the functional groups, organisation size and industry type was well-distributed, ensuring a balanced representation of diverse perspectives. The observed level of distribution enhances the generalizability of the findings and minimizes potential bias, providing a more accurate reflection of the overall population.

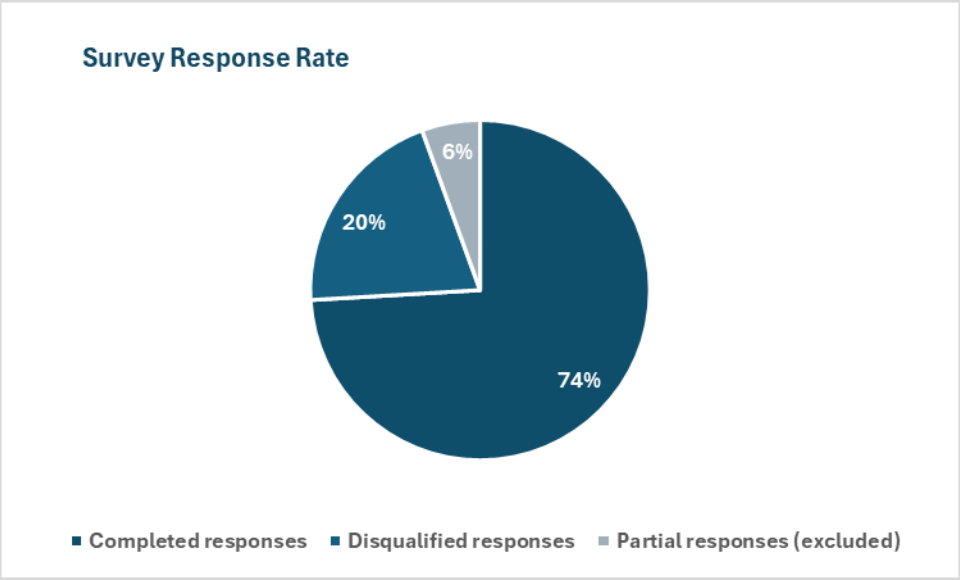


Figure 3: Survey response rate

The board and executive level contributed 30% towards the data set. Those responsible for business development represented the largest category (38%). They are frequently the first interface of cross-border trade and work closely with African organisations to finalise trade transactions and to gain an understanding of first level challenges (Amyx et al., 2016). The 32% composition rate from finance and support

divisions are particularly relevant to the use of risk mitigation measures, currency monitoring and trade deal structuring.

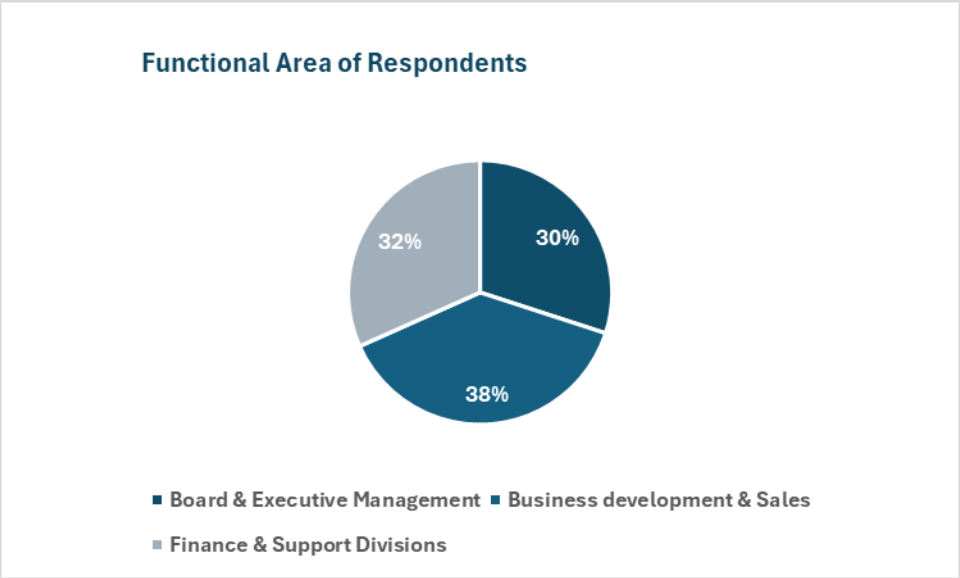


Figure 4: Functional area of respondents

The majority of responses, accounting for 60%, came from large organisations. This reflects the scale of resources and capital needed for expansion in Africa, although it is not an exclusive requirement. It is suggested that medium-sized firms (15%) are focusing on expanding within the local SA market, while smaller organisations (25%) are pursuing African growth by targeting niche products or specific service offerings (Mhlongo & Daya, 2023).

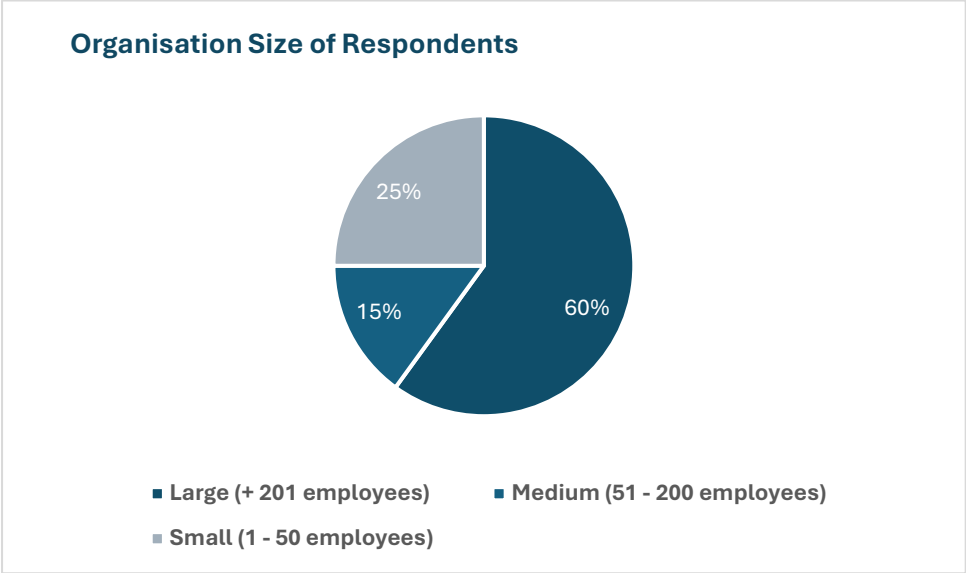


Figure 5: Organisation size of respondents

The technology sector represented the largest share of responses at 40%, followed by the manufacturing sector at 17%. This is in line with Africa's need and scope for technological advancement and infrastructure development (Grobbelaar, 2008). Only 7% of responses originated from the retail industry. There have been multiple studies conducted on SA retailers detailing their expansion and challenges in Africa. The temporal nature of currency related research encourages further studies to be conducted on the retail sector as cultural differences were historically highlighted as a primary source of their challenges in Africa (Chizema et al., 2021).

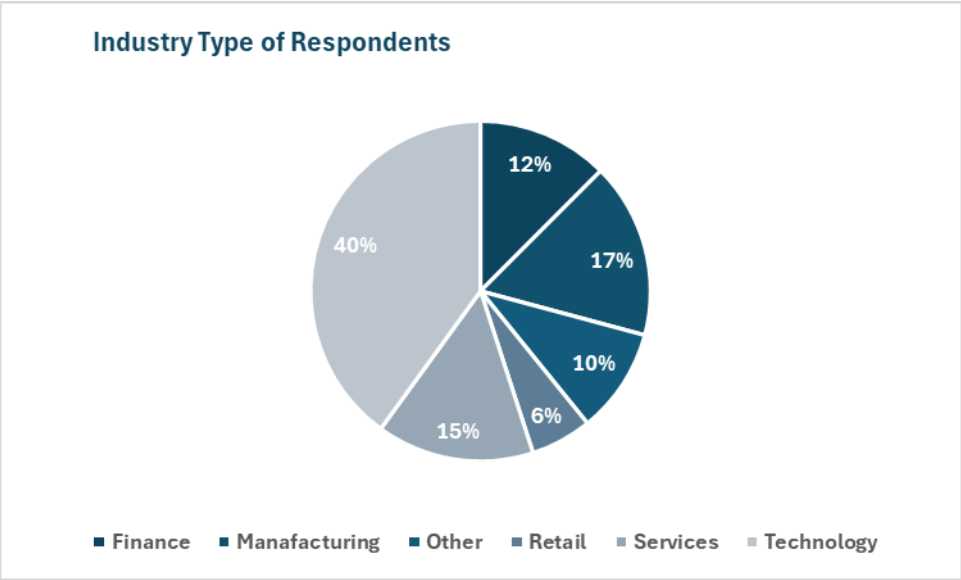


Figure 6: Industry type of respondents

To gain valuable and meaningful insight into the data it is preferred that respondents have extensive experience in transacting in Africa. The analysis reflects that 44% of respondents had over 10 years of experience. It is worth noting that a higher level of experience reduces bias towards recent currency trends and facilitates a wider range of factors to be identified from the open-ended questions.

