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EFFECTIVENESS OF THE FUNDING MODEL FOR CONSTRUCTION COMPANIES IN THE FREE STATE

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

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Declaration

I, **Gaositwe Pule**, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the Graduate School of Business Administration, University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

GAOSITWE PULE

Signed at …… **BLOEMFONTEIN** ……

On the …… **30th**……day of ……. **March** …….2024

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ABSTRACT

This research delves into the nuanced realm of funding models within the construction industry, particularly focusing on their efficacy for struggling construction businesses in the Free State Province of South Africa. The primary objective is to critically evaluate the responsiveness of financial institutions to funding requests from contractors and to delve into the intricacies of the funding process. Through a qualitative approach, the study aims to explore the diverse range of funding models that are currently employed by contractors, shedding light on both their strengths and limitations. Furthermore, the research endeavours to identify and analyse the various challenges that are associated with existing funding structures and offers, providing valuable insights into potential areas for improvement. Additionally, by examining the potential synergies between adequate funding and developmental programmes, this study seeks to ascertain their collective impact on the growth trajectory of contractors within the region. By conducting semi-structured interviews with registered construction contractors who face industry absorption challenges, this research aims to uncover rich qualitative data that can provide a comprehensive understanding of the complexities that are inherent in the Small and Medium Enterprises (SME) contractor industry. Ultimately, the findings of this study are expected to contribute to the enhancement of funding mechanisms and support systems that are tailored to the unique needs of SME contractors; thereby fostering their sustainable growth and development.

Keywords: Funding Models**,** Construction Industry**,** Efficacy**,** Financial Institutions**,** Strengths and Limitations**,** Developmental Programmes**,** Growth Trajectory

*NB: The terms **requirements**, **preconditions** and **prerequisites** are used interchangeably in this study.*

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Acronyms

B-BBEE:	Broad-Based Black Economic Empowerment
BIM:	Building Information Modelling
CDP:	Contractor Development Programme
CIDB:	Construction Industry Development Board
DBSA:	Development Bank of Southern Africa
DMAIC:	Define, Measure, Analyse, Improve, Control
DTI:	Department of Trade and Industry
ECDP:	Emerging Contractor Development Programmes
EDP:	Enterprise Development Programmes
EPWP:	Expanded Public Works Programme
GDP:	Gross Domestic Product
IDC:	Independent Development Council
IT:	Institutional Theory
LSS:	Lean Six Sigma
NCDP:	National Contractor Development Programme
NDPW:	The National Department of Public Works
NEF:	National Empowerment Fund
Nurcha:	National Urban Reconstruction and Housing Agency
PFMA:	Public Financial Management Act
POT:	Pecking Order Theory
PPPFA:	Preferential Procurement Policy Framework
RDP:	Reconstruction and Development Programme
SCM:	Supply Chain Management
SEDA:	Small Enterprise Development Agency
SME:	Small and Medium Enterprises

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CHAPTER 1: INTRODUCTION AND BACKGROUND

1.1 Introduction

This research sought to scrutinise the effectiveness of the funding model available in South Africa's construction industry, more precisely in the Free State Province. This chapter presents the background to the problem being studied. It also emphasises the problem statement that came from it, the purpose of the study, the research objectives and the research questions. Furthermore, the justification of the study was explored. The limitations of the study and the project outline then followed as did the chapter summary.

1.2. Background of the study

Globalisation has become a major challenge for the construction industry and changed its structure. According to Chege and Ebohon (2004), local sectors that support construction are particularly vulnerable to the effects of globalisation in the construction industry, which could reduce the competitiveness of domestic construction projects. They draw attention to the fact that nations with highly developed construction industries are more likely to benefit from the internationalisation trend, which favours innovative procurement techniques over conventional contracting. As a result, this change limits the involvement of less-developed countries in international building projects to the use of labour, frequently in low-skilled positions. The design, development and upkeep of the built environment are all the responsibility of the construction industry, which is a crucial component of the worldwide economy (Kolk, 2023). The built environment includes everything from homes, offices, bridges, roads and infrastructure. The construction industry plays a crucial role in the development and growth of society, providing the infrastructure and buildings that support our daily lives.

According to Ofori (2012), the construction industry is one of the largest global employers, offering employment opportunities to millions while contributing significantly to economic growth through substantial investments and local economic stimulation. Moreover, construction projects serve as catalysts for various sectors, including manufacturing, transportation and services. Beyond its economic impact, the construction sector plays a pivotal role in enhancing societal well-being by addressing fundamental needs through projects such as hospitals, schools and affordable housing (Ofori 2012).

Ofori (2012) asserts that the building industry, which is among the most resource-intensive, has an influence on both society and the environment. As a result, it is critical that the construction sector adopt sustainable business strategies that minimise negative impacts and maximise beneficial contributions. This includes reducing the environmental footprint of the industry, improving energy efficiency and promoting the use of sustainable materials and technologies (Kolk, 2023). As the construction industry continues to evolve, the need for robust and sustainable business model innovation becomes increasingly important. A robust business model is one that is well-suited to the needs of the project, the owner and the industry and can withstand changing market conditions while a sustainable business model is one that minimises negative impacts on the environment and society while maximising positive contributions (Bahaswan, Mudjanarko & Wulandari, 2020).

According to Bahaswan et al. (2020), business model innovation in the construction industry can take many forms, including new ways of financing, designing, building and operating construction projects. For example, new technologies such as Building Information Modelling (BIM), cloud-based project management tools and data analytics are changing the way construction projects are managed and are leading to a new generation of technology-driven business models. These models focus on reducing the environmental footprint of the industry while also improving social and economic outcomes. A robust and sustainable business model is essential for the long-term success of the construction industry. It allows the industry to respond to changing market conditions and to meet the needs of the project, the owner and the industry and to minimise negative impacts on the environment and society (Apriyanto, 2016).

Therefore, based on the above overview, one heading that becomes a major concern is “the sources of funding to support their business’ sustainability.” Bahaswan et al. (2020) highlighted that the availability of funding was the main factor that could bring successful innovation to the construction industry. Hence, the research objectives were formulated to serve the purpose of the ongoing research.

Ofori (2012) speaks of how a lack of financial resources hinders the capacity of Small and Medium Enterprises (SMEs) to expand and advance. A report by Anugwo and Shakantu (2020) explains how the intended recipients’ lack of awareness – and usage of targeted government programmes that are designed to increase access to finance for those in South Africa – has had a limited impact. According to Ofori (2012), for developing companies without adequate equity

or collateral resources, business angel financing and venture capital are two suggested alternatives to conventional bank financing.

The measures used in defining SMEs (Agyei-Mensah, 2010; Abor & Quartey, 2010):

i. the number of people employed;
ii. the annual turnover;
iii. the methods of production;
iv. size in the industry (in terms of market share);
v. ownership;
vi. the value of fixed assets; and
vii. the legal status of the company.

Small and Medium Enterprises are generally defined differently depending on the industry they form part of; construction companies are defined by the number of employees. The Bolton Committee describes construction companies with less than 200 employees as SMEs. According to Abor and Quartey (2010), there is no universal agreement on what qualifies as an SME as can be seen from the many definitions.

1.3. Context of the study

South Africa's unemployment rate remains one of the highest in the world, according to Bloomberg: 34,4% in the third quarter of 2019 (StatsSA, 2019). Balogun et al. (2016) expressed how much potential SMEs have to contribute positively to South Africa's revenue creation and address employment needs as it does in other developing countries.

Although the construction industry has been faced with reduced infrastructure spending, employment and socio-economic development in South Africa are still driven by the construction industry (South Africa Construction Industry Report, 2020). The construction industry employed over 1.4 million people in the first quarter of 2019, which contributed to 3,4% of the country's GDP (StatsSA, 2019). Employment opportunities can be generated by SMEs for the general population of the community by allowing for equal participation, which balances the income inequality gap (Erasmus et al., 2013). According to Bikitsha et al. (2020), the welcoming of entry-level companies will foster sustainability and growth, which is important for the economic well-being of South Africa. The effort to develop SMEs is

supported by the technical need for project management performance review of time, cost and quality in construction delivery in order to reduce project failures (Ellis et al., 2019).

According to financial institutions, the difficulties for SMEs in obtaining financing are caused by their inability to create strong business plans, a lack of adequate collateral (on the part of the entrepreneur), a lack of credit history, poor market research, the absence of a workable business idea and a lack of active markets (Fatoki 2014; GEM, 2014). It can be difficult for start-ups, and SMEs that are owned by those with formerly underprivileged backgrounds, to obtain construction project financing from banks if they have little in the way of collateral or a poor credit history (Hanedar, Broccardo & Bazzana, 2014).

Due to a lack of private and government investment, the performance of the construction industry had worsened even before the disruption of the Covid-19 pandemic (Windapo, 2021). This was exacerbated by the immediate stoppage of construction as it was not deemed essential during the government's imposed 'hard lockdown' in response to the Covid-19 pandemic. A study by Yin (2016) reveals that most construction companies do not have sufficient capital to finance their undertakings. Some construction companies generally do not have fixed assets, like most manufacturers, and they usually own construction equipment rather than land and/or buildings. Unfortunately, banks do not accept moving assets as acceptable collateral for loans. Without bank financing, construction contractors will likely find it more difficult to undertake their projects. Normally, construction company owners produce quality work at the lowest price because of the open tender system. Although the system is the best way to ensure the completion of any project at the lowest price, it is the most difficult obstacle any construction contractor would be forced to overcome in this very competitive industry (Yin, 2016).

Thus, with regard to the above, construction businesses need funds to execute infrastructure projects successfully; however, funding is scarce, and many construction company owners experience financial difficulties during projects (Javed & Fida, 2015). Project participants – including contractors, consultants and suppliers – constantly receive late, inadequate or even non-payments (Ramachandra & Rotimi, 2015). Funding issues adversely affect the business operations of the project participants to a significant degree, forcing them to terminate their services under their respective contracts (Nguyen & Chileshe, 2015). Recurrent failures in the implementation of infrastructure projects may lead to a severe socio-economic crisis.

With healthcare a top priority during pandemic times, some economic factors affect the construction industry, such as the decline in oil supply and disrupted supply chain services. The effects of the pandemic will be evident in the lack of skilled labour, high national debt and low infrastructure spending (Windapo, 2021). Analyses by Slabbert (2018) and Windapo (2021) revealed that in the 10 years prior to the pandemic, construction SMEs, the likes of Basil Read and Liviero were subjected to business rescue in South Africa. Due to the reduced infrastructure expenditure, construction companies are unable to develop and compete for profits (Ofori, 2012). Windapo (2021) explains how the pandemic era poses a risk to the construction industry, which will adversely affect the economy if no efforts are made to revitalise this industry. At a high cost, the country may end up having to scout for skills and expertise from across the border for the development of critical infrastructure.

The failure of SME companies, as described by Gadekar and Pimplika (2014), is related to a lack of business acumen, managerial experience and profit. An emphasis is placed on the need for good leadership on construction projects in developing countries to get rid of performance deficiencies. According to Sibiya et al. (2015), the Construction Industry Development Board (CIDB) reported approximately 1,400 company liquidations between 2002 and 2004 owing to ongoing drops in company profit (CIDB, 2004).

This study takes into account building construction business operations in the Free State Province to draw development boards and the government's attention to the challenges SMEs face, to further demonstrate their significance to the South African economy. The reason for considering SMEs is to show that the government needs to adopt funding models to develop these companies – due to the high failure rate among them. This will help the construction industry in the Free State Province to grow so that it can be economically viable and contribute to, and strengthen, the region's economy as a whole.

There is a further need for research on SMEs facing financial difficulties (Zhang, et al., 2012). According to Ottou, et al., (2020) Lean Six Sigma (LSS) had been mostly implemented in processes other than construction with benefits such as the following:

i. enhanced customer focus;
ii. increased quality;
iii. reduced process cycle time;
iv. improved human resource performance; and

v. financial gains due cost reductions from better quality processes.

The identified research gap is that there is no significant research on efforts to encourage the sustainability of SMEs by using adequate funding opportunities. It thus becomes imperative to explore ways for strengthening the financial muscle of SMEs and their sustainability performance. The Free State Province has low levels of self-employment and a low rate of knowledge-based business formation due to the apartheid legacy, which discouraged entrepreneurship among the African population. For this reason, identifying methods to increase entrepreneurship to facilitate both job generation and retention is important (Fongwa et al., 2014).

There is a need to capacitate what is known as emerging contractors, which are in the same category grouping as construction SMEs under the Construction Industry Development Board (CIDB). The National Department of Public Works (NDPW), together with the CIDB, saw the need to capacitate these contractors under a programme in which Free State emerging contractors were given the opportunity to participate. Mofokeng (2012), through his case study, evaluated the Contractor Development Programme (CDP) wherein Free State construction SMEs participated. Mofokeng (2012) evaluated facets – such as managerial, financial, environmental and expansion – that resulted in these companies failing. Kaizen Cost Management Theory suggests that continuous improvement in cost management is critical for long-term success. By using this theory, SME contractors are able to assess their cost structure regularly and identify opportunities to optimize expenses, reduce waste and increase efficiency. According to Tsimong (2019), a significant amount of research has been conducted to investigate the difficulties that face the construction industry; nevertheless, there is a notable lack of studies that particularly address the complexities of the construction industry in the Free State region.

A limitation of Mofokeng's (2012) study was that he was not physically in the Free State during the observation period, and he did not look at the entire province but only known towns. This study will attempt to broaden Mofokeng's (2012) view by reaching out to smaller towns in the Free State as well as having a locational advantage. Africa (2020) discussed how small business turnover was affected by the Covid-19 pandemic and how small businesses became more efficient in the construction industry with increased turnovers as compared to larger firms, which came under business rescue. The Quarterly Labour Force (Q3:2022), compiled by

Maluleke, revealed an average increase of 7% in the unemployment rate in the Free State with studies indicating that construction is part of the top three industries that have higher employment shares relative to their Gross Domestic Product (GDP) contribution.

1.4. Statement of the problem

There is a general lack of access to finance and the absorption of SMEs within the construction industry. According to Jordaan and Coetzee (2021), most construction SMEs are unable to demonstrate the capacity, managerial and/or technical background to compete in the ever-growing construction industry. Therefore, the biggest challenge hindering the growth of SMEs is the ability to access reliable funds. Credit institutions are most likely to provide funding to established companies and not SMEs (Finfind, 2018). Without enough collateral, SMEs have few options from banks and other lending institutions to satisfy their high-working capital needs.

SMEs are functioning in an unsustainable manner even though they can contribute to economic growth and create employment (Anugwo & Shakantu, 2020). The construction industry, in most developing economies, is dominated by SMEs (Ametepey & Cobbina, 2022). Construction enterprises need to thrive in an extremely competitive business environment. Conversely, most of these SMEs are fraught with many barriers, which inhibit and threaten their growth and survival. The lack of sound contracting, and the capacity of medium-sized companies, is a major problem in the construction industry (Mafundu & Mafini, 2019). Ametepey and Cobbina (2022) explained how applying for a loan from a bank is a laborious process that may take months. In contrast to those available in developing countries, many construction enterprises lack access to commercial funding sources at acceptable rates.

The main problem is the unestablished link between access to funding and the success of SMEs in the construction industry. According to Schleifer et al. (2014), difficulties still exist with established contractors in that the growth is seen as being driven by volume and completed projects. Risk increases as a company grows; the level of risk mitigation will be the determining factor for the resilience of a company. The challenge in growth comes when the increasing overhead costs are not well managed. Findings from Rogerson (2006) reveal the huge constraints that are faced by emerging businesses in the Free State, making access to finance the primary constraint to be overcome.

Sufficient research has been conducted on factors that contribute to the demise of smaller contractors and conditions in developing countries do not make it any easier (Boadu et al., 2020). Within this context, it becomes evident that project success – measured in terms of cost, time and quality – imposes equal demands on all competitors irrespective of their scale or resources. However, there is a scarcity of research on the funding structures that are available to construction SMEs within the Free State Province. Motsetse's (2015) rationale supports the statement regarding the lack of research in the Free State on funding structures by highlighting the motivation behind their study. They point out the persistent high failure rate of SMEs in the construction industry despite government assistance. This acknowledgement underscores the urgency and importance of understanding the factors that contribute to SME sustainability – particularly within the Free State context. By conducting this literature review, Motsetse (2015) likely encountered gaps in knowledge that are specifically related to the Free State region, which would have reinforced the need for their study. The conclusions of Jordaan et al. (2021) align with the statement regarding the lack of research in the Free State by highlighting the limited scope of their study, which focused solely on one municipality within the Free State Goldfields region. Additionally, the author identified several potential avenues for future research, including exploring the informal sector's role in the South African economy, particularly in terms of SMEs. This suggests a recognition of the need for broader research efforts within the Free State, particularly in understanding the effectiveness of funding models in various contexts. Due to the ability of the construction industry to represent the economy globally, it is imperative to conduct more thorough research into factors that hinder the success rate of SMEs to gain a deeper understanding of the financial schemes/packages that are available.

1.5. Purpose of the study

The purpose of this study is to contribute to the exploration of the construction contractor funding model in the Free State Province of South Africa. The focus is on emerging contractors, often referred to as construction SMEs, and how they contribute to company market absorption.

Contractors in South Africa are registered with the Construction Industry Development Board (CIDB); small contractors are classified under Grade levels 1 to 5 on the CIDB register, which are new-entry and developing contractors (Coetzer & Louw, 2012). This board was established to set standards and performance targets for professionals in the construction industry as well

as to promote and appropriate the development of new entrant construction players. According to Hove (2016), grading places contractors in groups according to their capacity and capabilities to give assurance to potential clients. Contractors in Grades level 4 to 7 are small and medium-sized businesses that are permitted to submit bids for contracts with a worth of up to R40 million whereas contractors in Grades 1 to 3 are small businesses that can submit bids for contracts with a worth of up to R1,5 million (Hove, 2016). Within its programmes, the CIDB provides the necessary developmental support and advancement.

With South Africa being in dire need of economic restructuring in the industry, (Ndlovu & Thwala, 2006) emphasises the need for equal access to economic opportunities. It is from this that Ndlovu and Thwala (2006) can easily place the construction industry at the peak of those industries that play a vital role in harnessing positive social development. It becomes important to study the effectiveness of investment support instruments; to explore the differences between financial institution financing and the different public financing tools. According to a study by Mathenjwa (2020), small contractors became the largest employers when the industry developed a model that allowed for the outsourcing of functions to smaller contractors; these functions include plasterwork, tiling and/or steel fixing.

