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Late payment mitigation mechanisms enacted by small construction businesses in the City of Johannesburg

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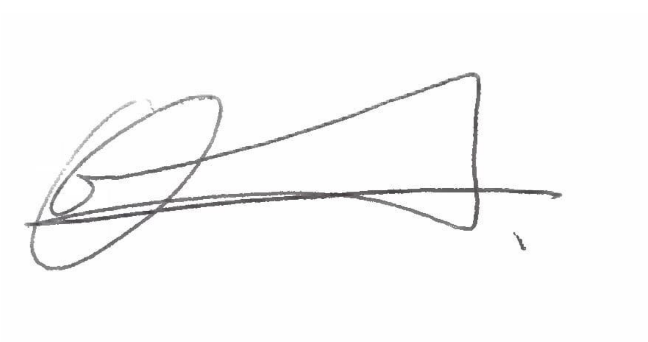
Declaration

I the undersigned, declare that this research report is my original work. It is being submitted for the degree of Master of Management in Governance and Management at Wits School of Governance, the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination at any other University.



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Abstract

A late payment is one of the challenges that threaten the lifespan and existence of most of the Small Micro-Medium Enterprises (SMMEs). This study investigated the mechanisms which are devised by the construction SMMEs based in the Inner City of Johannesburg and doing business with the City of Johannesburg Municipality. A purposive sampling technique was utilized in selecting a sample of 20 SMMEs managers and owners from the target population. The semi-formal interviews were telephonically conducted to collect data.

The study made significant findings as the collected data was analyzed. All the interviewed SMMEs indicated that they have and continue to face late payments when doing sub-contracting to the main contractors who get tenders from the clients (City of Johannesburg entities). To remain in business, the SMMEs implement various mechanisms which include making loans from the banks, friends, and loan sharks, making use of personal funds, credit facilities by the suppliers, and instructing lawyers to chase payments on behalf of the SMMEs.

Most of the identified mechanisms are not sustainable, hence the research probed the SMMEs about their suggestions on resolving the late payment issue. Based on these recommendations, the study further made recommendations that will ensure that the challenge is dealt with, furthermore, how the effective mechanisms can be applied across the industry so that the construction SMMEs can run stable businesses that will grow and develop.

Acknowledgments

I would like to thank my family and friends for the endless support.

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Abbreviations

CIDB	Construction Industry Development Board
DED	Department of Economic Development
DPME	Department of Planning, Monitoring and Evaluation
Dti	Department of Trade and Industry
EDP	Enterprise Development Programme
GDP	Gross Domestic Product
GED	Gauteng Economic Department
GEP	Gauteng Enterprise Propeller
JDA	Johannesburg Development Agency
JRA	Johannesburg Road Agency
Mafisa	Micro-Agricultural Financial Institute of South Africa
NEF	National Empowerment Fund
NSBAC	National Small Business Advisory Council
NYDA	National Youth Development Agency
OECD	Organization for Economic Co-operation and Development
PFMA	Public Finance Management Act
PSC	Public Service Commission
SEDA	Small Enterprise Development Agency
SMMEs	Small Micro-Medium Enterprises
TIA	Technology Innovation Agency

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CHAPTER ONE: INTRODUCTION

1.1 Background and Context

Late payment harms the operations of small businesses. These SMMEs are too important to the economy to fail. Their importance has led to this paper undertaking a study with a focus on the late payment factor. It will do this by providing background to the development of a legislative framework concerning the small businesses in South Africa. Moreover, the paper will also highlight how the government has moved to characterize the issue of late payment by various organs of the state. The problem and purpose statements will be discussed in conjunction with the research objective. The significance of this study and its contribution will also be outlined. The literature review, methodology, presentation of findings, discussion of findings and summary, conclusion, and recommendation will be discussed as respective chapters.

The Small Micro-Medium Enterprises (SMMEs) sector significantly serves as a booster to the economic growth of countries globally as they lead to the creation of job opportunities and further contribute to Gross Domestic Product (GDP) of the country. The statistics show that the formal business is responsible for the generation of R2, 39 trillion turnovers during the Quarter 1: 2019 period, from this amount, large business accounts for 62%, the small added 29%, while medium-sized enterprises are responsible for 10% (Statistics South Africa, 2019). The same SMMEs face various challenges that range from accessing funds to lack of capacity and training, however, the interest of this research is to investigate the mechanism which the SMMEs in the sector of construction apply to stay in business while awaiting late payments. The research will be executed in the City of Johannesburg. This location is an area of interest on the basis that it is an entry point or arrival point for many people who come into Gauteng to seek jobs, business, and study opportunities. However, with the unemployment rate currently sitting at 29, 1% in South Africa, the worst affected industry is construction as the number of employed people in this sector is 142 000 (Bosch & Venter, 2019). Hence the effort to understand and address the late payment challenge is of great importance. Resolving the late payment situation will possibly play a role in preserving the SMMEs in the construction and in turn, the employment opportunities will be preserved and they can continue to contribute to South Africa's economy.

A circular by the National Treasury on timeous payment of invoices and claims was issued as a reminder to the responsible institutions to effect payments for claims and services within the stipulated period of 30 days, and accounting authorities to monitor compliance thereof (National Treasury, 2018). This circular is a result of the non-compliance by government institutions in paying the service providers, especially the SMMEs in time. The Public Service Commission (PSC) held a series of public hearings during the 2012 and 2013 periods. The hearings received an account for late payment which was provided by both the government departments and service providers. Some of the reasons stipulated by the departments included the improper invoicing by the SMMEs, the service providers not having official purchase orders when submitting invoices, cash flow shortfall caused by the invoices which not paid from a particular year to the next in terms of financial years, lack of monitoring of payment processes, and fraud and corruption. The reasons provided by the service providers included the departments not always issuing purchase orders or making last-minute changes to the initial specifications without issuing the new purchase orders, lack of delegation of powers to other officials for approving payments, and fraud and corruption was stated by the service providers as well (Parliamentary Monitoring Group, 2015). Moreover, the reasons for late payment was noted on the address in the National Assembly by the former Minister of Department of Planning, Monitoring and Evaluation (DPME), Jeff Radebe on the 17th November 2016. He highlighted a lack of invoice tracking systems and lack of financial delegation, non-adherence to procurement processes, poor financial management, and lack of a "sense of urgency amongst the officials mandated with effecting payments of SMMEs or service providers" invoices (DPME, 2016). These reasons apply to the local sphere of government as well and this makes it relevant to this study in the City of Johannesburg. The three spheres of government are distinct, yet interdependent. The challenges that result in delayed and non-payment of invoices are summarized below as per the Department of Small Business Development (DSBD) sample study (DPME, 2020).

Table 1: Challenges Contributing to a Delayed and Non-Payment

Systems Challenge	Lack of systems in place which ensures the traceability of invoices
Non-adherence to Supply Chain Processes	Non-compliance with procurement and supply chain management processes. An example not having an appointment letter or Purchase Order.
Poor financial management	Lack of financial planning, whereby poor budgeting does not align with the procurement plans of the department.
Contractual disagreements	The termination of contract without properly communicating with the affected parties.
Lack of documented processes (Standard Operating Procedures)	Lack of documented processes leads to some officials following common sense and their own understanding which at times results in delays on the progress of payments' processing.
Subcontracting matters	The disputes between the main contractors and sub-contractors does have a role in delaying the payments.
Lack of capacity	The shortage of skilled staff on financial management responsibilities.
Cash flow management	The depleted cash flows leads to some departments having no funds to pay the service providers.

Source: Department of Small Business Development

One of the examples is when a late payment had a negative effects on the SMME is when it had to downsize due to late payment. The SMME had an annual turnover of approximately R8 million and the amount it was owed impacted its ability to sustain itself. This led to the retrenchment of its six employees, reduced company assets, legal action was threatened by its sub-consultants and it could no longer provide work opportunities to young graduates. The SMME was further engaged in an arbitration process against the City of Johannesburg, as a result, it lost over R200 000 in legal costs. (Parliamentary Monitoring Group, 2015).

The 1995 White Paper on National Strategy for the Development and Promotion of Small Business in South Africa, as published by the Department of Trade and Industry (The DTI). This policy got propelled via the Integrated Small Development Strategy which primarily focused on providing financial assistance to the SMMEs. This paper does note the policy and institutional framework in place to develop and empower the SMMEs. The government's central agencies and funds are distributed through five different departments. They are the DTI, the Department of Science and Technology, the Department of Agriculture, and the Presidency.

Small business is under the Minister of Department of Small Business Development, specifically under two Departmental units which are Enterprise Organization and the Empowerment and Enterprise Development Division. The department further has various entities that fall under it, namely Small Enterprise Development Agency (SEDA) which is mandated to provide support to small enterprises, the National Empowerment Fund (NEF) with the objective of funding and empowering black-owned businesses, and National Small Business Advisory Council (NSBAC) to provide the dti's Minister on ways to uplift the small businesses. In Gauteng, the Department of Economic Development has Gauteng Growth and Development Agency (GGDA) as on these entities. In Limpopo there is Limpopo Economic Development Agency (LEDA) which falls under the Department of Economic Development, Tourism and Environment Affairs. The Kwa Zulu Natal Province has KZN Growth Fund Trust which reports to the Department of Economic Development, Tourism and Environmental Affairs as well. The Department of Science and Technology has an umbrella body called the Technology Innovation Agency (TIA) for funding innovation. The Presidency has the National Youth Development Agency (NYDA) as its agency which aims to support the youth with career skills development and assist with starting their businesses. The Department of Agriculture has the Micro-Agricultural Financial Institute of South Africa (MAFISA) intending to contribute to the working poor's ability to run the already existing agricultural businesses and start new ones (National Credit Regulator, 2011). These institutions work together with the local municipalities as the entities which are closest to the SMMEs. Moreover, the development and empowerment initiatives are channeled in partnership with the entities at local municipalities.

In Gauteng, several institutions promote the development and growth of the SMMEs, but Gauteng Economic Department (GED) and Gauteng Enterprise Propeller (GEP) are noted here. At the level of local municipality, there also exists the institutions and initiatives such as the Johannesburg Development Agency (JDA) and Department of Economic Development (DED) which belong to the City of Johannesburg and Johannesburg Inner City Partnership Forum (JIPC). Their objective is to drive the growth and transformation of the various stakeholders in the City of Johannesburg, including the SMMEs. For example, the Johannesburg Development Agency (JDA) in the City of Johannesburg Metropolitan Municipality contributed to the construction sector as well as the local SMMEs development and Broad-Based Black Economic Development (BBBEE). For the 2018/2019 financial year, the overall BBBEE share of expenditure and contractual commitment for active contacts was R1, 079,203,801.22.

The numbers from the Companies and Intellectual Property Commission (CIPC) shows a continuous decline of the construction SMMEs based in Johannesburg Inner City. From February to August 2019, the number of registered SMMEs was 522. However, by September 2019, the number declined to 488 as 44 SMMEs got deregistered with CIPC. From January to April 2020, the number was 270. Currently, in July 2020, the number of registered is 98. Out of these, only 33 SMMEs are active and doing business. This research will focus on the SMMEs which are active in business. Nonkumbi (2020).

The study is focusing on construction industry on the basis that a late payment challenge is prevalent in this sector. This is demonstrated by the regulations released by the Department of Public Works in government gazette No.38822 in 2015, the regulations aimed at empowering the construction companies to fight the late payments by clients (Department of Public Works, 2015).

The research aims to determine the extent of the late payment situation and through the data collected to establish how the impacted SMMEs are managing to survive.

1.2 Problem Statement

The late payment by the government to small businesses is a serious challenge that impacts the effective functioning and survival of SMMEs. The study intends on identifying the sustainable mechanism that can be employed by SMMEs in instances where payment is late. The background on the history and evolution of the SMMEs and legislation about them is important to realize the intention and objective of this study.

The SMMEs based in the Johannesburg Metropolitan Municipality in the construction industry are faced with the challenge of receiving late payments when rendering services to the various spheres of government (national, provincial, and local). This situation affects the capability of the SMMEs to have a sustained growth and contributed to the establishment of a Small Business Development Ministry. However, research demonstrates that the SMMEs are continuously being failed by this ministry, together with other national, provincial and local governments in terms of timeous payments, regardless of a commitment to pay enterprises within a period of 30 days (Hove, 2016). This violates the Public Finance Management Act (PFMA) of 1999. This proposed study aims at exploring the effects of late payments on the functioning of SMMEs in attaining sustainable business development. With a specific focus on the mechanisms which allow the construction SMMEs industry in Johannesburg inner City which are affected by the late payments to remain in business.