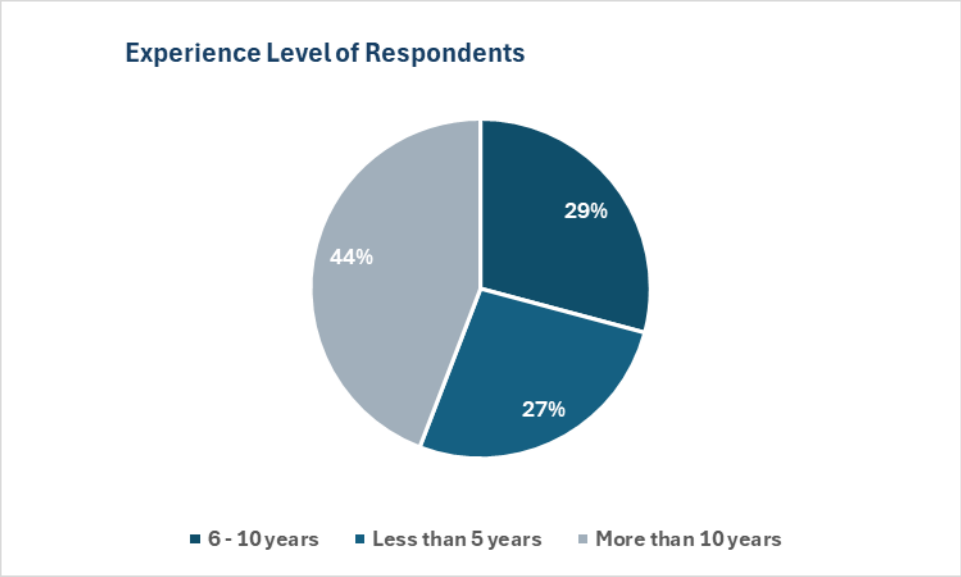


Figure 7: experience level of respondents

3.5.2 Sources of qualitative data

The participants included executive officers and directors. All participants had extensive experience in transacting across multiple industries and firms in Africa. Through their positions, they had strong influence on the growth of their companies in Africa and were highly knowledgeable in the key concepts of foreign investment, cross-border trade and forex shortages.

3.6 Data analysis strategies

3.6.1 Quantitative data analysis

Response data was exported from SurveyMonkey into MS Excel and checked for consistency and missing data. Missing data from any of the 15 questions resulted in the exclusion of the entire participants' response. Individual questions were analysed and reverse coded where necessary. Coded responses were then categorised into broader themes which were then scaled into each variable by calculating the average of the responses. By converting Likert scale responses into variables, the data was treated as continuous for quantitative analysis, although it should be noted that it is inherently ordinal in nature (Robitzsch, 2020).

Spearman’s correlation was used to measure the relationship between forex shortages in Africa and SA corporate growth (Research objective 1), as well as to assess the relationship between SA's growth into Africa and the use of currency risk mitigation measures (Research objective 2). The correlation is a bivariate measure of association (or strength) of the relationship between two variables, and the magnitude of that relationship. Correlation coefficients, denoted as $\mathbf{p}$, range from 0 (indicating no relationship) to 1 (representing a perfect positive linear relationship) or -1 (indicating a perfect negative linear relationship). Positive coefficients suggest a direct relationship, meaning that as one variable increases, the other also increases. Conversely, negative correlation coefficients imply an inverse relationship, where an increase in one variable leads to a decrease in the other (Moran, 2013).

Spearman’s rank correlation coefficient can be calculated by applying the formula

$$\rho = 1 - \frac{6 \sum d_i^2}{n(n^2 - 1)}$$

ρ = Spearman's rank correlation coefficient

d_i = difference between the two ranks of each observation

n = number of observations

3.6.2 Descriptive data analysis

Individual responses to each open-ended question were categorised into broad themes. Descriptive analysis was used to analyse the themes for frequency and percentiles, with the aim of identifying the challenges associated with transacting in Africa (Research object 3). Descriptive analysis of the grouped themes related to the attributes driving SA growth and the risk measures employed was used to support the findings of the research objectives.

3.6.3 Qualitative assessment

The thematic method was used to analyse qualitative data to identify, organize, and interpret recurring themes or patterns in participants’ responses. Participants were

labelled P01 to P10 to retain their anonymity. Transcripts of the interviews were studied to get an understanding of responses and then descriptive coding was used to identify key words which were assigned to broad themes. The codes and themes were then refined by organizing them into more specific themes aligned with the research objectives. The themes identified were, form of growth into Africa, drivers of SA corporate growth into Africa, challenges, risk mitigation measures and the impact of forex shortages on SA corporate growth. A codebook was created by synthesizing the data for analysis, which included citing the number of sources and references associated with each theme.

3.7 Limitations

Due to the scope and complexity of the challenges created by forex shortages several possible limitations were acknowledged.

- Response bias from participants who have recently experienced the consequences of forex shortages.
- Potential lack of sample data due to limited number of individuals within companies being responsible for African expansion decisions.

3.8 Quality assurance

3.8.1 External validity

The temporal nature of the research may limit its applicability to extended periods in the future, especially due to the dynamic nature of economic conditions and currencies in Africa. Additionally, the study may not be generalizable across all emerging markets globally, as African markets are uniquely specific.

3.8.2 Reliability

Cronbach's Alpha is a statistical tool used to evaluate internal reliability by measuring the extent to which items on an instrument are correlated with each other. The underlying premise is that if a set of items is intended to measure the same concept,

they should yield similar results (Adamson & Prion, 2013). In this study, it was used to assess the reliability of the 15 Likert scale questions, which were grouped into variables. Values range from 0 to 1, with higher scores reflecting greater reliability. As such, this study accepted values above 0.7 which indicated an acceptable level of internal reliability.

3.8.3 Quality assurance for qualitative study

The purposive sampling approach enhanced the findings, as participants were selected based on the relevance of their knowledge to the research topic. Triangulation was employed to cross-reference the findings from the interviews with the responses from the Likert scale questionnaire, particularly focusing on the themes identified through the 3 open-ended questions regarding challenges, attributes, and risk mitigation measures. The findings were further corroborated by reviewing recent statements made by executive officers in the news and through their annual general reports. A structured framework was used to synthesize the data during thematic coding, further enhancing reliability.

3.9 Ethical considerations

3.9.1 Informed consent

All participants were fully informed about the nature, purpose, and scope of the study before their participation. Each participant received an information sheet outlining the study's objectives, their rights as participants (including the right to withdraw at any time), and the expected use of the data collected. Written informed consent was obtained prior to any interviews or data collection activities, ensuring voluntary participation.

3.9.2 Confidentiality and anonymity

Participants' identities were protected throughout the research process. Personal identifiers such as names, company names, and specific roles were removed or

replaced with coded identifiers. All data were stored securely on password-protected devices, and only the researcher had access to identifiable information. Any reporting of results was done in a way that ensured participants could not be traced, thereby maintaining anonymity.

3.9.3 Avoiding harm

The research was designed to minimize potential psychological, emotional, or professional risks to participants. Questions were carefully worded to avoid discomfort or distress, especially regarding sensitive issues such as foreign currency-related operational challenges. Participants were reminded they could skip questions or terminate the interview at any point without consequence.

3.9.4 Obtaining permission

Prior to data collection, ethical clearance was sought and obtained from the relevant institutional ethics review board. In cases where organizational data or staff participation was required, formal permission was requested from company management to ensure compliance with organizational policies and protocols.

3.9.5 Honesty and integrity

The researcher maintained transparency throughout the study, from data collection to reporting. Data were recorded and reported accurately, without fabrication or misrepresentation. Any limitations or potential biases were disclosed, and participant responses were presented honestly, reflecting their views and experiences without researcher interference.

3.9.6 Additional considerations

This ethical approach ensured that the study met the standards expected by the University of the Witwatersrand and aligned with both national and institutional research ethics frameworks.

3.10 Conclusion

The current study used a mixed method approach to evaluate the effects of foreign currency shortages in Africa on SA growth. The study generated data through surveys and interviews, with purposive sampling used to identify participants. The population consisted of executive officers, business development professionals, as well as individuals from finance and support functions. The themes that emerged from the qualitative data highlighted the need for a tailored, country-specific approach to African trade, as well as the belief that the benefits of expanding into Africa outweigh the associated risks. Quantitative data indicated a positive, moderate to weak correlation between forex shortages and SA corporate growth in Africa.

4. RESEARCH FINDINGS AND DISCUSSIONS

4.1 Research findings

This chapter presents and analyses findings from the research. It includes reliability and correlation tests to assess relationships between forex shortages, risk mitigation, and South African corporate expansion. It also examines key challenges, growth drivers, and mitigation strategies through descriptive and thematic analysis. The results are from the survey conducted online as well as one-on-one interviews conducted with the purposely selected participants.