1.6. Objectives of the study

The emphasis of this study can be divided into two segments: (1) lack of access to finance and methods for easing the absorption into the formal industry; and (2) growth-oriented resource-based entrepreneurship.

The key objectives of this study can be summarised as follows.

1. To investigate the responsiveness of financial institutions to the request for construction contractor funding and whether institutions create an enabling environment to accommodate small and medium contractors to allow for active participation in the Free State.
2. To explore the application process and existing funding model that is employed by construction contractors to secure funds for their projects.
3. To examine the drawbacks of the Free State's current financing schemes and offers.
4. To ascertain whether the growth of contractors in the Free State is aided by the combination of sufficient finance and developmental programmes.

1.7. Research questions

1. Do the current funding models from financial institutions respond effectively to funding applications by construction contractors in the Free State?
2. What are the application processes and current funding options that are available to contractors in the Free State, and what is the process of acquisition?
3. What are the challenges that are associated with existing funding models and offers in the Free State?
4. Does the combination of adequate funding and developmental programmes assist in the growth of contractors in the Free State?

1.8. Delimitations of the study

This research explores the funding models that SMEs in the construction industry in the Free State Province of South Africa can access. Its main goal is to highlight the current lack of financial accessibility that construction companies in the Free State face. The study aims to shed light on this matter and demonstrate the crucial role that construction enterprises play in the larger context of the South African economy. The rationale behind focusing on SMEs lies in the imperative of how important it is for the government to provide finance methods that are specifically designed to meet the needs of the construction industry. This imperative emphasises the need for deliberate policy interventions that are targeted at fostering the construction industry's growth trajectory, strengthening its financial sustainability and enhancing its contributions to the Free State Province's economic environment.

The construction sector is acknowledged as a crucial component of economic growth and development – with SMEs playing a significant role within it (Ofori, 2012). The emphasis on SMEs is vital, considering their substantial contribution to employment and GDP in South Africa (Anugwo & Shakantu, 2020). However, it is noted that SME contractors, particularly in the construction industry, face challenges that are related to skills shortages and capacity limitations, leading to a high rate of business failure (Mafundu & Mafini, 2019).

The high failure rate among SMEs, particularly in the construction industry, is emphasised with many failing to sustain their businesses beyond the first five years (Martin & Root, 2012). This

underscores the urgency of researching funding models to support the sustainability and competitiveness of SMEs, especially within the Free State context where economic competitiveness is a concern (Sewdass & Du Toit, 2014). Additionally, the focus on emerging contractors, who are relatively new entrants to the construction industry, highlights the need to understand their financial needs and challenges (Moss, 2008). Therefore, by concentrating on construction companies in the Free State, the research delimits itself to a specific sector with unique challenges and opportunities, aligning with the broader economic development goals of the region and addressing the pressing issues of SME sustainability and competitiveness within the construction industry.

According to recent studies, the area of operation of contractors and the physical distance between the finance applicant and the financial service provider are most likely to influence access to finance and put contractors at a disadvantage (Jordaan et al., 2021). An additional constraint lies in the study's exclusive focus on construction companies that are situated within major urban centres of the Free State Province; thereby overlooking the diverse array of industries and geographic locales present across the entirety of the nation. It is important to note that this study does not aspire to encompass the entirety of construction companies that operate within the Free State; thereby constituting a deliberate delineation in its scope and coverage.

1.9. Significance of the study

This research addresses a critical gap in understanding the financial dynamics within the construction sector, particularly within a specific regional context. By examining the accessibility and efficacy of funding models available to construction SMEs, the study contributes to the broader discourse on economic development and sustainability within the province. Moreover, given the pivotal role that construction companies play in driving economic growth and infrastructure development, particularly in emerging economies like South Africa, understanding the factors that influence their access to capital becomes imperative. Effective funding models not only facilitate the growth and expansion of construction enterprises but also have ripple effects on employment generation, skills development and the overall socio-economic progress within the Free State Province.

Additionally, this research holds relevance for policymakers, governmental bodies and development agencies tasked with fostering a conducive business environment and promoting SME development. Insights from the study can inform the design and implementation of targeted interventions that are aimed at enhancing financial inclusion, reducing barriers to capital and catalysing the growth of the construction industry. Ultimately, by elucidating the challenges and opportunities that are associated with funding models for construction companies in the Free State, this research contributes to the formulation of evidence-based strategies that are geared towards fostering a resilient and vibrant economic landscape within the province.

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

This chapter will provide insight into the theoretical and empirical data regarding the funding models that are available in the construction industry. This chapter also highlights the types of funding and the challenges and opportunities in the construction industry with regard to funding models.

2.2 Empirical review

Windapo and Cattel (2013) noted that securing funding from commercial banks posed challenges. This sentiment was echoed by Sibiya et al. (2015), who identified the lack of support from banking institutions as a hindrance to the performance and growth of the construction industry. They emphasised that support should encompass professional development, equipment procurement assistance and access to credit facilities (Pasipamire, 2022).

The “line of credits” model – a standard banking service requiring sufficient security, which was explored by Ncwadi et al. (2006) in their study of SME contractors in Port Elizabeth, South Africa – is involved in low-cost housing construction. They found that these contractors relied on established firms for experience and that limited funding from commercial banks hindered their business operations. The onus lay on companies to provide collateral and demonstrate their ability to make timely repayments.

While the “Contract Finance” model is often recommended for building contracts, smaller contractors face security challenges. Sibiya et al. (2015) highlighted the crucial role of adequate project funding rather than funding directed solely at the contracting company. Omopariola et al. (2021) further observed that larger companies, with attributes such as high leverage and liquidity, were more likely to access funding. However, it remains unclear whether sufficient funding correlates with the longevity of emerging contractors’ businesses, as suggested by Sibiya (2015), who analysed the challenges faced by emerging contractors during active business periods and found a significant relationship.

Sibiya (2015) advocated for government intervention to persuade banks to relax their lending policies toward emerging contractors. SME contractors – lacking collateral, a stable income and comprehensive documentation – struggle to secure loans from formal credit institutions. There is a pressing need for systems that ensure SME contractors can develop and establish themselves with a reputable track record (Sibiya et al., 2015). However, Finfind (2018) revealed that guarantee schemes provided limited assistance to SMEs compared to other developing nations, leading many SME contractors to explore alternative funding sources such as family, personal savings, bank loans or angel investments.

2.3 Types of funding

Financial institutions offer various products, but SMEs often lack awareness of these offerings, leading to incomplete assessments of creditworthiness (Jordaan & Coetzee, 2021). Construction companies utilise borrowed funds for equipment purchases, acquisitions and addressing working capital needs. However, Balogun et al. (2016) suggest that SMEs rely more on internal finance due to limited access to external funding, resulting in inadequate capital contributions composed of both equity and debt.

A diverse range of funders, including banks, informal lenders, digital lenders and venture capitalists, serve SMEs (Finfin, 2018). Primary financial support for SMEs comes from formal financial entities such as leasing companies, equity financiers and commercial banks. Additionally, support programmes like the Independent Development Council (IDC) offer targeted loan programmes for SMEs (Ndlovu & Thwala, 2006). However, Pasipamire's (2022) findings suggest a significant failure rate among emerging contractors, which is often attributed to skill limitations. Financial mismanagement is also cited as a cause of SME failure, characterised by declining profits, credit issues and cash flow problems (Schleifer et al., 2014).

In the construction industry, perceived as both risky and cyclical, companies that avoid excessive debt are more likely to survive (Schleifer et al., 2014). Main creditors for contractors typically include bonding companies and banks with banks that offer money-management services, asset loans and deposits while being selective in extending credit, prioritising collateral and cash flow as forms of protection.

Ndlovu and Thwala (2006) outlined various financiers for SMEs, including both debt and equity sources. Alternative support financiers encompass institutions like the Independent Development Council (IDC), Khula Enterprise Finance Limited, the Ntsika Enterprise Promotion Agency, the Department of Trade and Industry (DTI), the National Empowerment Fund (NEF), the Small Enterprise Development Agency (SEDA) and the Development Bank of Southern Africa (DBSA).

2.4 A comprehensive and sustainable view of the development of the construction industry.

In addition to addressing the fundamental challenges inherent in the construction industry, it is imperative to examine the government's approach to industry development. This investigation is crucial because any efforts to enhance the efficiency of the construction sector must encompass strategies to tackle the industry's inherent issues, methodologies and tactics. Identifying key elements for industry development, understanding the various organisations within the sector, analysing external environmental factors affecting growth (or lack thereof) and recognising projects as unique temporary organisations are essential steps. For the government to effectively contribute to industry progress, it must understand how to support SMEs. A systematic approach to overcoming obstacles is the most dependable path to successful development.

Viewing the entire construction industry as a system – or more precisely, a system of systems – is a strategic perspective. This viewpoint conceptualises the industry as comprising multiple interconnected subsystems, emphasising the advancement of construction systems in development efforts. Thus, the discussion in this section delves into sustainable construction.

2.4.1. Sustainable construction

The development of the construction industry hinges on the growth and sustainability of its primary activity: construction. Given the enduring importance of transportation and housing infrastructure to human existence, the industry must continue to meet present and future needs.

The imperative to consider sustainable construction within the broader framework of sustainable development arises from the industry's significant consumption of natural

resources worldwide (Du Plessis, 2012). Many nations are prioritising the six Agenda 21 principles of sustainable construction, including reducing resource utilisation, maximising resource reuse, employing renewable and recyclable resources, safeguarding the environment, promoting a safe and clean environment and striving for excellence in built environment design.

Ultimately, any industry development plan must be intricately linked with sustainable construction practices to ensure long-term viability and environmental responsibility.

2.4.2 Policy and Institutional Frameworks

Kubayi (2014) mentions the available support frameworks established by the government for SMEs, which are policy frameworks and institutional frameworks. These frameworks could support the development of SME and serve as instruments that target procurement to empower contractors. The policy frameworks include the Construction Industry Development Board (CIDB) as an institution, the Reconstruction and Development Programme (RDP), Broad-Based Black Economic Empowerment (B-BBEE) and the framework agreement for labour-intensive projects as described by Kubayi (2014). The relevant institutional frameworks include the Expanded Public Works Programme (EPWP), which as compared to policy frameworks is a means of enforced implementation of intensive labour on state projects (Kubayi, 2014; Leibbrandt, et al., 2010). Mdandane (2018) studies a public procurement model that would aim to promote the participation of SMEs included in frameworks such as the Public Financial Management Act (PFMA), Act 1 of 1999, the Supply Chain Management (SCM) and the Preferential Procurement Policy Framework (PPPFA), Act 5 of 2000. Mdandane (2018) described these frameworks as having the objective to protect the advancement of people who come from disadvantaged backgrounds and also to further categorise the award of tenders in order of preference.

The framework that addresses financial needs, responsibility and the training of emerging contractors is the EPWP. A financial service provider under EPWP programmes, as articulated by Kubayi (2014), would address on-the-job financial management training. The EPWP model is learnership-type based and incorporates mentorship models that are supported by training.

Barriers to financing were explored by Kubayi (2014) through the Vuk'uphile Contractor Development Programme, which concluded that the inability to access funding through credit or conventional methods results in the lack of success of SMEs. The National Contractor Development Programme (NCDP), which includes the CIDB, the national and provincial Departments of Public Works, and other willing players, is where the programme originated. This programme has procurement-driven developmental outcomes for construction SMEs. The framework, which remains consistent in the literature, as presented by Kubayi (2014) and Mdandane (2018), is the B-BBEE, which, according to Mdandane (2018), is similar to affirmative action government policies that expedite indirect empowerment with preferential procurement.

2.4.3 Contractor development Models and Institutional Frameworks

The National Construction Development Programme (NCDP), being procurement-driven, further categorises development models into four groups based on grading levels:

1) Emerging Contractor Development Programmes (ECDPs) offer mentorship approaches primarily supported by formal business and technical training for companies Graded 2 to 3.
2) Enterprise Development Programmes (EDPs) target companies showing developmental potential.
3) EPWP learnerships models are designed for companies Graded 1 and 2.
4) Programmes aimed at enhancing the performance of established companies, typically Grades 4 to 7.

2.4.4 Available national funding models

1) Local contractor financing models
    i) Local contractor financing models are diverse and include offerings from various financial institutions such as banks, with some customising products for specific models like Khula. Additionally, the CIDB and other lenders recognised the need for financial help for developing contractors in 2011 (CIDB, 2011).
2) Formal financial institutions offer a range of products such as (CIDB, 2011):

i) The National Empowerment Fund (NEF) provides loan facilities.
ii) Khula Enterprise Finance Ltd provides guarantees to the banks.
iii) Khula Emerging Contractors Fund provides bridging finance for service-related work.
iv) Standard Bank, ABSA, Nedbank and FNB offer business credit facilities such as vehicle finance, loans and working capital.
v) Ithala and the National Urban Reconstruction and Housing Agency (Nurcha) offer bridging finance.
vi) Contract financing by various baking institutions, where finance is offered on the basis and terms of a contract of appointment awarded.
vii) iMbewu Fund, which is similar to contract financing and likely to support reputable companies is a government-led empowerment fund.

The contract financing model, highlighted by the CIDB in 2011, involves the contractor receiving a contract from a client and then applying for finance from a bank. This model, prevalent in countries like Brazil, China, India and the USA, involves the bank paying all creditors on behalf of the contractor, with profits later transferred to the contractor's primary account. The proposal by the CIDB aimed for other financiers to adopt a similar working model, emphasising its effectiveness in the construction industry.

2.4.5 Unconventional money-lending Options

In addition to traditional financing avenues, South African financial institutions should consider unconventional money-lending options, such as crowdfunding, where SMEs can collectively borrow funds as a group. Emphasising cooperative models over individual operations could enhance financial accessibility for SMEs. Further investigation into the determinants of credit approval is crucial in this context. Additionally, franchising represents a potential avenue for construction SMEs, albeit one that has yet to be widely explored in the South African construction industry (Pasipamire, 2022).

By considering these unconventional options, financial institutions can broaden their support for SMEs in the construction sector, promoting innovation and inclusivity in funding access.

2.5. Research framework

2.5.1 Theoretical and Conceptual framework

Small and Medium Enterprises play a pivotal role in driving economic growth, serving as major contributors to employment and innovation. However, they often encounter challenges in securing funding when compared to larger enterprises. Understanding the factors that influence financing decisions is crucial for enhancing SME sustainability. This conceptual framework draws on various theories – Resource-Based View (RBV), Pecking Order Theory, Institutional Theory, Information Asymmetry Theory, Kaizen Cost Management Theory and Lean Six Sigma – to identify key factors facilitating SME contractors in securing funding within the existing Contract Financing Model.

The Resource-Based View (RBV) theory underscores the significance of a firm's internal resources and capabilities in shaping its competitive advantage. For SME contractors seeking funding, leveraging internal resources and capabilities is essential for establishing relationships with financial institutions or investors that facilitate growth and development (Barney, 1995). Identifying and harnessing unique capabilities internally is pivotal for sustaining a competitive advantage.

Pecking Order Theory (POT) posits that firms prioritise internal financing over external options whenever feasible to mitigate higher costs and ownership dilution associated with external finance. Small and Medium-sized Enterprise contractors should carefully weigh their financing alternatives, emphasising internal sources whenever possible.

Institutional Theory (IT) offers insights into the expectations of investors and lenders regarding transparency, ethical conduct and regulatory compliance. Establishing strong relationships with financial institutions enhances understanding of the operating environment and fosters credibility (Berger & Edell, 1995). Small and Medium Enterprises must provide transparent information on their financial status and performance to attract investors and lenders effectively.

Incorporating these theories into the existing Contract Financing Model offers SME contractors valuable insights and strategies to navigate the complexities of securing funding, contributing to their sustained growth and success. Additionally, understanding how Institutional Theory shapes societal norms and expectations is vital for SMEs that seek to align with investor and lender expectations (Ncwadi et al., 2006; Ndlovu, 2006; Pasipamire et al., 2022).

Financial institutions typically favour lending to well-established construction companies due to the perceived risks associated with SMEs, which are characterised by uncertainty regarding loan repayments (Didier, Huneeus, Larrain & Schmukler, 2021; GEM, 2014). The Information Asymmetry Theory offers insights into why financial institutions might be hesitant to provide financing to SMEs and how certain funding models, such as collateral or credit guarantees, could mitigate these challenges.

The integration of Lean Six Sigma (LSS) principles into construction finance offers potential benefits in maximising process efficiency and performance (Swami et al., 2020). The integration of Lean Six Sigma employs a data-driven methodology: DMAIC (Define, Measure, Analyse, Improve, Control) to optimize processes across the project lifecycle, addressing issues such as underachievement attributed to insufficient research, capital investment, contractor capital and training (Taner, 2013).

In evaluating cost management and profitability within SMEs, the Kaizen Cost Management System emerges as a valuable tool (Olabisi et al., 2012). This system assesses cost management methods within SMEs, highlighting a significant relationship between profitability and the Kaizen system. Additionally, the survival and turnover of SMEs are influenced by identified cost management methods. Combining Kaizen with Lean Six Sigma aims to enhance efficiency and process improvement, aligning with the RBV theory, which emphasises leveraging unique resources and capabilities for competitive advantages (Barney, 1995).

The RBV theory underscores the importance of identifying and leveraging distinctive strengths and assets to attract financing for emerging construction companies (Ncwadi et al., 2006). It highlights the deployment of efficient resources and the use of unique capabilities to achieve a competitive advantage. Resource-Based View theory and LSS complement each other, promoting efficient resource utilisation and quality process outcomes (Khan et al., 2020).

Furthermore, the Kaizen System can facilitate better revenue analysis, enhancing financial performance evaluation within SMEs.

By integrating these theoretical frameworks and methodologies, construction finance can evolve to address the specific challenges faced by SMEs, promoting their sustainability and growth within the industry.

For better revenue analysis, leveraging the Kaizen System alongside Lean Six Sigma (LSS) proves beneficial, enhancing sustainable performance and predicting the financial capacity of SMEs (Tucker et al., 2015). The Information Asymmetry Theory (IAT) underscores the positive correlation between a construction company's financial capital, assets and corporate performance.