Various measures can be employed in cushioning the issue of late payment and one of them is through a mix of debt and equity. On one hand, debt is in a form of banks/microcredit institutions, trade credit, and government agencies. On the other hand, equity finance option includes friends and family, entrepreneur, and members or other companies/strategic investors (Fatoki, 2014). Fatoki (2014) further notes that regardless of these conventional financing methods, the financing gap still exists and the small businesses do not benefit from them. Thus, an innovative method referred to as crowdfunding is being considered. Crowdfunding is a mechanism or a platform for raising money via a large intranet of people (Lin, 2017). As much as there is academic literature on the crowdfunding model in recent years, there are numerous risks that range from loss of capital, the platform is closed, and fraud exposure to liquidity (Cumming & Hornuf, 2018).

Moreover, OECD (2013) highlights that credit guarantee schemes are one of the options that are available for SMMEs to address the financing gap and have significantly expanded post-2008-2009 financial meltdown. In the context of South Africa, the government through SEFA has been administering a credit guarantee fund that guaranteed loans provided to SMMEs by commercial banking institutions. The objective of the initiative is to share risk with a lending institution that provides funding to the SMMEs, these SMMEs would normally have no collateral or limited or non-credit history (SEFA, 2012). However, according to Trade and Industrial Policy Strategies (2020), the credit guarantee fund hasn't been effective, especially after the banks refused to use it during the 2008-2009 financial crisis. They cited that the criteria for claiming were too arduous. As a result, most of the small businesses closed down and others defaulted on their loans.

1.3 Purpose Statement and Research Objective

The purpose of this research is to investigate the coping mechanisms which are employed by the construction SMMEs operating within the boundaries of the City of Johannesburg Inner City in a situation they are faced with a late payment challenge. This will be done by collecting and analyzing data from the construction SMMEs which had been impacted by the late payment.

In alignment with the problem statement, the study seeks to determine the mechanisms which are employed by the SMMEs to ensure that the cash flow is not negatively impacted in case payment is delayed.

1.4 Research Question

- How does the SMME manage to remain in business or operational in a situation where a payment is delayed?

1.5 The Significance of the Study

The major part that is played by the construction SMMEs towards the development of the South African economy inspired the undertaking of this particular study. The prolonged challenge of late payment by the government to the SMMEs is central to this study, with a particular interest and focus on the construction SMMEs based in the City of Johannesburg. The impact of late payment is very great on the cash flow of the construction SMMEs. This study is mainly focused on the City of Johannesburg on the basis that it is a Metropolitan municipality that substantially contributes towards the GDP of South Africa.

South African President, Cyril Ramaphosa in his address at the South Africa Investment Conference held at the University of Johannesburg in Soweto in 2019 dedicated some time addressing the issue of late payments by government to the SMMEs. The President further cautioned that any failure by the entities of the state to pay SMMEs within 30 days will be viewed as financial misconduct. He made a call for the local and international investors to support South Africa's SMMEs. He substantiated that the sector is and has the potential of being the real driver of economic growth (SABCNEWS, 2019). These points demonstrate a deep and serious challenge of late payment of SMMEs, hence it becomes important that this predicament is adequately given attention and mitigated so that the SMMEs can continue with a positive contribution to the economy.

There are various initiatives that the government put in place in an attempt to tackle the late payment challenge by the organs of the state, however, the problem remains prevalent. One of these initiatives is the Public Sector SMME Late Payment Assistance Hotline which was instituted in 2009 as a measure for the government to track compliance with the 30-day payment requirement as per PMFA (DPME, 2020).

1.6 Contribution of the Study

The economic survey conducted by OECD in 2017 relating to the economic outlook of South Africa painted a very bleak picture. The unemployment continues to rise, while the gap remains wide in terms of the income between those who are rich and those who are poor. The study supports and considers entrepreneurship as crucial towards increasing the job creation. However, entrepreneurship is low in South Africa when compared to other emerging economies (Alexander & Francke, 2019). The research is about the SMMEs which are seen as the drivers in terms of job creation and entrepreneurs. Thus, the study will contribute towards finding solutions to the challenges which hinders the progress of the SMMEs, one of these challenges being late payment of the SMMEs by the organs of the state.

Furthermore, this study aims to make a contribution to academia by adding to existing literature which will continue to be used for future research. In addition, it would like to contribute to the policy framework which will resolve the issue of late payment towards the construction SMMEs. By doing this, the sustainable sector will exist whereby the SMMEs will be in a position to continue contributing to the creation of jobs and ultimately the growth of the economy with minimal hindrances. Moreover, this will ensure that there is a continued development of the entrepreneurs in the construction space.

1.7 Structure of the Research Report

The study is made up of six chapters which comprise various headings and subheadings as outline below.

CHAPTER ONE: INTRODUCTION

This chapter focuses on the background of the study. It introduces the study and gives a description of what the research entails in general and also pitches other chapters.

CHAPTER TWO: LITERATURE REVIEW

This chapter deals with a detailed review of relevant literature to locate the study within the theoretical body of knowledge that is already in existence. The identification and engagement of key concepts of the research are being presented and discussed here.

CHAPTER THREE: METHODOLOGY

This chapter reviews the research methodologies used and presents the preferred research strategy, design, procedures, and methods applied or followed in addressing the research problem, question, or opportunity.

CHAPTER FOUR: PRESENTATION OF FINDINGS

This chapter is concerned with presenting the findings and the outcomes of the research being undertaken.

CHAPTER FIVE: DISCUSSION OF FINDINGS

Chapter five is the component that presents a discussion on the findings of the study by further analyzing and interpreting them.

CHAPTER SIX: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This is the last chapter which summarizes the research report and presents the deductions, assumptions, and inferences which are made from the findings of the study.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Definition of SMMEs

There is no single universal definition of SMME. At times it is referred to as SME. The SMMEs are defined differently in various regions and countries on the basis that they respond to diverse challenges and circumstances at various levels or spheres of government. They also differ in characteristics as they range from starting a new venture to acquiring an existing business (Tshikhudo, 2016).

Berisha and Pula (2015) further state that the differences in the definitions of the SMME can be classified into three categories: definitions by international institutions, definitions by national legislations, and industry definitions.

In the context of South Africa, the SMME definition is informed by the classification determined by the number of employees which the enterprise employs and its annual turnover. Moreover, the classification depends on and varies based on the sectors or industries. In the construction industry, a microenterprise is the one that employs up to 10 full-time equivalents of paid employees and it should be its annual turnover should be below or equal to R10 million. A small enterprise falls under the category of those which employ 11 to 50 personnel and makes less than or equals R75 million. The medium enterprise employs 50 to 250 employees and makes below and maybe equal to R170 million. (Department of Small Business, 2019).

Table 2: The classification of SMMEs against the number of employees and total annual turnover

Size or class	Total number of employees	Total annual turnover
Small	11 - 50	<= R75 million
Medium	50 – 250	<= R170 million
Micro	Up to 10	<= R10 million

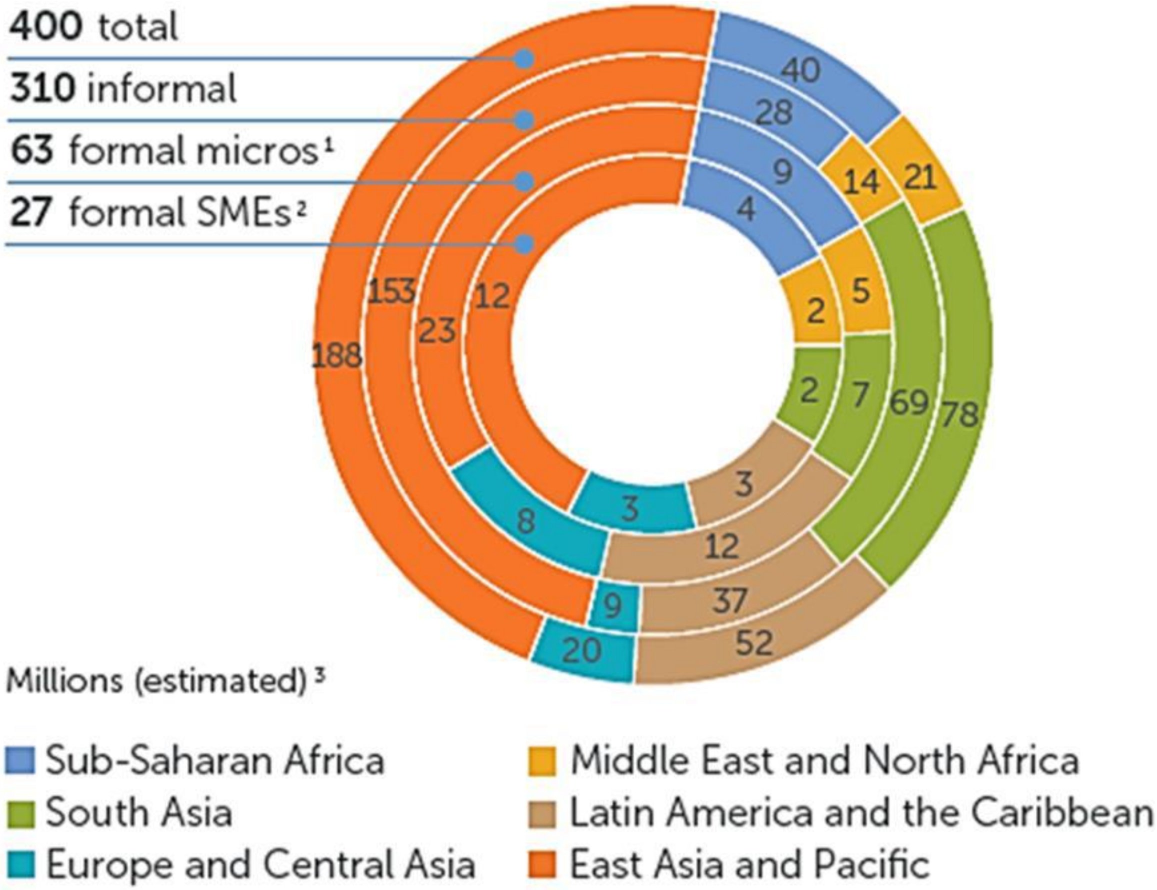
Source: Department of Small Business Development

2.2 The Evolution and Importance of SMME

The economic turbulences and faltering of big corporations in the Western and industrialized economies led to the instituting and promotion of the SMMEs. They were initially promoted as the crucial contributors towards the economic growth and employment creation by the countries belonging to Organization for Economic Co-operation and Development (OECD) in the 1980s. The effort and move of stimulating the SMMEs were adopted as the regional policy among the OECD member states. The promotion of SMMEs phenomenon was further transferred from the Western and industrialized countries to the developing ones in Latin America, Asia, and Southern Africa. Example of such countries is Colombia in Latin America, Malaysia in Asia and Botswana in Southern Africa which has adopted the small businesses approach in strengthening their economies. This was as a part of structural adjustment packages and aid conditionality in the late 1980 and early 1990s. However, the concept of SMMEs got defined and implemented differently from one region and country to another and it remains that way to this day. (DPME, 2020).

This study points out that there are formal and informal SMMEs in the main. On one hand, informal SMMEs are collectively defined as small businesses that are not registered and often operate on the streets or from homes. On the other hand, the formal SMMEs are the small businesses that are registered and run their operations from the fixed building structures that are located on business stands and usually comply with the local government town-planning regulations (Ligthelm, 2013). The World Bank estimates that there are about 365 to 445 million SMMEs in Asia and Sub-Saharan Africa. Only 85 to 100 million are formalized, while 340 million are informal. This vast margin indicates that the informal SMMEs are more dominant than the formal ones. However, both of these SMME categories collectively contribute about 60% of total employment and up to 40% of the GDP in the two regions (DPME, 2020). The below figure displays the estimated size of formal and informal SMMEs globally. The figures might be higher as the data for informal SMMEs is likely to be inaccurate and unreliable as it is not easily accessible.

Figure 1: Global developing markets' formal and informal SME market size



Source: World Bank, Alternative Data Transforming SME Financing, 2017:1

This is the case in the South African context as well. The informal SMMEs outnumbers the formal ones as per the below data of 2008 Q1 and 2015 Q2, representing the SMMEs as per the province.