4.1.1 Quantitative analysis

4.1.1.1 Cronbach Alpha's test of reliability

The reliability of the Likert scale survey instrument was assessed using Cronbach's alpha with the analysis performed using IBM's SPSS software. The survey consisted of 15 items that were grouped into three variables as per below.

Item	Item Description	Variable	Variable type
1	Expansion into African markets (countries) is critical for the long term sustainability of my organization.	South African Corporate growth into Africa	Dependent
2	My organization has plans for further expansion into Africa in the form of Foreign Direct Investment (FDI) within the next 24 months.	South African Corporate growth into Africa	Dependent
3	My organization intends to generate sales from new African markets (countries) within the next 24 months.	South African Corporate growth into Africa	Dependent
4	My organization has turned down sales in African countries due to liquidity challenges (currency shortages).	The impact of foreign currency shortages	Independent
5	In my organization, country specific currency shortages are a determining factor when entering into FDI and/or sales transactions in Africa.	The impact of foreign currency shortages	Independent
6	I personally, rank foreign currency shortages as the primary risk associated with doing business in Africa.	The impact of foreign currency shortages	Independent
7	My organization has experienced financial loss due to currency shortages in Africa.	The impact of foreign currency shortages	Independent
8	My organization would not have entered into specific sales or FDI activities if it had known about currency shortages at the time of initiation.	The impact of foreign currency shortages	Independent
9	In my organization, executive management approval is required for sales into new African markets (countries).	The use of risk mitigation measures	Independent
10	In my organization, all cross border sales are governed by a formal policy that includes country specific guidelines and restrictions around currency risk and mitigation measures.	The use of risk mitigation measures	Independent
11	My organization actively monitors African countries for liquidity challenges and distributes this information throughout the business.	The use of risk mitigation measures	Independent
12	My organization uses counter measures as protection against currency shortages when conducting business in Africa. E.g. currency hedges, customer receipts secured by official letters of credit.	The use of risk mitigation measures	Independent
13	My organization readily accepts customer payments in local African currencies instead of the US Dollar (USD).	The use of risk mitigation measures	Independent
14	My organization employs (internal and/or external) foreign exchange risk mitigation experts to reduce currency risk through counter measures.	The use of risk mitigation measures	Independent
15	My organization will 100% not enter into African growth opportunities (FDI and Sales) without employing risk mitigation measures.	The use of risk mitigation measures	Independent

Table 3: Item / variable grouping

The reliability of each variable was tested separately rather than as a total to enhance the consistency of the results (Tavakol, 2011). Scores above 0.700 are deemed acceptable, those between 0.800 and 0.890 are considered good, and scores of 0.900 or higher are regarded as excellent.

The Cronbach alpha scores were calculated to be above 0.700 for all three variables and thus found to be acceptable suggesting that the items in the variable groupings were reliably measuring the same constructs of SA growth, forex shortages and the use of risk mitigation measures.

Variable	Valid cases	Cronbach's Alpha	Number of items
South African corporate growth into Africa	120	0.700	3
Foreign currency shortages	120	0.779	5
The use of risk mitigation measures	120	0.713	7

Table 4: Cronbach Alpha calculations

4.1.1.2 Spearman's correlation coefficient test

Spearman's rank correlation coefficient **(p)** was used to assess the strength, direction and significance of the relationship between the variables.

Research objective 1, to measure the relationship between forex shortages in Africa and SA growth, was achieved by using statistical analysis in SPSS software to produce a Spearman's correlation of **0.342**. This result suggests a weak-moderate positive correlation between the variables, meaning that as forex shortages in Africa increase so too does SA growth into Africa even though the relationship is not very strong.

The results indicate a p-value (Sig. 2-tailed) less than 0.001, meaning that the result is highly statistically significant. This suggests that the observed correlation is reliable and not due to random fluctuations in the data. Therefore, we can confidently conclude that the relationship between the variables is genuine. The positive correlation is contradictory to the concerns as highlighted in the literature review, however it must be noted that SA growth is driven by many influencing factors.

A Spearman's correlation of **0.476** was attained in the pursuit of achieving **research objective 2**, which aimed to assess the relationship between SA growth into Africa and the use of currency risk mitigation measures. A correlation of 0.476 indicates a moderate-positive relationship, suggesting that the use of risk mitigation measures is associated with a slight increase in firms' expansion into Africa. This relationship is strong enough to imply that risk mitigation measures play a contributing role in growth, though other influencing factors are also most probably present. The results indicate a p-value (Sig. 2-tailed) less than 0.001, meaning that the result is highly statistically significant. The p-value being lower than the typical limit of 0.01 means that a null hypothesis, which signifies no relationship between the use of risk mitigation measures and growth can be safely ignored.

South African corporate growth	Correlation Coefficient	Significane (2-tailed)	Number of items
Currency shortages	0.342	< 0,001	120
The use of risk mitigation measures	0.476	< 0,001	120

** Correlation is significant at the 0.01 level (2-tailed)

Table 5: Spearman's correlation and significance of forex shortages in Africa and the use of risk mitigation measures

The results regarding the role of risk mitigation measures support the theory that they reduce risk, thereby encouraging corporate expansion plans. The idea of reduced risk as a driver of growth is widely studied, but it must be contextualised to Africa, where higher risks are often associated with higher returns (Leke & Signe, 2019). When the Spearman's correlations for all three variables, as calculated in this study, are analysed collectively, it can be argued that the expansion of the South African private sector into Africa is inevitable and not reliant on a single variable, such as forex shortages or risk mitigation measures. The moderate positive nature of the correlations strongly suggests this. A common global error is to view Africa as a single economy (Broadman, 2016), and a core concept of research is generalisation which can compound this misconception. This study did not address the singular nature and economic characteristics of the 54 African countries as the data collection was aimed at the continent as a whole leaving scope for future quantitative analysis.

4.1.1.3 Descriptive analysis

The three open-ended questions were analysed using descriptive analysis. The questions requested participants to list the three primary challenges, attributes and risk mitigation measures that they associated with business growth in Africa but did not limit their responses to three or disqualify respondents if they listed less than three.

Research objective 3, aiming to identify the challenges faced by SA entities when transacting in Africa gathered 337 data points. The responses were categorized by qualitative data analysis resulting in nine themes and summarised by frequency and percentile as follows.

- **Currency risk, payment default and USD liquidity** were the most frequently listed challenge. 34% (115) of respondents felt that the volatility of local currencies and difficulties in sourcing forex were deterrents to conducting business in Africa. Payment default from customers featured as a concern since the inability to access USD meant that customers could not pay for services received.
- **Legal and regulatory restrictions** were highlighted by 14% (46) of responses as a challenge who felt that they provided complex barriers to conducting

business. Companies very often face additional and hidden costs relating from unique regulations that erode profit margins.

- The volatility of the business environment in Africa is well documented and was pointed out by 11% (38) of respondents who listed **economic and political risk** as a challenge. This theme was dominated by political instability. Elections and changes of government in Africa have a reputation for bringing sweeping changes to economic policies, creating instability and often violence.
- **Infrastructure and logistics challenges** were highlighted in equal measure by 10% (35) of responses. The lack of key services such as electricity, water and transportation networks were frequently listed. Much of Africa remains undeveloped providing challenges and opportunities. Food and basic services are of primary importance for most of the population. Social challenges seep into the business world as it affects productivity and day to day operations.
- 8% (28) of responses highlighted the lack of knowledge of **local conditions and partners** as a challenge. Local insight and networks on both the customer and vendor fronts were identified as drivers of success and the unavailability of in-country resources was also stressed. African countries are individually unique and on the ground, perspectives are invaluable when negotiating contracts, especially within the public sector.
- 8% (27) of respondents mentioned the risks associated with **crime and war**. These concerns mainly centred around fraud risk. The safety of personnel and the potential of operating in conflict zones was listed. The relative lack of technology and cyber defences leads to Africa having a higher risk of fraud with concerns over adequate policing being raised.
- **Cultural, social and language** barriers were identified by 7% (24) of responses as obstacles to business growth in Africa. The building of business relationships due to cultural norms and Africa's vast languages were highlighted as being key challenges. Climate change did not feature as a major concern.
- 5% (16) of responses cited the **cost of doing business** as a challenge. The access to trade finance and working capital dominated this category. It goes to reason that this would mostly affect smaller businesses.
- A smaller proportion, 2% (8) of respondents, identified challenges related to **market penetration and competition**. The difficulty of entering new markets

and competing with established local players were seen as barriers to growth, particularly in markets with limited consumer awareness of foreign brands.