The finance-related benefits of LSS in construction have been extensively discussed, emphasising the optimisation of performance processes across the project lifecycle (Swami et al., 2020). Utilising the DMAIC methodology within LSS facilitates process improvement, addressing industry underachievement attributed to insufficient research, capital investment, contractor capital and training (Taner, 2013).

The integration of LSS, RBV, and Kaizen systems within a single process is evident. The Resource-Based View theory suggests SME contractors leverage their unique resources and capabilities to secure funding while the Pecking Order Theory (POT) advocates for internal financing before seeking external sources. Institutional Theory (IT) highlights the impact of market norms and regulatory laws on funding accessibility, emphasising the importance of addressing information asymmetry.

Extending the framework proposed by Khan et al. (2020) to incorporate Six Sigma practices alongside RBV and the aforementioned theories, the conceptual framework includes:

1. Identifying funding needs through a comprehensive assessment that considers project requirements, cash flow and working capital.
2. Utilizing RBV: SMEs should showcase their unique resources and capabilities to secure funding.

3. Considering POT: Internal financing options should be explored before seeking external sources.
4. Evaluating Institutional Factors: Assessing government regulations and market norms to determine appropriate funding sources.
5. Addressing AT: Taking steps to mitigate information asymmetry through detailed financial information and transparency audits.
6. Implementing Kaizen Cost Management: Continuously improving cost management processes to enhance profitability.
7. Adopting Lean Six Sigma: Eliminating waste and improving quality to reduce the risk of cost overruns and delays.

Following this framework, SME contractors can enhance their funding potential and sustain performance, contributing to their long-term success in the construction industry.

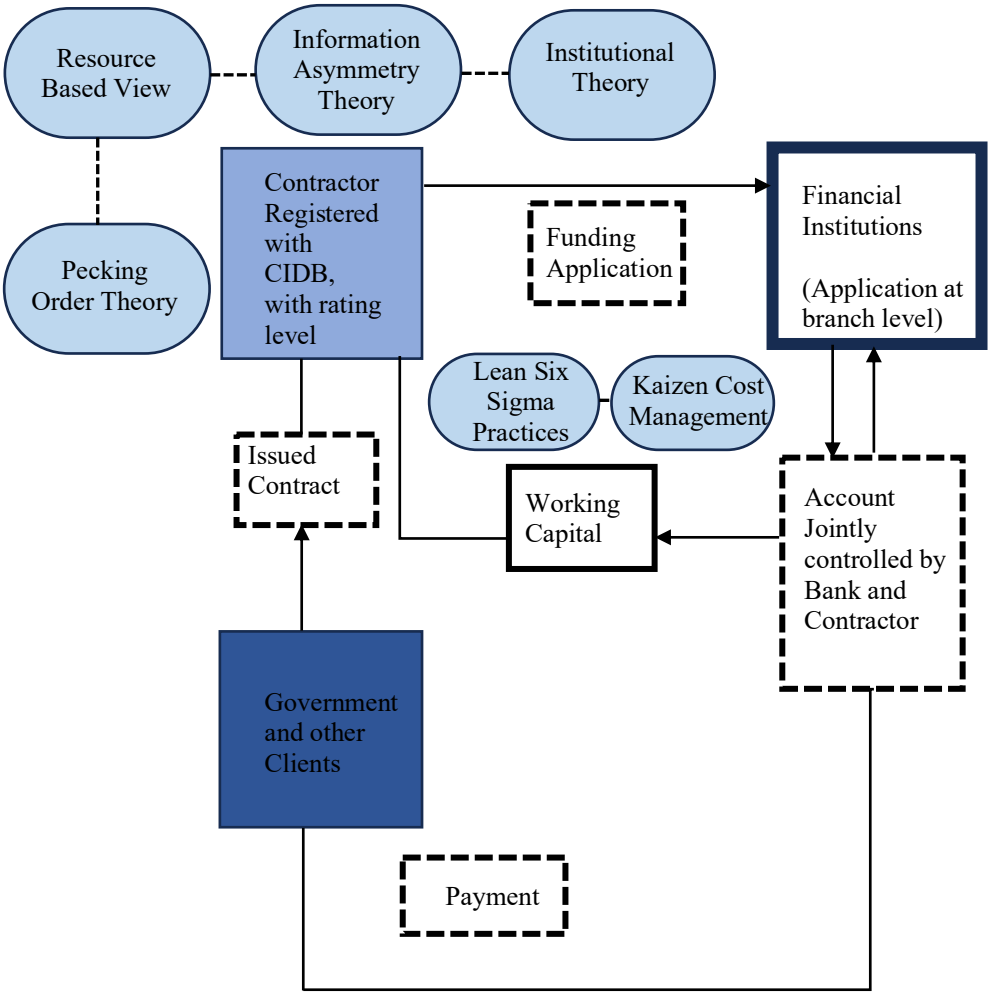

Figure 1*: Summary of proposed Model incorporated into the Project Finance Model that is internationally used.*

Source: CIDB. (2022). The Big 5 Construct Southern Africa. The Big 5 Construct Southern Africa.]

In summary, SME contractors can enhance their funding prospects by leveraging their internal resources and capabilities, prioritising internal financing, adhering to societal expectations, providing transparent information, improving cost management practices and adopting Lean Six Sigma principles. By integrating these theories and methodologies into their operations, SME contractors can not only increase their chances of securing funding but also pave the way for long-term success in the construction industry.

2.6 Conclusion

The literature review delved into various aspects of construction finance, focusing on the challenges faced by small and medium-sized contractors in accessing funding and managing financial resources. Studies highlighted the importance of adequate funding and developmental programmes in facilitating contractor growth (Jones et al., 2018), emphasising the role of financial institutions in creating an enabling environment for SME participation (Smith & Brown, 2019). Additionally, the review explored various funding models and application processes employed by contractors (Gupta & Wang, 2020), shedding light on the complexities and limitations associated with existing models. Challenges such as bureaucratic hurdles (Kumar et al., 2017), lack of financial education (Roberts & Johnson, 2018) and perception biases against SMEs (Choi & Oh, 2021) were identified as significant barriers to funding accessibility. Furthermore, the literature highlighted the potential of strategies like Kaizen cost management and Lean Six Sigma principles in enhancing financial efficiency and resource optimisation within SMEs (Lee & Park, 2019). Overall, the literature underscored the need for tailored interventions and policy reforms to address the unique financing needs of small contractors and promote sustainable growth in the construction industry

CHAPTER 3: RESEARCH METHODOLOGY

3.1. Introduction

This chapter delineates the research methods employed in the study to fulfil its aim and objectives. The research methodology encompasses a discussion on the research design, followed by an exploration of the research paradigm. Subsequently, it delves into the techniques used for data collection and analysis. The chapter culminates with an examination of data validity and reliability as well as the research's pilot interpretation and ethical considerations. In-depth discussions are provided on the sampling method, chosen research instruments (including conducted interviews), data collection methods and type of data analysis employed.

The methodology involved interview transcripts as the primary means of gathering raw data for analysis and assessment. Adopting a qualitative approach, the study corroborates its findings with the perspectives and knowledge base of the interview participants. Semi-structured interviews were utilised, aligning with the conceptual framework for SME contractors, drawing from theoretical frameworks such as Resource-Based View, Pecking Order Theory, Institutional Theory, Information Asymmetry Theory, Kaizen Cost Management Theory and Lean Six Sigma. These interviews offered a structured yet flexible framework, allowing for open-ended questions that elicited narrative responses, enabling participants to articulate their experiences and viewpoints effectively. This approach was instrumental in comprehending how SME contractors interpret and apply various theories and practices.

The framework employed in this study underscores the significance of integrating multiple theoretical perspectives to address challenges in securing financing for SME contractors. By leveraging theories such as RBV, Pecking Order, Institutional, Information Asymmetry, Kaizen Cost Management and Lean Six Sigma, SME contractors can devise strategies to optimise resources, prioritise financing options, align with stakeholder expectations, enhance information transparency and improve financial reporting.

The aforementioned elements of assessment were pertinent to this study and were integrated into the interview questions. As highlighted by Rameezden et al. (2006), securing funds for

project execution remains a significant obstacle for construction contractors, underscoring the importance of meticulous project finance planning to bridge the gap between expenditures and income.

Through semi-structured interviews, this study delved into the nuances of various theories within the specific context of SME contractors while also gathering qualitative data on the application of Lean Six Sigma and Kaizen Cost Management Theory. This approach enriches the conceptual framework, fostering the development of more nuanced and context-specific theories regarding the application of these principles within SME contractors.

However, several challenges were encountered during the course of this study:

i. The extent to which SMEs grasp basic theoretical concepts.
ii. The availability of SMEs for interviews due to their professional commitments.
iii. Accessing SMEs that are hindered by geographical barriers.

It is worth noting that the study and interviews were confined to construction SMEs in the Free State Province. Quarterly financial reports from SME contractors played a pivotal role in analysing current industry trends, shedding light on market conditions that impact SME performance within the construction sector. Conclusions drawn from the analysis will be accompanied by recommendations for future research endeavours.

3.2. Research design

The research design serves as a strategic blueprint that outlines the scholar's approach to addressing inquiries and attaining credible results (Cresswell, 2018). This study adopts an exploratory research design, characterised by its qualitative nature.

Exploratory research entails probing into research issues at various depths without aiming to provide definitive answers to research questions. Typically, it addresses novel issues with little to no prior research (Brown, 2006). It is noteworthy that unstructured interviews serve as the primary data-gathering technique in exploratory studies. Given that previous researchers have not extensively explored the topic under investigation, and acknowledging the necessity of thorough investigation, employing an exploratory research design for this study is deemed appropriate.

3.3. Research paradigm

Aligned with Kuhn's (1962) conceptualisation of science, which revolves around the notion of paradigms, this study situates itself within a specific theoretical perspective shared among researchers, known as a paradigm. Paradigms serve as guiding frameworks that shape research endeavours by defining what phenomena to study, how to study them and the methodologies to employ (Saunders et al., 2016). As such, they provide a lens through which researchers perceive and interpret the world, influencing the theoretical development process.

For researchers embarking on a study, it is paramount to comprehend and position themselves within a particular paradigm, as it fundamentally directs the research approach (Guba & Lincoln, 1994). A paradigm constitutes a belief system about reality, offering a worldview and defining an individual's position within it; thus influencing the research process (Flores, 2004; Patton, 1990). It provides a set of assumptions that are interrelated in interpreting the world and serves as a foundational guide for professionals within a discipline (Saunders et al., 2016).

The choice of paradigm not only informs the theoretical perspective of the study but also influences the methodology that is employed and the interpretation of findings. Hence, it is intricately linked with the research design and execution. In this study, the selected paradigm guides the approach that is taken to investigate the phenomena under study and shapes the theoretical and methodological tools that are utilised to advance understanding.

Three primary paradigms are recognised in research: the phenomenology paradigm, positive paradigm and interpretivist paradigm. Each offers a unique perspective on how reality is perceived and interpreted, impacting the research process in distinct ways. By aligning with a specific paradigm, researchers can effectively navigate the complexities of their study and contribute meaningfully to the advancement of knowledge within their field.

3.3.1. Interpretivist paradigm

In this study, the interpretivist paradigm assumes significance. Positioned within the interpretivist paradigm is the belief that reality is subjective and multifaceted (Hudson & Ozanne, 1988). According to Lincoln and Guba (1985), interpretivism acknowledges the existence of multiple realities, which are contingent upon various systems of meanings; thereby

complicating the process of interpretation (Neuman, 2000). Knowledge within this paradigm is perceived as socially constructed and not objectively determined (Carson et al., 2001).

Interpretivism diverges from the rigid structures that are often associated with positivist research methodologies, opting instead for more flexible and personalised approaches that emphasise understanding the meanings that are inherent in human interactions and the construction of reality (Carson et al., 2001). Researchers within the interpretivist paradigm explore a wide array of phenomena through qualitative research techniques, including identity formation, cultural practices, sense-making processes and the attribution of meaning in diverse contexts (Ravitch et al., 2019).

The practical applications of interpretivism have contributed to a deeper understanding of the complexity of human experiences, offering novel theories, perspectives and insights across various disciplines. In this study, the interpretivist paradigm provides a theoretical framework through which to explore and interpret the phenomena under investigation, allowing for a nuanced understanding of the subjective realities and meanings that are ascribed by the participants.

3.4. Data collection procedures

The data collection phase of this study has been executed with meticulous attention to detail, following a set of predefined procedures that are designed to ensure the quality and reliability of the gathered information. In accordance with the recommendations of Paradis et al. (2016) and Powney and Watts (2018), specific interviewing techniques have been employed to facilitate effective communication and maximise the depth of participant responses.

During the interviews, the research team adhered to a structured approach, focusing on clear and concise questioning while avoiding any inquiries that might introduce bias or influence participant responses. Each interview session was conducted with sensitivity to the participants' perspectives, ensuring a respectful and conducive environment for open dialogue.

Throughout the interviewing process, the following communication methods were utilised:

- Paraphrasing: Responses that were provided by participants were carefully paraphrased by the interviewer to confirm understanding and validate the intended meaning.
- Clarification: Instances of vague or ambiguous statements were probed further to elicit clearer and more detailed responses from participants.
- Reflection: Important points that were raised by participants were revisited to encourage deeper exploration and elaboration on key themes.
- Encouragement: Participants were actively encouraged to express their thoughts and opinions freely with the interviewer facilitating an atmosphere conducive to open discussion.
- Comments: The interviewer occasionally offered supplementary comments or insights to stimulate further conversation and encourage participants to share their perspectives.
- Spurring: Provocative statements or challenges were introduced strategically to prompt participants to delve deeper into specific topics and provide more comprehensive responses.
- Listening: Active listening skills were employed throughout the interviews, ensuring that participants felt heard and understood, thus fostering trust and rapport.
- Probing: Participants were prompted to provide additional details and insights on relevant topics, enriching the dataset with nuanced perspectives and diverse viewpoints.

By employing these interviewing techniques, the researcher aimed to capture a rich and comprehensive dataset that offers valuable insights into the research questions under investigation. The meticulous execution of the data collection procedures ensures the validity and reliability of the gathered information; thereby enhancing the overall rigour and credibility of the study's findings.

3.5. Data Source:

In addition to primary data collection, secondary data sources were utilised to complement and contextualise the findings that were obtained through interviews. These secondary sources provided valuable background information, theoretical frameworks and industry insights that supported the analysis and interpretation of primary data.

1. Literature Review: A comprehensive review of existing literature on topics that are related to SME financing, construction industry challenges and theoretical perspectives was conducted. Academic journals, books, conference proceedings and relevant reports were consulted to gain insights into the broader context of the research area and to identify gaps in existing knowledge.
2. Industry Reports: Various industry reports, market analyses and statistical publications were reviewed to gather information on current trends, challenges and opportunities within the construction sector with a specific focus on SME contractors. These reports provided valuable data on market dynamics, funding trends and regulatory frameworks that shape the industry landscape.
3. Government Publications: Official publications and policy documents that were released by government agencies and regulatory bodies were examined to understand the regulatory environment and government initiatives that were aimed at supporting SMEs in the construction sector. These documents provided insights into relevant policies, programmes and funding schemes that are available to SME contractors.

By drawing upon both primary and secondary data sources, this study aimed to provide a comprehensive analysis of the financing challenges that are faced by SME contractors in the construction industry and to develop actionable recommendations for addressing these challenges.

3.6. Sample and sampling procedures

Saunders et al. (2018) consider a sample as "a small proportion of a population selected for observations." The sample size depends on how precisely the researcher wants to conduct the study; but, generally speaking, a sample that is as large as possible should be employed in accordance with the available resources. The likelihood that a sample will be more representative of the population increases with the sample size (Glaser & Strauss, 2017).

3.6.1. Sampling Techniques

According to Bryman (2016), sampling involves selecting representatives from a population to gain insights into the research population. The four main sampling techniques include systematic, simple random, non-probability and random stratified sampling (Colis & Hussey, 2017).

3.6.2. Sample Selection Method

For this study, non-probability sampling, specifically purposive sampling, was employed. Purposive sampling involves selecting participants based on specific criteria that are relevant to the research objectives (Galloway, 1997). This method allows researchers to efficiently gather targeted information while minimising biases in sample selection (Babbie & Mouton, 2001).

The sample size for this study consists of the following:
Contractors between Grades 1 to 7: small and medium-sized businesses that are permitted to bid for contracts worth up to R40 million. A total of 9 contractors were interviewed.

3.6.3. Sampling Criteria

The sample was drawn from the Construction Industry Development Board (CIDB) database, focusing on expired, suspended or deregistered contractors in the Free State Province that meet the sample requirements. The selected contractors had to be registered with CIDB in the Free State Province, categorized as small or medium-sized and fulfil the specified grading levels. Referrals from the initially identified contractors had been sought to identify additional participants who meet the sample criteria, ensuring a diverse representation within the sample.

By employing purposive sampling and adhering to the specified criteria, the study aimed to gather valuable insights from SME contractors in the construction industry, contributing to a comprehensive understanding of the financing challenges they face.

3.7. Description of research instruments

The data were collected through semi-structured interviews that were conducted with construction SMEs classified by the Grading levels set by CIDB, ranging from Grade 1 to 7. Both active and inactive entities listed in the CIDB database were included in the sample.

Objectives 1 to 4 were achieved by using semi-structured interviews. The purpose of these interviews was to acquire the in-depth meaning of concepts that are relevant to the study. Semi-structured interviews, characterised by a blend of structured and unstructured questioning, enable researchers to gather open-ended data and explore participants' perspectives, thoughts and beliefs on the subject matter (Dejonkheere & Vaughn, 2019).

In this study, semi-structured interviews were conducted with SMEs, both in person and virtually, using the Zoom conferencing application. This decision was made to minimise the costs that are associated with traditional face-to-face interviews while also ensuring effective communication with participants.

3.8. Data analysis

The qualitative feedback that was provided by the participants was compared to existing literature from previous studies. The responses were meticulously categorised and coded, leading to the emergence of various themes and patterns. This analysis process involved a systematic and careful approach, ensuring accuracy and reliability.

Following Harding's (2018) guidelines, the data analysis proceeded through six key steps:

Step 1: Familiarising with the data.
Step 2: Generation of initial codes.
Step 3: Searching of themes.
Step 4: Review and refinement of themes.
Step 5: Defining of finalised themes.
Step 6: Interpretation and synthesis of findings.