Table 3: SMMEs by Province in South Africa

SMMEs	Number (2008Q1)				Number (2015Q2)			
	Total	Formal	Informal	Other	Total	Formal	Informal	Other
Total	**2 182 823**	**666 501**	**1 420 933**	**95 389**	**2 251 821**	**667 433**	**1 497 860**	**86 528**
Western Cape	223 933	114 976	95 212	13 745	230 324	110 107	110 188	10 030
Eastern Cape	218 865	56 579	154 631	7 655	197 366	50 670	141 739	4 957
Northern Cape	29 894	11 450	11 768	6 676	20 611	8 534	9 058	3 019
Free State	114 949	31 040	76 127	7 783	96 846	26 224	60 816	9 806
KwaZulu-Natal	418 406	102 591	289 347	26 468	373 434	74 976	283 165	15 293
North West	109 860	25 817	76 855	7 188	112 856	27 430	79 153	6 273
Gauteng	687 556	270 093	405 180	12 283	785 321	306 231	465 100	13 989
Mpumalanga	193 259	29 760	156 814	6 685	185 399	35 208	141 129	9 063
Limpopo	186 101	24 193	155 001	6 907	249 663	28 054	207 512	14 098

Source: StatsSA, Bureau for Economic Research

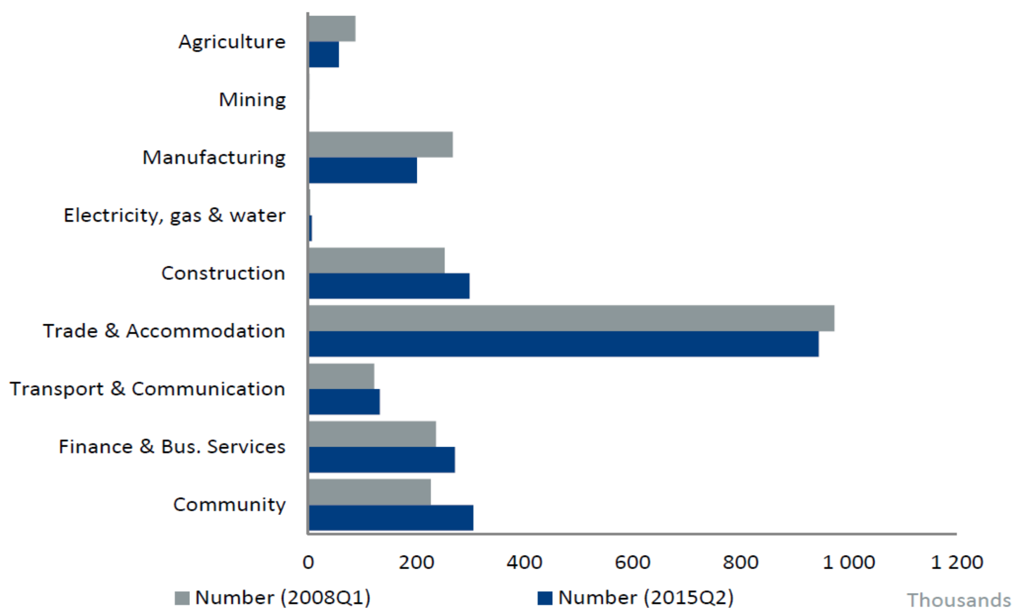
Historically, the South African government was more focused on large business and state companies in terms of provision of support and as the main drivers of the economy. This only changed around the late 1970s and early 1980s, whereby the government realized that the SMMEs were important and contributing to the economy of the country. The first program which was meant to support small business was the Small Business Development Corporation (SBDC) in the early 1980s. The initiative was mainly providing finance to small businesses, but its major focus was supporting the white-owned business in alignment with apartheid policy and objectives. However, the meaningful opportunity for the SMMEs to participate in the economy of South Africa was provided by the democratic regime which was elected into office in 1994 (Mathibe & van Zyl, 2011). The 1995 White Paper on National Strategy for the Development and Promotion of Small Business is the critical policy framework that laid a foundation for the formalization of the SMMEs in South Africa.

2.3 Construction SMMEs in South Africa

The concept of construction encompasses the erection, repairs, and demolition of all forms of buildings and civil engineering structures. The industry is usually divided into the building, civil, drilling, and refectory suppliers (Moloi, 2013). The construction industry is responsible for the production, assembling, disassembly, restoration of the residential building, non-residential monuments, and physical infrastructure. In South Africa, the majority of construction projects may be delivered on a larger scale and this leads them to be awarded to bigger companies as they have financial capacity, resources and expertise to implement and deliver them. The SMMEs then get involved in such projects as subcontractors to the larger firms. Most of the contractors fall in the small and medium-size range, thus, allowing them to participate and make a meaningful contribution to the country's economy. The SMMEs also bring an aspect of local control they are well-positioned to address the local needs of the area where they are based (Tshikhudo, 2016).

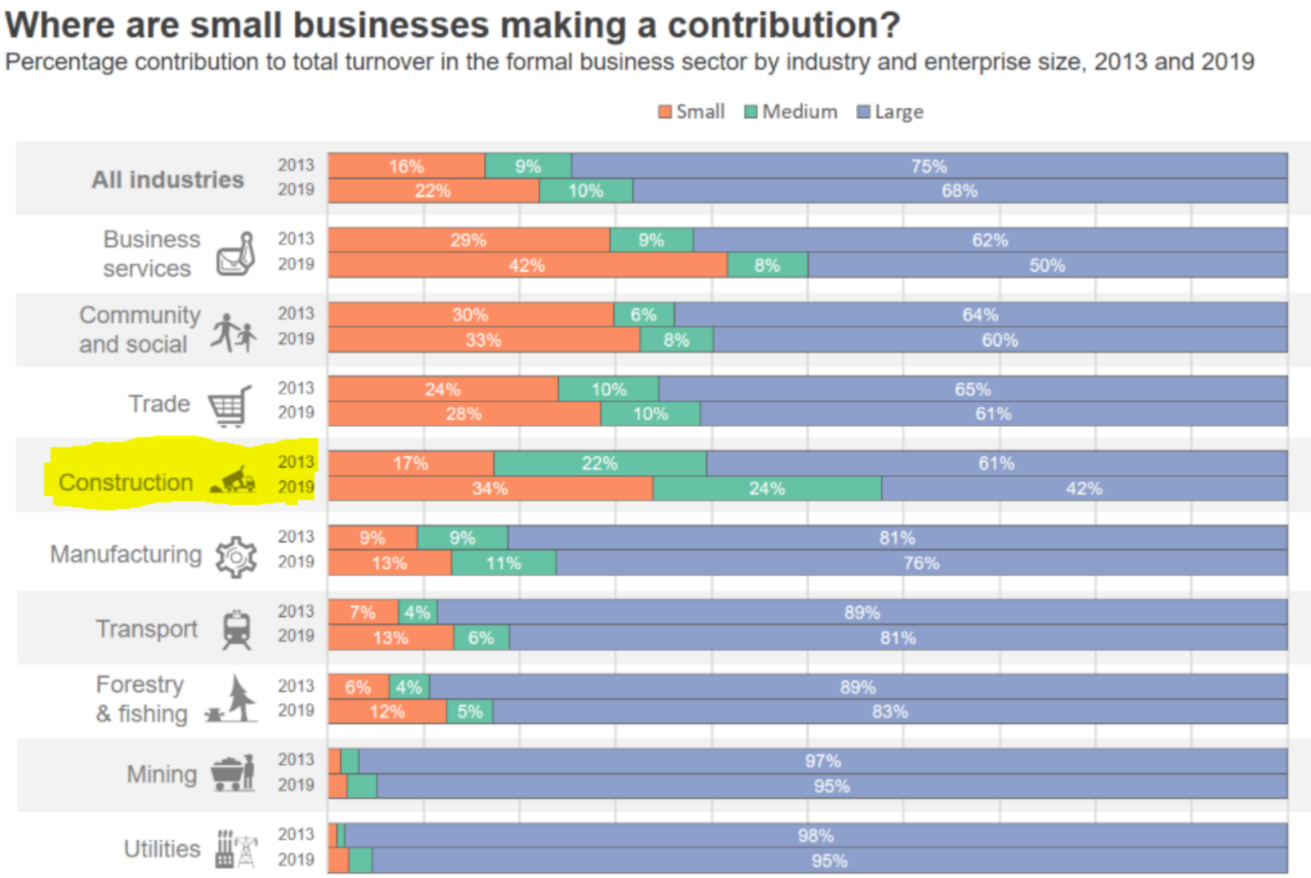
Small Enterprise Development Agency (2016) does highlight the growth of the SMMEs in the construction industry as per the below figure which displays the SMMEs as per the industry in South Africa from 2008 to 2015. Moreover, figure 3 demonstrates a steady increase in the contribution made by the SMMEs in Construction from 2013 to 2019. The older data is utilized to show a progression in the number of SMMEs in construction and their contribution.

Figure 2: SMMEs by industry: 2008Q1 vs 2015Q2



Source: StatsSA, Bureau for Economic Research

Figure 3: Small Businesses Contribution



Source: StatsSA, Annual Financial Statistics

The South African construction industry is very vibrant and since 1994, there has been a deliberate effort by the government to empower and promote the SMMEs in the construction industry (Barry & Sabone, 2009). One of the initiatives to demonstrate this was the establishment of the Construction Industry Development Board (CIDB). It is a statutory body to drive integrated growth, transformation, and development in the construction industry (Marx, 2012). The construction SMMEs play a very important in the South African economy, however, it is described as underdeveloped, lacking technical and managerial skills as opposed to the larger well-established enterprises (Agumba, Ansary & Balogun, 2016).

The introduction of social contracting into the setting of the construction industry is viewed in South Africa's context as a move to bring about economic reform and transformation through the social upliftment and investment in infrastructure. The legislation which is meant to bring about this change and bridge a gap between big and well-established business and SMMEs is Preferential Procurement Policy Framework Act No 5 of 2000 (Havemann, 2001). This policy provides the basis for preferential employment for the upcoming black entrepreneurs. It does this by ensuring that the black-owned small companies are considered in the big scale projects. One of the proclamations of the Act is that the specific goals may include contracting with people who were historically disadvantaged and discriminated against based on race, gender, or disability (PPPFA, 2000). This extends to the SMMEs, in terms of those who own them or has shares in them.

Regardless of the Act being in place, the SMMEs in the construction industry continues to experience challenges, one of the prevalent ones being a late payment. This situation led to the South African government revising and reinforcing the PPPFA. This is demonstrated by developing the Preferential Procurement Regulations in 2017. These were issued by the Minister of Finance in terms of Section 5 of the Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000). (National Treasury, 2017). Moreover, the government is in the process of finalizing the Public Procurement Bill. It is primarily aimed at regulating public procurement and to advocates the framework for the procurement policy as envisioned in section 217 of the Constitution of the Republic of South Africa, 1996 (National Treasury, 2020). The President of South Africa, Mr. Cyril Ramaphosa further emphasized the importance of the Public Procurement Bill in addressing the challenge of late payment by the organs of the state (SABCNEWS, 2019).

The SMMEs in the construction industry contributes to the economy of South Africa by creating employment and adding to the GDP. The industry is highly competitive, driven by the project management for the successful implementation of projects. It is labor-intensive as well. However, this significant role is adversely impacted by the problem of late payments to the SMMEs by the government.

The coping mechanisms of the SMMEs while their positive income is adversely impacted are important and need to be further probed. This will be done by the construction of small businesses narrating their own stories and experiences as part of qualitative data.

2.4 The Construction Small Businesses in the City of Johannesburg

One of the reasons that this research is focused on the City of Johannesburg is because of its population size. The City is located in the province of Gauteng, which makes up the largest share of South Africa's population, there are approximately R15, 2 million people living in Gauteng (Statistics South Africa, 2019). The City of Johannesburg has approximately 5 million people out of the provincial population. The City is further the largest economic center in South Africa and continues to experience rapid growth and it is also densified (Harrison, Todes & Weakly, 2017). The other reason is that out of all South African municipalities, the City of Johannesburg has the biggest budget and the residents pay the highest average income tax in the country, at R424 000 in 2019 (BUSINESSTECH, 2020). Moreover, the reason for this study in the City is on the basis that the construction industry has been one of the resilient sectors in the municipality over the years, since 2006. It has continued to experience growth through public transport programs, commercial developments, and public spending on infrastructure programs. Lastly, the City is the largest single metro contributor to the national GDP, generating 15% of the country's wealth and around 44% of Gauteng's economic output (City of Johannesburg, 2018).

In the City of Johannesburg, the JDA initiated an Enterprise Development Programme (EDP) which consists of providing workshops, courses, and coaching sessions to empower the SMMEs. This benefits the construction SMMEs as one of the goals is to develop skills and capacity in the construction industry in the City. The program includes the monitoring and reporting systems, for example, ensuring that the database of the SMMEs is up to date (JDA, 2013).