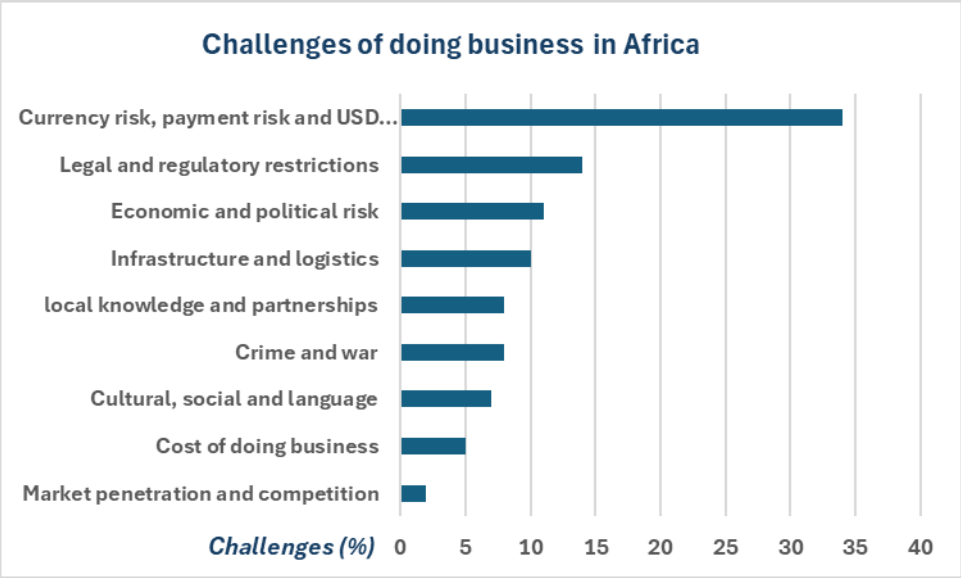


Figure 8: Challenges of doing business in Africa

USD liquidity, currency fluctuations, regulatory restrictions, political instability and inadequate infrastructure were identified as the 5 primary individual challenges. They resulted in 172 responses, 51% of the total. USD liquidity received the highest count, with 50 responses, representing a significant 15%. The analysis reflects that forex shortages were the primary challenge identified by the survey.

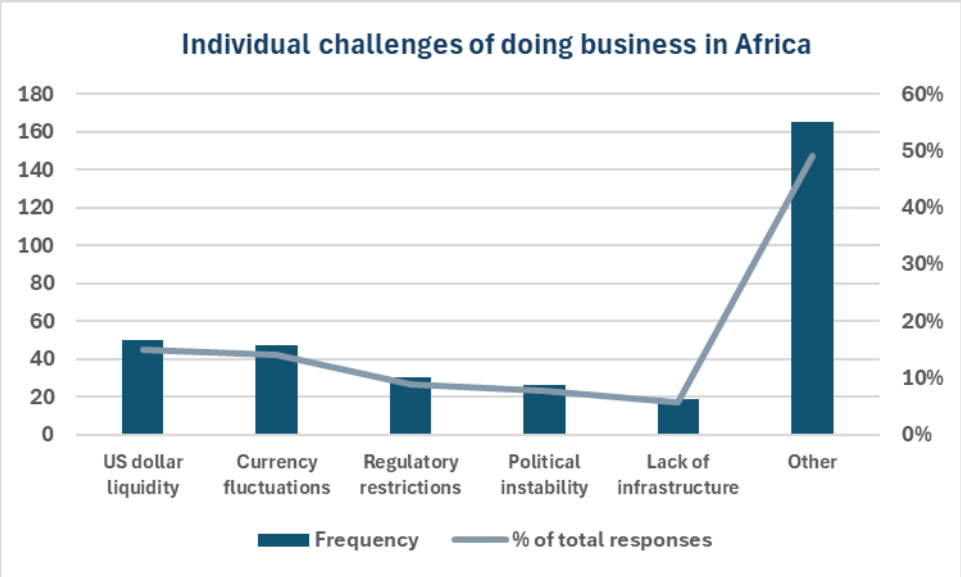


Figure 9: Individual challenges of doing business in Africa

Analysis of the responses provided key insight into the challenges and clearly reflected that currency challenges, specifically USD shortages, are a major obstacle for SA companies transacting in Africa.

The attributes that attract South African companies to expand in Africa

Responses from 249 data points were categorised in seven themes and summarised by frequency and distribution as follows.

- **Economic indicators** were identified by 23% (57) as being the primary attribute. Indicators reflecting infrastructure development and low levels of inflation were particularly strong.
- Improvement in **financial metrics** such as sales and operating profit were identified by 20% (49) respondents. Government incentive schemes and tax incentives were cited as contributing factors.
- 18% (45) of responses highlighted the **natural resources** of specific countries. Included were the skill levels, size and age group composition of the population. Strategic geographical location and the quantity of ports were noted as being key.
- Increased **market share** was identified by 17% (43) of respondents. Gaining a competitive edge in untapped markets was the overwhelming sub-category and is supported by previous research.
- 16% (39) of responses cited **market demand**. A low technology base in host countries and under-serviced markets were the major sub-categories. The demand for niche products was highlighted but did not feature heavily.
- **Societal and cultural needs** were noted by 4% (10) of respondents. It is widely accepted that profit maximisation is the primary driver of corporate companies, still it is surprising that just 4% of respondents listed the need for societal change considering Africa's levels of poverty and need for basic development.
- The need to **develop a local presence** in African regions was listed by 2% (6) respondents. The underlying reason was to build relationships with local vendors and customers in order to take advantage of future opportunities.

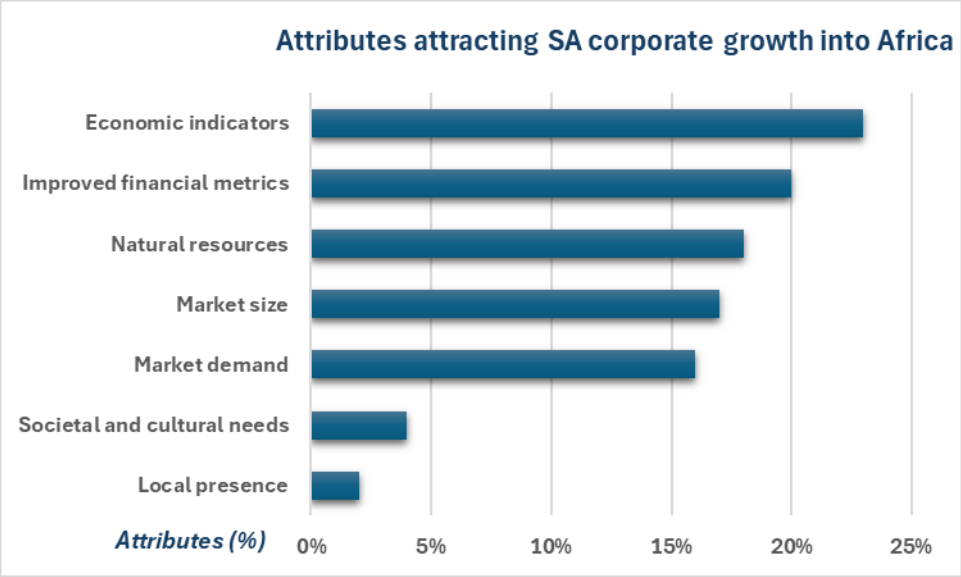


Figure 10: Attributes attracting SA corporate growth into Africa

The risk mitigation measures used when transacting in Africa

Responses from 146 data points were categorised in nine themes and summarised by frequency and distribution as follows.

- **Robust internal policies** was identified as the primary mitigation measure by 32% (46) of respondents. They include process flows, segregation of duties, frequent revision of policies and an approval matrix governing deals by value.
- The acceptance of **customer payments solely in USD and on a cash in advance** basis was identified in 20% (29) of responses. This is a bullet proof method of mitigating payment and forex shortages but may lead to customers taking their business elsewhere to seek more favourable terms.
- The **use of local partnerships** was listed by 15% (22) of respondents. It can be argued that this mitigates certain instances of fraud, safeguard profit and build business continuity but does not have direct impact on forex shortages.
- 14% (21) of responses identified **letters of credit and bank guarantees** as an effective mitigation measure. It is surprising that this theme did not attract more data points as it is a formal contractual agreement that is globally accepted.
- **Hedging mechanisms** are frequently used when transacting cross-border on both the accounts receivable and accounts payable side of trade deals. It was highlighted in 11% (16) of responses.

- 8% (12) of responses identified **credit insurance** as a viable mitigation measure. It is a coverage that protects businesses against potential payment default from customers and acts against bad debts but can be expensive depending on the country that needs to be insured. The higher the risk, the higher the premium.