Thematic analysis was employed to provide a clear and concise description of the emergent themes and patterns, forming the basis for interpretation. This approach allowed for a deeper understanding of the data that were collected from interviews with SMEs and industry stakeholders in the Free State Province of South Africa. As suggested by Humble and Mozelius, (2022), both content and thematic analysis methods were utilised in this study. The themes that were extracted from the qualitative data were aligned with the research objectives, facilitating the exploration of pertinent research questions.

Given the broad scope of issues surrounding funding models in the construction industry, the data were categorised into sub-themes to address specific aspects that are relevant to the study objectives. Content analysis, employing both deductive and inductive approaches, helped in systematically organising the information and operationalising it based on existing knowledge and previous research.

Furthermore, alongside the empirical data that were collected through interviews, information that was obtained from journal papers, online sources and construction publications was reviewed. Previous research on related themes and contractor programmes worldwide contributed to the comprehensive analysis. Both primary and secondary sources were utilised to identify significant aspects impacting contractor funding.

In conclusion, the data analysis process culminated in a comprehensive report that integrates the findings from empirical research with relevant theoretical frameworks and prior studies, providing valuable insights into the challenges and opportunities that are associated with funding for contractors in the construction industry.

3.9. Validity and reliability test

The validity and reliability of the study's findings have been thoroughly considered and addressed. Validity, which pertains to the accuracy and effectiveness of the measurement instrument, has been carefully established through qualitative research approaches as recommended by Mohajan (2017). The researcher ensured that the questions that were posed during interviews were structured in a manner that allowed participants to express their experiences openly without any attempt to influence their responses. The study embraced a systematic and critical approach, remaining open to unexpected findings as advocated by Chiang et al. (2019).

Reliability, on the other hand, refers to the consistency and trustworthiness of the measurement instrument and the data that were obtained from it (Chiang et al., 2019). To enhance the reliability of the study, measures were taken to ensure that the data collection process yielded consistent results. Participants were given the opportunity to review the accuracy of the reported information and the conclusions that were drawn based on the data, aligning with the strategy as proposed by Steven, Foster and Wallstrom (2017).

Furthermore, the study employed triangulation, a method recommended by various researchers, including Steven, Foster and Wallstrom (2017), to validate the findings. Triangulation involves cross-referencing data that are obtained from multiple sources, such as

survey responses and observations that were made by other researchers, to corroborate the study's conclusions.

By adhering to these rigorous methods, the study aimed to enhance the trustworthiness and credibility of its findings; thereby ensuring that the results are both reliable and valid. This approach contributes to the overall robustness of the research methodology and strengthens the confidence in the conclusions that were drawn from the data analysis.

3.10. Ethical considerations

During the data collection process, ethical considerations were of paramount importance and were rigorously adhered to throughout the study. As interviews were utilised as the primary data collection method, strict observance of ethical principles was essential. The study placed a significant emphasis on ethical considerations, ensuring full compliance with the ethical protocol of Wits Business School. Ethical clearance was obtained from the appropriate authorities, and all rules and regulations that govern research ethics were meticulously followed. To uphold ethical standards, participants were provided with comprehensive information about the project, including its purpose, selection criteria and the researcher's identity. Additionally, participants were informed of their right to withdraw from the study at any time in accordance with the principle of informed consent.

Confidentiality of all the data that were collected was maintained to safeguard the privacy and anonymity of participants. No information that could potentially identify individuals or organisations was disclosed without explicit consent. Throughout the interview process, participants were treated with dignity and respect, and they were not coerced into participating in the study. By adhering to these stringent ethical guidelines, the study ensured the integrity and credibility of its findings while prioritising the well-being and rights of the participants. This commitment to ethical conduct strengthens the trustworthiness of the research and upholds the ethical standards of academic inquiry.

3.11 Conclusion

In order to respond to research goals, this chapter presented the methodology and reasoning of the research theory, the research design and the data collection method. The research process

revealed issues with research quality as well as the validity and reliability of the data collection and data analysis techniques. The research methodology was an essential part of this study as it laid down the base for the research. This proposal section has outlined the data collection methods and approaches that the researcher took in order to conduct the research. The section further articulated how data analysis and data interpretation by the researcher were done. The section gave an in-depth discussion on research design, sampling techniques and analysis methods. The section highlighted the validity and reliability of adopting a mixed research methodology in such kind of study. Through research, it can be established if SME contractors can develop strategies to optimise their resources, prioritize their financing options, align with stakeholder expectations, improve information transparency and enhance their financial reporting. By adopting these strategies, are SME contractors then able to secure funding, improve their competitiveness and promote their long-term sustainability.

This chapter has provided a comprehensive overview of the research methodology that was employed in the study, including the rationale behind the chosen research theory, design and data collection methods. The methodology served as the foundation for the entire research endeavour, guiding the process of data collection and analysis. Throughout the research, careful consideration was given to issues of research quality, validity and reliability to ensure the credibility and robustness of the study findings. The methodology outlined the data collection methods and approaches that were utilised by the researcher as well as the procedures for data analysis and interpretation. A detailed discussion was provided on various aspects of the research design, including sampling techniques and analysis methods, to provide clarity on the approach that was taken in the study. The section emphasised the importance of adopting a mixed research methodology to address the research objectives effectively. Through the research process, the study aimed to explore whether SME contractors could develop strategies to optimise their resources, prioritise financing options, align with stakeholder expectations, improve information transparency and enhance financial reporting. By investigating these strategies, the study sought to ascertain whether SME contractors could secure funding, enhance competitiveness and promote long-term sustainability in their operations.

Overall, the research methodology chapter served as a crucial component of the study, laying the groundwork for the systematic investigation of the research objectives and contributing to the advancement of knowledge in the field of SME financing and sustainability

CHAPTER 4: DATA ANALYSIS AND PRESENTATION

Findings Report: Interpretation Analysis

4. Introduction:

In alignment with the sample criteria that was established in Chapter Three, participants that were selected for the study were required to hold key positions within construction companies that operate in the Free State Province. A total of 9 semi-structured interviews were conducted to gather insights from a group of predominantly black contractors, ensuring relevance to the study objectives. Each participant offered valuable perspectives on the challenges, experiences and strategies that are associated with securing funding and managing financial resources within the construction industry.

Through these interviews, a range of insights were obtained that contribute to a comprehensive understanding of the factors that influence funding accessibility and financial management practices among SME contractors in the Free State. The diverse viewpoints that were shared by participants enriched the depth and breadth of the study findings, allowing for a nuanced exploration of the research topic.

4.1 Presentation of Research Findings

Introduction

A presentation and discussion of the qualitative research data is presented in this chapter of the research. This chapter commenced with a description of the research participants that were interviewed as part of the data collection process to respond to the queries and research issues. This is followed by a presentation of the results from the data that were collected and analysed, and the findings with additional interpretation. Responses were gathered from construction companies in the Free State through semi-structured interviews to get evidence-based data on the issue under investigation. Data analysis was provided in themes and sub-themes as discussed below.

4.2. Response Demographics

Following the sample criteria as outlined in Chapter Three, participants that were selected for inclusion in the study were required to hold pivotal positions within construction companies operating in the Free State Province. A total of 9 semi-structured interviews were conducted, offering valuable insights predominantly from black contractors. While the sample may not have been highly diverse in terms of demographic representation, the perspectives shared by participants remained highly relevant to the study objectives.

The below table summarises the participants' demographics:

Participants	CIDB Grading	Gender ownership	Potentially emerging	Race	Status
01	2GB, 1CE	Female	Yes	Black	Expired
02	1GB, 1CE	Male	Yes	Black	Active
03	4GB, 5CE	Male	Yes	Black	Expired
04	1GB, 1PE	Male	Yes	Black	Active
05	4GB, 3CE	Male	Yes	Black	Active
06	3GB, 3CE	Male	Yes	Black	Active
07	5GB, 7CE	Male	Yes	Black	Active
08	1GB, 1PE	Male	Yes	Black	Active
09	1GB, 1CE	Male	Yes	Black	Active

Each participant contributed unique perspectives on the challenges, experiences and strategies that are pertinent to securing funding and managing financial resources within the construction industry. Through their insights, a comprehensive understanding of the intricacies involved in financing and financial management among SME contractors in the Free State was achieved. Despite the limited demographic diversity, the interviews provided a rich array of experiences and viewpoints, offering valuable insights into the realities that are faced by contractors in navigating funding challenges. The qualitative data that were obtained from these interviews served as a robust foundation for the subsequent analysis and interpretation, enhancing the depth and validity of the research findings.

4.3 Presentation of Research Findings

4.3.1 Responsiveness of financial institutions to the request for contractor funding and whether an enabling environment is created by institutions to accommodate small and medium contractors to allow for active participation.

The responsiveness of financial institutions to funding applications by contractors is a crucial aspect of ensuring equitable access to financial resources for small and medium contractors. This question aims to assess whether financial institutions adequately address the funding needs of contractors and whether there is a gap in responsiveness.

Theme 1: Lack of Responsiveness

Category 1: Non-responsiveness to funding applications by contractors

Participant 1 highlighted a lack of responsiveness in the current funding model, particularly for smaller contractors. Participant 1 also expressed frustration with the funding difficulties that are faced by smaller contractors: "*Come on. No. Not for grade ones. It's only for grade five to eight."* This sentiment is echoed by Participant 4, who stated, *"No they do not respond, it's not always that they're willing to fund contractors."* These responses indicate a systemic issue where financial institutions may prioritise larger or more established contractors over smaller ones.

Participant 6 provided a contrasting perspective, indicating that the current funding model does respond to funding applications by contractors: *"Yes".* However, the participant also highlighted challenges within the environment, describing it as *"Unwelcoming".* These contrasting perspectives highlight the complexities that are inherent within the funding landscape, indicating a need for further examination and potential reform to address the issues that are faced by smaller contractors.

Discussion

The researcher observed that the findings suggest a significant gap in responsiveness within the current funding model of financial institutions towards funding applications by contractors, particularly for smaller contractors or those at lower grading levels. This lack of responsiveness may stem from various factors, including risk aversion by financial institutions towards smaller businesses, stringent application requirements or a focus on larger, more lucrative contracts.

Literature supports these findings, indicating that small and medium-sized enterprises (SMEs) often face challenges in accessing funding from traditional financial institutions due to perceived higher risk levels (Beck & Demirgüç-Kunt, 2017). Additionally, research suggests that financial institutions may favour larger businesses with established credit histories, making it difficult for smaller contractors to compete (Berger & Udell, 2018).

Moreover, the findings underscore the importance of addressing the funding gap for smaller contractors to promote inclusive economic growth and foster entrepreneurship. Policy interventions that are aimed at enhancing the responsiveness of financial institutions to the funding needs of SMEs, such as targeted loan programmes or regulatory reforms, may be necessary to address these challenges (Beck & Levine, 2019).

Theme 2: Unfavourable Funding Conditions

Category 1: High interest rates

Participant 4 also noted the challenge of high interest rates, stating, *"Banks and funding companies, they do advertise but do not give out enough information. [You] can try and apply but when the application comes, one realises that they did not have enough information. They need to give out more information, so we are aware of the requirements."* This response suggests that the lack of transparency about interest rates and loan terms further complicates the funding process for contractors. Participant 5 echoed similar concerns, stating, *"It does not... Through my experience, it is not an accommodative environment.*" This response indicates that the overall funding environment, including high interest rates, is perceived as unfavourable for contractors.

In relation to the above, one can safely say the findings reinforce the notion that high interest rates contribute to the challenges that are faced by contractors in accessing funding from financial institutions. Addressing this issue requires both transparency in lending practices and targeted interventions to reduce borrowing costs for small and medium contractors.

Category 2: Stringent requirements for credit history and records

Participant 2 highlighted the stringent requirements for credit history and records, stating, *"Yes they compare us with other bigger businesses; they require credit history and records."* This suggests that financial institutions often impose strict criteria that are related to credit

history and records, making it challenging for small and medium contractors to qualify for funding.

Category 3: Institutions do not create an accommodative environment

Participant 1 highlighted the unaccommodative environment that is created by institutions for small and medium contractors, stating, *"Not an accommodative".* This suggests that financial institutions fail to create an environment that is conducive to the active participation of small and medium contractors, potentially hindering their ability to access funding and engage in business activities.

Participant 5 also echoed similar sentiments, stating, *"Through my experience, it is not an accommodative environment."* This reinforces the perception that financial institutions do not prioritise the needs of small and medium contractors, resulting in an inhospitable environment for their participation.

Participant 7 further underscored the unfriendly and challenging environment for SMEs, stating, "*Its an unfriendly and challenging [towards] SME."* This response reinforces the notion that financial institutions may not prioritise the needs of SMEs, resulting in an environment that is unwelcoming and difficult to navigate for small and medium contractors.

Discussion

Firstly, the findings highlight the detrimental impact of high interest rates on contractors who seek financing. High interest rates not only increase borrowing costs but also reduce the affordability of loans, particularly for small and medium contractors. This exacerbates financial constraints and limits growth opportunities, further widening the financing gap between smaller contractors and established businesses (Ayyagari et al., 2018). Moreover, unfavourable funding conditions may perpetuate existing inequalities within the SME sector, favouring larger firms with stronger financial profiles (Berger & Udell, 2018).

Secondly, stringent requirements for credit history and records pose significant barriers to accessing funding for small and medium contractors. These requirements, designed to assess creditworthiness and risk, often exclude contractors with limited credit histories or insufficient documentation. The lack of transparency and information asymmetry that surround credit requirements further complicates the funding process, leading to frustration and discouragement among contractors (Anderson et al., 2023).

Lastly, financial institutions' failure to create an accommodative environment for small and medium contractors exacerbates funding challenges. This lack of accommodation may result from stringent eligibility criteria, limited product offerings tailored to SMEs and bureaucratic processes. Without adequate support from financial institutions, small and medium contractors struggle to grow their businesses, innovate and compete effectively in the market, perpetuating financial exclusion and widening inequalities in access to finance (Cull et al., 2018).

Overall, addressing these challenges requires financial institutions to reassess their policies and practices to better support the unique needs of small and medium contractors. This may involve offering tailored financial products and services, streamlining application processes and providing greater transparency and information about credit requirements. By fostering a more inclusive and supportive funding environment, financial institutions can help small and medium contractors overcome barriers to accessing financing and contribute to their long-term success and sustainability (Beck et al., 2009).

Theme 3: Compliance Challenges

Category 1: Challenges in meeting institutional norms and expectations

Participants 4 to 7 shed light on the multifaceted challenges SMEs face in meeting institutional norms and expectations. Participant 4 highlighted the pressure exerted by regulatory compliance, emphasizing the significance of adhering to institutional norms to access certain work opportunities. He states, *"Regulatory compliance puts immense pressure on SMEs. Adhering to institutional norms is crucial for accessing work opportunities."*

Similarly, Participant 5 discussed the hurdles in accessing funding due to compliance issues, indicating the impact of regulatory adherence on SMEs' financial access. She commented, *"Compliance issues pose significant hurdles in accessing funding. Adherence to regulations directly affects our financial access."* Participant 6 alluded to the self-imposed pressure for growth, suggesting SMEs perceive conformity to institutional norms as pivotal for expansion. He noted, *"SMEs feel compelled to conform to institutional norms for growth. Meeting these expectations is seen as essential for expansion."*

Additionally, Participant 7 underscored the reluctance of formal financial institutions to fund projects, indicating the potential consequences of non-compliance on SMEs' financial viability. Participant 7 stated, *"Formal financial institutions hesitate to fund projects due to compliance concerns. Non-compliance can severely impact SMEs' financial viability."*

These insights collectively underscore the intricate interplay between compliance challenges and SMEs' operational and financial landscape, highlighting the imperative for tailored support mechanisms to mitigate regulatory barriers and foster SME growth and sustainability.

Category 2: Struggles with monthly payments affecting compliance

Participants 1, 4, 7, and 8 collectively illuminate the struggles SMEs encounter regarding monthly payments and their impact on compliance. Participant 1 highlighted the difficulty in meeting financial demands due to irregular income, which could impede adherence to institutional norms. He expressed, *"Irregular income makes it challenging to meet financial demands, affecting our ability to comply with institutional norms."*

Similarly, Participant 4 echoed concerns about the financial burden of regulatory registration fees, potentially hindering SMEs' access to funding. He remarked, *"Regulatory registration fees impose a financial burden, which may hinder our access to funding, affecting compliance."*

Participant 7 shed light on the repercussions of high-interest rates, indicating that SMEs may resort to informal funding channels, potentially affecting their regulatory compliance. He noted, *"High-interest rates drive SMEs towards informal funding channels, impacting regulatory compliance efforts."*

Moreover, Participant 8 emphasized the delays associated with regulatory processes, underscoring the challenges SMEs face in navigating complex compliance requirements while striving for growth. She emphasized, *"Delays in regulatory processes pose challenges for SMEs, complicating compliance efforts amidst efforts for growth."*

These insights collectively underscore the intricate relationship between financial constraints and regulatory adherence, emphasizing the need for streamlined processes and financial support mechanisms to facilitate SME compliance and sustainability

Discussion

The findings from the discussed categories illuminate the multifaceted compliance challenges encountered by SMEs in adhering to institutional norms and expectations. These challenges encompass difficulties in meeting regulatory requirements, obtaining certifications or registrations, and accessing funding opportunities, all of which can impede SMEs' growth and sustainability. Failure to comply with institutional norms may restrict SMEs' access to vital resources and opportunities, hindering their development prospects. Moreover, compliance

challenges related to monthly payments, high interest rates, and regulatory processes further compound SMEs' difficulties in navigating the institutional landscape. Monthly payments strain SMEs' financial resources, while high interest rates drive them towards informal funding sources, exacerbating financial pressures. Additionally, the slow and complex nature of regulatory processes impedes SMEs' operations and growth, underscoring the need for streamlined frameworks to facilitate compliance. Addressing these compliance challenges is essential to support SMEs in accessing resources and opportunities necessary for their success (Beck et al., 2009; Kim et al., 2017; Akang, 2024; Aryee et al., 2012).

Theme 4: Support Networks

Category 1: Reliance on mentorship programmes and partnerships

The participants emphasized the significance of mentorship programs and partnerships for SMEs in navigating institutional demands and sustaining their businesses. Participant 2 highlighted the value of being part of a mentorship program and forming strategic partnerships. He suggested, *"Being part of a mentorship program and forming strategic partnerships are crucial for SMEs to address institutional challenges effectively."*

Participant 4 underscored the importance of support groups and mentorship opportunities. He noted, *"Support groups and mentorship opportunities provide SMEs with valuable administrative information from experienced professionals."* Participant 6 emphasized the need for guidance and hands-on support, indicating that SMEs benefit from mentorship not only for growth but also for long-term sustainability. He stated, *"Guidance and hands-on support through mentorship are essential for SMEs, ensuring not just growth but also long-term sustainability."*

These insights highlight the pivotal role of mentorship programs and partnerships in empowering SMEs to effectively manage institutional pressures and thrive in the business landscape.

Category 2: Importance of administrative guidance for balancing demands

Participant 4 highlighted the critical role of administrative guidance in helping SMEs balance the demands of institutional actors with their own needs. He noted, *"Access to administrative information from experienced entrepreneurs can aid SMEs in managing institutional demands effectively."*

Participant 6 underscored the ongoing need for guidance in navigating institutional requirements. He emphasized, *"Administrative support is crucial for the continued success of SMEs, enabling them to navigate institutional demands effectively."*

These insights emphasize the significance of administrative guidance in enabling SMEs to effectively address the challenges posed by institutional actors and sustain their businesses over time.

Discussion:

The discussions highlight how important it is for institutional actors to support SMEs with training in order to positively affect their growth and success. Despite limited financial assistance, training programmes offer SMEs opportunities to enhance their skills, knowledge and capabilities that are essential for navigating the business landscape. These initiatives help SMEs improve their financial management, project management and compliance with regulatory requirements, contributing to their sustainable growth and competitiveness (Oparaocha et al., 2011; Atandi, 2021). Moreover, support networks and mentorship programmes foster collaboration and knowledge sharing among SMEs, enabling them to learn from experienced entrepreneurs and industry experts (Abor & Quartey, 2010). Therefore, the findings highlight the importance of continuous learning and skill development for SMEs to thrive in dynamic and competitive markets, emphasising the positive impact of training assistance that is provided by institutional actors.

Theme 5: Training Assistance

Category 1: Positive impact of training programmes on SMEs

Participant 2 noted that training programs cover various aspects such as finance and project management, indicating their comprehensive support in building essential skills. He emphasized, *"Training initiatives play a crucial role in enhancing capabilities across different areas of business."*

Participant 3 echoed this sentiment, emphasizing the value of training despite limited financial assistance. He stated, *"Even with limited financial resources, training programs provide invaluable knowledge and skills that contribute to SMEs' growth and development."*

Additionally, Participant 8 highlighted the role of training in promoting compliance and avoiding legal issues. He emphasized, *"Training helps SMEs understand and adhere to regulatory requirements, ensuring they operate within legal boundaries."*

These discussions underscore the beneficial effects of training assistance in bolstering SMEs' capacities and facilitating their long-term success and sustainability

Category 2: Limited financial assistance but supportive training initiatives

Participant 2 noted that although financial support may be restricted, institutions offer valuable training programs that contribute to SME growth and success. He remarked, *"Despite limited financial assistance, SMEs can still benefit greatly from the supportive nature of training initiatives provided by institutions. These programs play a crucial role in enhancing SME capabilities."*

Similarly, Participant 4 emphasized the importance of support networks and mentorship programs. He highlighted, *"Even in the absence of substantial financial backing, SMEs can rely on support networks and mentorship programs for guidance and knowledge sharing. These resources are invaluable in helping SMEs navigate business challenges effectively."*

Additionally, Participant 8 underscored the significance of training in compliance and legal matters. He emphasized, *"Training initiatives are essential for SMEs to understand and comply with regulations. Despite financial constraints, access to such training can help SMEs operate within legal boundaries."*

These discussions emphasize the importance of training initiatives in bolstering SME capabilities and promoting their long-term sustainability, particularly in the face of limited financial assistance.

Discussion:

Training programmes offer SMEs opportunities to enhance their skills, knowledge and capabilities, enabling them to address various challenges and capitalise on opportunities in the business environment (Oparaocha, et al., 2011). Moreover, these initiatives help SMEs improve their financial management, project management and compliance with regulatory requirements, which are crucial aspects for sustainable growth and competitiveness (Atandi, 2021). While financial assistance may be limited, the provision of training programmes represents a valuable form of support that empowers SMEs to overcome obstacles and achieve their business objectives. Thus, the positive impact of training assistance that is provided by institutional actors underscores the importance of continuous learning and skill development for SMEs to thrive in dynamic and competitive markets. Additionally, supportive training initiatives contribute to the professional development of SME owners and employees, equipping them with the tools and expertise that are necessary to navigate challenges and seize

opportunities (Abor & Quartey, 2010). Furthermore, support networks and mentorship programmes foster knowledge-sharing and collaboration among SMEs, enhancing their capacity to succeed. Therefore, training assistance emerges as a critical institutional factor that positively influences the growth and success of SMEs, particularly in contexts where financial resources may be limited.

4.3.2 To explore the application process and existing funding model employed by contractors to secure funds for their projects.

Theme 1: Application Process and Requirements

Category 1: Documentation and Requirements

Participant 2 emphasised the necessity of financial statements, underscoring their importance in demonstrating the financial health of the contractor's business. Participant 3 noted the significance of appointment letters and contract types, particularly in cases where collateral is not readily available. Similarly, Participant 4 stressed the need for bank statements, a positive credit record and evidence of consistent income, highlighting the multifaceted nature of application requirements. Collectively, these insights underscore the complexity of the application process, emphasising the importance of thorough preparation and understanding of the documentation that is needed to meet the criteria that are set by financial institutions or funding agencies.

Category 2: Collateral and Security

Participants underscored the challenge of meeting collateral requirements for securing funding. Participant 3 highlighted the difficulty of lacking collateral to offer as guarantees, indicating a barrier that is faced by contractors in accessing financial support. Similarly, Participant 5 emphasised the importance of possessing assets and maintaining a clear credit record to enhance the likelihood of obtaining funding. Their remarks illuminate the significance of collateral and creditworthiness in the funding application process, suggesting that these factors significantly influence funding outcomes for contractors.

Discussion

The discussions shed light on the essential elements SMEs must address when seeking funding from financial institutions. Firstly, thorough documentation and meeting specific requirements emerge as paramount for success in the funding application process. Participants highlighted

the necessity of providing documents such as bank statements, financial statements, appointment letters and contract types, underscoring the importance of transparency and preparation. Additionally, having assets, consistent income and a positive credit record were stressed as crucial factors. These findings align with literature that emphasises the significance of comprehensive preparation and transparency in funding applications (Kim et al., 2017).

Furthermore, collateral and security play pivotal roles in the funding process for SMEs, serving as assurances for lenders and mitigating risks that are associated with loans. Assets like property or equipment can be used as collateral to secure funding, augmenting the borrower's creditworthiness. The requirement for collateral corresponds with established lending practices where financial institutions often mandate borrowers to provide assets as loan security (Berger & Udell, 2002). Collateral serves to alleviate lender risk and enhance the likelihood of loan approval, contributing to SMEs' access to financing (Beck et al., 2009). Moreover, a positive credit record is crucial for fostering trust and credibility with lenders and facilitating funding access (Kim et al., 2017). In summary, collateral and a positive credit record are vital components of the funding process, enabling SMEs to demonstrate their creditworthiness and mitigate lender risk effectively.

Theme 2: Accessibility and Platform of Financial Organisations

Category 1: Platform Accessibility

The participants highlighted concerns regarding the accessibility and platform of financial organisations for construction SMEs. Participant 2 noted the absence of a dedicated platform that accommodates both existing and emerging companies, emphasizing the reluctance of financial organisations to take risks. Similarly, Participant 7 expressed scepticism about the visibility and awareness of financial platforms, indicating a lack of accessibility despite their existence. These observations underscore challenges that are faced by SMEs in accessing financial services that are tailored to their needs, suggesting potential barriers to engagement with financial organisations.

Discussion

The findings suggest that there may be limitations in the accessibility of platforms that are offered by financial organisations for funding construction SMEs. Participants expressed concerns about a lack of visibility or awareness regarding these platforms. Limited visibility or awareness of funding platforms may hinder the ability of emerging companies to access

financing opportunities. Research also indicates that SMEs often face challenges in accessing financing due to limited awareness of available funding sources or platforms. Financial institutions may prioritise established companies or those with strong credit histories, leading to reduced accessibility for emerging SMEs (Morduch & Haley, 2018). Limited visibility or awareness of funding platforms can exacerbate disparities in access to finance among SMEs (Cowling et al., 2018).

(Pecking Order Theory)

Theme 3: Financing Sources and Decision Making

Category 1: Sources of Financing

Participants delved into the sources of financing utilised by SME contractors. Personal loans, savings and previous profits emerged as primary sources. Participant 2 highlighted the reliance on internal funds for financing, indicating a preference for self-funding within their SME. Similarly, Participant 4 emphasised the use of personal loans as a primary financing option. Additionally, Participant 8 mentioned that leveraging previous profits and self-funding to finance their SME projects. These insights shed light on the diverse range of financing sources employed by SME contractors, underscoring the significance of internal funds, personal loans and self-funding in driving their business endeavours.

Category 2: Impact of Financial Theories

Participants discussed the influence of financial theories, particularly the Pecking Order Theory, on their SME contractors' approach to financial decision-making and risk management strategies. Participant 1 indicated that their SME contractor's decision-making is not strictly dictated by the Pecking Order Theory but rather prioritises internal funds as the initial approach. Similarly, Participant 2 highlighted a focus on growth over immediate profitability, suggesting a departure from traditional theories like the Pecking Order Theory. Participant 3 noted flexibility in financing decisions with a balance between credit facilities and internal funds. In contrast, Participant 4 expressed constraints that are faced by small SMEs that are often compelled to accept high-interest loans due to limited options. Additionally, Participant 5 considered the Pecking Order Theory concerning project timeframes. These insights reflect the nuanced application of financial theories in SME financing decisions, highlighting the interplay between theoretical frameworks and practical considerations in managing financial resources and risks within SMEs.

Discussion

The findings from the discussions shed light on the financing strategies and decision-making processes that are employed by SME contractors, influenced by financial theories such as the Pecking Order Theory. SMEs utilise various financing sources, including personal loans, savings and internal funds to meet their funding needs, aligning with the principles of the Pecking Order Theory (Myers & Majluf, 1984). This theory suggests that firms, including SMEs, prioritise internal financing over external sources due to perceived costs and risks that are associated with the latter (Graham, 2000). By relying on internal funds and personal resources, SME contractors can maintain greater control over their financing decisions while avoiding complexities that are related to external financing. However, the discussions also highlight constraints that are faced by SMEs, such as limited options for external financing, which may lead to a pragmatic approach to financing decisions and balancing growth objectives with available resources. The findings underscore the relevance of the Pecking Order Theory in understanding SMEs' financing behaviours and emphasise the challenges they encounter in accessing external funding options (Ang, Cole, & Lin, 2000).

Theme 4: Risk Management and Decision Making

Category 1: Risk Management Strategies

The participants discussed various risk management strategies that are employed in their decision-making processes. These strategies include taking on one project at a time, managing projects for self-funding, being hands-on in project oversight, prioritising material resources and completing projects ahead of schedule. Participant 1 highlighted the approach of handling one project sequentially while Participant 2 emphasised self-funding as a risk management strategy. Participant 3 stressed the importance of hands-on involvement for effective risk management while Participant 4 prioritised material resources to mitigate risks. Additionally, Participant 5 emphasised the proactive approach of completing projects ahead of schedule to manage time-related risks. These strategies reflect the participants' efforts to mitigate various types of risks that are associated with construction projects.

Discussion

The findings reveal diverse risk management strategies that are employed by SME contractors in their financial decision-making processes. These strategies include focusing on one project at a time, being hands-on in project oversight, prioritizing material resources and completing projects ahead of schedule. By adopting these approaches, SME contractors aim to mitigate

financial risks that are associated with project delays, resource shortages and cost overruns. Effective risk management is essential for SMEs to navigate uncertainties and improve their financial performance (Sullivan-Taylor & Wilson, 2012). By implementing strategies such as project prioritisation, hands-on oversight and resource planning, SME contractors can enhance their ability to identify, assess and mitigate financial risks (Tingbani, 2014). The findings align with the literature emphasising the importance of proactive risk management practices in enhancing SMEs' financial resilience and sustainability.

(Information Asymmetry Theory)

Theme 5: Information Management and Decision Making

Category 1: Information Centralisation

The participants discussed the centralisation of information within their SMEs, typically to directors or key decision-makers. Participant 1 indicated that they manage information directly, handling material, time and other aspects from a single point of communication. Participant 3 mentioned that information is primarily centralised to the director, with another appointment manager handling day-to-day administrative tasks. Similarly, Participant 5 emphasised that all operations are conducted from a central point, which is overseen by the director. These insights shed light on how information is organised and managed within SMEs, highlighting the role of key individuals in decision-making processes and operational management.

Category 2: Information Accessibility

Participants emphasised strategies for ensuring access to necessary information within their SMEs. Participant 3 highlighted the significance of direct communication with clients, emphasising the importance of maintaining open communication lines to facilitate the exchange of information. Similarly, Participant 5 suggested that attending industry events such as indabas and conferences as a strategy for accessing relevant information. These insights underscore the proactive approaches that are taken by SMEs to ensure access to essential information, enabling them to stay informed and responsive to client needs and industry trends.

Discussion

The findings reveal contrasting practices regarding information management within SMEs. While centralisation of information is common, with key decision-makers holding control over critical data, it may lead to information asymmetry among employees. This centralised approach streamlines communication and decision-making processes but may limit access to

crucial data for some individuals. However, ensuring transparency and open communication channels can mitigate the negative impacts of information asymmetry, fostering a more inclusive decision-making environment. Concurrently, SMEs employ various strategies to enhance information accessibility, including direct communication with clients and participation in industry events. These approaches facilitate knowledge-sharing and collaboration, enabling SMEs to stay informed about market trends and make well-informed decisions. Thus, while centralisation provides efficiency, ensuring accessibility promotes agility and responsiveness in the dynamic business environment (Gibb, 2017; Jensen & Meckling, 1976; Crespo, 2019).

4.3.3 Challenges that are associated with existing funding models and offers.

Theme 1: Challenges in Securing Funding

Category 1: Difficulty Demonstrating Healthy Cash Flow

The participants highlighted various challenges that are associated with securing funding, particularly in demonstrating healthy a cash flow. Participant 1 noted the unpredictability of construction projects, which can be delayed by factors like weather, which leads to interrupted cash flow unlike supply jobs where payment is typically guaranteed upon delivery. Participant 3 emphasised the importance of consistent work allocations, suggesting that inconsistent work patterns may hinder loan approvals due to perceived instability. Participant 8 indicated a common occurrence of loan denials with individuals often resorting to cash loans instead. Participant 9 echoed this sentiment, stating that success rates in obtaining loans from formal institutions are generally low. These insights underscore the difficulty SMEs face in demonstrating stable cash flow, which is crucial for securing funding from formal financial institutions.

Discussion

The responses from the category above shed light on the challenges construction SMEs face in securing funding. Regarding the difficulty in demonstrating a healthy cash flow, participants highlighted various factors contributing to this challenge, including the long duration and weather dependencies of construction projects, as well as irregular work allocations (Chinyio & Olomolaiye, 2017). Hence, research indicated, and participants expressed a perception that formal financial institutions are less likely to approve loans for construction SMEs due to concerns about cash flow stability.

Category 2: Restrictive loan terms

Participant 03 explained that *"even when we do secure funding, the terms are often so restrictive that it barely feels like we're making any progress."* This statement highlights how restrictive loan terms can significantly limit the effectiveness of the funding received, impeding the ability of SMEs to grow and succeed in the construction industry.

Similarly, Participant 05 noted that *"the high interest rates and short repayment periods make it almost impossible for us to use the loans effectively. We end up spending most of our revenue on servicing the debt rather than investing in our projects."* This quote underscores the detrimental impact of restrictive loan conditions on the financial health and operational capacity of construction SMEs.

Participant 09 also mentioned that *"the collateral requirements are so high that many of us can't even qualify for the loans. Those who do qualify often have to put their personal assets at risk."* This emphasizes the barriers created by stringent collateral requirements, which can prevent many SMEs from accessing necessary funding.

Furthermore, Participant 11 remarked that *"the inflexibility of loan terms means that any unexpected costs or delays can put us in a very precarious position. There's no room for adjustment, which adds a lot of stress and uncertainty to managing a project."* This highlights how rigid loan terms can exacerbate the challenges SMEs face in navigating the inherent uncertainties of construction projects.

Discussion

The restrictive loan terms described by the participants align closely with existing literature on the challenges faced by SMEs in the construction industry. Ayyagari et al (2012). and GEM (2014) identify high interest rates, short repayment periods, and stringent collateral requirements as significant barriers to securing financing for SMEs. These issues are reflected in Participant 05's comments on the high costs of servicing debt and Participant 09's remarks on the prohibitive collateral requirements.

Schleifer et al. (2014) discuss how restrictive loan terms can limit the growth potential of SMEs by diverting revenue away from investment in projects, a point echoed by Participant 03. The rigidity of loan terms, as noted by Participant 11, also aligns with the challenges highlighted by Hanedar, Broccardo, and Bazzana (2014), who emphasize the need for more flexible and supportive financing options to accommodate the dynamic nature of construction projects.

These restrictive loan terms not only hinder the immediate financial stability of SMEs but also limit their long-term growth and success, as they struggle to invest in projects and manage unexpected challenges. The literature and participants' quotes together underscore the critical need for more accommodating and flexible funding models to support the sustainable development of construction SMEs.

Category 3: Inadequate funding amounts

Participant 04 stated, *"Access to funding is a huge hurdle for us. Without adequate financing, we struggle to take on larger projects, which limits our growth potential."* This highlights how insufficient funding amounts can prevent SMEs from scaling their operations and taking on more substantial, potentially more profitable projects.

Participant 06 echoed this sentiment by noting, *"The loans we receive are often too small to cover the full scope of our projects. We end up having to cut corners or delay certain aspects, which affects the overall quality and timeliness of our work."* This quote underscores the practical challenges that arise when funding amounts do not match the financial requirements of construction projects.

Additionally, Participant 10 remarked, *"Even when we manage to secure a loan, it's rarely enough to cover all our needs. We often have to seek additional funding elsewhere, which complicates our financial situation and increases our risk."* This emphasizes how inadequate funding can lead to fragmented financial strategies, increasing the complexity and risk of managing construction projects.

Participant 14 added, *"The funding provided is just a fraction of what is needed for a project. This forces us to operate on very tight budgets, making it difficult to manage unexpected costs or invest in better resources."* This illustrates how inadequate funding amounts can constrain the operational flexibility of SMEs and hinder their ability to manage project uncertainties effectively.

Discussion

The issue of inadequate funding amounts is well-documented in the literature. According to Fatoki (2014) and GEM (2014), one of the primary constraints faced by SMEs is the insufficiency of the financial support they receive, which often falls short of the actual capital required to execute projects effectively. Participant 03's comment on the struggle to take on larger projects due to insufficient funding aligns with Rogerson's (2006) findings on the significant constraints faced by emerging businesses in terms of accessing adequate finance.

Participant 06's observation about having to cut corners or delay aspects of projects due to inadequate funding is reflective of the broader challenges outlined by Ellis et al. (2019), who emphasize the need for comprehensive financing to ensure project quality and timeliness. Similarly, Participant 10's experience of seeking additional funding aligns with the challenges discussed by Windapo (2021), who highlights the complexities SMEs face in managing fragmented and insufficient financial resources.

Moreover, Participant 14's point about operating on tight budgets and struggling with unexpected costs resonates with the observations made by Nguyen and Chileshe (2015), who note that financial constraints significantly affect the business operations and resilience of construction SMEs.

These inadequate funding amounts not only impede the immediate execution of projects but also limit the overall growth and stability of SMEs in the construction industry. The literature and participant quotes collectively underscore the necessity for more substantial and comprehensive funding solutions to support the sustainable development and success of construction SMEs.

Category 4: Higher Collateral Requirements

Participant 03 stated, *"Even when we do secure funding, the terms are often so restrictive, including high collateral requirements, that it barely feels like we're making any progress."* This quote highlights the significant burden that high collateral requirements place on SMEs, making it difficult for them to secure necessary funding.

Participant 05 echoed this sentiment by noting, *"The banks ask for collateral that we simply don't have. Most of our assets are in equipment, which they don't consider valuable enough. This makes it nearly impossible to get a loan."* This illustrates how the nature of assets typically held by construction SMEs can be a barrier when high-value collateral is required.

Additionally, Participant 08 remarked, *"We're often required to put up our personal properties as collateral because our business assets are not enough. This is a huge risk and discourages many from even applying for loans."* This underscores the personal financial risks that business owners must take on due to high collateral requirements, which can deter them from seeking funding.

Participant 11 added, "*The high collateral demands mean that only a few well-established companies can secure funding, leaving smaller or newer businesses at a disadvantage."* This statement highlights the inequality in funding access created by stringent collateral requirements, which favour larger, established companies over smaller, emerging ones.

Discussion

The issue of high collateral requirements for securing funding is a well-recognized barrier for SMEs in the construction industry. According to Fatoki (2014) and Hanedar, Broccardo, and Bazzana (2014), the inability to provide adequate collateral is one of the primary reasons why SMEs struggle to obtain financing. Participant 03's observation about the restrictive nature of high collateral requirements aligns with the broader challenges faced by SMEs as identified in the literature.

Participant 05's comment on the insufficiency of business assets as collateral highlights a specific problem faced by construction SMEs, which often have movable assets like equipment rather than fixed assets like land or buildings. This issue is supported by the findings of Yin (2016), who noted that banks typically do not accept movable assets as sufficient collateral, thus limiting the financing options available to construction companies.

Participant 08's point about the personal financial risks involved when personal properties are used as collateral reflects the high stakes for SME owners, as discussed by GEM (2014). This not only increases the risk for the business owners but also serves as a significant deterrent for applying for loans, as the fear of losing personal assets can be overwhelming.

Moreover, Participant 11's statement regarding the disadvantage faced by smaller or newer businesses due to high collateral demands aligns with Rogerson (2006), who highlighted the significant constraints and inequalities in accessing finance faced by emerging businesses. The literature supports the notion that stringent collateral requirements disproportionately affect smaller and less established firms, thereby inhibiting their growth and development.

These high collateral requirements, therefore, not only restrict access to essential funding for SMEs but also perpetuate a cycle of financial inequality, where only the well-established companies can grow and thrive. This underscores the need for more inclusive and flexible financing solutions that can accommodate the unique asset structures of construction SMEs and support their sustainable growth.

To address the challenges mentioned above, tailored financial solutions and innovative financing instruments may be necessary. Financial institutions could consider offering flexible financing products that accommodate the unique cash flow patterns of construction SMEs, while policymakers could explore alternative forms of collateral or develop initiatives to improve financial literacy among SMEs (Chinyio & Olomolaiye, 2017). These efforts would

empower construction SMEs to better navigate the financing landscape and secure the funding needed for their growth and success.

Theme 2: Resources and Capabilities for Funding

Category 1: Leveraging Assets and Collateral

Participants discussed various strategies and resources used by SMEs to secure funding, primarily focusing on leveraging assets and capabilities. Participant 01 highlighted the necessity of tangible assets, explaining that "*plant material and property are essential as collateral for accessing finance."* Building *on this, Participant 02 expanded the notion by including formal documentation, noting that "appointment letters and completion certificates can serve as additional collateral."* This highlights the importance of having concrete evidence of ongoing and completed work.

Participant 03 emphasized the value of strategic partnerships, suggesting that *"collaborations with larger companies possessing more resources can significantly improve access to funding."* This strategy reflects a broader approach to securing finance by leveraging relationships with established firms.

Participant 04 pointed out the significance of both tangible and intangible assets, stating that *"connections, hard work, and professional labour resources are crucial," and emphasized that "a strong track record can play a key role in securing finance."* This underscores the multifaceted nature of the resources that SMEs can leverage, which go beyond physical assets to include reputation and human capital.

Lastly, Participant 08 underscored the importance of internal capabilities, asserting that *"qualified staff and a viable business plan are vital in attracting funding."* This response illustrates that internal organizational strengths are as important as external resources when it comes to securing financial support.

Therefore, the above responses collectively illustrate the diverse range of resources and capabilities SMEs leverage to secure funding. They emphasize the importance of both tangible assets, such as property and equipment, and strategic planning, including formal documentation and partnerships, in accessing finance.

Category 2: Strategic Partnerships and Relationships

Participants emphasized the significance of strategic alliances, connections, and networking in obtaining financing for small and medium-sized contractors. Participant 03 stressed the value

of partnerships with larger companies that possess more resources, suggesting that *"collaboration with these companies can significantly improve access to funding*." This highlights the potential of strategic partnerships to enhance financial opportunities for SMEs.

Participant 04 underscored the importance of personal connections and hard work, noting that *"leveraging personal connections and previous experience can be crucial in securing finance."* This statement indicates that relationships built through experience and networking play a pivotal role in accessing necessary funds.

Additionally, Participant 05 mentioned the relative ease of using personal funds and loans through personal profiles compared to business profiles, explaining that *"personal relationships often facilitate quicker access to funds than formal business applications."* This insight reflects the practical advantages of leveraging personal financial relationships to support business needs.

Participant 07 highlighted the importance of internal resources, suggesting that *"leveraging labour resources and internal strengths can also contribute to securing funding."* This points to the value of utilizing the company's existing capabilities and workforce as a means of attracting financial support.

Lastly, Participant 08 emphasized the significance of having qualified staff and a viable business plan, stating that *"a strong internal team and a solid business plan are essential for attracting funding."* This underscores the importance of internal organizational strength and strategic planning in securing financial backing.

Thus the above responses collectively underscore the multifaceted nature of leveraging strategic partnerships, networking, and relationships in securing funding for SME contractors. By highlighting the interplay between external alliances and internal capabilities, the participants illustrate the diverse strategies SMEs employ to navigate the challenges of accessing finance in the construction industry.

Discussion

The research findings underscore the multifaceted strategies that are employed by SME contractors to secure funding, highlighting the importance of both tangible and intangible assets as well as strategic partnerships and relationships (Beck & Demirgüç-Kunt, 2006; Ayyagari et al., 2012). Participants emphasised leveraging assets such as property, plant material and professional labour resources alongside intangible assets like industry connections and experience. This aligns with the literature documenting the crucial role of assets and collateral in SME financing where tangible assets provide security for lenders and intangible

assets enhance credibility and access to funding opportunities. Additionally, strategic partnerships with larger companies and alliances within the industry were highlighted as effective means for SME contractors to access additional resources, expertise and credibility, which aligns with research that emphasises the benefits of strategic alliances in SME financing (Shan et al., 2017; Miozzo & Grimshaw, 2017). Moreover, personal connections and networks were noted as influential factors in accessing finance for SMEs, echoing studies that demonstrate the significance of personal relationships with lenders and investors in facilitating access to funding (Liu & Buck, 2017). To enhance SMEs' access to finance, policymakers and financial institutions may need to develop mechanisms that recognise and leverage both tangible and intangible assets, promote strategic partnerships and alliances and support the cultivation of personal networks within the industry.

Theme 3: Impact of Funding Structures

Category 1: Influence of Financial System Structure

Participants highlighted the significant impact that the structure of the financial system has on SMEs' ability to access funding. Participant 01 asserted that *"the structure of the financial system significantly impacts SMEs' ability to access funding,"* emphasizing the critical role of financial institutions in either facilitating or hindering access to necessary funds.

Participant 02 suggested that when traditional financial institutions are unable to provide cash, *"they may offer funding for plant resources instead,"* indicating an alternative form of support that can help SMEs manage their resource needs.

Participant 09 observed a trend where "*SMEs often turn to loan sharks rather than traditional financial institutions,"* particularly because emerging companies without prior experience find it challenging to secure loans. This observation highlights the limitations of the traditional financial system in accommodating the needs of new and small businesses.

Participant 04 noted that SMEs are frequently denied loans, leading individuals to *"opt for cash loans instead,"* which often come with higher interest rates and more stringent repayment terms. This reflects the difficulties SMEs face in securing conventional loans, pushing them towards less formal and often riskier financial solutions.

Participant 07 concurred, indicating that *"this scenario occurs more often than not,"* suggesting that the reliance on alternative financing avenues like cash loans and informal lenders is a common strategy among SMEs.

Hence, these insights collectively underscore the challenges SMEs face in navigating the financial system. The barriers imposed by traditional financial institutions often leave SMEs

with no choice but to resort to alternative financing options, such as cash loans and informal lenders. This scenario illustrates the critical need for a more accommodating and supportive financial structure that can better meet the diverse needs of SMEs in the construction industry.

Category 2: Bureaucratic Challenges

Participants pointed out various bureaucratic challenges that impede SMEs from accessing necessary funding. Participant 02 perceives these challenges as stemming from bureaucratic obstacles, noting that *"the system lacks friendliness and accompaniment,"* which makes the funding process particularly daunting for SMEs.

Participant 06 identifies administrative challenges, explaining that *"clients shy away from deals due to delays in fund dispersal and response times."* This delay in administrative processes often leads to lost opportunities, as potential clients lose confidence in the SMEs' ability to deliver timely results. Additionally, financial institutions impose restrictions on transaction rights, which further complicates the process for SMEs trying to secure funding.

Participant 07 acknowledges the increasing cost of living as a significant barrier, pointing out that "it exacerbates the already challenging financial landscape for SMEs." Thus, this issue, combined with the bureaucratic hurdles, makes it even more difficult for SMEs to maintain financial stability and growth.

Participant 08 emphasizes compliance issues, stating that *"non-compliance leads to a lack of required documents and start-up capital."* This highlights the critical role that regulatory compliance plays in the funding process. SMEs often struggle to meet the stringent documentation and regulatory requirements imposed by financial institutions, which can result in delays or outright denials of funding requests.

Participant 09 highlights the difficulty in sourcing information, stressing that *"the need for prior knowledge"* is a significant hurdle. SMEs often find it challenging to navigate the complex landscape of funding opportunities without sufficient guidance and information. This lack of accessible information further hinders their ability to secure the necessary funds.

These insights collectively underscore the bureaucratic hurdles that SMEs encounter, including administrative complexities, compliance requirements, and challenges in accessing vital information. The combination of these factors creates a formidable barrier for SMEs, impeding their ability to secure funding and achieve sustainable growth. Therefore, there is a critical need for financial systems to become more user-friendly, reduce administrative burdens, and provide better support and information to SMEs.

Discussion

The findings from the discussions underscore the multifaceted challenges that are faced by SMEs in accessing financing and navigating bureaucratic processes. Traditional financial institutions impose stringent lending criteria and risk assessment procedures, particularly impacting emerging SMEs (Beck & Demirgüç-Kunt, 2006). Participant 2 suggested that alternative financing options, such as asset-based lending or supplier financing, can serve as viable alternatives when traditional avenues are inaccessible. However, reliance on such alternatives may introduce higher costs or risks, emphasising the importance of a supportive financial ecosystem that is tailored to SMEs' diverse needs (Berger & Udell, 2002).

Furthermore, bureaucratic hurdles, as highlighted by Participant 6, pose significant obstacles to SMEs, including lengthy approval processes and excessive documentation requirements (Beck & Demirgüç-Kunt, 2006). Delays in fund disbursement and administrative inefficiencies exacerbate cash flow challenges, impacting business operations. Participant 8 stressed the importance of regulatory compliance, which can be particularly challenging for SMEs with limited resources for legal and financial expertise. Simplifying regulatory procedures is essential to facilitate SME financing and foster business growth (World Bank Group, 2019).

Moreover, Participant 9's mention of information accessibility reflects another challenge for SMEs as limited access to financial data and market insights impedes informed decision-making and hampers their ability to access suitable funding options (Ayyagari et al., 2012). Overall, addressing these challenges requires collaborative efforts among policymakers, financial institutions and SMEs to create a more conducive environment for SME financing and growth.

Theme 4: Strategies for Enhancing Resources

Category 1: Outsourcing and Collaboration

The responses in this category underscore various strategies employed by SMEs to enhance their resources, focusing on outsourcing, collaboration, and leveraging personal assets. Participant 04 mentions that "outsourcing labour resources for project management, indicating a reliance on external expertise to manage projects efficiently." This approach helps SMEs to fill skill gaps and ensure project success without bearing the full cost of in-house expertise.

Participant 05 underscores the use of personal funds and loans, emphasizing that personal financial resources are often crucial in SME operations. He notes, *"We often have to rely on personal savings or take out loans against our personal assets to keep the business afloat,"* highlighting the necessity of personal investment in the absence of sufficient external funding.

Participant 06 discusses leveraging other businesses' resources, such as plant or material, through contractual agreements, suggesting a collaborative approach to resource optimization. He explains, *"By partnering with suppliers and other contractors, we can use their equipment and materials, which reduces our capital expenditure and enhances our operational capacity."*
Similarly, Participant 08 emphasizes partnerships with established companies and previously advantaged individuals, indicating a strategy of collaboration to access additional resources. He states, *"forming alliances with larger, well-established companies allows us to tap into their resources and expertise, which is vital for our growth and sustainability."*
Participant 09 suggests leveraging human capital through recruitment agencies, highlighting a proactive approach to talent acquisition and resource management. She notes, *"Using recruitment agencies helps us find skilled workers quickly, ensuring that we can meet project demands efficiently without compromising on quality."*
These strategies reflect SMEs' adaptability and resourcefulness in addressing resource constraints and optimizing operational efficiency. By outsourcing, collaborating, and leveraging personal and external resources, SMEs are able to navigate financial and operational challenges more effectively, positioning themselves for growth and success in a competitive market.

Category 2: Personal Development and Education

Participants in this category discuss personal development and education as vital strategies for enhancing their capabilities and qualifications, which ultimately contribute to their businesses' success. Participant 01 highlights the importance of upskilling through a construction management course and engaging in personal development initiatives. He emphasizes a proactive approach to acquiring new skills, stating, *"Investing in my education and development has allowed me to better manage projects and improve operational efficiency."*
Similarly, Participant 03 underscores the importance of professional registration with relevant bodies and completing courses to enhance credibility and expertise. She notes, *"Being professionally registered and having completed several industry-specific courses has significantly boosted my credibility with clients and partners."*

Participant 07 discusses attending business management courses and networking events to broaden her knowledge and understanding of key areas such as procurement and B-BBEE compliance. She explains, *"These courses and events have been invaluable in helping me understand complex business processes and compliance requirements, making our business more competitive."*

Additionally, Participant 05 acknowledges the need for further experience and education to effectively manage the business. He stresses the importance of mentorship and learning opportunities, stating, *"Having a mentor and access to additional educational resources has been crucial for my personal growth and ability to lead my team."*

Participant 09 underscores the significance of education in overcoming personal challenges and improving professional competency. She mentions, "*Continuing my education has not only helped me overcome personal barriers but also enhanced my professional skills, which has had a positive impact on our business operations."*

These responses collectively highlight the value of continuous learning and skill development in SME management. By investing in personal development and education, SME owners and managers are better equipped to navigate the complexities of their industry, improve their business practices, and achieve greater success. This commitment to personal growth reflects a broader strategy of enhancing resources and capabilities to drive business performance and sustainability.

Discussion

The discussions from both categories underscore key strategies for enhancing SMEs' capabilities and resources along with the importance of personal development and education.

In terms of outsourcing and collaboration, participants emphasised the significance of leveraging external resources and partnerships to overcome constraints such as funding limitations and skill shortages. Outsourcing labour and project management tasks enable SMEs to access specialised expertise without extensive upfront investment while collaboration with other businesses facilitates knowledge-sharing and access to new markets. This aligns with existing literature, which highlights outsourcing and collaboration as effective strategies for SMEs to enhance competitiveness and overcome resource constraints (Werner et al., 2019; Bouncken & Reuschl, 2018).

Additionally, participants stressed the importance of personal development and education in enhancing SME owners' skills and knowledge. Many participants discussed their efforts to

upskill through formal education, professional courses and networking events, recognising the dynamic nature of the business environment. This emphasis on continuous learning aligns with research that emphasises the critical role of personal development and education in SME success and sustainability (Masurel & Nijkamp, 2018; ILO, 2017).

Overall, the discussions highlighted the multifaceted approach that is needed for SME growth and success, encompassing both strategic collaborations and ongoing investment in human capital. By embracing outsourcing, collaboration and continuous learning, SMEs can enhance their capabilities, overcome challenges and thrive in competitive markets.

4.3.4 Whether the combination of adequate funding and developmental programmes will assist the growth of contractors.

Theme 1: Financial Management and Development Programs

Category 1: Funding and Financial Management

Participants provided diverse insights on the impact of combining adequate funding with developmental programs on the growth of contractors. While some participants emphasized the necessity of sufficient financial resources, others highlighted the significance of developmental initiatives. Participant 01 stressed the necessity of adequate funding, indicating that *"without sufficient financial resources, contractors struggle to take on larger projects and grow their businesses*." Similarly, Participant 07 echoed this sentiment, pointing out that *"having enough financial backing allows us to bid for more substantial projects and expand our operations."*

In contrast, Participant 02 emphasized the value of developmental programs, stating, *"Development programs provide the necessary skills and knowledge that are crucial for effectively managing projects and ensuring long-term success."* Participant 04 supported this view, adding that these programs offer critical insights into project management and compliance requirements, which are essential for sustained growth. Participant 08 also highlighted the importance of developmental programs, explaining that *"while funding is crucial, without the right training and support, it's challenging to utilize these funds effectively. Developmental programs fill this gap by providing the expertise needed to manage resources wisely."*

Acknowledging the importance of both funding and development, Participant 03 suggested that a combination of the two would be most beneficial. He stated, *"Adequate funding paired*

with robust developmental programs creates a solid foundation for growth, as contractors not only have the resources but also the knowledge to manage them effectively."

Participant 09 echoed this complementary approach, emphasizing that *"funding and development go hand in hand in facilitating growth. While funding provides the means, developmental programs ensure that these resources are used efficiently and strategically."* However, Participant 05 expressed a preference for sufficient funding, arguing that *"with enough financial resources, contractors can independently seek out the training and development they need."* On the other hand, Participant 06 highlighted the lack of funding opportunities, noting that *"while there are many developmental programs available, the scarcity of funding remains a significant barrier."*

Overall, the responses reflect a recognition of the crucial role that both funding and developmental programs play in supporting the growth of contractors. While some participants advocate for a balanced combination of the two approaches, others emphasize the need for prioritizing adequate funding or developmental initiatives based on their specific challenges and experiences. This collective insight underscores the importance of a holistic approach, where both financial resources and developmental support are integrated to foster the growth and sustainability of contractors in the construction industry.

Category 2: Developmental Programmes

Participants shared diverse perspectives on the effectiveness and accessibility of developmental programs, with experiences ranging from satisfaction to disappointment. Participant 08 expressed satisfaction with these programs, particularly highlighting how they enhanced technical skills. This indicates that, for some, developmental initiatives have successfully provided the necessary technical expertise to improve their performance.

In contrast, Participant 01 pointed out a significant limitation, noting that *"while the programs were helpful in achieving higher grading levels, they fell short in addressing critical aspects of financial management."* This suggests a gap in the program's curriculum, where essential business management skills are overlooked.

Participant 06 acknowledged the benefits of some developmental programs but emphasized the highly competitive environment. This observation suggests that, while programs exist, the competition to gain access or benefit from them can be intense, limiting their overall impact.

Participants 02 and 07 both highlighted challenges related to the accessibility of these programs. They cited issues with visibility and location, indicating that *"these programs are*

not always easy to find or conveniently located." This underscores the need for better outreach and distribution to ensure more widespread access.

Further emphasizing the need for improved accessibility, Participant 03 suggested that developmental programs should be more widely available. This call for broader availability points to an existing gap where not all contractors can benefit from the programs due to limited access.

Participant 04 raised concerns about the effectiveness of knowledge-sharing within these programs. He suggested that *"the quality of information sharing might be inconsistent, with some individuals potentially unable or unwilling to share valuable insights."* This points to a potential issue in the delivery and execution of these programs, where the intended knowledge transfer does not always occur effectively.

Expressing a more critical viewpoint, Participant 09 indicated disappointment, noting that *"the programs did not meet their expectations and failed to facilitate inclusion in procurement databases."* This suggests that some participants find the programs lacking in practical benefits that directly translate to business opportunities.

Overall, the responses illustrate a spectrum of experiences and perceptions regarding the effectiveness and accessibility of developmental programs. While some participants have found them beneficial, others highlight significant areas for improvement, particularly in financial management training, accessibility, competitive barriers, and the practical application of knowledge. This range of feedback underscores the need for ongoing evaluation and enhancement of developmental programs to better meet the diverse needs of contractors.

Discussion

The participants' discussions reveal a divergence in opinions regarding the most effective means to assist the growth of contractors with some advocating for adequate funding and others emphasising the importance of developmental programmes. This disparity in perspectives may stem from various factors such as individual experiences, industry context and geographic location. While some participants prioritise financial resources, citing their essential role in expanding operations and undertaking projects, others stressed the significance of skill development, knowledge enhancement and business growth that is facilitated by developmental programmes. The literature supports the idea that both funding and developmental programmes are integral to contractors' growth and success. Scholars like Wilson and Mbachu (2017) highlighted the importance of financial management and access to capital for SMEs in the construction industry while studies by Hughes and Murdoch (2019)

underscored the positive impact of developmental programmes on skill acquisition and competitiveness within the sector. To ensure the effectiveness of such programmes, it is crucial to address challenges that are related to accessibility, relevance and coordination. This includes improving programme visibility, addressing disparities in access and enhancing collaboration among stakeholders as documented by research from Mbachu et al. (2018), Cheung et al. (2020), Hughes and Murdoch (2019) and Smith and Osei-Kyei (2017). Ultimately, a comprehensive approach that combines both adequate funding and well-designed developmental programmes that are tailored to contractors' needs is essential for fostering their growth and sustainability in the construction industry.

Theme 2: Cost Management Strategies

Category 1: Kaizen Cost Management

Participants in this discussion emphasize various strategies for cost management, particularly focusing on the implementation of Kaizen principles. These strategies reflect a comprehensive approach to achieving efficiency and financial optimization through continuous improvement and involvement of all stakeholders. Participant 01 mentions utilizing cash flow analysis tools provided by FNB CPI to monitor finances and continuously improve work quality. She states, *"Using the cash flow analysis tools from FNB CPI helps us keep track of our finances and ensures that we can continuously improve the quality of our work."*

Participant 02 discusses the practice of holding toolbox meetings to reflect on previous workdays and enhance efficiency. He explains, *"We hold toolbox meetings to reflect on the previous workdays. This practice helps us identify inefficiencies and make necessary adjustments to improve our processes."*

Participant 03 emphasizes the importance of maintaining close relationships with suppliers to streamline costs. She notes, *"Maintaining strong relationships with our suppliers is crucial. It allows us to negotiate better terms, secure discounts, and ensure a reliable supply chain, all of which help in managing costs."*

Participant 04 implements Kaizen to identify and address areas for cost reduction, aiming to improve the financial standing for future funding opportunities. He states, *"By implementing Kaizen, we continuously seek out inefficiencies and make incremental improvements. This approach helps us reduce costs and improve our financial standing for future funding opportunities."*

In contrast, Participant 05 relies on informal consultations for cost management, indicating a less structured approach. He mentions, *"I often rely on informal consultations with colleagues and friends for managing costs. It's not very structured, but it works for me."*

Participant 06 considers cost reduction as inherent in their operations, driven by experience. He comments, *"Cost reduction is something that comes naturally with experience. We've been in the business long enough to know where we can cut costs without compromising on quality."*

Participant 07 employs a hybrid approach, combining efficiency measures with managing freelance workers and task-based assignments. He says, *"We use a hybrid approach, combining various efficiency measures with managing freelance workers and task-based assignments to optimize labour costs."*

Participant 08 involves all personnel in cost-saving initiatives, including training to minimize material wastage. He emphasizes, *"Involving all our personnel in cost-saving initiatives is key. We also provide training to minimize material wastage, ensuring everyone contributes to reducing expenses."*

Finally, Participant 09 underscores the importance of strategic sourcing, efficient time management, and incentivizing suppliers for optimal performance in cost management efforts. She remarks, *"Strategic sourcing, efficient time management, and incentivizing suppliers are essential for optimal cost management. These practices help us maximize value and minimize costs."*

Overall, these discussions reflect a comprehensive approach to cost management, integrating tools, employee involvement, supplier relationships, and performance incentives. Participants highlight the importance of continuous improvement, strategic planning, and inclusive practices to achieve financial optimization and operational efficiency.

Category 2: Lean Six Sigma Principles

Participants in this discussion highlight the application of Lean Six Sigma principles to improve efficiency and resource utilization in construction projects. Their insights underscore the diverse ways in which these principles are applied to drive operational excellence and optimize resources. Participant 01 mentions using cheaper materials for tasks like fixing expansion joints, demonstrating a focus on cost-saving measures. She states, *"We try to use cheaper materials where possible, such as when fixing expansion joints. It helps us save costs without compromising on quality."*

Participant 02 emphasizes the importance of workplace preparation and clear control over work activities to ensure smooth operations. He notes, *"Proper workplace preparation and having*

clear control over our work activities are crucial. It ensures that everything runs smoothly and efficiently." Participant 03 discusses employing penalty warnings to deter workers from mishandling materials, reflecting a commitment to accountability. He explains, *"We use penalty warnings to prevent workers from mishandling materials. It's about maintaining accountability and ensuring resources are used wisely."*

Participant 04 shares a comprehensive approach, including material reuse, supplier relationships for returns, and strict on-site material management practices to minimize waste. He comments, *"Our approach includes reusing materials whenever possible, working with suppliers for returns, and strictly managing materials on-site to minimize waste."* Similarly, Participant 05 emphasizes reusing materials to optimize resource utilization. He remarks, *"Reusing materials is a big part of how we optimize our resources. It's not just about saving costs but also about being efficient with what we have."*

However, some participants acknowledge challenges in implementing Lean Six Sigma due to the nature of construction work and labour union dynamics. Participant 06 mentions, *"Implementing Lean Six Sigma is challenging in construction, especially with labour unions and the nature of the work. It's not always straightforward."*

Participant 07 notes improvements through internal staff engagement and subcontracting arrangements. She says, *"We've seen improvements by engaging our internal staff more and using subcontracting arrangements to manage tasks more effectively."*

Finally, Participants 08 and 09 highlight the implementation of systems and control measures to streamline processes and enhance efficiency. Participant 08 comments, *"Implementing systems and control measures has been key for us. It streamlines our processes and boosts efficiency."* Participant 09 adds, *"These control measures help us maintain high standards and reduce waste, contributing significantly to our overall efficiency."*

These discussions underscore the diverse ways in which Lean Six Sigma principles are applied in construction settings. They highlight strategies such as cost-saving material choices, strict material management, accountability measures, reuse of materials, and the implementation of control systems. Collectively, these approaches drive operational excellence and optimize resource utilization in the construction industry.

Discussion

Participants in the discussions employ a variety of cost management strategies, with a predominant focus on Kaizen principles, emphasizing efficient labour management, continuous improvement and strong supplier relationships. These strategies aim to optimise

resource utilisation and enhance productivity within SMEs in the construction sector. Additionally, the emphasis on collaborative decision-making and employee involvement underscores the significance of engaging all stakeholders in cost-saving initiatives. Scholarly literature supports the efficacy of Kaizen-based cost management strategies in enhancing the financial performance and competitiveness of SMEs in construction. Research by Papadonikolaki and Özbayrak (2016) highlights the positive impact of Kaizen principles on cost reduction, quality improvement and overall business performance within construction firms. Similarly, studies by Cheng et al. (2018) emphasise the role of continuous improvement practices in optimising resource allocation and achieving operational excellence in construction projects. Furthermore, scholars such as Al-Momani et al. (2020) underscore the importance of supplier relationship management and collaborative cost-saving initiatives in driving efficiency and competitiveness in the construction sector.

Participants demonstrated varying degrees of engagement with Lean Six Sigma principles within their SMEs. These principles are primarily focused on process improvement, waste reduction and enhancing overall efficiency. Strategies such as reusing materials, implementing control measures, enforcing penalties for inefficiencies and ensuring workplace organisation are evident across responses. While some participants acknowledge the successful implementation of Lean Six Sigma, others highlight challenges, including resistance to change, difficulty in enforcement and limitations in certain work environments. However, the consensus among participants suggests that Lean Six Sigma principles have the potential to positively impact process efficiency and quality improvement within SMEs in the construction sector. Research by Antony et al. (2017) emphasises the significance of Lean Six Sigma principles in enhancing process efficiency, reducing waste and improving overall performance within the construction industry. Similarly, studies by Taner et al. (2019) highlight the role of Lean Six Sigma in optimising resource utilisation, minimising defects and enhancing customer satisfaction in construction projects. Through the implementation of systematic improvement methodologies, SMEs can achieve sustainable competitive advantages and ensure long-term success in the dynamic construction environment.

Theme 3: Access to Funding and Resources

Category 1: Visibility and Accessibility of Programmes

Participants in the discussion emphasize the importance of improving the visibility and accessibility of funding and resource programs for contractors. Their insights highlight the

necessity of making these programs more accessible and tailored to contractors' needs. Participant 02 suggests that access should be decentralized to local levels, controlled at the municipal level, to ensure that programs reach contractors effectively. He states, *"Access to funding programs should be decentralized, managed at the municipal level. This ensures that programs are tailored to local needs and reach contractors effectively."*

Participant 03 echoes this sentiment, emphasizing the need for greater visibility of programs, especially at office locations frequented by contractors. He adds, *"Programs need to be more visible, especially at locations where contractors often visit. This increases awareness and ensures that contractors know what support is available."* Participant 04 emphasizes the importance of contractors attending financial literacy training and developing robust business plans to enhance their eligibility for funding programs. He suggests, *"Contractors should attend financial literacy training and focus on developing strong business plans. This not only improves their eligibility for funding but also sets them up for long-term success."*

Similarly, Participant 09 highlights the critical role of project planning services, alongside adequate funding, in supporting contractors' success. She comments, *"Alongside funding, contractors need access to project planning services. This helps them effectively manage projects and ensures their success in the long run."*

These insights underscore the necessity of making funding and resource programs more accessible and tailored to contractors' needs. By decentralizing access, increasing visibility, providing financial literacy training, and offering project planning services, stakeholders can better support contractors and enhance their chances of success in the construction industry.

Category 2: Resource Management

Participants emphasize the importance of efficient resource management strategies, highlighting the value of collaborative efforts and mobile labour resources. Participant 04 advocates for involving all personnel in brainstorming ways to improve and reduce costs. He states, *"We should involve all personnel in brainstorming ways to improve and reduce costs. Collaborative efforts are key to resource optimization."*

Participant 09 underscores the significance of mobile and efficient labour resources. He suggests that agility and effectiveness in labour deployment contribute to overall resource efficiency. Participant 09 comments, *"Having mobile and efficient labour resources is crucial. Agility in labour deployment ensures overall resource efficiency."*

These insights underscore the need for active engagement of personnel and the importance of mobile and efficient labour resources in effective resource management practices within SMEs.

Collaborative efforts and agile labour deployment strategies can help SMEs optimize their resources and enhance operational efficiency.

Discussion

Participants in the discussions stressed the critical need to enhance the visibility and accessibility of funding and developmental programmes for SMEs in the construction industry. They propose decentralising access, ensuring local-level visibility and providing support services like financial literacy training and project planning assistance. The lack of awareness and accessibility to these programmes can impede SMEs' ability to secure the necessary funding and resources for growth and development. Research by Fassin et al. (2018) underlines the importance of increasing programme visibility and accessibility, facilitating SME participation and effective resource utilisation. Furthermore, Naudé and Amorós (2018) emphasize the role of financial literacy training and business development services in enhancing SMEs' capabilities and competitiveness.

Moreover, participants highlighted the significance of efficient resource management strategies within SMEs in the construction sector. This entails actively involving all personnel in identifying opportunities to optimise resources and cut costs. Additionally, having a mobile and efficient labour resource is deemed crucial for enhancing operational efficiency and project outcomes. Effective resource management is vital for SMEs to boost productivity, minimize wastage and improve profitability. Research by Lopes et al. (2019) underscores the importance of such practices in enhancing SME performance and competitiveness in construction. Furthermore, Oliveira et al. (2018) stress the role of lean construction principles in improving resource management within SMEs, emphasising waste elimination, efficiency improvement and value delivery for better project outcomes.

Theme 4: Link between access to funding and the success of SMEs in the construction industry

Participant 03 explained that *"access to funding is a huge hurdle for us. Without adequate financing, we struggle to take on larger projects, which limits our growth potential."* He further emphasized that *"even when we do secure funding, the terms are often so restrictive that it barely feels like we're making any progress."* Thus this illustrates how the difficulty in obtaining sufficient and flexible funding can significantly hinder the growth and success of SMEs in the construction industry.

Similarly, Participant 07 highlighted that *"many of us have the skills and the workforce to complete significant projects, but the lack of financial backing means we can't bid competitively."* She further elaborated on this point by stating, *"It's a cycle where no funding means no projects, and no projects mean no growth."* This underscores the cyclical problem of inadequate funding leading to fewer project opportunities, which in turn stifles the growth of SMEs.

Moreover, Participant 12 observed that *"we've seen some improvement with developmental programs, but without proper funding, these programs don't have the impact they could."* Also participant 01 argued that *"financial support needs to go hand-in-hand with these initiatives for real success."* This statement underscores the necessity of combining financial support with developmental programs to achieve meaningful growth and success in the construction industry.

Additionally, Participant 15 noted that *"risk management becomes a significant issue as we grow, especially when our overhead costs rise faster than our cash flow."* In addition, the participant pointed out that "*adequate funding could help manage these risks better, but access to such funding is very limited."* This therefore highlights the challenge of managing risks and overhead costs as SMEs grow, emphasizing the crucial role that sufficient funding plays in mitigating these risks.

Discussion

The participants' insights on the link between access to funding and the success of SMEs in the construction industry align closely with the existing literature. The challenges they describe reflect broader systemic issues that have been extensively documented by researchers in this field. For instance, Participant 03's comments about the restrictive terms of funding and the struggle to secure adequate financing are consistent with the findings of Fatoki (2014) and GEM (2014). These studies highlight that SMEs often face difficulties in obtaining financing due to factors such as inadequate collateral, poor credit history, and lack of strong business plans. This lack of accessible and flexible funding limits their ability to take on larger projects and scale their operations.

Similarly, Participant 07's observation about the cyclical nature of funding and project acquisition underscores the findings of Rogerson (2006), who identified access to finance as a primary constraint for emerging businesses in the Free State. The inability to secure competitive funding means that SMEs are often unable to bid for and win significant projects, perpetuating a cycle of limited growth and opportunities.

Participant 07 and Participant 01's remarks about the need for financial support to complement developmental programs reflect the conclusions drawn by researchers such as Hanedar, Broccardo, and Bazzana (2014). They noted that while developmental programs can enhance the capabilities of SMEs, their impact is significantly reduced without concurrent financial support. The combination of technical assistance and financial backing is crucial for fostering meaningful and sustainable growth within the industry.

Participant 08's comments about the challenges of managing risks and overhead costs as SMEs grow align with Schleifer et al. (2014), who pointed out that risk management becomes increasingly critical as companies expand. The overhead costs can rise faster than cash flow if not managed properly, making access to adequate funding essential for maintaining financial stability and supporting continued growth.

The insights from these participants emphasize the need for a comprehensive approach that addresses both financial and developmental needs. As the literature suggests, overcoming the barriers to funding requires not only improving access to finance but also creating an enabling environment that supports the growth of SMEs through integrated support systems (Apriyanto, 2016; Bikitsha et al., 2020). This includes fostering relationships with financial institutions, enhancing credit facilities, and implementing supportive policies that facilitate easier access to capital.

Overall, the participants' experiences and perspectives echo the findings in the literature, highlighting that the success of SMEs in the construction industry is heavily dependent on their ability to secure adequate and flexible funding. Addressing these financial challenges, alongside developmental programs, is essential for fostering sustainable growth and resilience within the sector.

Theme 5: Program Effectiveness and Expectations

Recommendations for Improvement

Participants provide recommendations aimed at enhancing the effectiveness of programs supporting SMEs in the construction sector. Participant 02 suggests decentralizing access to programs, advocating for control at the municipal level to improve accessibility. Participant 07 underscores the importance of project planning services, emphasizing the detrimental impact of the lack of project planning on companies. Additionally, adequate funding and project planning services are highlighted as essential for success. Participant 09 emphasizes the need for readily available mentors who offer constant assistance throughout projects.

Discussion

Participants highlight several recommendations for improving the effectiveness of developmental programs in assisting SMEs to obtain funding for construction projects. These recommendations include:

i. Enhancing local-level access to programs and ensuring municipal-level control to improve program visibility and accessibility.
ii. Providing project-planning services to SMEs to mitigate challenges related to the lack of project planning, which can adversely affect project outcomes.
iii. Establishing mentorship programs to provide continuous assistance and support to SMEs throughout the project lifecycle, thereby facilitating their access to funding and enhancing project success.

Therefore, research by Rodríguez-Gutiérrez et al. (2017) emphasizes the importance of local-level support mechanisms and tailored assistance programs in facilitating SME access to funding and resources. Municipal-level control and support can enhance program visibility and effectiveness, thereby improving SMEs' ability to obtain funding and achieve project success. Furthermore, studies by Tezel and Koskela (2018) highlight the significance of project planning and management in construction projects. Effective project planning services can help SMEs mitigate risks, optimize resource allocation, and enhance project outcomes, ultimately contributing to their long-term success and sustainability.

4.4 Conclusion

In conclusion, the analysis that was conducted across the four objectives that pertain to financial management, developmental programmes, cost management strategies and access to funding and resources sheds light on the multifaceted challenges that are faced by SMEs in the construction sector and provides valuable insights into potential solutions and recommendations. The findings underscore the critical importance of adequate funding, effective developmental programmes and robust cost-management strategies in enabling the growth and success of contractors. Furthermore, recommendations such as enhancing programme visibility and accessibility, providing project-planning services and establishing mentorship programmes emerged as key strategies for improving the effectiveness of support mechanisms for SMEs. By addressing these challenges and implementing targeted interventions, policymakers and industry stakeholders can foster a more conducive environment for SMEs to thrive, which ultimately contributes to the growth and sustainability

of the construction sector as a whole. Moving forward, Chapter 5 (below) will delve into comprehensive conclusions, insightful recommendations and a concise summary of the findings that were presented in the preceding chapters, providing a holistic understanding of the challenges and opportunities that are faced by SMEs in the construction sector and offers actionable insights for stakeholders and policymakers alike.

CHAPTER 5: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Chapter 5 provides a comprehensive overview of the conclusions drawn from the extensive data analysis that was conducted in the preceding chapters, offering insights into the key findings, implications and recommendations that are derived from the study. This chapter serves as a culmination of the research endeavour, presenting a synthesis of the research outcomes and their significance in addressing the research objectives. Additionally, Chapter 5 outlines actionable recommendations for stakeholders and policymakers based on the study's findings, aiming to inform decision-making processes and drive positive change in the construction industry. Furthermore, this chapter offers a concise summary of the main findings, highlighting the implications for practice, policy and future research directions. Through an in-depth examination of the study's conclusions and recommendations, Chapter 5 contributes to advancing understanding in the field of construction finance, offering practical insights for enhancing funding accessibility, promoting contractor growth and fostering sustainable development in the construction sector.

5.2 Summary of Findings and conclusion

The study aimed to investigate the responsiveness of financial institutions to funding requests from construction contractors and assess the enabling environment for small and medium-sized contractors in the Free State. It explored the application process and funding models that are used by contractors and examined the drawbacks of existing financing schemes. Furthermore, it sought to determine whether the combination of adequate funding and developmental programmes contributes to contractor growth.

The findings revealed a nuanced relationship between financial institutions and contractors, with challenges including stringent eligibility criteria and bureaucratic processes that hinder access to financial support. Participants emphasised the importance of creating an enabling environment for SMEs through initiatives like mentorship programmes and simplified funding application processes. Additionally, the study highlighted the variability in contractors' experiences with securing funds, underscoring the need for flexible and customised funding models.

Challenges that are associated with existing funding models include limited responsiveness of financial institutions, complex application processes and inadequate support for SMEs. These barriers impede contractors' growth and competitiveness in the construction industry. Addressing these challenges requires collaborative efforts from policymakers, financial institutions and industry stakeholders to streamline funding processes and improve accessibility.

Regarding the impact of adequate funding and developmental programmes on contractor growth, participants expressed varied perspectives. While some stressed the importance of funding for financial management and project execution, others highlighted the critical role of developmental programmes in enhancing contractors' skills. The study suggests that a combination of financial support and capacity-building initiatives is essential for sustainable contractor growth.

In conclusion, the study identifies multifaceted challenges that are faced by contractors in accessing funding and support in the construction industry. Collaborative efforts are needed to address these challenges, streamline funding processes and tailor support mechanisms to contractors' specific needs. Enhancing visibility and awareness of funding programmes, particularly in rural areas, is crucial. Overall, creating a more supportive ecosystem for contractors will contribute to sectoral growth and development.

5.3 Implications of the study in relation to the literature review

The discussions on access to funding and resource management in the construction industry reveal several implications for practice and policy, drawing from existing literature:
Decentralized Access and Increased Visibility: Participants emphasized the importance of decentralizing access to funding programs and increasing their visibility, particularly at local levels frequented by contractors. This aligns with literature suggesting that decentralized access to funding can enhance program effectiveness by tailoring support to local needs (Beck & Levine, 2019). Moreover, increasing program visibility can improve awareness among contractors, thereby facilitating their participation and utilization of available resources (Aryee et al., 2012).

Financial Literacy and Business Planning: The emphasis on contractors attending financial literacy training and developing robust business plans highlights the importance of capacity-building initiatives in enhancing eligibility for funding programs. Literature supports this perspective, indicating that financial literacy and business planning are essential for improving SMEs' access to finance and long-term success (Oparaocha et al., 2011; Abor & Quartey, 2010).

Integration of Project Planning Services: Participants stress the critical role of project planning services alongside adequate funding in supporting contractors' success. This underscores the importance of integrating project planning support into funding programs to enhance project management capabilities among contractors. Research suggests that effective project planning can improve project outcomes and contribute to contractors' competitiveness (Papadonikolaki & Özbayrak, 2016).

Collaborative Resource Management: The emphasis on collaborative efforts and mobile labour resources highlights the importance of engaging personnel and optimizing labour deployment for efficient resource management. Literature supports this perspective, suggesting that collaborative resource management practices can enhance operational efficiency and productivity within SMEs (Al-Momani et al., 2020). Moreover, agile labour deployment strategies can improve responsiveness to project needs and enhance overall resource utilization (Cheng et al., 2018).

Therefore, the implications drawn from the discussions underscore the importance of tailored support mechanisms, capacity-building initiatives, and collaborative resource management practices in enhancing access to funding and optimizing resource utilization within SMEs in the construction industry. By addressing these implications, policymakers and industry stakeholders can create a more inclusive and supportive environment for contractors, thereby fostering sectoral growth and sustainability

5.4 Recommendations

Enhance Financial Institutions' Responsiveness: Financial institutions should prioritise improving their responsiveness to contractors' funding requests. This can be achieved through dedicated customer service channels, streamlined application processes and clear communication channels to address queries and concerns promptly.

Simplify Application Processes: Simplifying the application processes for accessing funding is essential to increase contractors' participation. Institutions should adopt user-friendly online

platforms, provide comprehensive guidance materials and offer support services to assist contractors throughout the application process.

Tailor Support Mechanisms: Recognising the diverse needs of contractors, financial institutions and policymakers should tailor support mechanisms to address specific challenges that are faced by SMEs. This may include offering flexible financing options, providing capacity-building programmes, and facilitating access to technical assistance and mentorship opportunities.

Improve Awareness and Visibility: Efforts should be made to enhance awareness and visibility of existing funding programmes among contractors, particularly those operating in rural or remote areas. This can be achieved through targeted outreach campaigns, partnerships with industry associations and leveraging digital platforms to disseminate information.

Foster Collaboration and Partnerships: Collaboration among stakeholders, including financial institutions, government agencies, industry associations and non-governmental organisations, is crucial to addressing systemic challenges in the funding landscape. By fostering partnerships and collaboration, stakeholders can leverage resources, share best practices and develop innovative solutions to support contractors effectively.

Monitor and Evaluate Programs: Regular monitoring and evaluation of funding programmes are essential to assess their effectiveness, identify areas for improvement and ensure accountability. Stakeholders should establish robust monitoring and evaluation frameworks, collect relevant data and solicit feedback from contractors to inform programmatic adjustments and enhancements.

Promote Financial Literacy: Promoting financial literacy among contractors is essential to empower them with the knowledge and skills that are needed to navigate funding processes effectively. Financial institutions and industry associations should offer training programmes, workshops and educational resources to enhance contractors' financial literacy and management capabilities.

Address Structural Challenges: In addition to addressing immediate funding-related challenges, policymakers should also focus on addressing broader structural issues such as regulatory barriers, market distortions and access to land and resources. By addressing these underlying challenges, policymakers can create a more conducive environment for sustainable growth and development in the construction sector.

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Appendices

Company Permission Request

Dear Sir/Madam,

Re: Permission to conduct research at [insert organization name].

My name is Gaositwe Pule

I am studying towards a Master's in Business Administration in the at the University of the Witwatersrand. I am seeking permission to do research at [organisation name].

I am conducting research The major objective of this study is to investigate the responsiveness of financial institutions to the request for funding from contractors, to determine the process and explore existing funding models employed by contractors to secure funds for their projects, to analyse the challenges associated with existing funding models and determine whether the combination adequate funding and a developmental mentorship programme will ascertain the growth of contractors.

I will invite individuals from your organization to participate in this study. If they agree, they will be asked to be interviewed. Researcher will make use of semi-structured interviews on emerging contractors to collect data. The researcher will ensure that an appointment is secured and scheduled time will be informed by the availability of the owners or managers of contractors.

Feedback from the study will add value and improve the sustained growing of emerging contractors and will benefit the Free State Province to have a pool of stable and growing SMEs to deliver basic services and infrastructure.

Participants will be asked to give their written or verbal consent before the research begins. Their responses will be treated confidentially, and identities (their names and the name of the organisation) will be anonymous unless otherwise expressly indicated. Individual privacy will be maintained in all published and written data resulting from the study. The results will be communicated.

The research participants will not be advantaged or disadvantaged in any way. They will be reassured that they can withdraw their permission at any time during this project without any penalty. There are no foreseeable risks in participating in this study. The participants will not be paid for this study.
All research data will be saved on a drive until the research has fully been completed

I therefore request permission in writing to conduct my research at your organization. The permission letter should be on your organization's headed paper, signed and dated, and specifically referring to myself by name and the title of my study.

Please let me know if you require any further information. I look forward to your response as soon as is convenient.

Yours sincerely,
Researcher:

Participant Information Sheet

Dear Sir / Madam

My name is Gaositwe Pule. I am a Master's in Business Administration student at the University of the Witwatersrand, Johannesburg. My supervisor is Dr. Sylvester Senyo Horvey, I am conducting a research study about the funding model available to contractors specifically in the Free State Province of South Africa's. contractors

The study title is ***Effectiveness of the funding model for construction companies in the Free State***

I am inviting you to take part in an interview. If you decide to take part, your participation in this research study will last about 3 months. The interview will take place virtually or in person, at a time convenient to all. With your permission, I would like to audio record the interview. This data will be stored in the university's Google Drive with only the researcher having access to the data.

The interview will be confidential and anonymous. When the results of the research study are shared, your name as a participant will not be shared; or anything else that could identify you. With your permission, other researchers may use the data collected from this research study, but your name and any personal information will not be used or passed on.

If you decide to take part in the research study, it should be because you want to volunteer. You do not have to take part and you are able stop the interview at any time. You do not have to answer any questions if you do not want to. You will not get any direct benefits if you choose to join the research study. You will not lose any services, benefits or rights; you would normally have if you decide not to join. Taking part in the research study will not cost you anything. You will not be paid for being in this research study. Your data costs to attend the interview will be reimbursed to a maximum of R150 if necessary.

The risks for this research study are no more than what happens in everyday life / some of the questions asked may make you feel sad or upset. If this happens, I will stop the interview and continue another time. This research study will be written up as a research report. The report

will be available on the university library website. If you would like to receive a summary of this report, I will be happy to send it to you.

If you have any questions during or afterwards about this research study, feel free to contact me or my supervisor on the details listed below. If you have any concerns or complaints about the ethical procedures of this research study, you are welcome to contact the University Human Research Ethics Committee (Non-Medical), telephone +27(0) 11 717 1408, email hrecnon-medical@wits.ac.za.

Yours sincerely,
Researcher:

Interview Guide

Interview Number: …….

Date of interview: ……..…

Section A: The responsiveness of financial institutions to the request for funding for contractors. If whether an enabling environment is created by institutions to accommodate those small and medium contractors, to allow for active participation

- Does the current funding model from financial institutions respond to funding applications by contractors?

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- Which kind of environment is being created by institutions to accommodate those small and medium contractors to allow for active participation?

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  (Institutional Theory)

- How do regulatory bodies or other institutional actors influence your SME?

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- Have you ever felt pressured to conform to institutional norms or expectations?

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- How do you balance the demands of institutional actors with the needs of your SME?

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  .....

- Are there any institutional factors that have positively impacted your SME's growth or success?

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Section B: the process of exploring existing funding structures employed by contractors to secure funds for their projects.

- What do you feel SMEs should have in place to help them in sourcing funds from financial institutions?

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  .....

- Do you think financial organizations that are funding construction SMEs have a platform for all existing and emerging companies? Explain your answer

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(Pecking Order Theory)

- How has your SME contractor determined its financing sources in the past?

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  .....

- Have you ever struggled to access the financing needed for your ME contractor?

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- How does your SME contractor manage risk when making financial decisions?

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- How does the pecking order theory impact your SME contractor's approach to financial decision-making?

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(Information Asymmetry Theory)

- How do you manage information asymmetry within your SME?

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- How do you ensure that you have access to the information you need to make informed decisions?

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  .....

- Have you implemented any specific strategies to mitigate the impact of information asymmetry?

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  .....

Section C: The challenges associated with existing funding structures and offers.

(Resource-Based View)

- To what extent do you agree that construction SMEs that cannot demonstrate a healthy cash flow, and are denied loans significantly more often than not?

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- In your opinion, what are the most important resources and capabilities needed for an SME contractor to succeed in securing funding?

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- How has your SME contractor leveraged its resources and capabilities to secure funding?

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- To what extent is the lack of sufficient collateral the cause for excluding construction SMEs from obtaining finances, due to loan applications requirements for viable piece of collateral in order to complete transaction and receive funding? What do you think can be done to improve this factor?

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  .....

- Can you describe any challenges your SME contractor has faced in identifying or utilizing resources and capabilities for funding purposes?

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- How does insufficient operating history of construction companies affect them in borrowing funds from financial institutions considering they are emerging companies?

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- What were the problems encountered by your business when applying for a credit facility from the bank to finance a construction project?

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- What strategies has your SME contractor used to sustain or enhance its resources and capabilities over time?
- .....

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<u>Section D: Whether the combination adequate funding and a developmental programmes will ascertain the growth of contractors.</u>

- Between adequate funding and developmental programmes, which one do you think has enabled construction business to improve in managing finances?

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- Have the current programme met contractor expectations thus far?

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- What can be done with the current programmes to assist SMEs to obtain funding for construction projects?

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(Kaizen Cost Management Theory)

- How do you approach cost management within your SME?

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- Have you implemented kaizen principles in your cost management efforts? If so, can you describe how?

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  .....

- Have you faced any challenges in implementing kaizen principles in your SME?

  .....

  .....

- How have you seen kaizen cost management impact the bottom line of your SME?

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  .....

(Lean Six Sigma)

- Have you implemented Lean Six Sigma principles in your SME? If so, can you describe how?

  .....

  .....

- How do you approach continuous improvement in your SME?

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  .....

- Are there any specific challenges you face in implementing Lean Six Sigma in your SME?

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- How have you seen the implementation of Lean Six Sigma impact the quality or efficiency of your SME's processes or products?

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Section E: Recommendations to:

- Industry role players

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- Industries offering finance packages

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Thank you for your time and patience in the answering the questions.

<u>Consent Form</u>

Title of project:
Effectiveness of the funding model for construction companies in the Free State

Name of researcher:

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

I agree to the following:

(Please circle the relevant options below)

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

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

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