Moreover, the other project which is meant to benefit and involve the SMMEs in the City of Johannesburg is Social Housing Project driven by Johannesburg Social Housing Company (JOSHCO). The project is aimed at providing a decent and affordable residential area in the Inner City. The construction of 1336 units of four-story walk-ups blocks to accommodate the mixed-income households with gross income ranging from R3500 to R15 000 a month, per household. "With this kind of investment, we are projecting that thousands of job opportunities will be created and, in this project, alone a minimum of 67m will be set aside for local small, medium, and micro enterprises," said the City of Johannesburg's Member of Mayoral Committee (MMC), Mlungisi Mabaso (The Star, 2020).

2.5 The Impact of Late Payment on Construction SMMEs and their Cash flow

A late payment refers to a circumstance whereby a buyer who has strong cash flow is not able to pay an invoice for the services which were rendered within an agreed-upon date. In the context of this research, a late payment is by the government as a buyer or procurer of the goods and services from SMMEs who are the sellers or service providers. The government is hereby not paying within an agreed date as per PMFA and the regulations published by the National Treasury in 2005 which requires the Accounting Officers to make payment of invoices within 30 days upon receiving them (Bailey, 2018).

Although the legislation is in place to deal with the late payment of the SMMEs in South Africa, it is ineffective. This challenge is not unique to South Africa, however, even the European countries are battling to make use of legislation to solve the late payment problem. For example, the United Kingdom developed a law meant to eradicate a late payment challenge before Europe. However, the studies were not able to demonstrate a direct effect of the Late Payment of Commercial Debts Act of 1998 and the Company Act of 1997 (Maque & San-Jose, 2017). This is further substantiated by the survey conducted by Hiscox (2016). The study was about the level of confidence in the business prospects of small companies. The survey included the views and experiences of 4000 small business managers and owners based in Europe and the United States. The 64% of United Kingdom's small businesses and entrepreneurs who participated were very confident about the prospects for the year ahead, which was 2016. However, late payment and access to credit were raised as the potential blockers to their success, also the exposure to uninsured risks (Hiscox, 2016). This paper is referring to Europe because of the process of United Kingdom departure from the European Union, what is widely known as 'Brexit', and the consequences it might have on African economies. The United Kingdom is important in this regard because South Africa is its biggest trading partner in Africa (Kohnert, 2018).

The SMMEs in the construction industry contributes to the economy of South Africa by creating employment and adding to the GDP. The industry is highly competitive, driven by the project management for the successful implementation of projects. It is labor-intensive as well. However, this significant role is adversely impacted by the problem of late payments to the SMMEs by the government. Their coping mechanisms while their positive income is adversely impacted are important and need to be further probed. This will be done by the construction of small businesses narrating their own stories and experiences as part of qualitative data.

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Another important concept for this research is cash flow. It is fundamentally about the movement of capital into and out of the company. The money that comes into business is called an income and the one going out is referred to as expenditure, a culmination of this results in a cash flow statement (Ozcan, 2019). Cash flows are divided into three categories, named operational, investment, and financing activities. The operating activities are defined in a residual way and as the main activities which generate an income for the business. The investment activities have to do with the acquisition and disposal of fixed assets and other investments not falling under-investment in cash equivalents. Lastly, the financing activities which change the size and structure of sources for financing can be loans and equity (Lepadatu, 2017). All these categories are relevant to the SMMEs in various parts of the world and sectors, although the characteristics might slightly differ. However, the important activities for this research are operating activities on the basis that they are responsible for the main income of the SMMEs, hereby referred to as positive income. A positive income is an essential resource for the operating business, hence cash flow management is so imperative for the success of the SMMEs. The lack of control and effective management of cash flow leads to bankruptcy and failure of most of the SMMEs in South Africa and all over the world, including the developed economies (Marivate, 2014).

The cash flow of SMMEs is not always negatively impacted by a lack of cash flow management, however, a large body of academic work does indicate the factor of late payment, especially in the construction industry. This negative cash flow of the company leads to what is known as the domino effect. It occurs when a client is owing to a contractor or service provider a considerable sum of money and is not able to pay when a payment is due (Ompariola & Windapo, 2019). It can extend to the point it impacts those who are dependent on the contractor and their cash flow. The challenge and contribution of a late payment to cash flow are further highlighted by (Ansah, 2011) in the construction industry of Ghana, in both government and projects which are privately funded. This leads to a severe cash flow problem for contractors and other stakeholders. The example of Ghana is relevant here because of the close economic ties it has with South Africa. The high presence of South African companies in Ghana does demonstrate these close economic relations. Another reason for comparing South Africa and Ghana is that the city of Johannesburg and Accra are the main economic cities of the two countries, both with a high level of inequality between the rich and poor (Lokko, 2017).

A late payment situation is a global phenomenon. The study of the effect of late payments on the profitability of the companies in Malaysia shows that 60% of sampled companies had experienced a late payment. A sample of 287 Malaysian companies in the manufacturing sector participated in the study. The study further made a finding that the companies facing a late payment situation often had to expanse their creditors so that their cash flow challenges could be alleviated. Therefore, the companies which have difficulty raising funds are confronted with the problem of balancing the income and expenditure and late payment is considered as a cause and effect to this problem (Devi, Paul & Teh, 2012). This Malaysian study is important here as the two countries do have two similar traits in terms of economy and culture. Their economies are medium-sized and have deep racial divisions. Furthermore, both countries have undertaken the implementation of extensive affirmative action programs which are in favor of the majority ethnic group that is politically dominant and economically disadvantaged (Lee, 2015).

A late payment contributes to the SMMEs being unable to invest in elements and aspects such as the latest and advanced technology, infrastructure which are necessary for their growth and sustainability due to lack of positive income. The positive income issues are likely to result in employees being demoralized as the funds meant for their bonuses might have to be redirected to other operations of the SMME. The late payment further leads to increased administrative duties as a lot of time which could be used productively is used chasing a payment (Miller & Wangsaroj, 2017).

The situation of late payment needs to be discussed and expanded on with trade credit. A trade credit takes place when goods and services are supplied on a deferred payment method to afford a buyer a time to pay. This serves as a significant source of financial instruments for the majority of the SMMEs, not only in South Africa but across the globe (Otto, 2018). This practice is hereby linked to one of the challenges which are faced by the SMMEs, lack of access to funds, and credit. The traditional commercial bank is known to be reluctant to provide credit to the SMMEs. This is because of various reasons which include the regarding of the SMMEs as the high-risk borrowers as they have inadequate assets and low capital and positive income. Access to sufficient funding and financial support had been highlighted as one of the chief obstacles for the majority of the SMMEs, (Harilal & Nyikana, 2019).

Moreover, the poor accounting system and the unavailability of financial records and business planning documents making it not easy for the institutions which provide credit and investment to assess their creditworthiness. (Rungani & Potgieter, 2018). These challenges contribute to the situation whereby the SMMEs find it difficult to survive. Zondi (2017) points out the evidence that the newly established SMMEs create employment in South Africa, there is a high possibility of them not surviving beyond 5 years. The estimation is that 40% of the newly set up SMMEs in South Africa fail in their first year of existence, while 60% of them demise in the second year and 90% within the first 10 years since inception (Bushe, 2019).

This research aims to investigate the mechanisms that the SMMEs in the construction industry within the boundaries of Johannesburg Inner City employ to survive, particularly when their positive income is negatively affected by late payment.

2.6 The Social Capital Factor

There is no consensus on a single universal definition of social capital, however, this study considers social capital as the linkages, shared values, and the understanding in society that allows groups and individuals to trust each other and enables them to work together (Keeley, 2007). Furthermore, the significant premise behind the value-added benefits of social capital is that it permits for a forum where the traditional resources such as physical and human capital can link and incorporate with other resources such as social networks, norms, values, and trust leads to better outcomes for the individuals (Akcomak, 2008). The amassing of social capital is able to lead to the development of economic activity, as a result of the existence of norms, networks, and trust. Moreover, the previous research results indicate that the social capital that is measured by networks, norms, and trust is key and imperative for SMMEs. An element of trust has a fundamental effect on the performance of companies as it has the ability to reduce the transaction costs and conflicts. It further results to the exchange of significant knowledge which increases the chances of the SMMEs being sustainable (Akhmad, Devi, Ernan & Yusman, 2020).

Social capital enables SMMEs to successfully access the external resources and paves the way to emerging markets and opportunities. Moreover, via networking, social capital can be utilized in reducing information asymmetry in the creditor and a debtor relationships, whereby one party does not possess greater knowledge than the other party during the transaction or interaction (Fakoti, 2011).

2.7 Conclusion

The literature review indicates that the SMME is defined as per the industry, the number of individuals it employs, and the annual turnover globally, this is also the situation in South Africa. The construction SMMEs are also defined the same way. Also, the role of the SMMEs has become more significant in creating jobs, meaningfully contributing to the GDP of the countries, and being the main drivers of the economies. In South Africa, the industry of construction is one of the sectors with most of the SMMEs, this makes this study to be more relevant. The literature further shows that late payment is a challenge that continues to harm the growth and survival of SMMEs. It is on the basis that their cash flow is enormously impacted by late payment. This remains a challenge regardless of the government putting in place the various pieces of legislation such as PPFAA in trying to resolve the issue. In the City of Johannesburg, the construction industry has been showing resilience in the last two decades. Moreover, the construction allows the improvement and development of infrastructure. In turn, this infrastructure enables business activities and makes the City of Johannesburg be the backbone of South Africa's economy and the economic hub African continent.

CHAPTER THREE: METHODOLOGY

The research utilized a qualitative research method to address the problem statement and answer the research questions. A qualitative research strategy is a way of exploring and trying to understand the meaning that individuals or groups are assigned to a human or social challenge (Creswell & Creswell, 2017). This strategy involves an inductive method in finding a correlation between theory and research being undertaken. The qualitative research strategy tends to allow the researcher to acquire a deeper knowledge of the phenomenon being studied and the complexities accompanying it (Pham, 2018). This strategy will be beneficial to this project as it will be able to provide in-depth data and aid in gathering the necessary information through interviewing the SMMEs owners and managers. It is on the basis that they are responsible for the operations of the SMMEs and better understands the financial status or cash flow of the business. This is substantiated by a part of the qualitative research definition provided by Garner, Kawulich & Wagner (2012), which states that it seeks understanding via a structured in-depth analysis of data that is chiefly subjective, diagnostic, and interpretive.

The research collected the intended quality information by ensuring that the correct sample is selected from the target population of the SMMEs in the construction industry based in Johannesburg Inner City. Furthermore, these SMMEs are those that have faced negative income because of a late payment from the government but have managed to cope and remained in business regardless of this adverse situation. A relevant question that is aligned with the research objective further assisted in getting quality information.

A framework that a researcher utilizes to collect and analyze data and information is called a research design (Bryman, 2016). There are various designs of research and they are ethnography, phenomenology, case study, and grounded theory. A case study is a design that focuses on the scope, process, and methodological features of a phenomenon under study emphasizing the nature of investigation as being empirical and placing the importance of the context (Birks, Franklin, Harrison & Mills, 2017). This research employed the case study research method. It is on the basis that it is good at investigating the contemporary real-life phenomenon, this research focus is investigating a real-life issue. The main objective is to have an understanding of the case, what it entails, how it works, and how it relates to its real-world context and variables (Yin, 2018). In this case, the mechanisms which are enacted by the construction SMMEs in case of late payment provide real-world context.

3.1 Research Tools and Applications

The study initially intended to conduct the face to face semi-formal interviews to collect data from the sample, however, due to Covid-19 pandemic the telephonic interviews were conducted in order to ensure the safety of the researcher and the respondents as a human contact had to be minimized as much as possible. The research employed the interviews to collect data from the sample. The interviews were in a semi-structured format, this approach normally allows the researcher to enquire and discover deeper meaning (Garner, Kawulich & Wagner, 2012). The interview provides flexibility as a form of data collection and an unstructured element allows for new research questions (McDarby & Wethington, 2015). The interviewer further had a chance to ask the follow-up questions and in turn, clarify in case the respondent does not fully understand a question. This is on the basis that the interview is a two-way conversation between the researcher and the respondents (Adams, 2015). The possible disadvantage is that the respondents might be prone to reply in a particular manner which is influenced by how they perceive the researcher, for example, their social status or level of education might have an impact in this regard. Moreover, the availability of the respondent is likely to be a challenge for the face to face interviews. These types of interviews further have the challenge of safety concerns, particularly the safety of the respondent (Oltmann, 2016). The research also made use of the existing secondary data to supplement the qualitative data.

3.2 Sampling

The owners and managers of SMMEs who are doing business with the City of Johannesburg are the target population. A sample was chosen from this population. This research made use of a purposive sampling technique, although there are other sampling techniques such as random and stratified sampling techniques. It is because purposive sampling seeks to select the research respondents following criteria that are informed by the research purpose (Ames, Glenton & Lewin, 2019). Suri (2011) further states that the logic and strength of purposive sampling lie in its ability to select the information-rich for the study in depth. This sampling technique was suitable for this study on the basis that the focus of research is not only on the SMMEs in Johannesburg Inner City, but the ones in construction will be of great assistance in this regard. Moreover, not all the SMMEs in construction have experienced a late payment situation, a late payment phenomenon is central to this study. Therefore, the purposive sampling technique was relevant and helpful in ensuring that the researcher was able to select the SMMEs which have experienced a late payment challenge and the sample was in line with the purpose and objectives of this study.

In this research, these particular respondents are the owners and managers of the SMMEs who are in construction and have experienced the situation of late payment. Moreover, they are based in the vicinity of Johannesburg Inner City and be doing business with the City. This sample is aligned with the research objectives and was in a position to answer the research questions, unlike when a technique like random sampling is applied, the SMMEs chosen might not be in construction or not doing any business with the government, the worst scenario might be them having experienced any situation of late payment.

The target population of this research is 30 registered SMMEs in construction, this includes the SMMEs which are currently active in the business. Then the sample of 20 SMMEs will be purposively selected. The 20 SMMEs represented more than 30% of the target population, the aim was to make the study to be reliable and credible. It is on the basis that the study requires the SMMEs who have experienced the late payment situation as per the research focus and purpose.

This research did not expose the respondents to any risk. Moreover, their consent was requested for the interview schedules and any necessary access required to get into the buildings for conducting the interviews and administering the questionnaires. Most importantly, the research made it a point that all the participants sign a consent form where they confirm their willingness to participate in the study.

3.3 Process of Analysis

In this particular case study, the induction from the qualitative data is complicated. Moreover, for this case study, the findings cannot be easily generalized on the basis that the conditions of the construction SMMEs in the City of Johannesburg are likely to be different from those of other municipalities in South Africa or elsewhere. However, some core issues were identified and they might be relevant and could further inform future research.

3.4 Limitations, Feasibility, and Positionality

Accessing all the intended respondents was a challenge, it is usually an inherent limitation in research, (Steve, Murphy, Edwards & James, 2008). This research overcame this by making a sample larger and as a result, the adequate respondents were available in a case where others were not able to participate. This research was possible in practice and was successfully carried out. The research was not expensive, however, there was a budget that was in place to cover the designing and printing of the questionnaires, the travel expenses to conduct the interviews with the SMMEs owners and managers, the telephone costs, and the services of the scriber. The researcher is the one who funded this project, he currently works for one of the banks in South Africa. His position and area of work did not in any way influence the research as it was about the SMMEs and late payment by the government. His position and area of work do not involve any involvement with the SMMEs or their funding or payment processing of the funds for the SMMEs. Therefore, there was no possibility of a conflict of interest in this regard. Moreover, sufficient time was allocated to the activity of the actual field research and data collection and analysis to ensure sound and reliable findings or research results. Concerning the scope, the research was mainly focusing on the SMMEs in construction in the vicinity of the Inner City of Johannesburg and this did create a minor limitation as the conditions and dynamics might be different in other cities, therefore, translating in different outcomes when compared to the City of Johannesburg.

3.5 Ethics

Ethical obligations are very important when it comes to research. Hence, the research prioritized the proper citing of the professionals' work in terms of theory and literature. Moreover, the confidentiality of the respondents was taken into consideration and protected at all costs. This was ensured by only mentioning the names of the SMMEs, owners, and managers during the process of collecting data, but not during the write up of the findings report. The researcher allocated numbers to the SMMEs in a sequence manner and based on the order that the interviews are conducted. For example, the first SMME which was interviewed was referred to as SMME 01 and the second one as SMME 02 and they were all named in this sequence. This classification also covered the owner or the manager of the SMMEs as the representative of the company. The participation in the research was voluntary and the respondents were allowed to withdraw their involvement at any given point in the research. The interviews were conducted and administered in a manner that did not expose the respondents to any harm or a situation that was to make them vulnerable. The ethics approval was sought and obtained from the University's Ethics Committee.

3.6 Validity, Reliability, and Dependability

The research utilized a qualitative research approach to address the problem statement and answer the research question. A qualitative research strategy is a way of exploring and trying to understand the meaning that individuals or groups are assigned to a human or social challenge (Creswell & Creswell, 2017). This strategy involves an inductive method in finding a correlation between theory and research being undertaken. The qualitative research strategy tends to allow the researcher to acquire a deeper knowledge of the phenomenon being studied and the complexities accompanying it (Pham, 2018). This strategy was beneficial to this project as it was able to provide in-depth data and aid in gathering the necessary information through interviewing the SMMEs owners and managers. It is on the basis that they are responsible for the operations of the SMMEs and better understands the financial status or cash flow of the business. This is substantiated by a part of the qualitative research definition provided by

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Reliability and validity are the methodological and disciplinary criteria that are used to make certain that the research report is a result of a rigorous process which leads it to be of high quality, thus, finding a wide application (Wotela, 2017). The validity was ensured by applying the appropriate research strategy, which is qualitative, and the case study as a research design. The semi-structured interview is relevant as the purpose of the research is to investigate the coping mechanisms employed by the SMMEs when faced with a late payment issue. The interviews were able to get in-depth information. The sample is valid as it is composed of the SMMEs from the relevant industry, which is construction. This research will be reliable as the literature review demonstrated the commonalities of the SMMEs and how they get impacted by the same late payment situation around the world. The research was conducted logically and procedurally which ensured that it is dependable. Moreover, these processes will be made available so that even someone external would be able to find and easily understand them as they will be accordingly documented.

CHAPTER FOUR: PRESENTATION OF FINDINGS

4.1 Introduction

The study interviewed a total number of 20 construction SMMEs which are based in the Inner City of Johannesburg and also do business with the City of Johannesburg. The study initially intended to conduct face-to-face semi-formal interviews, however, due to the Covid-19 pandemic the telephonic interviews were conducted to ensure the safety of the researcher and the respondents as a human contact had to be minimized as much as possible.

4.2 Demographics of the SMMEs

To determine the demographics of the construction SMMEs which formed part of the research population of this study, the gender, race, age, and years in business categories were used. Gender was classified as male and female. In terms of race, the categories of African, White, Indian, Coloured, and Other were utilized. The age ranges of 18 to 35 and 35 to 65 were used. Lastly, the number of years in which the SMMEs were in business were categorized as from 0 to 5 years and 5 years upwards.

All the SMMEs which participated in the study were owned by Africans. Out of 20 SMMEs, 15 were owned by males and 5 by females. In terms of age of the directors, 10 out of 20 of the directors were from the age of 18 to 35 years and the other 10 were from 35 to 65 years. On one hand, 8 out of 20 SMMEs had been in business for five years and below, on the other hand, 12 of them were in business for more than 5 years.

4.3 Presentation of Data

This section reports on the responses and data collected from the SMME directors and managers. All the respondents answered yes to the question of whether they were doing business with the City of Johannesburg entities. This was followed by the question probing if they have ever faced a challenge of late payments, all the respondents answered yes to this question. Most of the SMMEs even used words such as "all the time", "every time" and "always" when they answered the question. One of the SMME directors explained that "I am still waiting for a payment for the work I did in 2019, honestly, I don't think I will ever receive it". The other respondent said "The payments are always late and they take months before we get paid in some instances.

The research question which followed was how the late payment situation affected the SMMEs and those who depend on them. All the SMMEs that participated in the study indicated that they were not able to pay the workers. Most of the respondents further indicated that the issue of late payment brings a lot of tension and distrust between themselves as the directors and workers. "Once the trust is no longer there between the workers and me, it impacts on the production as the commitment to their work also fades away" explained one SMME director.

Few respondents mentioned that the workers get violent when they are not being paid due to late payment. One of the respondents said, "The workers got so angry and wanted to beat me up, they said I was lying and did not want to pay them, this was even after I tried to explain that the City of Johannesburg was responsible for the late payment". Most of the SMME directors also described that they are not able to buy material or hire equipment when a payment is late. Furthermore, most of the respondents indicated that the issue of late payment leads to a negative credit record of the SMMEs, one responded further stated that "the late payment situation also affects my credit record as I have to personally take credit as the director of the company". Some respondents indicated that late payment also impacts the SMME's compliance, one company elaborated by saying "in a situation where a payment is late, I am not able to pay for the essential documents such as Compensation for Occupational Injuries and Diseases Act (COIDA) for the construction industry. Without it, one does not meet the requirements of applying for projects".

The next question which was posed to the respondents is what measures they employ in ensuring that they remain operational in case of late payment. This is the main research question and it was followed by the question which asked if the measures which they indicated were sustainable. These mechanisms and responses will be presented below;

4.3.1 Obtaining Loans from the Banks

To the question of how do the SMMEs mitigate the late payment challenge, a few of the respondents highlighted that they apply for and obtain bank loans in remedying the situation. However, they also admitted that this measure was costly as the loans attracted high interest which affected profit. "Obtaining a loan does help, especially with the expenses of the company when chasing a late payment, however, after paying workers, buying material, and repaying the loan with interest, I am left with nothing and this leads to a cycle of debt," said one respondent.

Most of the respondents held a different view regarding the loans from the banks. They pointed out that the requirements by the banks are too stringent, therefore, making it difficult for small businesses to acquire loans. "The bank required that the company had a positive credit history and the company was still new at that time, meaning it did not have a credit or transactional history, the bank declined my application as I was not able to provide this," said one respondent. The other stated that "there is a lot of documentation that the banks require when we apply for loans, it gets frustrating as we don't have some of the documents as small businesses".

Some of the respondents further implied that the banks do not easily grant loans to black-owned small businesses. "Getting financing for a car is much easier compared to getting a business loan from South African banking institutions" one of the SMME directors claimed. One of the SMME directors stated that the bad credit record as a result of late payment also impacts their growth in terms of the CIDB grading. They are unable to apply for higher grades if there are financial statements that are not healthy or up to date.

On the question of whether this measure was sustainable or not, the few respondents indicated that obtaining a loan from the banks is not sustainable as it impacts their profit. Whilst most of the respondents highlighted that they have their applications for loans declined.

4.3.2 Borrowing Money from Family and Friends

Other respondents indicated that they borrow money from family and friends to ensure that the SMMEs remained operational when experiencing a late payment. "We have to lend money from the people because we are not able to get loans from the banks and other financial institutions" one respondent explained. However, one of the respondents stated that this measure or option is not sustainable as family and friends do not always have money, he explicated that "if they do have some money to lend me, it is usually not adequate to cover the costs and other expenses such as material because it is expensive".

4.3.3 Obtaining Loans from Short-Term Loan Providers

Few SMME directors mentioned that obtaining a loan from the short term loan providers, sometimes referred to as “loan sharks”, is one of the ways they can keep the company afloat when experiencing a late payment. The respondents in the study pointed out that this option is very risky though. One of the respondents said, "the interest is very high when one obtained a loan from the short term loan providers, the interest is usually at 50%, meaning if I get R10 000, I will have to pay it back as R15 000 and they give me one or two weeks to repay the loan". The respondents indicated that this measure is not sustainable and they are forced to go this route due to desperation. "With loan sharks, it is very risky as it unsecured lending and they would normally require to be in a possession of my valuable items such as a car, bank cards, and so on to ensure that I come back and pay on the agreed date" the respondent stressed.

4.3.4 Putting Down the Tools and Staging Protests

Most of the SMMEs declared that putting down the tools and engaging in protest actions are one of the effective mechanisms they apply in coercing the City of Johannesburg to promptly pay in a case of late payment. One of the respondents further indicated that "for the tools down or sit-in to be successfully executed, all the SMMEs involved in a particular project where there is a late payment situation mobilizes and become united when undertaking these actions. Unity is important so that we do not have a situation where one or only a few SMMEs are victimized. Lack of progress and production puts a project at risk, thus, the City of Johannesburg is forced to rapidly attend to the issue and ensures that the payment is effected".

Also, one of the SMME directors did admit that "the protest action is disruptive but necessary in ensuring that they remain in business and able to have cash flow which allows us to have an income". Most of the respondents shared the same view and stated that it was sustainable at the moment as it does lead to payment being paid swiftly.

4.3.5 Making Use of Personal Savings and Having a Full-Time Job

The usage of personal savings and investments of the director is one of the mechanisms that are employed by the SMMEs when encountering a late payment. Most of the respondents specified that they are into making use of their savings and it was not ideal. "One works hard and it takes time saving money for the more serious situation and rainy days, only to use them because of a late payment that I am not responsible for, it is unfair as the SMMEs we live from hand to mouth, even saving money is very difficult," said one of the SMMEs director. On the other hand, another respondent provided a different view as she mentioned that she preferred making use of personal savings. She further explained that "using my funds when experiencing a delay in payment is less risky as compared to obtaining a loan from friends, banks or short term loan providers. Loans normally ruin friendships and the loans from the bank or short-term loan providers comes with high interest". Also, she advised and brought forward a different option, "that is why I always encourage people not quit their full-time job when they venture into the construction industry as the SMMEs, they should not leave their full-time jobs unless they are well established and are financially stable" she added.

The respondent also shared that she still has her full-time job while she hired an experienced supervisor in construction and he runs all the business operations. "The benefit of this is that it allows me to use some revenue from my salary when the late payment issue arises" she concluded.

There are divergent views on this mechanism regarding where it is sustainable or not. Most of the respondents indicated that it is not sustainable while some stated that it is indeed sustainable. One respondent indicated that “it is not easy to have a full-time job and run a company at the same time as they are both demanding, it was to cope and I had to focus on and choose one and it was being an entrepreneur in construction”. Few of the respondents indicated the issue of distrust as one of the reasons they had to be hands-on in the operations of the business, “I do not trust that any other person will have the best interest of the company like I do when it comes to running it and making decisions which affect it and its operations” stated another respondent. Another respondent highlighted the issue of conflict of interests “As I was a public official or government, being an active director of the company while working was going to contravene the policy which prohibits the public officials from doing business with the state”.

“A company is like your family, a family needs attention and care at all times. Moreover, having someone running it is risky as they might intentionally sabotage it.” Said one of the respondents.

4.3.6 Building and Strengthening Relationships with Suppliers

In terms of the measures they apply in remedying the late payment situation, most of the respondents mentioned that building strong relationships, especially with the workers and suppliers, as one of the ways they can stay in business. One SMME director mentioned that "the strong relationships based on mutual respect and transparency amongst the workers, and suppliers and I goes a long way in assisting the company in a situation of late payment". The other participant elaborated that "the situation where trust exists, the workers can continue working even though the salaries are delayed and the suppliers can provide the material and equipment while awaiting the payment so that there can be progress in terms of work".

A few respondents thought that a lack of strong relationships built on trust leads to workers absconding work and being violent towards the SMME directors. One of the directors stated that "the workers end up thinking that we are lying because this issue is recurring and the other workers on the same project working for the City of Johannesburg are always paid on time, but with trust between us, they tend to easily understand our late payment challenge".

Most of the respondents agreed having solid relationships is sustainable in keeping the SMMEs in business while facing late payments and subsequently not being able to pay their stakeholders. One of the respondents stated that “investing in stable relationships and networks take time as it is based on trust, but once it is there, it helps the company to deal with late payment situation”.

Another respondent stated that “keeping the same workers for a longer period helps as well because, in the long run, they become part of the company and gets to understand challenges it faces, especially a late payment one”. This does indicate the power of social capital in the business and how it contributes to resolving the financial capital challenges.

“It is very important to hire the workers who understand the construction industry, those with experience in construction easily understand that late payment is normally a challenge in our industry” stated one of the respondents.

4.3.7 Arranging a Credit Facility with Suppliers

Few of the respondents highlighted that arranging with the suppliers for a credit facility is one of the mechanisms which is effective in keeping the SMMEs operational while encountering a late payment. They stated that this arrangement allows them to receive the material and equipment on credit is greatly helping them as they can carry on with operations even if they have no money to purchase the material. One of the respondents pointed out that the credit facility is usually 30 days. Another respondent went further to specify that "the service providers and suppliers should afford the black-owned SMMEs the long credit facilities like they do with the white-owned ones.”

Most respondents concurred that the credit facility mechanism is sustainable although accessibility to it is a challenge. One of the respondents highlighted that “Constantly receiving payments late from the City of Johannesburg negatively affects our credit record and ultimately impacts on our prospect opportunities. The late payment affects the repayment terms of a credit facility with the suppliers and as a result, they are not willing to provide a credit facility anymore”. Another respondent indicated that he preferred not to have a credit facility, he added “I believe in and prefer in paying cash for material and other business expenses. Also, I think a credit facility is only needed for certain projects, depending on the size and scope of the project. For example, if a project requires R150 000, I prefer using cash for material and all other expenses, including labor. However, if a project needs R1 million or more, one needs to consider a credit facility".

4.3.8 Having More Than One Project at the Same Time

Most of the SMME directors responded by saying that having more than one project at the same time does assist with avoiding the situation which compromises the continued existence of the company. One of the respondents made an example by stating that "I had two projects with JDA and JRA respectively at the same time. On one hand, the JDA was delaying with a payment. On the other hand, JRA was able to pay on time, and thus, I used most of the funds from the JRA project to pay the workers and expense on the JDA one where the payment was late".

Few of the respondents held a slightly different view on this as it was not always easy for their SMMEs to have more than one project at the same time. One of them elaborated that "It is not simple to get even one project from the City, having two is more difficult. The competition is very tough as these projects are open to all the SMMEs in the City of Johannesburg. Even the 30% principle is not always applied in the community-based projects, you would find even the SMMEs and companies outside of the City being awarded contracts".

Most of the respondents agreed that this measure is sustainable, although it is difficult to get more than one project or contract at the same time.

One respondent further said "If it was possible, I would like to have 12 projects a year, start a new project every month. This will assist with the cash flow as late payment does inconvenience us a lot. However, it is difficult to have more than one project, unless one goes and look for opportunities outside the City of Johannesburg".

4.3.9 Paying the Attorneys to Follow Up on Late Payments

One of the respondents in the study described that the City of Johannesburg appear to expeditiously act when they receive a follow-up or communication from the legal representatives concerning the late payment. The respondent further stated that "when I follow up myself on a late payment, I do not receive feedback in most cases, but then, the moment I involve the attorneys, a swift feedback and payment are received". The respondent however conceded that this mechanism is not sustainable as the portion of the same payment being chased has to pay for the legal fees as well once it is received. He added that "as much as involving the lawyers are effective, however, it does mean an extra cost being incurred on the expenses of the SMME".

“I also had a situation where my contract was canceled without an explanation, this was after I have already signed a contract and purchased the material for the project. The City did not entertain my protest against this, however, a project/contract was reinstated as soon as I involved the lawyers on the matter” added the respondent.

4.3.10 Paying for Services, Products, and Bills in Advance

Some of the respondents indicated that one of the strategies which allow them to stay afloat even when facing a late payment is by paying for the services in advance. "It is easier when it comes to the material as there are suppliers who allow us to open accounts with them, where we deposit the funds into and acquire the material when it is required for construction purposes," said one of the respondents. He further added that "in construction, it is not too difficult to determine the required material when the scope of work had been clearly defined". This mechanism is further extended to the personal needs of most of the SMME directors who depends on them for a living, one responded indicated that "when I receive a payment, I pay for rent, school fees, vehicle installment, and other bills in advance so that such expenses are already covered in a case of late payment".

Most of the respondents pointed out that this method is sustainable in ensuring that the business can absorb the pressure which comes as a result of late payment.

4.4 Conclusion

A late payment is a serious challenge to the construction SMMEs in the City of Johannesburg and they are forced to apply various mechanisms to remain in business. Obtaining loans from friends, banks and short-term loan providers seems to be a widespread measure implemented by the SMMEs. Some SMMEs also indicated that engaging in the protest action is the effective measure they undertake in forcing the City of Johannesburg to speed up the process of effecting payments. Making use of personal savings and investments also assists the SMMEs in dealing with late payment. Building and maintaining strong relationships with the workers and suppliers is one of the ways which contributes to keeping the SMMEs afloat when facing a late payment challenge. Having credit facilities with the suppliers also helps with material and ensuring production when experiencing a late payment. Working on more than one project allows the respondents to effectively manage a late payment situation. Purchasing material and paying bills in advance is one of the strategies which enables the SMMEs to better deal with a late payment challenge.

The study will use the collected data for analysis and this will be done by identifying themes from it. The themes will then be categorized, analyzed, and interpreted. The analysis and interpretation of the themes will take into consideration of the respondents' feelings, thoughts, and attitudes regarding the late payment challenge they continuously and consistently experience will also be taken into consideration when analyzing the collected data and findings. Moreover, this will also demonstrate how the collected data correlates with the literature review. It will do this by picking up the same themes and variables from both the collected data and literature review and point out the similarities and differences between them.

CHAPTER FIVE: DISCUSSION OF FINDINGS AND DATA ANALYSIS

5.1 Introduction

This section is mainly focused on discussing, interpreting, and analyzing the collected data.

5.2. Obtaining Loans from the Banks

The collected data shows that the banks are not always willing to grant loans to SMMEs. This is in line with what the literature which was reviewed points out. It indicated that the traditional commercial banks are reluctant to give credit to SMMEs. One of the cited reasons is that they are regarded as high-risk lenders on the basis that they have inadequate assets, low capital, and positive income. The data which was collected during the interviews shows this as well and the respondents highlighted that the requirements are too stringent. Also, they highlighted that they do not have collateral and assets that the banks require them to have.

The issue of positive credit history was raised by the respondents and this correlates with the positive income as mentioned by the literature. Most of the SMMEs blamed the City of Johannesburg for the late payment issue. Harilal & Nyikana (2019) further indicate that globally, the banks do not easily lend money to the SMMEs. From the collected data, it is evident that borrowing from banks is not one of the mechanisms which allow SMMEs to remain in business when a payment is delayed. It is due to lack of accessibility and those who can access the loans stated that the interest is too high even from commercial banks, not just “loan sharks” and it affects their profit as a big margin of profit is spent on repaying the loans and the interest accrued. As soon as the profits are negatively impacted, this hampers the growth and success of the SMME. Bad credit history also hinders the growth and success prospects of them becoming bigger companies and it blocks them from upgrading the CIDB grades as per the feedback from one of the respondents.

5.3. Borrowing Money from Family and Friends

The literature does demonstrate various mitigation mechanisms which can be employed by the SMMEs to survive when they are facing cash flow challenges. One of them is through a mix of debt and equity. Debt refers to loans from banks and financial institutions, while equity finance includes friends and family, or partners. As per the collected data, some of the respondents did indicate that they borrow money from family and friends. This points to what Lepadatu (2017) indicated with regard to diversified sources of funding. The reason for this was that they are not able to acquire loans from the banks as they do not qualify. This links to the previous point whereby most of the SMMEs indicated that obtaining loans is a challenge for them.

The study is of the view that the mechanism of borrowing money from family and friends will be more unsustainable going forward, considering the current hostile economic conditions, high unemployment rate, especially since the Covid-19 outbreak, it will become more difficult for people to have money to lend to the SMMEs.

5.4 Obtaining Loans from Short-Term Loan Providers

The reviewed literature by this study does highlight the various methods of survival during the late payment situation, however, it is not explicit on the short-term loan providers. However, the collected data was able to bring forward the “loan sharks” as one of the mechanisms that the SMMEs opt for in dealing with a late payment situation. The short-term loan providers are usually informal and not registered.

The short-term loan providers are prevalent in lending to the social grant recipients in South Africa, there is limited literature on them making transactions with SMME owners or directors. Thus, this is the area for conducting research in the future. During data collection, the respondents did indicate that this is the option they don't prefer but they are forced to take this route as they do not receive loans from the authorized lenders such as banks. Moreover, they stated that it is easier to get a loan from the short term loan providers but very risky as they get exposed to losing their valuable possessions if they are not able to pay as the repayment term is normally short.

5.5 Putting Down the Tools and Staging Protests

The surveyed literature does not necessarily make mention a link between a late payment situation and the SMMEs engaging in a protest action. However, the collected data does indicate that this method is effective in ensuring that the process of releasing the delayed payments is swift. The protest action theme is not only limited to the construction industry in the City of Johannesburg. It is a widespread phenomenon in South Africa's labor relations. The Department of Employment and Labour (2020) reported that the protest activities and work stoppages reached the highest recording over the past five years. The number of stoppages increased to 165 in 2018 from 132 in 2017, this indicates a 25% increase in protest actions from the previous year.