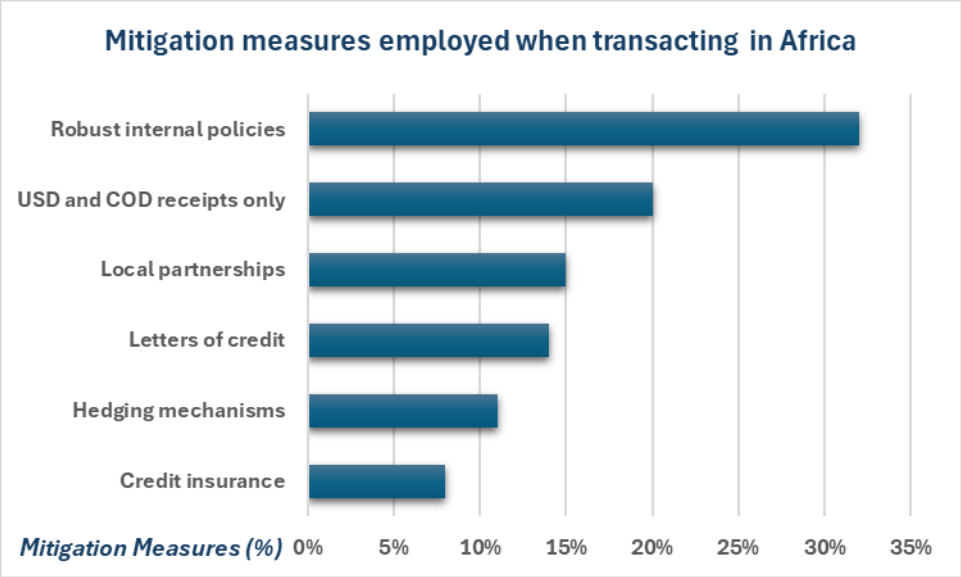


Figure 11: Risk mitigation measures employed when transacting in Africa

4.1.2 Qualitative analysis

Important themes were identified during the data coding process as indicated by the code book in table six. The sources represent the number of research participants who discussed a particular theme, while the references reflect the total number of statements made by these participants related to that theme. Direct quotations from participants and a review of current events were used to support the quantitative analysis in reaching the research objectives.

Category	Description	Theme	Sources	References
Type of operation	Legal entity	Form of growth into Africa	9	13
Type of operation	Branch	Form of growth into Africa	7	10
Type of operation	Sales office	Form of growth into Africa	7	7
Type of operation	Cross-border trade	Form of growth into Africa	8	8
Type of operation	Partnerships	Form of growth into Africa	3	3
Type of operation	Through regional presence	Form of growth into Africa	5	5
Attributes	Local market saturation	Drivers of SA corporate growth into Africa	3	4
Attributes	Obtain market share	Drivers of SA corporate growth into Africa	4	4
Attributes	Opportunity to "Connect Africa"	Drivers of SA corporate growth into Africa	3	4
Attributes	Opportunities provided by low technology base	Drivers of SA corporate growth into Africa	7	8
Attributes	First mover advantage	Drivers of SA corporate growth into Africa	2	2
Attributes	Political stability	Drivers of SA corporate growth into Africa	4	4
Attributes	Economic stability	Drivers of SA corporate growth into Africa	1	1
Attributes	Foreign government funding incentives	Drivers of SA corporate growth into Africa	1	3
Attributes	Opportunities provided by developing economies	Drivers of SA corporate growth into Africa	3	3
Attributes	Local presence	Drivers of SA corporate growth into Africa	3	3
Risk	Currency fluctuations	Challenges	3	4
Risk	Cost of doing business	Challenges	1	1
Risk	Corruption	Challenges	2	3
Risk	Language barriers	Challenges	3	4
Risk	Foreign currency shortages	Challenges	10	37
Risk	Political volatility	Challenges	3	4
Risk	Customer payment default	Challenges	1	1
Risk	Logistics challenges	Challenges	2	3
Risk	Tax regulations	Challenges	2	5
Risk	Regulatory barriers	Challenges	3	3
Restrictions to growth	War & conflict	Challenges	4	6
Restrictions to growth	Sanctions	Challenges	5	5
Restrictions to growth	Out of regional scope	Challenges	2	2
Risk Analysis	Risk analysis of country	Risk Mitigation Measures	4	5
Risk Analysis	Currency risk analysis	Risk Mitigation Measures	2	2
Risk Analysis	Government analysis	Risk Mitigation Measures	1	1
Risk Analysis	Upfront payment	Risk Mitigation Measures	2	2
Risk Analysis	External measures	Risk Mitigation Measures	1	1
Risk Analysis	Bank guaratees & LC's	Risk Mitigation Measures	3	3
Risk Analysis	Alternate payment from the group	Risk Mitigation Measures	2	4
Risk Analysis	Internal controls	Risk Mitigation Measures	7	11
Forex shortages	Contributory factor	Impact of forex shortages on SA corporate growth	2	2
Forex shortages	Deciding factor	Impact of forex shortages on SA corporate growth	7	7

Table 6: Code book

4.1.2.1 Analysis of themes

Form of growth into Africa

Type of operation (entry mode) into Africa was an important theme as it set a foundation for further corporate growth and allowed for statutory business requirements to be met.

“A local business is key; we have local presence in Nigeria which makes it possible to shift to customers in neighbouring countries” (P01)

“We have a branch in Nairobi and a branch in Lagos and in those areas, we use our sales team to actively promote our products, out of those countries, we have sales people who don’t have offices but we use companies to do promotions and marketing for us through a partnership.” (P03)

“Partners are actually very critical in-country.” (P03)

“There is definitely a correlation between a local business presence and increased business.” (P04)

“It is important to get a foot hold in a region first.” (P05)

“You have to start off with a regional presence as Africa is a very wide continent.” (P07).

“We also need to conform to local legislative requirements around purchasing within specific countries like SA has BBBEE, most other countries have some form of similar requirements” (P07).

“You can have a regional presence in Kenya, but if you want to do business in Uganda, you really need a local presence, whether that be through partnerships or the registration of an entity in that country.” (P07)

It is imperative that the necessary in-country expertise is channelled into acquisitions and deal structuring (Lex Africa, 2023).

Based on the interviews it is evident that having a local presence through a legal entity is critical for statutory purposes and business growth. Local partnerships can be used as an entry-mode to bridge the knowledge gap.

Drivers of South African corporate growth into Africa

Local market saturation, new market share, the opportunity to “connect Africa”, stable political environment and opportunities provided by a low technology base were identified through the quotes below as being the primary drivers.

“Over the last 4 years there has been significant growth, last year we had 30% of our turnover come out of East Africa so the strategic intent is to grow into Africa as much as we can.” (P02)

“There has been a lot of talk over the years of connecting the unconnected in Africa and because of lack of market penetration, connectivity in Africa is still low.” (P02)

“When it comes to our retailers in Africa, the market is saturated so we must look North from SA for more opportunities.” (P03)

“First of all, its political stability of the country. Its number 1, key because with a stable country you have a stable economy.” (P03)

“Once needs to look at what is required in developing economies, communication. Connecting people throughout the African continent.” (P05)

“The SA market is saturated, there is not a lot of growth left so we have to look at the African continent. There is still a lot of opportunities and networks are expanding.” (P05)

“As demand for data increases, so to, does the demand for networking gear and that’s where we can expand.” (P05)

“Technologically, Africa is trailing behind so there are opportunities, it’s an opportune market for us.” (P07)

Challenges of South African corporate growth into Africa

During the interviews, forex shortages were cited as the predominant challenge. Corruption, war, language barriers, political volatility and logistics challenges were also highlighted. Countries subject to sanctions were seen as no-go areas for foreign growth.

“Corruption is a big thing in Africa.” (P01)

“Over the past year the devaluation of the Naira had a big impact on our future plans of investing in that region.” (P01)

“The US dollar is the global currency, and it is difficult to get local currency converted and out of the country.” (P02)

“It is very difficult to convert local currency to USD in Nigeria and Zimbabwe.” (P03)

“The political situation is the major one because it can change overnight.” (P03)

“First and foremost is the availability of hard currency.” (P04)

“We avoid war torn areas and those with civil unrest.” (P04)

“The language barrier, especially in the French speaking countries are a challenge.” (P05)

“Logistics, not only imports and exports but also within a country.” (P06)

“Definitely bribery and corruption.” (P06)

“Foreign currency is becoming more and more of an issue, it is like a yo-yo, one week it is fine and the next it is not. Mozambique is an example.” (P06)

“We have experienced forex shortages before, it is definitely a pronounced issue for us.” (P07).

“We have had to turn down business in Sudan due to war.” (P08)

“Our governance policies state that we cannot trade in countries under United States embargoes.” (P09)

“The main challenges are taxes, logistics and forex shortages.” (P10)

Maxam, the Spanish multinational with operations across 12 African countries, including SA cited USD shortages in Angola and Burkina Faso as a significant challenge. Maxam highlighted an inability to repatriate profits, interruptions to daily operations and maintaining an efficient supply chain while the MultiChoice Group, which operates in 50 African countries listed forecasting and cash flow management as consequential challenges (Karwal, 2023).

Risk mitigation measures

Strong internal controls were the primary form of risk mitigation measures. Sub-categories were country specific risk analysis, currency monitoring and customer vetting. External mitigation measures such as letters of credit and bank guarantees featured less during the interviews with participants placing the onus mostly on internal policies and risk management. Cash in advance payment terms and accepting customer payments from their operations in more liquid parts of the world were highlighted as strategic tools to mitigate forex shortages.

“We have to do a complete risk analysis that encompasses governments and 5-year currency fluctuations.” (P01)

“We do customer vetting and review the country profile and in some instances request the customer to pay upfront before we close the deal.” (P02)

“A lot of our customers in Africa are aware of the issues around forex challenges so they offer to pay us from their other group companies.” (P03)

“We have multiple people reviewing the business deal such as EXCO, finance and legal.” (P05)

“It is difficult to mitigate risk but upfront payments and bank guarantees can be used.” (P06)

“We look at the history of the country to get an understanding and then involve the finance and legal departments to structure deals.” (P07)

“We use our internal resources in combination with external consultants. We also try to spread the risk to our suppliers so that we don’t end up with all of it.” (P09)

“We are starting to trade a lot more with letters of credit because they do not only mitigate the customer risk but political risk as well.” (P10)

Hedging offers solutions to low volatility currencies but do little to protect against hard forex shortages due to increased costs which make deals financially impractical. MultiChoice uses natural hedges whenever possible by accepting payments in local currency, but this leaves them open to devaluations and only protects the company if they have local expenses to pay with it (Karwal, 2023).

(LexAfrica, 2023) highlights the use of external advisory services whenever possible due to Africa's unique challenges. Extensive due diligence is advised to mitigate tax and regulatory threats which are often taken for granted to be in line with global processes. The CFO club of Africa (2024) places the burden of mitigation firmly on the company by emphasising that there is no substitute for robust internal controls and that risk must first be identified before it can be mitigated.

The impact of foreign currency shortages on South African corporate growth

All participants perceived forex shortages as affecting SA growth, though to varying degrees. It was stressed that not being able to get paid in cash made business pointless although the scale of opportunities in Africa warranted investment. A measured, country-specific approach, while recognizing the inherent risks, was emphasized as a pathway to achieving growth amid USD scarcity.

"I don't think that we can look at the continent as a whole, you have to look at countries individually and there is always risk but the upside is potentially worth it. I am taking those risks, but you cannot have 1 rule for the entire continent." (P01)

"I think that it is definitely a contributing factor, there is no doubt about it but I don't want to place it as the ultimate factor." (P02)

"In countries with forex shortages, for example Nigeria, we do not want to play there." (P03)

"I think that it is contributary, I say that because we would probably still do deals in low forex regions, just find methods to do them smarter." (P04)

"At the end of the day it's a deciding factor as we need to get paid or risk closing the business down. We can't just throw caution to the wind." (P05)

"It is definitely a deciding factor but country and period specific." (P06)

"It is definitely a deciding factor, there is no point in doing business if you cannot get the revenue out of the country due to forex shortages." (P07)

"There are 2 categories, in countries with forex shortages it is a deciding factor. In countries with less dependence on the USD it is not such a big thing." (P09)

“It is definitely a deciding factor but not the only deciding factor. If you asked me to put a branch in Ethiopia today I would say no, the primary reason being forex shortages.” (P10)

The most relevant support to the weak to moderate Spearman correlation is the case of MTN Nigeria. Despite massive forex losses and severe liquidity pressures, MTN remains committed to Nigeria due to their increasing subscriber base and demand for data. As of 2024, MTN held the largest share of the Nigerian mobile telecoms market with 37% (Sasu, 2024). Considering Nigeria’s 223m population further support is given to market share being an over-riding influence over forex shortages to SA growth. Despite a 9 billion rand first half loss due to forex challenges in 2024 MTN clearly believes that their market share is worth more long-term than their current forex losses and plans to invest more than 35 billion rand to fulfil demand across Africa while Vodacom continues to grow its Africa base in the face of USD scarcity with recent investments in Egypt and Ethiopia (African Business, 2024).

4.2 Discussion of findings

Spearman’s correlation finds that forex shortages are positively but weakly correlated to SA growth. The direction of correlation is misleading when viewed solely considering the quantitative analysis. It is evident that SA growth is desirable to SA companies and that any risk to growth will induce a negative relationship. Forex shortages represent a risk and are thus not desirable and a hinderance to SA growth. The direction of correlation can thus be ignored. The weak statistical result of 0.342, coupled with the disregard for the direction of correlation, reinforces the view that forex shortages do not significantly impact growth. The study finds that forex shortages are a contributory and not a deciding factor on growth but that it is company specific according to their appetite for risk.

Spearman’s correlation finds that the use of risk mitigation measures is positively, but weak to moderately correlated to SA growth. The direction of correlation is accepted, as risk mitigation inherently reduces risk which promotes growth. The moderate-positive statistical result of 0,476 is certainly not weak but also not strong enough to be a clearly defined deciding factor. The qualitative analysis emphasizes the

importance of risk mitigation measures and reinforces this study's findings that while they should be used whenever possible, they are a contributing factor, not a determining one, on SA growth.

The descriptive analysis found that currency challenges and specifically forex shortages was the primary challenge faced by SA companies when seeking to grow in Africa. The views of respondents largely echoed the categories of challenges identified in current affairs and in interviews. Infrastructure and economic challenges have been consistently highlighted through the years, but cultural obstacles and the lack of local partnerships were materially cited in this study indicating that these factors may be more significant barriers to growth in the current context and time period. This study finds that while Infrastructure, political and economic challenges are long-term, currency related challenges are temporary but high impact.

Financial gain through increased market share was found to be the overwhelming motive for growth into Africa, so much so that its benefits outweighed forex shortage risks. The opportunities provided by Africa have enticed SA corporates to invest in growth opportunities. Certain sectors, such as telecommunications and technology have thrived while others susceptible to cultural influence such as the retail sector have been found wanting. This study finds that the companies who have divested from Africa have done so for primary reasons other than forex shortages. This is not to say that forex shortages did not contribute to their reduced operations, but it was other factors such as strategy, entry mode and lack of local conditions that were paramount. This is evident by the case of MTN who continue to invest heavily in Africa in the face of huge forex shortages and losses as the value in their market share is deemed to outweigh challenges of doing business in Africa.

The descriptive and qualitative analysis of this study found that there are various mitigation measures that companies can employ ranging from financial instruments to credit insurance but that solid internal controls and a strategic approach to risk mitigation was overwhelmingly crucial. A recurring theme throughout this research is the use of local partnerships to eliminate cultural differences. It is evident that local African environments are complex and alien to SA firms. Finally, Goedhart et al. (2015) emphasize that mathematical hedging tools, such as derivatives, should be used whenever possible alongside effective risk policies and strategies. However, it is

important to understand that risk cannot be eliminated and that SA firms must include the impact of forex shortages in their contingency plans.

4.3 Conclusion

It is evident that the private sector is crucial to resolving development and societal challenges as Africa's governments do not have a good track record (Games, 2003). Research on global market trends and African forex reserve levels suggest that any extended period of currency shortages places extreme strain on economic growth and increases risk, which leads investors to seek safer and more liquid markets (Shipalana & O'Riordan, 2020).

Companies must thus carefully evaluate their strategies and implement risk mitigation strategies when conducting business in Africa, even though some macro-economic risks may be inevitable. To build sustainable businesses in Africa, SA corporates must develop country specific growth strategies.

This chapter provided a detailed examination of the data collected, revealing statistically positive but moderate relationships between forex shortages, growth, and the use of risk mitigation measures. Descriptive and thematic analyses further enriched the findings by uncovering the core challenges and incentives influencing SA corporate strategies in Africa. These insights form a foundation for the subsequent chapter, which interprets the results in light of the theoretical frameworks and proposes practical and policy recommendations.

5. SUMMARY, RECOMMENDATIONS, FUTURE RESEARCH AND CONCLUSION

5.1 Summary of findings

This study sought to investigate the impact of foreign currency (forex) shortages in Africa on South African corporate growth, with particular attention to the role of risk mitigation strategies. The following research objectives guided the study:

1. To determine the relationship between forex shortages in Africa and South African corporate growth.

2. To examine the impact of risk mitigation strategies on the relationship between forex shortages and South African corporate growth.

3. To identify the key challenges South African companies face when expanding into African markets.

A mixed-method design was employed, combining quantitative analysis (using data from 120 Likert-scale surveys and Spearman’s correlation) with qualitative insights (drawn from 10 semi-structured interviews and media reviews).

The study's quantitative analysis revealed that forex shortages had a positive but weak to moderate correlation with corporate growth, while the use of risk mitigation strategies had a moderate positive correlation. These findings confirm that while forex shortages do not decisively hinder expansion, they are contributing factors. More importantly, strategic mitigation—through tailored internal policies and financial planning—moderates their effect.