According to the study, downing tools and protesting is very prevalent in the construction industry in the inner city of Johannesburg. The employers have shown over time that they are willing to listen or attend to a certain issue once the workforce has engaged in industrial action. However, what makes it interesting in this case is that the business owners or directors are the ones organizing and carrying out the protest action as opposed to being the workers being the ones protesting. The respondents indicated that the workers normally choose to abscond from work, at times finding work in the same site from other SMMEs. However, with regard to the SMME owners, they normally have to engage in a protest action in order to ensure that the City of Johannesburg swiftly resolves the late payment situation. Their livelihoods depend on the SMMEs.

The study is of the view that this strategy does indicate that the late payment issue can be resolved, what is needed is the willingness to decisively deal with it by the City of Johannesburg. Moreover, the City appears to be failing or not to be doing enough in holding its employees who are responsible for effecting payments accountable. The directors further pointed out that when they as the SMMEs and their workers get impacted by the late payment, the employees of the City of Johannesburg are not impacted by the same and this does lead to a tension between the workers onsite.

5.6 Making Use of Personal Savings and Having a Full-Time Job

A situation whereby the owner or director of the SMME having to make use of his/her savings and investment is well documented, academically (Wong, Holmes & Schaper, 2018). This study also established the most of the respondents usually have to utilize their savings and investments in ensuring that the operational cash flow is available in a situation of late payment. According to this study, having to go to personal savings and investments slows down the growth of the SMME. It is on the basis that in most cases, by the time a payment is received, there would be costs that are incurred as a result of a payment being late. Therefore, returning the money to the savings is not easy as one of the respondents stated that in most cases they live "from hand to mouth", implying that saving is not easy as would normally be no extra money available for saving. This does relate to one of the surveys conducted by Hiscox (2016), whereby the SMME owners and managers who participated in the study highlighted the late payment and lack of access to credit as the major blockers to the success of their businesses. Although the survey by Hiscox (2016) as indicated in the literature review section, the United Kingdom based insurance company, involved the SMMEs in the United States of America and the United Kingdom, these aspects, implications, and challenges concerning the SMMEs are global and South Africa is not immune to them.

One of the respondents suggested that having a full-time job as one of how the SMME can easily survive even when facing a late payment. As much as this mechanism is sustainable, this study is of the view that SMME director does get disadvantaged in a long run as someone else they trust is running all the operations on site. One theme that was constantly mentioned during the interviews is trust and it will be expanded in the next heading.

The intensity of the construction industry does need the owner or director to be hands-on and be available onsite to deal with any issues which may arise. Moreover, the owner being more involved will allow them to learn and know more about the industry rather than when they hired someone else.

5.7 Building and Strengthening Relationships with Suppliers

The most dominant variable which was mentioned by the respondents is trust when they were referring to their relationships with other stakeholders. Having relationships built on trust is very important in ensuring that the company remains operational even when it faces a challenging situation of late payment.

The respondents in this study mainly referred to such relationships amongst themselves as directors, the workers, and suppliers of the SMMEs. The literature did indicate that late payment has the disadvantage of demoralizing the workers as their salaries or bonuses are impacted as well (Bailey, 2018). However, if the company has a strong relationship with the owner or director, they can stay and continue working regardless of the negative effects of late payment. This is an important aspect as the workers are the most valuable asset to the company. The same applies to the suppliers as well.

The characteristic of trust is very imperative in building long-lasting relationships in business. Thus, every SMME, even beyond construction and the City of Johannesburg should be able to possess this quality and skill as it does assist with protecting the company against the late payment challenge. The finding on the importance of building strong relationships based on trust confirms what The respondents indicated that the workers normally choose to abscond work, at times finding work in the same site from other SMMEs.

The SMME owners, normally have to engage in a protest action to ensure that the City of Johannesburg swiftly resolves the late payment situation. Their livelihoods depend on the SMMEs.

Akhmad, Devi, Ernan & Yusman (2020) stated that trust in business leads to the reduction the transaction costs and conflict. In this context, the transaction costs are reduced as workers do not abscond work due to not being paid or suppliers imposing penalties due to the SMME not being able to pay on time. The level of trust allows them to understand when the SMME director explains that the late payment is by the City of Johannesburg. One of the respondents highlighted that “What I do is to explain from the beginning that the payment might be delayed, however, what the company will do is to pay half of the amount they are owed and the remaining balance will be paid once a late payment is received". The respondent further added that "This works as the workers tend to understand if I have explained in advance and also being able to pay them something, rather than not paying them at all. They do appreciate that"

Moreover, this finding does point to what Fokoti (2011) indicated concerning social capital. He stated that social capital can be used to reduce information asymmetry between the creditor and debtor. This also speaks to the point which was indicated by one of the respondents that it is important to hire workers who understand the construction industry. In terms of the suppliers, the level of trust between them and the respondents ensures that conflict is limited and that they share knowledge continuously regarding the construction industry. Such knowledge is likely to empower the respondent and in turn, lead to the development and growth of the SMME.

5.8 Arranging a Credit Facility with Suppliers

The literature reviewed by this study indicated that it is necessary to discuss the situation of late payment with trade credit. A trade credit takes place when goods and services are supplied on a deferred payment to afford a buyer a time to pay (Fatoki, 2014). This mechanism was also highlighted by the respondents as one of the methods which allow them to remain operational when experiencing a late payment. However, they refer to it as a credit facility with the suppliers.

The respondents indicated that this mechanism is effective and sustainable. The concern they had was accessing it. This does link to the other parts such as obtaining loans from the banks, lack of accessibility is a theme that is being noted here as well.

The facility is important, especially when it comes to material and equipment as they are more expensive than other expenses such as labor worker wages. One SMME stated that the credit facility is usually 30 days. The study does view this as a concern as the payment is delayed by more than a month in most cases as per the collected data.

5.9 Having More Than One Project at the Same Time

Having more than one project or contract at the same time is not an element that formed part of the literature review. However, it is a phenomenon that came up during the research interviews. All the respondents who highlighted this method did indicate that it was difficult to secure two projects or contracts at the same time. Although it is effective in ensuring that the company was able to remain operational when it encountered a late payment.

This study is of the view that the late payment problem needs to be resolved to avoid the situation whereby one SMME will be monopolizing the projects to ensure that it covers the shortfall caused by late payment. Moreover, one company having more than one project at the same time does impact the efforts of ensuring that more if not all the SMMEs get involved in the economy of the City, thus, ensuring the development of new entrepreneurs.

5.10 Paying the Attorneys to Follow Up on Late Payments

Although only one respondent highlighted this mechanism, the study is of the view that it must be given more attention as it was able to point out other elements such as corruption. Delegating the duty of chasing a late payment to the legal representatives is effective according to the respondent.

On the basis that City of Johannesburg can swiftly pay when a payment follow-up is from the lawyers, the respondent is of the view that the City of Johannesburg are deliberately withholding payments. Therefore, the assumption is that this is related to the element of corruption or rent-seeking. Some of the SMMEs stated that the officials at the City of Johannesburg's entities usually ask them to pay a “certain fee” before they could release or fast-track the processing of a payment. One of the respondents stated that “When following up with the City of Johannesburg, some officials ask for a fee to fast track the processing of a payment”. “Usually, 10% from the whole amount that I invoiced is required when I go and enquire about the late payment. If I do not pay, a payment gets further delayed and at the end, one is forced to pay it as the company needs the cash flow to pay suppliers, workers and, for other services and operations” added one respondent. The failure to do so leads to further delays of payment, however, those who follow the stipulated actions can receive a payment. As initially indicated, the respondents suggest that it looks like the late payment challenge appears to be made by those responsible for effecting the payments. These are the views held by the respondents, not this study. This study would like to state and reiterate that this is what was reported by the respondents and the study is not certain of the authenticity of these claims and allegations of corruption.

The responded further indicated that he made use of lawyers in a situation where he received a contract from one of the City of Johannesburg entities. But the contract got terminated without any valid or sound reasons and he already purchased the material and incurred a cost. He involved the lawyers and the contract was reinstated without any issues. “This to me showed that this was canceled to award it to another company without following the correct procedures and processes” reported the respondent. The study is stating what was reported by the respondent during the data collection process, therefore, it does not know whether this is true or not.

5.11 Paying for Services, Products, and Fees in Advance

Paying for services and bills in advance is one of how the SMMEs can allow them to remain in business and ensure productivity in terms of work even though the payment is late. The method is almost similar to the credit facility or trade credit, however, the main difference is that with advanced payment, the purchaser pays in advance, rather than having access to goods and paying at a later stage. Few of the respondents indicated that they prefer this method as late payment situations occur from time to time. This measure allows the SMME director to focus on other expenses when a payment is delayed. Thus, the measure is effective as it does assist with easing the pressure on the director.

This measure also applies to his personal needs as someone who depends on the SMME for a living. Thus, he pays the bills such as rent, school fees for his children in advance while he has money. This does assist in ensuring that late payment does not badly or enormously hurt the SMME and those who depend on it such as his family and workers.

5.12 Suggestions by the SMMEs in Resolving Late Payment

The last question which was posed to the SMMEs was their suggestion in resolving a late payment challenge. Most of the respondents had grievances about the main contractors by the sub-contractors are concerning and, the City of Johannesburg should closely look at them and review the rules of engagement and criteria it follows when it appoints or awards tenders to the main contractors. In deliberating on what he described as exploitation, one highlighted that the main contractors were drastically reducing the rates when it came to working being done when compared to what the entity stipulated or provided. He suggested that the rates should be regulated so that the rates stipulated by the City of Johannesburg applies across the entities. He further pointed out that this method is already being implemented by JDA and should apply across all the entities of the City. Moreover, most of the respondents suggested that the 30 days period had to be reduced to 7 days after the invoice got submitted.

Most of the SMMEs also pleaded that the personnel in the project and finance departments of the entities needs to be competent. The people with capacity need to be dealing with the invoices and processing of payments. “The City of Johannesburg should invest in training their staff that is working in procurement, especially those dealing with payments” suggested one of the respondents. Another respondent stated that “The City should consider outsourcing the function of paying the service providers, especially the SMMEs as the late payment is negatively impacting, it is killing our businesses”. Furthermore, the technological systems used to launch claims, invoices and tracking them should be upgraded and advanced. One of the respondents suggested that the City of Johannesburg should follow and use the invoice/payment tracking systems which are used by Gauteng Provincial Government. She highlighted that the system was transparent and tracking the invoices more or less on a real-time basis. Even themselves they could monitor and track the invoices as the directors of SMMEs.

5.13 Conclusion

The key implication from the collected data is that the SMMEs are not receiving sufficient support from the City of Johannesburg, especially in terms of protecting them from exploitative officials. Also, there is no adequate financial support provided to the SMMEs. Late payment stifles the progress and growth of SMMEs. Corruption is one of the main issues which allows a late payment challenge to continue to disempower the construction SMMEs in the City of Johannesburg. Complacency and Incompetency are one of the factors which sustain a late payment challenge.

CHAPTER SIX: RECOMMENDATIONS, SUMMARY, AND CONCLUSIONS

6.1 Introduction

This section is mainly focused on outlining the recommendations which will assist with addressing the challenges which were highlighted from the collected data. Some of the recommendations apply to more than one finding or challenge, and this will be presented in that manner below. Hence the recommendations will be fewer than the highlighted findings and mechanisms which were discussed in chapter 4 and 5.

6.2 Government to Strengthen the Financing Model of the SMMEs

As one of the methods which ease the burden of obtaining a loan from the banks and loan sharks with high interest which ultimately affects the profits, the credit guarantee fund must be effectively implemented. As indicated in the problem statement section, SEFA is tasked with administering the guaranteed loans provided by the commercial banks to the SMMEs which have no collateral or limited or no history of credit. What government needs to do is to diagnose the challenges which prohibit the effective administering of this scheme and work towards addressing and capacitate SEFA to ensure that it can properly manage this initiative so that it can empower the SMMEs. Furthermore, this initiative can be decentralized and be delegated to other entities, especially in the local sphere of government. It is on the basis that the local municipalities are at the grassroots level and closer to the SMMEs. The DSBD and DPME can be involved to provide support, oversight, evaluation, and ensuring accountability by the local municipalities.

6.3 The Formation of Cooperatives by the SMMEs

Forming cooperatives is one of how the construction SMMEs can address the issue of late payment. A cooperative is defined as an association of people who are united voluntarily to meet their mutual economic, social, and cultural objectives and aspirations through a conjointly owned and democratically managed enterprise (Mbohwa & Thaba, 2015). The City had a programme in place which was meant to empower the SMMEs and cooperatives. The Jozi@Work programme since its inception in 2014 was meant to deploy a sizeable City's budget into tackling unemployment, especially amongst the youth. This intervention was ensuring that the cooperatives were able to deliver municipal services. The SMMEs and cooperatives were supported by a Capability Support Agency (CSA) which was managing all the invoicing and payments, ensuring that the work was properly done, and enabled them to rent equipment and buy materials. Furthermore, the CSA also provided training, support and enabled access to low-cost loans in ensuring that the businesses grew beyond the programme and developed into sustainable enterprises which were able to do business with other clients besides the City (City of Joburg, 2014). The Jozi@work was also criticized for being "parachuted" or enforced from the Mayor's office, the City's entities were the main critics as they claimed that there was no alignment between the programme the existing initiatives (Cartwright & Marrengane, 2016).

The Jozi@Work programme was discontinued in 2016 when a new administration under a different political leadership took over the City of Johannesburg. This study recommends that the Jozi@Work programme be revived and reinstated, even if it can be in a revised form. However, keeping the same principles and characteristics meant to empower and develop the SMMEs and cooperatives.

The study does note that there is a new programme by the City of Johannesburg's Department of Economic Development, it is referred to as Youth Cooperatives Development Programme. It is aimed at empowering youth-owned cooperatives with compliance, training, and market access (City of Joburg, 2020).

6.4 Establishing the Inner City Business Chamber for Construction SMMEs

The study recommends that the SMMEs should organize themselves and form an umbrella organization or chamber which will represent the construction SMMEs based in the Inner City. This structure will be able to push forward the interests of the SMMEs and be a link between them, and the City of Johannesburg. This will avert the situation whereby the SMMEs only mobilize themselves for fighting for certain late payments and after that, everyone is on their own. The study is of the view that the structure will ensure that protests and delays are avoided as it will be in regular contact with its members and the City of Johannesburg. Under such a structure, the SMMEs would be able to come up with ways of fundraising and ensuring that they have funds saved up to assist the members in case they are experiencing a late payment. Moreover, this structure can further get a legal representation and pay subscription monthly on behalf of members so that the lawyers can follow up on late payments if needs be. This is informed by the fact that one of the SMMEs indicated that the City of Johannesburg swiftly respond to the legal representatives as opposed to the SMMEs directors' when they chase the late payments by themselves.

Such a chamber will ensure that there is adequate work for all the SMMEs and it will guard against having one company having a monopoly over the projects in the City. Moreover, this chamber will also facilitate the credit facilities and arranged advanced payments on behalf of its members working together with the City of Johannesburg. This approach will be in the best interest of all the stakeholders as late payments and disruptions in a form of protest will be avoided.

Moreover, this will assist in negotiating with and lobbying the City of Johannesburg to directly deal with the SMMEs when it comes to payments. Several SMMEs stated that they would prefer if they had to deal directly with the entities. One of the SMMEs even suggested that for small projects, a team of construction specialists/professionals could be assembled to manage them. The director further stressed that the experienced SMMEs were needed in such projects though.

6.5 Effective Implementation of Integrated Development Plan and Local Economic Development Policies

The Integrated Development Plan (IDP) and Local Economic Development (LED) policies are meant to ensure that economic development at the local level in ensuring the sustainable growth of businesses. However, in terms of the construction sector, the local SMMEs appear not to be protected and adequately supported. The IDP-LED requires that on ward-based projects, 30% of the local workforce and SMMEs must be locally based. Currently, this seems not to be happening and even the collected data points to this. The local construction SMMEs stated that they are not always allocated space as per the IDP-LED requirement. Thus, the study recommends that there must be an oversight by the Department of Cooperative and Traditional Affairs at the national and provincial levels.

6.6 Summary and Conclusions

The study used the qualitative research approach to address the problem statement, respond to the research question, and ultimately the research objective. The research was aimed at investigating the mechanisms which are enacted by the construction SMMEs in the City of Johannesburg to deal with a late payment by the Municipality entities. The semi-formal telephonic interviews were conducted as an instrument for collecting data from a sample of 20 SMMEs. The study made 10 findings which were as a result of noting themes extracted from the interviews.

Most of the mechanisms were found to be devised by SMMEs to remain in business while experiencing a late payment. They obtain loans from the banks, lend money from family and friends, and get loans from the loan sharks. They further engage in protest action to force the City of Johannesburg to pay when a payment is late. The directors of the SMMEs further make use of personal savings and funds. The SMMEs also mentioned that building and strengthening relationships based on trust is sustainable and allows them to receive material and equipment even if they owe. The credit facility with suppliers also plays an important role in keeping the SMMEs in business. Having a contract in more than one project at the same time also helps the SMMEs in business. One of the effective but costly measures is having the legal representatives chasing after the payment when it is being delayed. Finally, the SMMEs also make payments in advance for essential services and the director's personal needs.

In terms of demographics, the fact that all the directors of the SMMEs who participated are Africans do reflect the point that the Africans are a dominant race-based or residing in the Inner City of Johannesburg. Concerning gender, the low number of females who own the construction SMMEs does indicate slow progress in terms of their involvement in this industry which had been historically dominated by their counterparts. The equal number when it comes to age ranges shows that there is balance in terms of young people and those who are no longer youth (above 35 years) in the construction industry. This does appear to address the concerns raised by those who are beyond 35 years old that most of the opportunities are mainly or overly focused on and directed to youth (18-35 years) and not considering those who are above 35 years old. All the SMMEs who were interviews had been in business for more than 2 years. The 12 SMMEs had been in business for more than 5 years. The literature did indicate that most of the SMMEs do not survive beyond 2 years since inception due to various challenges, with late payment being one of them. However, in this instance, it does show that they were able to survive beyond 2 years, regardless of the challenge of late payment. Thus, this does suggest that the mechanisms they employ are to a certain extent effective in keeping them in business

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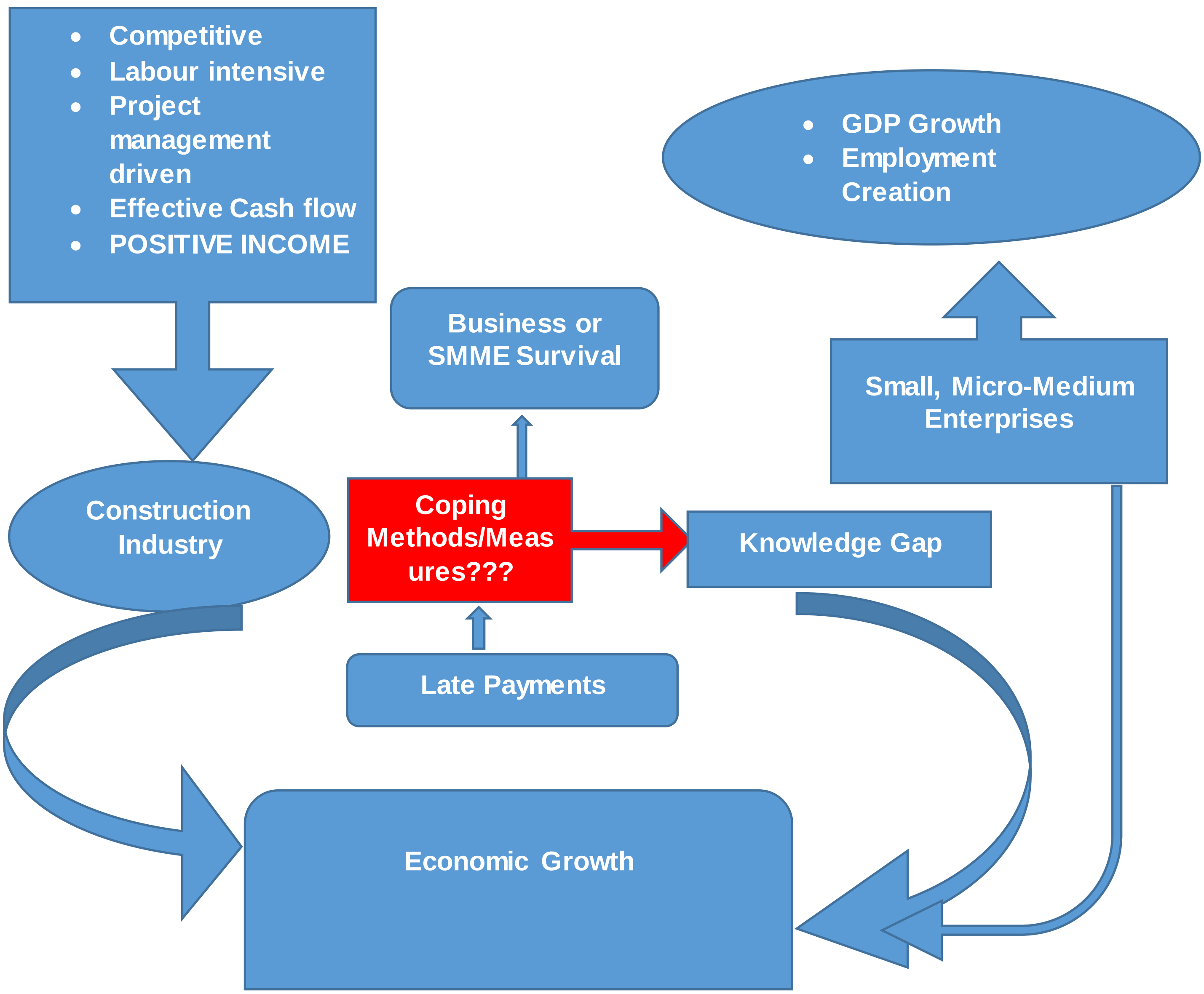
Appendices A - Conceptual and analytical mapping



Appendices B – Demographics

1. Gender

Female	5
Male	15

2. Age group

18 - 35	10
36 - 65	10

3. Race

African	20
White	
Indian	
Coloured	
Other	

4. Number of existence in business

0 – 5 years	8
5 and over years	12

Appendices C - Data gathering instrument

Interview Questions

1. Does the SMME do business with the government?

2. If yes, does the SMME get affected by the late payment/s problem?

3. If yes, what measures do you employ in ensuring that the company remains operative and in business?

4. Please give more details and further explanation on how you go about these measures.

5. Are these measures sustainable and of assistance to your business?

6. If yes or no, please elaborate and provide examples if there are any.

7. Do you think these measures should be used and applied by other SMMEs affected by the late payment/s?

9. What solutions do you suggest for resolving the late payment challenge?

Appendices D – Consent Form

Research Consent Form

Late payment mitigation mechanisms enacted by small construction businesses in the City of Johannesburg

I, Simphiwe Ndlou .... agree to participate in this research project. The research has been explained to me and I understand what my participation will involve. I agree to the following:

(Please circle the relevant options below).

I agree that my participation will remain anonymous	YES	NO
I agree that the researcher may use anonymous quotes in his / her research report	YES	NO
I agree that the interview may be audio recorded	YES	NO
I agree that the information I provide may be used anonymously after this project has ended, for academic purposes by other researchers, subject to their own ethics clearance being obtained.	YES	NO

....

26th January 2021

Appendices E- Ethics Clearance

UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG

WITS SCHOOL OF GOVERNANCE
UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG

Research Office:
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Prof Pundy Pillay
Tel: 011 717 3501
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10 February 2021

Dear Mr Malewa Radebe

Title: Late payment mitigation mechanisms enacted by small construction businesses in the City of Johannesburg
Student Number: 2273669
Degree: Master of Management in the field of Governance
Ethics Clearance Number: *WSG-2020-25*

All candidates must satisfy the University's ethical standards for research. Your ethics application has been received and reviewed by the Wits School of Governance Human Research Ethics Committee.

Your ethical clearance has been approved subject to you getting permission to conduct research from all sites where research is conducted. The letter(s) of permission to undertake research must be submitted to the WSG Research Office and kept on file with your final proposal and other ethics documents.

You may commence your data collection under the guidance of your supervisor. In the event that the scope, methodology or nature of the research changes, you are required to submit another ethics application reflecting the changes.

The onus is on you as the candidate, with support from your supervisor, to ensure your research complies with university human research ethics policies and protocols at all stages of the research process.

It is recommended that you keep this letter in a safe place as you are responsible for ensuring you have proof of ethics clearance. You will need to lodge the ethics clearance / protocol number with Faculty before final submission of your research report. If you do not have an ethics clearance number, you will not be permitted to graduate.

Please do not hesitate to contact me if you have any queries.

Yours sincerely

Professor Pundy Pillay
Research Director

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