In alignment with Research Objective 3, descriptive statistics confirmed that forex shortages were the most cited challenge in expansion efforts, followed by regulatory barriers and logistical issues. However, qualitative findings highlighted that corporate ambition, long-term growth strategies, and local partnerships often outweigh liquidity constraints.

By integrating these data sources, the study effectively answered the central research question:

How do forex shortages in Africa affect South African corporate growth, and what role do risk mitigation strategies play in this relationship?

The analysis demonstrates that while forex shortages introduce measurable constraints, they do not significantly deter corporate growth when strategic countermeasures are in place. Thus, the study successfully *closed the loop*, solving the research puzzle by showing that forex shortages is a limiting, but not prohibitive, factor when managed effectively.

5.2 Implications of the findings

5.2.1 Theoretical implications

The findings contribute to the literature on forex scarcity risks in the context of expanding into African markets. They align with institutional and contingency theories, both of which highlight the need for firms to adjust their strategies in response to complex external environments. The finding that customized risk mitigation strategies can lessen the adverse effects of forex shortages reinforces the view that firms are proactive agents capable of influencing outcomes through internal resources and strategic flexibility.

5.2.2 Practical implications

For SA corporate firms the findings highlights the pitfalls and serve as an outline to navigate forex-related risks while pursuing growth in African markets. Firms are advised to develop country-specific risk management frameworks, build local partnerships, and leverage digital tools for real-time decision-making. These practices are not just reactive but form part of a proactive growth strategy.

5.2.3 Social implications

Socially, the study underscores the value of local economic inclusion. Leveraging local supply chains helps ease forex constraints while also fostering community development and employment, effectively aligning business objectives with broader national development goals.

5.3 Recommendations

Based on the findings of this study the following recommendations can be made to assist South African corporate organisations to avoid the pitfalls of forex shortages in Africa.

- Robust internal controls and a risk strategy that encompasses a country specific approach must be put into place. A one size fits all approach does not work in Africa and flexibility is key. It is a common and grave error to think of Africa as a single market.
- It is recommended to engage external specialist consultants to fully understand the overall impact of operating within African regions, particularly concerning tax and legal regulations. Given the uniqueness of African countries, there is a risk of hidden costs and regulatory challenges that need to be carefully navigated.
- The development and use of local partnerships must be prioritized so that nuanced cultural challenges can be minimised. Forex challenges can be restricted by using local suppliers so that local currency can earned and spent in country. This allows the company to grow sales as foreign entities and governments will be keen to preserve their own forex reserves thus favouring contracts that are payable in local currency.
- Firms are urged to digitalise their data systems so that all information relevant to currency challenges are readily available in order to make real-time decisions. The volatile nature of currencies in Africa means that delays come with monetary costs and lost opportunities.
- Firms are encouraged to incorporate their African growth plans into a broader long-term strategy. A short-term view will not work as success in Africa comes

with building partnerships, a solid local business foundation and integration of the business into the local population and culture.

- SA corporate investment into Africa is key for host countries to resolve their technology and infrastructure issues. As such there are many government trade agreements and incentive schemes for SA firms to take advantage of. It is recommended that the SA private sector work with the public sector to grow and simultaneously solve Africa challenges.

5.4 Future Research

The findings of this study provide valuable insight into the impact of forex shortages in Africa and risk mitigation measures on South African corporate growth. It also highlights avenues of future research to shed further light on factors that influence the issue.

Future studies could focus on the impact of forex shortages on specific regions e.g. Central and West Africa. These economies are different from each other and have specific characteristics that may influence SA growth differently. The Francophone countries are unique in that they are more reliant on the Euro that the US dollar.

The impact of crypto currencies should be analysed as their use in global markets gain momentum. Corporates may be willing to accept alternate forms of payment to reduce reliance on the dollar.

De-dollarisation, the BRICS group and China’s growing influence has the potential to massively reduce Africa’s reliance on the dollar. Further studies exploring their elements can contribute to the understanding of the underlying concepts of currency shortages and corporate growth in Africa, irrespective of its source.

5.5 Conclusion

There is no assurance that the moderate importance of forex shortages and the use of risk mitigation on South African growth, as identified by the quantitative analysis, will remain constant for any period of time. The descriptive and qualitative findings suggest that the impact of currency shortages are more than moderate and will

become more impactful if the scarcity persists for any extended period. SA firms affected by forex shortages and losses in Africa recognize that the continent's potential is too significant to overlook for long periods. Even corporate giants like the Shoprite Group, who have recently divested from some of their African operations, admit that they will return. SA growth in Africa is inevitable though the market dynamics and risks need to be understood and prepared for. Contrary to many global views, Africa is not a country. It is home to 54 countries, 1.3 billion people and over three thousand languages. SA firms will benefit from a measured, country specific and flexible approach to their African expansion plans.

“Unrest between 2 political parties and now nobody can get any foreign currency out of the country. It is like the famous saying from Forrest Gump – Life is like a box of chocolates, you never know what you are going to get. That’s pretty much Africa.” (P06)

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APPENDIX A: Research Instrument

Evaluating the effects of foreign currency shortages in Africa on South African corporate growth

Introduction

Dear Participant,

My name is Kavish Naidoo. I am a Master's student in Business Administration (MBA) at the University of the Witwatersrand Business School in Johannesburg.

I am conducting a research study about the impact of foreign currency shortages in Africa on South African organizations. The study title is, Evaluating the effects of foreign currency shortages in Africa on South African corporate growth.

I invite you to participate by answering the questionnaire which consists of 18 questions that will take approximately ten (10) minutes to complete.

The findings of this research will contribute to a better understanding of the challenges companies face and provide recommendations for mitigating the effects of foreign currency shortages on corporate growth. Your participation in this study is entirely voluntary, your identity will remain anonymous and there is no requirement for your personal information. The information you provide will be used solely for academic research purposes and will be kept strictly confidential. You are free to discontinue your involvement in the questionnaire at any point, for any reason, without any resulting biases.

This study will be written up as a research report available online through the university library website. If you wish to receive a summary of this report, I will be happy to send it to you (optional). The data collected from this research project will be stored in a password-protected computer and kept for five years. With your permission, the data collected from this research project may be used by other researchers in an anonymized format. If you have any questions during or afterwards about this research, please get in touch with me at the details listed below.

Researcher: Kavish Naidoo
Email: 2012727@students.wits.ac.za
Contact No: +27 84 919 3161
Supervisor: Dr Ademola E. Ayodele
Email: ademola.ayodele@wits.ac.za
Contact No: +27 69 748 4469

Please answer the following questions based on your experience as a business leader or decision-maker within your company.
Thank you for your participation!

* Do you have experience/knowledge about doing business in Africa outside of SA?

- ◯ Yes
- ◯ No

* I agree to participate in this survey, understanding that the researcher will not use my name or other identifying data in their research report, manuscript, or book chapter and that my participation will remain anonymous.

- ◯ Yes
- ◯ No

* What is your role in the organisation?

- ◯ Board & Executive Management
- ◯ Business development & Sales
- ◯ Finance & Support Divisions

* What is your organization size?

- ◯ Small (1 - 50 employees)
- ◯ Medium (51 - 200 employees)
- ◯ Large (+ 201 employees)

* What is your organizations industry type

- ◯ Manafacturing
- ◯ Technology
- ◯ Services
- ◯ Retail
- ◯ Finance
- ◯ Other

What is your experience level in cross border African business?

- ◯ Less than 5 years
- ◯ 6 - 10 years
- ◯ More than 10 years

Evaluating the effects of foreign currency shortages in Africa on South African corporate growth

Questionnaire (Only one response per multiple choice question)

* Q1. Expansion into African markets (countries) is critical for the long term sustainability of my organization.

- ☐ Strongly agree
- ☐ Agree
- ☐ Neither agree nor disagree
- ☐ Disagree
- ☐ Strongly disagree

* Q2. My organization has plans for further expansion into Africa in the form of Foreign Direct Investment (FDI) within the next 24 months.

- ☐ Strongly agree
- ☐ Agree
- ☐ Neither agree nor disagree
- ☐ Disagree
- ☐ Strongly disagree

Q3. My organization intends to generate sales from new African markets (countries) within the next 24 months.

- [ ] Strongly agree
- [ ] Agree
- [ ] Neither agree nor disagree
- [ ] Disagree
- [ ] Strongly disagree

* Q4. In my organization, executive management approval is required for sales into new African markets (countries).

- [ ] Strongly agree
- [ ] Agree
- [ ] Neither agree nor disagree
- [ ] Disagree
- [ ] Strongly disagree

* Q5. In my organization, all cross border sales are governed by a formal policy that includes country specific guidelines and restrictions around currency risk and mitigation measures.

- [ ] Strongly agree
- [ ] Agree
- [ ] Neither agree nor disagree
- [ ] Disagree
- [ ] Strongly disagree

Q6. My organization has turned down sales in African countries due to liquidity challenges (currency shortages).

- [ ] Strongly agree
- [ ] Agree
- [ ] Neither agree nor disagree
- [ ] Disagree
- [ ] Strongly disagree

* Q7. In my organization, country specific currency shortages are a determining factor when entering into FDI and/or sales transactions in Africa.

- [ ] Strongly agree
- [ ] Agree
- [ ] Neither agree nor disagree
- [ ] Disagree
- [ ] Strongly disagree

* Q8. I personally, rank foreign currency shortages as the primary risk associated with doing business in Africa.

- [ ] Strongly agree
- [ ] Agree
- [ ] Neither agree nor disagree
- [ ] Disagree
- [ ] Strongly disagree

Q9. My organization actively monitors African countries for liquidity challenges and distributes this information throughout the business.

- [ ] Strongly agree
- [ ] Agree
- [ ] Neither agree nor disagree
- [ ] Disagree
- [ ] Strongly disagree

* Q10. My organization uses counter measures as protection against currency shortages when conducting business in Africa.
E.g. currency hedges, customer receipts secured by official letters of credit.

- [ ] Strongly agree
- [ ] Agree
- [ ] Neither agree nor disagree
- [ ] Disagree
- [ ] Strongly disagree

* Q11. My organization readily accepts customer payments in local African currencies instead of the US Dollar (USD).

- [ ] Strongly agree
- [ ] Agree
- [ ] Neither agree nor disagree
- [ ] Disagree
- [ ] Strongly disagree

Q12. My organization employs (internal and/or external) foreign exchange risk mitigation experts to reduce currency risk through counter measures.

- [ ] Strongly agree
- [ ] Agree
- [ ] Neither agree nor disagree
- [ ] Disagree
- [ ] Strongly disagree

* Q13. My organization will 100% not enter into African growth opportunities (FDI and Sales) without employing risk mitigation measures.

- [ ] Strongly agree
- [ ] Agree
- [ ] Neither agree nor disagree
- [ ] Disagree
- [ ] Strongly disagree

* Q14. My organization has experienced financial loss due to currency shortages in Africa.

- [ ] Strongly agree
- [ ] Agree
- [ ] Neither agree nor disagree
- [ ] Disagree
- [ ] Strongly disagree

Q15. My organization would not have entered into specific sales or FDI activities if it had known about currency shortages at the time of initiation.

- [ ] Strongly agree
- [ ] Agree
- [ ] Neither agree nor disagree
- [ ] Disagree
- [ ] Strongly disagree

* Q16. Please list the top 3 challenges that you associate with doing business in Africa.

* Q17. Please list the top 3 attributes that attracts you to investing/transacting in Africa.

* Q18. Please list the top 3 risk mitigation measures that your organization employs to reduce risk when transacting in African markets.

APPENDIX B: Interview Guide

Name: **Mr Kavishwar Naidoo**

Student Number: 2012 727

Topic: Evaluating the effects of foreign currency shortages in Africa on South African corporate growth

Interview Guide

Introduction

Re-iterate that all information will be treated as confidential and that responses are voluntarily.

Briefly introduce the interviewee to the broad concepts of the research topic to avoid any miscommunication.

- The concept of Foreign Exchange Reserves
- The concept of Currency Shortages
- The concept of Foreign Direct Investment

Key Discussion Points

1. What is your involvement in your organisations business decisions in Africa? (General)
2. In what form does the African operations take? e.g. legal entity, branch, exports from SA? (Corporate Growth)
3. Does your organisation specifically seek to strategically expand business into Africa? (Corporate Growth)
4. Which African countries does your organisation conduct business in? (Corporate Growth)
5. Are there any countries that your organisation specifically disqualifies doing business in? (Appetite for risk)
6. What are the key determinants of African market entry decisions for your organisation? (Attributes)

7. What are the challenges that you encounter when doing business in Africa?
   (Challenges)
8. Do you specifically consider country specific liquidity challenges before quoting customers?
   (Forex shortages)
9. Are liquidity challenges a deal breaker when conducting business in Africa?
   (Forex shortages)
10. Have you experienced liquidity challenges on historical deals in Africa?
    (Forex shortages)
11. If Yes, has it changed your appetite for risk when conducting business in Africa?
    (Appetite for risk)
12. Do you actively utilise risk mitigation measures to reduce risk?
    (Risk Mitigation Measures)
13. If yes, what types of risk mitigation measures do you use?
    (Risk Mitigation Measures)
14. What importance do you place on strong internal control measures and policies to protect the organisation against forex shortages?
    (Risk Mitigation Measures)
15. Do you believe that the business opportunities in Africa outweigh the risks of doing business in Africa?
    (Appetite for Risk)
16. Would you consider forex shortages a contributory or deciding factor when transacting in Africa?
    (Forex shortages)
17. Are there any further information that you would like to contribute that you believe is relevant to the research topic?
    (General)

Closing of Interview

Thank the interviewee and clear any potential ambiguous answers.

APPENDIX C: Consent Form



Consent Form

Evaluating the effects of foreign currency shortages in Africa on South African corporate growth.

Name of Researcher: Kavishwar Naidoo

I, ……..., agree to participate in this research project.

I agree to the following:

(Please circle the relevant options below)

The research study was explained to me. I understand what this study is about.	YES	NO
I understand that I can volunteer to take part in the study.	YES	NO
I agree that the interview/questionnaire may be audio recorded.	YES	NO
I agree that direct quotations from my interview/questionnaire may be used by the researcher in their research report.	YES	NO
I agree that my participation will remain anonymous (my name or other identifying data will not be used by the researcher in their report.	YES	NO
I agree that other researchers may use the information I provide in my interview/questionnaire (depending on their own ethics clearance being obtained) but my name and any personal information will not be used or passed on	YES	NO

…… (signature)
…… (name of participant)
…… (date)

…… (signature)
…… (name of researcher/person seeking consent)
…… (date)

APPENDIX D: Participant Information Sheet

Participant Information Sheet (PIS)

Dear Sir / Madam

My name is Mr. Kavishwar Naidoo. I am a Masters student in the MBA programme at the University of the Witwatersrand, Johannesburg. My supervisor is Dr Ademola E. Ayodele. I am conducting a research study about foreign currency liquidity challenges. The study title is **Evaluating the effects of foreign currency shortages in Africa on South African corporate growth.**

I am inviting you to answer a questionnaire, online or through a physical or electronic interview e.g. MS Teams, Zoom. If you decide to take part, your participation in this research study will last about 10 minutes.

With your permission, I would like to collect and store this data. It will be stored in a password protected online storage account and deleted after 5 years. Only, Mr. Kavishwar Naidoo will have access to the data.

During the research activity, I will need to ask for some personal information about you, including your employment role and function.

The survey will be confidential and anonymous. When I share the results of the research study, I will not include your name or anything else that could identify you. With your permission, other researchers may use the data collected from this research study, but your name and any personal information will not be used or passed on.

If you decide to take part in the research study, it should be because you want to volunteer. You do not have to take part. You can stop being in the study at any time. You do not have to answer any questions if you do not want to. You will not get any direct benefits if you choose to join the research study. You will not lose any services, benefits or rights you would normally have if you decide not to join. Taking part in the research study will not cost you anything. You will not be paid for being in this research study.

The risks for this research study are no more than what happens in everyday life.

This research study will be written up as a research report. If you would like to receive a summary of this report, I will be happy to send it to you.

If you have any questions during or afterwards about this research study, feel free to contact me or my supervisor on the details listed below. If you have any concerns or complaints about the ethical procedures of this research 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.

Yours sincerely,
Mr. Kavish Naidoo

Researcher:
Mr. Kavishwar Naidoo, 2012727@wits.ac.za, 084 919 3161

Supervisor:
Ademola E. Ayodele, ademola.ayodele@wits.ac.za, 011 717 3544

APPENDIX E: Ethics Approval

Graduate School of Business Administration
University of the Witwatersrand, Johannesburg

Wits Business School Ethics Committee
Constituted under the University Human Research Ethics Committee (Non-Medical)

Ethics Clearance Certificate

Ethics protocol number: WBS/BA2012727/452
This certificate is only valid with a legitimate ethics protocol number and signed by the Researcher (below).

Project title	Evaluating the effects of foreign currency shortages in Africa on South African corporate growth
Investigator / Researcher	Mr Kaviswar Naidoo
Nature of Project	MBA (Research Article)
Decision of the Committee	Approved, provided stakeholders and participants are guaranteed confidentialty.
Issue Date of Certificate	11/07/2024
Expiry date	Date of submission of the project / research report
Chairperson	Dr Ayanda Magida ☎ +27 11 717 3953 ✉ ayanda.magida@wits.ac.za

Declaration by Researcher

One copy must be signed by the Researcher and returned to the Chairperson of the Wits Business School Ethics Committee.

I fully understand the conditions under which I am authorized to carry out the abovementioned research a I guarantee to ensure compliance with these conditions. Should any departure to be contemplated from th research procedure as approved I undertake to resubmit the protocol to the Committee.

Signature

15/07/2024
Date: