

https://dspace.org/

The role of financial access in the success of small and medium enterprises in Swaziland

Mthethwa, Zethu Prudence

2016
http://hdl.handle.net/10539/21039

Downloaded from a DSpace repository. https://dspace.org/



MASTERS IN MANAGEMENT: FINANCE AND INVESTMENTS

Thesis Title: **THE ROLE OF FINANCIAL ACCESS IN THE SUCCESS OF SMALL AND MEDIUM ENTERPRISES IN SWAZILAND**

Zethu Prudence Mthethwa

Student Number: 427520

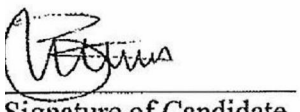
BUSA 7167

Supervisor: Dr Odongo Kodongo

Date of submission: March 2015

DECLARATION

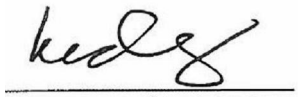
I, Zethu P. Mthethwa, declare that the research work reported in this dissertation is my own, except where otherwise indicated and acknowledged. It is submitted in partial fulfilment for the Masters of Management in Finance and Investments degree at the University of the Witwatersrand. This has not been submitted before for any degree or diploma in any other university or institution for a similar qualification. I further declare that I have obtained the necessary authorisation and consent to carry out this research.



Signature of Candidate

30/03/2015

Date



Signature of Supervisor

30/03/15

Date

ACKNOWLEDGEMENT

I would like to thank My God, my source and my provider for leading and guiding my paths till the end.
I would like to express my gratitude to my supervisor Dr Odongo Kodongo, University of Witwatersrand for the massive support and sharing his pearls of wisdom during the course of this research project. I am thankful for his aspiring guidance, invaluably constructive criticism and friendly advice during the project work. I am sincerely grateful to him for sharing his truthful and illuminating views on a number of issues related to this project.
To my best friend, brother, partner and Husband, I would like to say "words are not enough to thank you Nshivakati….yakalasiwela…" Thank you for supporting me in every way possible. May the Lord Almighty continue to bless you according to His Riches in Glory. To my family, my Daughter and Two sons, my siblings and my in-laws thank you, thank you.
To the management of the Central Bank of Swaziland, thank you very much for awarding me the opportunity to go on fulltime study. To the Audit department and the rest of the staff, thank you for the support.
Lastly,My special gratitude goes to the Director of the MMFI programme, Professors, administration staff and fellow colleagues at the University of Witwatersrand (Business school) who helped me in various ways and made this programme enjoyable.

Abstract

Most economies today are calling upon their or rather are starting to rely on their Small and Medium business Enterprises to stimulate the economy and also help address issues of unemployment. However it is also believed that even though this maybe the case, most economies still don't give SMEs enough funding.

The underlying public assumption is that all that is needed for SMEs to thrive is access to funding, as such this study sought to investigate the role of financial access in the success of SMEs. The study had intended to use financial ratios as proxies for success, however, the record keeping of the SMEs or lack thereof impeded this intention, so the study measured the success of the enterprise as perceived by the owner.

The study sampled SMEs from all for regions of Swaziland, and besides a descriptive analysis that were carried out to examine the utilization of credit by the SMEs. This study also used a statistical model known as the Logit model, to determine the effect that credit access had on the success of the SME and also assess the challenges/barriers that the SMEs faced when trying to access funding.

The results of this study deviated from the underlying public assumption, as they showed that an SME owner that had access to funding had reduced odds of success, if anything the results showed that the success of an SME did not entirely depend on the availability of funding, and there were other potent factors that posed as barriers to financial access.

Contents

1. Introduction 1

1.1 Background 4

1.2 Problem Statement 8

1.3 Objectives of the Study 9

1.4 Research Hypotheses 9

1.5 Significance of the Study 9

2. Literature Review 10

2.1 Role of Financial Access to SMEs Success 10

2.2 Indicators of Financial Access 11

2.3 Reasons for Limited SME Financial Access 12

2.4 Swazi SME finance landscape 15

2.5 Micro Finance Institutions (MFIs) 16

2.6 Non-Governmental Organisations (NGOs 17

2.7 Factors Affecting SMEs Success or Failure 18

2.8 Analytical Framework for Determinants of Business Success 19

3. Methodology 21

3.1 Research Design 21

3.2 Sampling Design and Method 21

3.3 Sample Size 21

3.4 Research Instrument 22

3.5 Data 22

3.6 Data Analysis 22

3.7 Model used 22

4. Results and interpretation 23

4.1 Introduction 23

5. Discussion and recommendations 29

Objective 1 29

Objective 2 30

Objective 3 30

6. Summary 31

7. Conclusion 31

8. References 32

THE ROLE OF FINANCIAL ACCESS IN THE SUCCESS OF SMALL AND MEDIUM ENTERPRISES IN SWAZILAND

1. Introduction

Small and medium enterprises (SMEs) play an important role in the development of a country. Performance of SMEs is affected by the macroeconomic environment of the country from which they operate just like any other business. Technical definition of SMEs differs from country to country. Usually it is based on employment, assets or a combination of the two (Jasra, et al. 2011). One of the important roles of SMEs, in this regard, is poverty alleviation through job creation. Both the developed and developing countries derive benefits from SMEs (Chittithaworn, et al. 2011).

The economic contribution of SMEs to employment creation and poverty alleviation is invaluable. Several scholars conclude that SMEs play a significant role in the economic development process of any country (Carland et al., 1984; Joubert and Akinnusi, 1993; Trevisan, 1997). According to the CDE (2013) Needs Assessment Report for Swaziland, the country needs concerted efforts to expand trade-based initiatives to accelerate performance of SMEs as they provide the best hope for employment creation, foreign earnings and attracting FDI. The report notes that SME survival rate in Swaziland is erratic, employment creation is limited and SME contribution to GDP remains minimal (CDE, 2013)

SMEs in Swaziland experience hardships and frustrations in accessing finances. SMEs struggle to access finances from financial institutions due to a number of reasons, chief among them lack of collateral despite having bankable business propositions. The problem is worse for start-up businesses which have no proven track record (Nofsinger and Wang, 2011). Lending institutions therefore tend to favour larger firms with better security and proven track record. (Seifert and Gonenc, 2008; Watson and Wilson, 2002). The criteria do not consider alternative evaluation for credit worthiness like the entrepreneur's track record or the soundness of their business, for example, the Swaziland financial services corporation (FINCORP) uses the business plan as its major determining criterion.

Access to finance from financial institutions has also been hampered by lack of capacity and training among the SME owners and managers. The lack of capacity was evidenced by the

quality of business plans submitted to financial institutions as supporting documents for loan applications. In this regard, the government has undertaken to invest in training and capacity development the Swaziland Enterprise Development Corporation (SEDCO). Government policy in Swaziland is to work with the clearing banks in Swaziland to help develop their capacity to lend more effectively and profitably to Swazi SMEs (SME Policy, 2002)

Another factor impeding the success of SMEs to access bank finance is their size and management structures. Other factors that have been mentioned by banks in declining funding proposals of SMEs include unconvincing business proposals, lack of track record and poor presentation. The problem of access is worse in the rural setting where SMEs do not have the necessary skills to develop their largely agro-based businesses to be well diversified and bankable (Swaziland SME Policy, 2002). Further to this, grants from donor bodies are scarce owing to the country's categorization as a middle income country. However, the Swaziland Finance Corporation (FINCORP) has over the years made great strides in availing funding to local enterprises (CDE, 2013).

A policy titled, "National Policy on Small and Medium Enterprises" was endorsed by the Government of Swaziland in 2003. It reveals Swaziland's vision, intention and strategy on the development of the SME sector. The Policy aims at increasing economic empowerment and ownership by ensuring meaningful ownership of SMEs by Swazis. The Policy also seeks to address poverty, deprivation and other economic disparities through increased wealth creation (The Government of Swaziland, 2003). The Policy adopted a singular definition of SMEs and this definition will be the core definition of this study. The Policy defined SMEs as shown in Table 1 below:

Enterprise classification

	MICRO	SMALL	MEDIUM
Value of Assets	Under E50 000	E50 000 to E2 million	E2 million to E5 million
Staff Employed	1 to 3 people	4 to 10 people	11 to 50 people
Turnover	Up to E60 000	Up to E3 million	Up to E8 million

Source: National Policy on Small and Medium Enterprises (2003)

The Policy also stated that the definition might be in conflict sometimes and therefore recommended that the number of employees should be used as the governing criteria.

In countries where national savings are low, problems of SME access to finance is further compounded by government policy at the macro level. Domestic borrowing by the government results in the crowding out of SMEs. The legal environment may also cause lending institutions to shy away from SMEs if there is lack of adequate protection from delinquent payment and bankruptcy. In other instances, the tax regime may force SMEs to operate in an opaque manner resulting in lending institutions avoiding lending funds to them (Firth et al., 2009; Ngoc and Nguyen, 2009).

Swaziland promulgated a national SME policy which came into effect in 2002. The Swaziland National SME policy sets out the vision and strategy on SME development in the Kingdom of Swaziland. The policy seeks to support Swazi ownership of SMEs and increased FDI with an encouragement towards employment of local Swazis. No studies have however been made to evaluate the policy impact. Government has also been facing fiscal challenges resulting in many policy targets being missed. The impact of government's fiscal challenges on SME development has not been established.

Swaziland, through the creation of the Small Enterprise Development Corporation (SEDCO), the Small Business Growth Trust and the Swaziland Industrial Development Corporation (SIDC) has for many years attempted to stimulate indigenous enterprise through the direct route. Despite a committed management and professional team at SEDCO, economic growth statistics suggest that this direct approach has largely failed to create significant impact in Swaziland. The government has created an SME Unit with a brief to advise government on policy and use less direct and interventionist approach and to stimulate indigenous enterprise through improving the environment for business (SME Policy, 2002).

There are a number of reasons for the failure of Government support to small businesses. Some of the reasons identified include: (1) lack of awareness (outreach); (2) uneven distribution (concentration in metropolitan areas); (3) the high cost of searching for support services which has not been mitigated by effective information on how and where to access

support; and (4) cumbersome administrative requirements of Government programmes resulting in user fatigue and high levels of disappointment (Berry et. al., 2002)

In spite of these initiatives, the Government has not been able to bridge the access to finance gap by directly offering finances to SMEs due to a number of reasons. Chief among the reasons cited by government is the competing priorities given the pressing needs in the health and education sectors. The situation is further compounded by the HIV AIDS pandemic which has ravaged Swaziland leaving the country with one of the highest incidents of the disease in the world. On the education front, Swaziland has recently introduced free primary education (FPE) in response to the provision of the national constitution. The roll-out of FPE has been undertaken at a time when government was grappling with the fiscal crisis, thereby exerting pressure on the national budget (Swaziland SME Policy, 2002).

1.1 Background

Micro Finance Initiatives

Swaziland Industrial Development Company (SIDC) was established in 1987 as a joint venture between the Government of Swaziland and other international finance institutions from Germany, United Kingdom, Holland, France and the International Finance Corporation (IFC). In 2008, these international finance institutions sold their shareholding at SIDC to Swaziland National Provident Fund (SNPF) and Interneuron Investment Trust in Swaziland. SIDC is a development finance institution that specialises in financing projects through equity, loans and leasing (SIDC, 2011).

However, SIDC has since expanded its mandate to include financing SMEs through loans ranging from R50 000 to R1.5million. SIDC has teamed up with other organizations that offer business support services in order to ensure that SMEs get the necessary support during their start-up and expansion phases (Times of Swaziland, 2011).

FINCORP, which is formerly known as the Enterprise Trust Fund, launched by His Majesty King Mswati III in November 1995 with the primary objective of economically empowering the Swazi people at grassroots level through the provision of sound financial services.

FINCORP started as a wholesale finance lending institution - only offering wholesale lending to decent financial intermediaries.

However, after discovering that the number of reputable financial intermediaries in the country was low, FINCORP modified the qualification gauges in order to accommodate newly established intermediaries in the form of associations, (Dube, 2012).

The change in policy was complemented by the introduction of a capacity building intervention where the recently formed and weak associations were to be provided with training on credit management and governance of financial intermediaries. In addition, FINCORP helped in the setting up of office areas by way of issuing grant funds for the acquisition of office fittings and equipment such as computers and furniture. However, this plan showed some problems which included a severe shortage of financial services to lend, poor performance of the associations which was hindering the quality of the fund's loan portfolio and limited portfolio growth because of the group lending method.

Also, the institutional structure as a Trust Fund limited the fund's ability to mobilise funding for operations and growth. At the face of these challenges the fund conducted a study which was aimed at evaluating the relevancy, efficiency and effectiveness of the current mode of operation. The findings exposed that the fund needs to move from away from wholesale lending to retail lending. As such, the Enterprise Trust Fund was transformed into a private corporation, now known as FINCORP, with a commercial operational design engendered on sustainability and profitability.

The objectives of FINCORP are:
i) To finance and promote the development of Swazi-owned enterprises;
ii) To efficiently and effectively contribute to the alleviation of rural poverty among Swazi citizens;
iii) To support the expansion of loan financing to SMEs;
iv) To support the provision of business advisory services, training, monitoring, technical transfers and development of other products and services for SMEs;
v) To facilitate access to institutional development services and increase the long-term capacity of Swazi owned enterprises.

FINCORP offers a wide range of financial services including general business finance, agribusiness finance, trade finance, contract finance, asset lease facilities, order financing and other financial services such as money transfers and insurance. Since inception the organization has been characterised by an average annual portfolio growth rate of 20 per cent and it once grew by over 100 per cent in one year. High repayment rates have been maintained since inception whilst the portfolio risk has been kept at acceptable levels. Financial results for the year ended 31 March 2009 showed an unprecedented net profit of E9.7 million (USD$1.3million). To this end (2009) cumulative disbursement exceeding E1 billion have been processed to over 50 000 clients (Swaziland Development Finance Corporation, 2009).

Imbita is a membership based organisation that provides three financial services namely, savings, credit and funeral schemes. Imbita's target market initially was the urban and semi-urban areas. However, in recent years, they have included the rural areas due to the increased demand for their services. The organisation empowers women to be self-reliant by providing revolving loans to start businesses and improve the livelihood of their families. The main aim of the organisation is to address the financial constraints faced by women, particularly in the rural areas when establishing or expanding their businesses (Geneva Global Inc, 2006).
The objectives of Imbita are as follows:
i) To enhance the economic self-sufficiency of low-income earners particularly women by supporting micro enterprise development through the provision of practical financial services and appropriate business training and support;
ii) To create opportunities for self-employment from the untapped manpower resources;
iii) To increase the income generating capacity of low income earners and the ability to enter the economic mainstream;
iv) To strengthen the low income earners' ability to participate in financial decision making in their homesteads and communities.

Saving still remains the key concept of Imbita as all the lending methodologies require that members save for three months prior to accessing credit from Imbita. The joining fee for saving with Imbita is E50 and loans are advanced at three or five times of the savings. Imbita's saving schemes have benefited 16 000 people and there has been over R25 million worth of loans that has been disbursed to over 8 400 beneficiaries.

The Youth Enterprise Fund is an initiative of the Government of Swaziland that is directed towards reducing unemployment amongst the youth in Swaziland. The Fund was established in February 2008 under the Ministry of Sports, Culture and Youth Affairs. The Fund was established for youth between the ages of 18-35 years and it aimed at providing capital for individuals, associations and companies.

The core objectives of the fund are:
i) To empower the youth with skills that will help them actively participate in the country's economic activities;
ii) To provide the youth with capital for business start-up and expansion without collateral requirements;
iii) To provide mentorship and coaching programmes for youth-owned enterprises.
The fund is currently administered by Imbita which presents loan applications to the Board for approval. The loan application process and disbursement of funds are carried out through Tinkhudla (The Government of Swaziland, 2011).

The Youth Enterprise Fund (YEF) provides start-up capital for young individuals (aged 18 - 35), companies and associations. The Fund also facilitates training of young entrepreneurs and links them with large corporations to stimulate technology and management spillovers. Currently, the YEF faces low repayment rates as some of its young borrowers have not started yet the enterprise they outlined in the business plan, or started and failed. This situation was mostly a result of disbursed funds not being adequately monitored and certain weaknesses in the YEF's business proposal assessment process. A viable recapitalization strategy for the YEF needs to be created to reduce the Fund's dependence on unstable Government financing. (FinMark Trust, 2003)

The afore mentioned organisations have made tremendous strides toward financing SMEs in Swaziland. Their databases have revealed disbursements in the millions each year, in a bid to support Swazi Entrepreneurs, since 2004 SIDC has disbursed over E17 million, while FINCORP the leading SME financer has disbursed around E3 billion since its inception.

1.2 Problem Statement

In terms of availability of financial products and services the Swazi economy as a whole is well placed with relatively well developed financial markets. Small business however, is met by frustration when it comes to accessing those financial products and services; this is according to the National Policy for SMEs in Swaziland, by the Ministry of Enterprise and Employment. The Policy further states that; within the Swazi SME sector, the lack of or need for collateral and security consistently disqualifies the SMEs from the criteria set by financial institutions.

The problem of lack of access to finance for SMEs has not only plagued Swaziland as (Herrington et al., 2010) has attested to, but is also a problem in many parts of the world. Difficulties in accessing finance is one of the main problems faced by SMES as there is considerable literature supporting the contention that SMEs particularly face financial access related problems owing to their perceived risk by lenders (for example, Cassar and Holmes, 2003).

In order to reduce poverty sustainably, it is important to promote growth through employment creation. For developing countries like Swaziland, SMEs are an engine for employment creation, a major source of income as well as a breeding ground for entrepreneurial development (UNIDO, 2005). To promote SMEs in a meaningful way, key determinants of their success must be clearly identified and understood within the context of Swaziland's macroeconomic and socio-cultural environment.

Lack of access to finance has crippled most African economies because the poor are not able to acquire sufficient resources to meet their basic needs (Goransson & Ostergren, 2010a: 5). Researchers such as Morduch (2000a) have attributed this adversity to three reasons: i) high transactions costs incurred by banks when processing small credit; ii) the difficulty for the lender to determine the riskiness of potential borrowers and monitor clients' progress when they are poor and involved in informal business activities; iii) and lack of assets by low-income households which can be put up as collateral against the loan.

This study seeks to address the role of financial access in the success of SMEs in the context of Swaziland. The researcher seeks to analyse the relationship between financial access and measures of success such as profitability and business failure/mortality, and to collate the

characteristics that are most significant to Swazi SME success with the view of determining how the same characteristics can be mainstreamed for entrepreneurial success.

1.3 Objectives of the Study

The objectives of the study were as follows;

- Determine the effect that financial access has on the success of SMEs in Swaziland
- To examine the utilization of credit by SMEs for business growth.
- To assess the challenges/barriers SMEs face in accessing credit or finance.

1.4 Research Hypotheses

The hypotheses that will be tested in this study are summarised as follows;

- Does financial access have a positive effect on the success of SMEs in Swaziland?
- Are credits effectively utilized by SMEs for business growth?
- What are the challenges/barriers of SMEs in accessing credit or finance?

1.5 Significance of the Study

This research was to assist current and future entrepreneurs by making them aware of the impact of financial access to SME success within a Swazi context, this study was also to help as reference as there is a critical lack of quantitative studies on critical success factors for SMEs in Swaziland. The study findings were also act as basis, upon which future research could be based.

2. Literature Review

What the SMEs bring forth to national economies is widely acknowledged. According to Nichter & Goldmark (2009), this contribution is usually higher in developing economies. In the East African region, SMEs have an utmost possibility to stimulate economic growth, entrepreneurship and employment (AfDB/OECD, 2007; Deloitte Consulting Ltd, 2012). For example, in 2006, SMEs in Kenya were said to have contributed 50 per cent of job creation (Bowen, Morara & Mureithi, 2009) while in Uganda, SMEs are anticipated to contribute 75 per cent of the GDP and creating job opportunities to more than 2.5 million citizens (AfDB/OECD, 2007; Okello-Obura *et al*, 2008). The principal aim of SMEs in these economies should not come as a surprise given that majority of people in this region see starting a business as a way of doing away with poverty and lack of employment (Rheault & Tortora, 2011).

2.1 Role of Financial Access to SMEs Success

Access to finance refers to the availability of financial services – in the form of deposits, credit, payments, or insurance – to individuals or enterprises. The availability of such services can be constrained for instance by physical access, affordability or eligibility.In Africa, on average, less than 20 percent of households have access to formal financial services, with low population densities, poor transport and limited communications infrastructure contributing to a lack of supply in extensive regions of the continent. Even where such services are available, low-income individuals and small and medium businesses may have difficulty in meeting eligibility criteria such as strict documentation requirements or the ability to provide collateral.

Those able to meet such demands may find they are still excluded from formal financial services by cost barriers, in the form of high transaction fees or substantial minimum requirements for savings balances or loan amounts. Lowering these barriers to access and offering suitable financial products can allow households and small businesses to maximize the leverage of their savings or earnings for increased productivity, contributing to higher incomes, job-creation and, ultimately, growth.

SME financing denotes financial services for small and medium-sized enterprises. Access to loans, leasing, trade credit and other forms of finance can be effective in supporting the growth of these small and medium-scale businesses and increasing output. The SME sector, which makes a significant contribution to the national economies of many African countries, is increasingly becoming a focus of attention for development stakeholders interested in market-based methods of encouraging economic development and fighting poverty.

Most entrepreneurs are meant to believe that finances are sufficiently available but getting hold of them is the major obstacle for SMEs. The concern that needs to be attended to in SME development relates to access especially for start-up SMEs (Maas and Herrington, 2006). Falkena et al. (2004: 81) demonstrate that there is a premium to be paid to being unbanked. For communities, the non-availability of financial services can also mean that the development of economic activity is severely constrained in that area. This "exclusion" is a function of both consumers and suppliers of credit. Customers cite a number of reasons for financial exclusion which include the high charges/process of financial products/services, inappropriate products (e.g. products having a number of inappropriate conditions attached to them) and not knowing how to manage an account (financial literacy) or the reluctance to deal with banks.

Access to finance is rated by experienced owner-managers as the most significant barrier to entry to business. Foreign owned banks, which see little commercial
appeal in lending to new indigenous businesses, largely dominate access to commercial finance in Swaziland (SME Policy, 2002)

2.2 Indicators of Financial Access

Objective indicators of access used by the World Bank Enterprise Survey of 2008 include whether the firm has any credit products (e.g. overdrafts, loans or line of credit), loan applications and rejections, percent of finance for working capital and investment, and interest rate. Subjective indicators of access include whether the firm claims access is one of the top three obstacles and whether the firm states "no need for a loan" as a reason for not applying for a loan.

In World Bank Enterprise Surveys (World Bank, 2012), only 36% of firms access external finance, and, even in OECD countries, firm access only reaches 40%. The surveys show that most private investment is internally financed (68% overall), with just 17% financed by banks and 4.5% through equity. Notably, only 31% of firms in these surveys see access to finance as a major constraint, and only 16% say it is their most important constraint.

Table 2 below show the patterns of financial access by world regions

Region	*Don't have a loan*	*Don't need a loan*	*Finance is not a Problem*
East Asia and the Pacific	69.1	42.4	80.8
Europe and Central Asia	51.8	39.8	75.5
Latin America & the Caribbean	57.0	42.1	69.2
Middle East and North Africa	80.4	20.8	43.7
South Asia	68.7	39.9	74.5
Sub-Saharan Africa	79.7	34.9	54.7
OECD	64.4	53.0	85.4
World	70.0	39.4	68.2

Source: World Bank Enterprise Surveys, 2012

Examining Table 1, above, one can note that, even in Sub-Saharan Africa, where over 56% of firms say access to finance is a problem, and only 20% of firms have loan, there is a gap between firms' ability to borrow and their willingness to borrow.

2.3 Reasons for Limited SME Financial Access

Scholars such as Green (2003) argue that the problem of access to finance faced by SMEs in developing countries is a direct result of the underdeveloped nature of the financial system and lack of liquidity among other things. The problem is worse in rural areas where branches of financial institutions provide limited range of services and my not have authority to grant loans. This disproportionately disadvantages SMEs in rural areas. Green (2003) proposes the following reasons why financial institutions engage in credit rationing for SMEs:

> *Financial institutions are less enthusiastic thus they put forward the following reasons among other to advance credit to SMEs. Banks quote the high administrative costs of small-scale lending, assymentric information, high risks associated with*

SME operations as well as lack of collateral. Though these reasons are common to both developing and developed countries, they seem more pronounced in the former.

The high administrative costs of small-scale lending come from the fact that SMEs typically need small loan compared to large firms, this is according to Green (2003). These administrative costs involved in loan processing are however not differentiated according to the size of the loan, for both large and small loans they are similar. This makes the micro loans unattractive and less efficient on the cost benefit scale. The situation is further intensified by the fact that most SMEs are generally established in remote areas which increase the cost loan assessment as in most case client visits have to be conducted during assessment of applications and monitoring of loan performance.

On the problem of information asymmetry, Green (2003) posits that for an efficient allocation of resources by market forces, every participant should have adequate information. However this may not be the case with financial markets as borrowers have more information about their need and their ability to repay than the lenders. Lenders therefore take advantage to gain adequate risk profiles by trying to seek for more information about the borrowers well as the project or business that the borrower seeks funding for. The challenge with information asymmetry is worse in SMEs than in bigger firms due to lower information standards and lack of capacity among SMEs to process and maintain required information.

According to Brierly (2001), the risk-reward relationship is the only way that financial institution will be keen and willing to provide credit to SMEs. Green (2003) postulates that, banks perceive SMEs as high risk clients and are reluctant to offer credit to them. SMEs are typically small in size and are vulnerable to market fluctuations which results in high mortality rates. SMEs lack track record of profitability and do not have a good financial background to support their projections. Compounding their creditworthiness is the lack of proper accounting systems as well as deficiencies in administrative and organisational structures.

SMEs tend to have weaker accounting and management reporting than large firms for two reasons. The first reason is that the fixed cost element in preparing accounts, management reports, etc., are a greater proportion of revenues for small firms, so they are likely to produce less information than larger firms. The second reason is that SMEs are often controlled by

family or a small group of insiders (La Porta, 1999), many of whom may be directly involved in managing the firm. These insiders may be satisfied with less information and are in a better position to understand and interpret the limited information that is available. Hence, SMEs find the information requirements of accessing external finance more burdensome than larger firms. SMEs may also have a greater incentive to avoid recordkeeping, which would expose them to additional taxation or government regulation, which also tend to be more burdensome on SMEs.

Lack of collateral is another challenge faced by SMEs in finding access to credit. Financial institutions are likely to approve credit for enterprises that are capable of securing the loans with some form of collateral. Banks and other financial institutions therefore base their lending decisions on the value and quality of collateral provided by the borrower due to asymmetric information related challenges. Collateral gives financial institutions comfort to finance the project as it is a sign that the borrower's confidence in his project's prospects by pledging his assets. Start-up firms usually have difficulties in accessing credit despite having profitable and bankable projects due to lack of collateral. (Green, 2003)

Few SMEs, especially in the early stages of growth, possess significant unencumbered assets on their balance sheet that can be used as loan collateral. As a result, banks often require SME owners to pledge personal assets as collateral or provide personal loan guarantees. This exposes the business owner to additional liability for business failure, which discourages SMEs from borrowing. Even where firms do possess assets that could be used as collateral, firms bear the cost of registering collateral, so inefficient and costly collateral registration processes deter SMEs from registering assets, which could provide the basis for borrowing from banks

Many SMEs end their life in insolvency, so the efficiency and transactions costs of the insolvency regime in distributing the remaining capital to creditors and shareholders are also important factors for their owners to consider. An efficient insolvency regime enables SME owners to terminate their liability of an unsuccessful enterprise to creditors and shareholders. This limits the risk and costs of launching an enterprise - without such limits, launching an enterprise can be a once-in-a-lifetime gamble, which discourages entrepreneurs from borrowing and risking insolvency in the event that they cannot repay

Malhotra et al. (2007) argue that through innovative lending approaches the credit demand-supply gap for SMEs can be successfully bridged. Holtman, Rühle and Winkler (2000) propose that the lending methodologies to be employed should include a loan breakdown that focuses on cash flow rather than collateral. Regular borrowers should be entitled to larger credit limit. Other studies like Park et al. (2008) reveal that financial institutions have developed tool to discriminate between high and low risk borrowers. Such tools include credit scoring and other sophisticated techniques which can reduce the risk of lending to SMEs

2.4 Swazi SME finance landscape

The banking sector, composed by 4 commercial banks with 43 branches across the country, remains well capitalized and profitable and dominates the Swazi financial system, with South African banks accounting for the lion's share of the market. A large part of the population still lacks access to finance. Number of depositors with commercial banks per 1,000 adults has increased to 519 in 2011 from 388 in 2006 while number of borrowers increased from 79 to 101 in the same years. (World Bank, 2012)

The non-bank sector has been growing in recent years, aided by the high cost of accessing commercial banking services and the sector's weak regulation. Smaller Non-Bank Financial Institutions, such as savings and credit. The Swazi stock market, which began operation just over a decade ago, remains small. During its first years of operation, the market operated as an over-the-counter broker facility, to then become a full-fledged Stock Exchange in 1999. The Central Bank of Swaziland overseas capital market actions and regulates trades. In 2009, the stock exchange reached a total market capitalization equal to 11 percent of GDP.

Swaziland's fixed incomes market, while slowly developing, remains relatively shallow. The central bank issues treasury bills on a weekly basis and has recently released long-term bonds. As of April 2011, Swaziland still received no sovereign rating from any of the three major credit rating agencies. While various financial institutions like insurance companies and pension funds invest in the country's debt markets, banks still largely dominate the investor base. Individual investors can access the market through either primary dealers or brokers, and non-residents can trade government securities but are subject to exchange

controls similar to those in place in South Africa. The secondary market is largely inexistent as the trade of treasury bills is limited to primary markets. (World Bank, 2012)

Swaziland has excess liquidity in the banking sector, mainly due to a lack of investment opportunities. This can be attributed to a number of factors. Not only has economic growth been poor, but banks also find it easier to invest in government bills or with South African parent companies. In addition, they face a number of regulatory hurdles. They are not allowed to invest more than 25% of their capital in a single investment, limiting large infrastructure projects. Strict provisioning requirements on non-payments also push up costs. Furthermore, regulation requires formal financial statements and detailed information to be kept for SMEs. Many SMEs are unable to provide these without support and banks find it too costly to provide the requisite support structures. Despite these constraints, very little effort is currently made by banks to reach a broader section of the population. (FinMark Trust, 2003)

Lack of competition allows them to maintain high interest margins and the products and services offered by the Swaziland banks are a subset of the products available in South Africa. Loan and mortgage products focus on employed, middle and upper income earners and there has been little innovation. The statutory bank, Swazibank, has been the most pro-active of the banks in serving lower income households. This is due to a less strict credit screening process, however, which has contributed to the bank's problems. It has developed a number of products tailored to the local market and with proper management, has enormous potential to profitably serve the current unbanked and under-banked. The Swaziland Building Society (SBS) is a major provider of long-term mortgage lending. It provides loans to all sections of the community, mainly for the purchase of vacant land and the construction of housing. It has recently started providing commercial mortgages and has embarked on some innovative schemes to tap new borrowers. This includes a rural housing scheme that enables borrowers to build on SNL by mobilising pension and provident funds as collateral. (FinMark Trust, 2003)

2.5 Micro Finance Institutions (MFIs)

MFI's include organisations such as the Enterprise Trust Fund, Inhlanyelo Fund and Imbita Women's Finance Trust, as well as Co-operatives and Savings and Loan schemes that make funds available for income-generating activities. The positive contribution of these

institutions in assisting the SME sector is recognized. There is a need to strengthen the management and information systems of those institutions, so that they are in a position to raise equity and debt capital from commercial sources and to increase the depth and penetration of their lending. (SME Policy, 2002)

2.6 Non-Governmental Organisations (NGOs)

In terms of non-state initiatives, international NGO, TechnoServe, has been supporting Swazi SMEs, including those owned by youth, since 2006. Similarly, the Junior Achievement Swaziland (JASD) has developed entrepreneurial skills among Swazi youth through its programs for high school students. These initiatives are briefly discussed below.

Among NGOs supporting entrepreneurship, *TechnoServe Swaziland* has centered its activities on training, mentoring, and networking as well as on the provision of seed capital. Its *Believe-Begin-Become* (BBB) program helps promising young entrepreneurs create sustainable businesses. The BBB program also supports young entrepreneurs by linking them with financial service providers. The BBB program has been successful in Swaziland, as evidenced by performance of the enterprises it assisted. The careful selection of participants (only 80 applicants were selected in 2012) and their after-care were key to its success. However, it is not clear if the BBB program would perform as successfully on a larger scale.

Access to credit is cited as a key obstacle for young entrepreneurs in Swaziland who often lack collateral and are considered 'higher risk' because of their limited business experience. To address this impediment, TechnoServe launched a $25 million loan guarantee facility that was taken up by Standard Bank and Nedbank Swaziland. The initiative seems to have played a catalytic role. A similar scheme - albeit on a larger scale -was recently rolled out, with the Nedbank extending credit under the Central Bank of Swaziland guarantee scheme. Entrepreneurs need to receive training from the Swazi Small Enterprise Development Company (SEDCO) to participate in this scheme.

Similarly to TechnoServe, *JASD* focuses on capacity development among potential young entrepreneurs, but it does so already at the secondary level. Specifically, JASD educates high school students about entrepreneurship and financial literacy through practical, hands-on

courses. The aim is to prepare them for self-employment and equip them with entrepreneurial thinking for the workplace, and, more broadly, for success in the global economy. To achieve its objectives, JASD draws on partners from the private sector, education institutions and Government to provide in kind, monetary and other support. (FinMark Trust, 2003).

2.7 Factors Affecting SMEs Success or Failure

As this study sought to triangulate the factors that impeded the success of SMEs or ultimately led to its demise. There are also five factors that influence success of Jordanian SMEs which include technical procedures and technology, firm structure, financial structure, marketing, productivity and human resource structure, these were identified by Al-Mahrouq (2010).

Rose, Kumar & Yen (2006) found personal initiative, education, working experience, managerial and technical skills, and parents' involvement in business to be critical determinants of success. This was revealed in another study on success factors by these founding Malaysian entrepreneurs. To determine enterprise success, their study used venture growth and correlation analysis to experiment the importance of the relationship between venture growth and selected success variables. The results of this study were triangulated using semi-structured interviews with founding entrepreneurs. In Bangladesh, Philip (2010), performed the same study and reported to have found a major relationship between SMEs success and a way of doing business, knowledge of management, product and services, and external atmosphere.

In Africa, several studies on SMEs have questioned why business fail. For instance, Bowen *et al* (2009) carried out an exploratory study that aimed at identifying challenges of micro and small businesses in Kenya. The study revealed that micro and small enterprises come across various challenges including increased competition in the market place, lack of confidence, lack of financial management skills, not enough working capital, and lack of innovation. Same as this study in Uganda, Tushabomwe-Kazooba (2006) confirmed that political, social, and economic factors as well as poor management all resulted to small businesses failing. Briggs (2009), Temtime & Pansiri (2004) and Olawale & Garwe (2010) delivered the same outcome in Uganda, Botswana and South Africa respectively. Another study that was performed in five African countries, Frese *et al* (2000) reported finding proof that connected enterprise success to entrepreneurial orientation, personal initiative, strategy, and

formalization status. Apparently the focal point of most African studies on SMEs is on the causes of why small businesses fail rather than reporting about successful enterprises, an inspection that could be attributed to the high rate of SME failure in many African countries
There are inadequate studies on SMEs in Swaziland and where available, they are generally not enough in scale and open to doubt due to lack of data as SMEs do not keep proper records thereby affecting validity of studies. This is according to Joubert and Akinnusi (1993).
However, non-financial measures, due to their idiosyncratic nature together with challenges of putting figures to them, have most important flaw of delinking enterprise success from other sectors of the economy. On the other hand using financial measures is directly constrained by lack of proper record keeping, fear of disclosure occasioned by respondents' mistrust of researchers, and where such disclosure occurs, the threat of social desirability bias looms large (Sejjaaka, 2011). Apart from the challenges, a number of studies in Africa have recommended the use age of firm, sales, number of employees, level of formalism and succession planning (see, for example, Owusu-Ansah,1998; Sejjaaka, 2011; Witt, 2004) as logical measures of SME success.

There is however, no generally stipulated meaning of success. Business success has been defined in several ways (Foley and Green 1989). The two significant facets of success are: 1) financial versus other success, 2) short- versus long-term success. Various types of success include survival, profit, return on investment, sales growth, customer satisfaction etc. Apart from the differences, people generally seem to have a similar idea of the phenomenon that is what sort of business is successful (Jasra, et al. 2011). This study shall define success in terms of profitability, liquidity, age of firm and mortality (Owusu-Ansah,1998; Sejjaaka, 2011; Witt, 2004).

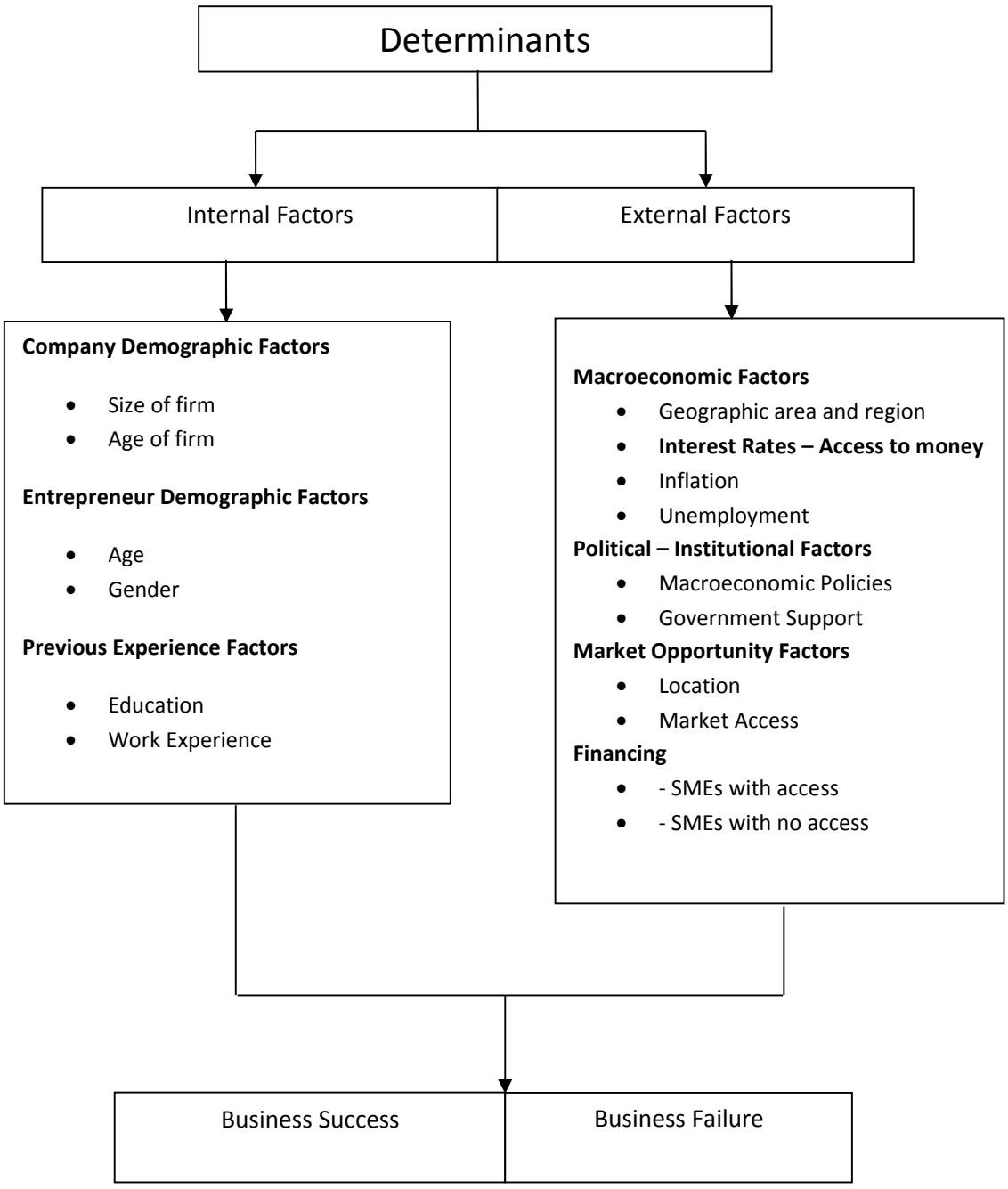
2.8 Analytical Framework for Determinants of Business Success

Research done before has revealed number of aspects that persuade success or failure of SMEs, these aspects can be largely categorized into internal and external aspects. There are firm-specific aspect such as management skills, human capital, financial management, and organizational demographics which are referred to as the internal aspect while external aspect include macroeconomic factors, political and institutional forces, market opportunities, and socio-cultural factors (Olawale & Garwe, 2010; Thandeka, 2008). According to Al-Mahrouq (2010), the importance of these aspects differ from one country to another. Internal factors

are mostly focused on the business and entrepreneur features while socio-economic set-up of a country are external factors.

Figure 1 presents the critical business success factors. The internal factors include company demographic factors like size and age of the enterprise while external factors include among others, macroeconomic factors and financial access,

Figure 1.1: Analytical Framework of the Determinants of Business Success



Source: Author's model, adapted from Olawale & Garwe (2010)

3. Methodology

3.1 Research Design

This study employed a quantitative research design. According to Cooper and Schindler (2008), the quantitative approach involves collection of primary data from a large number of individuals with the intention of projecting the results to a wider population. The quantitative approach sought to determine the relationship that may exist between independent and dependent variables. The quantitative designs can either be descriptive or experimental. A descriptive study establishes association between variables while an experimental study establishes causality

3.2 Sampling Design and Method

Sampling is the process of selecting a relatively small number of objects or elements from a larger group known as target population. The expectation is that information gathered from the sample will enable conclusions to be made about the larger group (Hair et al., 2008). This study employed the single stage cluster sampling method in order to ensure proportional representation from the SMEs in all four regions in Swaziland. In this sampling method the regions are regarded as natural clusters, in this case were the four different regions and where we applied simple random sampling on each cluster. The method allows the researcher to control sample size in the cluster and increases statistical efficiency (Schindler, 2003).

3.3 Sample Size

The research instrument was administered in the four different regions in the country; for consistency, it was administered in the Small Enterprise Development Company (SEDCO) area in all four regions, namely, Lubombo, Shiselweni, Manzini, and Hhohho region. The Lubombo Region was the exception – the data were collected from the Siphofaneni area, which is an up and coming town with a lot of SME activity. There were a total of 30 successfully completed questionnaires.

3.4 Research Instrument

The study employed a structured questionnaire for collecting primary data from SMEs. The questionnaire used, had close-ended questions and constituted the main source of primary data in this study.

3.5 Data

A questionnaire was used to collect the data. The questionnaire was designed based on the theoretical framework as discussed in the literature review section above. The questionnaire was divided into several sections with each section intended to measure a specific aspect.

3.6 Data Analysis

The dependent variable for this analysis is the SME's access to finance, the predictor variables are the different factors that this paper sought to study. The dependent variable was processed such that it was dichotomous, thus the binary regression model.

3.7 Model used

The Logit model was used to measure the effects of the several predictor variables on the dependent variables. The odds ratios were used to quantify the effects of the predictor variables.

$$\log_e \frac{\pi_i}{1-\pi_i} = \alpha + \beta_1 X_{i1} + \beta_2 X_{i2} + \cdots + \beta_k X_{ik} = \mathbf{x}_i'\boldsymbol{\beta}$$

L_i	=	Probability that an SME is successful Li = 1 when SME is successful and 0 if SME is not successful.
where : Pi	=	Probability that a SME is successful given the values of independent variables
1- Pi	=	Probability that a SME is not successful
ln	=	Natural logarithm
X_{ij}	=	The values of the different variables (eg. Education, having professionals in managerial positions etc) collected in relation to the dependent variables (the success of the SME).
β_i	=	for i=1,2,3; the coefficient of variables which measure the change in *L (log of odds)* for a unit change in the independent variable
α	=	Y intercept (constant) = value of L (l*og of odds*) when the value of all independent variables are equal to zero.

4. Results and interpretation

4.1 Introduction

This research sought to assist and create awareness or rather paint a vivid picture for entrepreneurs and all stakeholders in SME development in Swaziland of the impact of financial access to SME success within the Swazi context. The purpose of the study was also to act as a reference as there was a critical lack of quantitative studies on critical success factors for SMEs in Swaziland. The study findings will also act as basis, upon which future research could be based.

One of the primary objectives of this study was to assess the relationship that exists between access to finance and the success of a business enterprise. This study sought to determine the effects of financial access on the success of a business, to shed light on what is really the case on the ground, when it comes to SME financing. Since it was easy to ignorantly assume (based on a particular bias) that SMEs do not succeed without financing, this study sought to provide evidence that would either support or refute such claims.

Table 3 Cross tabulation of business success and receiving finance

		have you ever received business finance		
		Yes	No	**Total**
Do you consider your business successful?	Yes	13%	13%	26%
	No	39%	35%	74%
Total		52%	48%	100%

The table above shows that the largest proportion of respondents (39%), has in fact accessed finance, however they do not perceive their businesses to be successful. Such evidence alone would then refute claims that the key ingredient needed for the success of SMEs is financing, and also the lack of access to financing claim is also refuted by the table below, which shows that, of the all the successfully interviewed SME owners, 52% of them had received funding at least once.

As we further employed a different statistical technique to examine the kind of relationship that exists between these two variables (having access to funding and the perceived success of a business by the owner), like the odds ratio. The odds ratio is one of many statistical instruments used to assess the risk of a particular outcome if say a certain factor is present, it is a relative measure of risk telling us how much more likely a person who is exposed to a certain factor under study will develop a particular outcome as compared to someone who isn't exposed to that factor under study. The results discovered are displayed on the table below.

Table 4. Relationship of business success and access to funding

	Exposed	Unexposed	Total	Proportion Exposed	
Cases	3	3	6	0.5000	
Controls	9	8	17	0.5294	
Total	12	11	23	0.5217	
	Point estimate		[95% Conf.	Interval]	
Odds ratio	.8888889		.0911752	8.726429	(exact)
Prev. frac. ex.	.1111111		-7.726429	.9088248	(exact)
Prev. frac. pop	.0588235				

chi2(1) = 0.02 Pr>chi2 = 0.9013

The table above shows an odds ratio of 0.89. This basically implies that, there are reduced odds of a business owner who had access to funding to have a successful SME, and said odds are approximately reduced by 11%. The data collected thus far has not only disproved a positive relationship between access to finance and the success of SMEs, but it has further shown that a negative relationship between the two exists, which means the with more access to finance the odds of the business owner having a successful SME are reduced; again this was according to the data collected, this study does not presume that this will be the same in all instances. So here is the picture that was painted by the data; a majority of the SME

owners (52%) had access to credit, however, a majority also did not consider their businesses successful, the question was how this was possible. Seeking the answer to this question led us to the second objective of the study; to examine the utilization of said funding by the SME owners. It became apparent that there was an intervening variable between access to funding and the success of the SME.

Table 5 distribution of loan applications

How many times have you applied for loans from Micro Finance Institutions?

		Percent	Valid Percent	Cumulative Percent
Valid	0	37.0	40.0	40.0
	1	7.4	8.0	48.0
	2	29.6	32.0	80.0
	3	18.5	20.0	100.0
	Total	92.6	100.0	
Missing	System	7.4		
Total		100.0		

The table above shows that from the SME owners interviewed, the greatest proportion of them (37%) had never applied for finance. However, when examining the effect that not applying for finance had on the perceived success of the business, the outcomes were not as mystifying.

The approach taken by this study to probe this intervening variable issue was to determine the most pressing factors that the SME faced, among which were:

- Finding customers
- Competition
- Access to finance
- Costs of production or labour
- Availability of skilled staff or experienced managers
- Family sustenance

More specifically, on a scale of 1 – 10, where 10 meant it was extremely pressing and 1 meant it was not at all pressing, the respondents were asked to indicate how pressing each of the factors above was; the results were as shown Table 4.

Table 6 Pressing factors for the business

	Minimum	Maximum	Mean	Std. Deviation
Finding customers	1	10	6.48	2.238
Competition	3	10	6.80	1.979
Access to finance	0	10	6.31	2.710
Costs of production or labour	1	10	6.38	2.374
Availability of skilled staff or experienced managers	2	10	5.00	2.432
Family sustenance	0	9	5.54	3.092

The table above shows that, more the 50% of the time the SME owners are faced with the pressing matter of sustaining their families. It is these reasons that lead us to infer that, it was maybe safe to assume that some of the business funds went toward sustaining the families of the SME owners, since they listed family sustenance to be a pressing matter for their business at least 50% of the time, this factor is evidence of the utilization of the funding and/or business funds. Furthermore, we see that finding customers, competition, access to finance and the cost of production were other factors that were serious issues to SME owners.

One other objective that this study sought to achieve was that of assessing the barriers and/or challenges that SME owners had when it comes to getting finance; this is where the binary logistic model played a big role. However due to the inadequate keeping of business records, the study could not use the political risk rating (PRR), project risk score (PRS), return on investment score (ROI) and end-user fees potential (EFP) as a proxy variable for success. Instead it modeled the success of the SME as per the SME owners' standards, or rather perception.

Table 7 predictor variables odds ratios

factor	Odds ratio_10%	P-value_10%	Odds ratio_5%	P-value_5%
Having professionals in managerial positions	1.52	0.039	1.13	0.053
Number of children alive	0.98	0.005	0.78	0.122
Education	0.87	0.022	0.88	0.046
Marital status	0.90	0.043	0.92	0.722
Having adequate collateral	6.45	0.013	5.22	0.065
Gender	1.22	0.045	1.03	0.322
The adequate keeping of business records.	1.21	0.027	1.34	0.55

The table above shows the output of a logistic regression done on statistical software STATA, where the dependent variable is whether or not the SME has received funding the significance level maintained during this procedure was 90% because at 95% some of the results were insignificant. The independent variables are:

B1 = having professionals in managerial positions

A7 = Number of children alive

A4 = Education

A5 = Marital status

C5 = having adequate collateral

A1 = gender

Record score = the adequate keeping of business records.

As such, from the figure 1, above we see that, the factors that increase the odds of an SME to procure funding are:

1. Having professionals in managerial positions; by 52%
2. Having adequate collateral, which increases the odds of accessing funding six fold.
3. The adequate keeping of business records; by 22%
4. The results also depicted that being male also increased the odds of the SME owner to access finance; by 21%

On the other end, the factors that reduce the odds of an SME owner from accessing finance are:

1. Not having children; by approximately 2%
2. The lack of education; by approximately 13%
3. Being single; by approximately 10%

Table 8 demographic analysis

Marital Status			Do you consider your business successful?	
			no	yes
Never married	have you ever recieved business finance	no	25.0%	
		yes	75.0%	
	Total		100.0%	
Married(Swazi)	have you ever recieved business finance	no	70.0%	40.0%
		yes	30.0%	60.0%
	Total		100.0%	100.0%
Married(Civil)	have you ever recieved business finance	yes	100.0%	
	Total		100.0%	

Furthermore, the table above depicts that 75% of the single respondents who had received financing did not have successful SMEs, while on the other hand, 60% of the respondents who are married traditionally and had received financing considered their SMEs successful, which is in accordance with the results of the results of the logit regression.

5. Discussion and recommendations

Objective 1

The prelude, or rather assumptions that were made in the beginning of the study, which assumed that in Swaziland SMEs, experienced hardships and frustrations in accessing finance. The assumed status quo was that, SMEs in Swaziland were desperately seeking finance, upon which the success of their enterprise relied. But what the date depicted was not of the sort.

Table 9 Relationship between applying for finance and the SME success

	Exposed	Unexposed	Total	Proportion Exposed	
Cases	3	3	6	0.5000	
Controls	11	6	17	0.6471	
Total	14	9	23	0.6087	
	Point estimate		[95% Conf. Interval]		
Odds ratio	.5454545		.0554633	5.563024	(exact)
Prev. frac. ex.	.4545455		-4.563024	.9445367	(exact)
Prev. frac. pop	.2941176				

chi2(1) = 0.40 Pr>chi2 = 0.5257

The table above shows that, not applying for finance reduces the odds of the SME being successful. However, as alluded to earlier in the results and interpretation, when it came to actually getting finance, the data showed that there were reduced odds of a business owner who had access to funding to have a successful SME.

As such, a recommendation with regard to this objective would be a more intensified probe in to the relationship between financial access and the success of the SME per sector that the SME is in, to see if this relationship does not vary between the sectors.

Objective 2

This particular objective proved to be a mammoth task, as the study sought to investigate the utilization of the financing received by the SMEs. The approach employed was a simple one; we sought to find out the most pressing issues of the business using a closed ended questionnaire where one of the factors was family sustenance. Sure enough this factor plagues the SMEs more than 50% of the time as the data later revealed.

One would strongly recommend that this objective is further investigated using more and better techniques going forth. This objective would need an entire paper to focus and give the appropriate attention to its intricacies.

Objective 3

This objective was about trying to quantify and shed light myth that is "the formula" for success, by examining the negative and positive factors when it comes to attaining finance. The results depicted that besides having the following characteristics:

1. Having professionals in managerial positions
2. Having adequate collateral
3. The adequate keeping of business records
4. Being male

The data showed that the SME owner must further have the following characteristics in order to stand a better chance of getting finance:

1. Have children
2. Keep efficient business documents, like a business plan, income statement and a business SWOT analysis

3. Be married.

So all in all this study revealed factors that could present themselves as barriers in their bid to secure finance as:

1. Not having professionals in managerial positions
2. Not having adequate collateral
3. The poor keeping of business records
4. Not being male
5. Not having children
6. The lack of education
7. Being single

For future studies, one would recommend that the approach to measuring this objective focuses more on the financial side of things, that is, considering the books of the SME in terms of financial ratios and the like.

6. Summary

This study sought to examine the financial factors that impeded the SME's access to finance, through various financial ratios. However, the data available or lack thereof presented a great challenge, seeing as how many SMEs kept very poor records. The study then pursued the examination of socioeconomic factors to address the same problem.

The study came to rely on the logit regression model, to see the kind of influence that the said factors had on the ability of SMEs to aces finance. With the finding we were then able to triangulate the factors that could be barriers to SMEs trying to obtain finance, which gave a lot of insight to the issue.

7. Conclusion

With all that has been done in the paper, as a means of investigating the role of financial access to the success of SMEs one can confidently say that financial access plays a

significant role in the success of SMEs, in Swaziland, as a result, the sum of money that Swazi micro finance organizations has been on an increasing trajectory.

However, this paper shows that the financing alone does not guarantee success for the SME. It shows that there are other vital variable that complement the financing, to archive success.

8. References

Barry, P. (2002). *Beginning theory: An introduction to literary and cultural theory*. Manchester University Press.

Butler, J. ‘’Psychometric Theory’’ *journal of market research society* (New York:McGraw-Hil) 24(2): (2008): 98-122.

Carland, H., Carland, J. W., & Hoy, F. (2002). Who is an entrepreneur? Is a question worth asking. *Entrepreneurship: Critical Perspectives on Business and Management*, *2*, 178.

Cassar, G., & Holmes, S. (2003). Capital structure and financing of SMEs: Australian evidence. *Accounting and Finance*, *43*(2), 123-147.

Cartsson, J.’’Qualitative Inquiry and research Design. .”*The journal of small Business finance* 2(1) (200):219-231.

Centre for the Development of Enterprise (CDE), 2013. Swaziland Private Sector Development Needs Assessment Report

Chittithaworn, Chuthamas, Aminu Islam, Thiyada Keawchana, and Dayang H M Yusuf. “Factors Affecting Business Success of Small & Medium Enterprises (SMEs) in Thailand.” *Asian Social Science* Vol. 7 (2011):180-191.

Cooper,D.R. & Schindler,P.S.2008. *Business Research Methods, 10th Edition*.Boston:McGraw-Hill Irwin.

Curran, M. ‘’Family enterprises as an important factor of the economic development: the case of Slovenia.’’ *Journal of Enterprising Culture* 11(2) (2007): 111-130.

Firth, M., Lin, C., Liu, P. and Wong, S.M.L. (2009), ‘’Inside the Black Box: Bank Credit Allocation in China’s Private Sector’’, Journal of Banking & Finance,33(6),pp.1144-1155

Foley,P,and H Green.Small business success.London:Chapman, 1989.

Goransson, K. & Ostergren, A. 2010:5. *Is trust a necessity? A case study of group lending within microfinance in the Mbarara District, Uganda.* Lund: *Nationalekonomiska Institutionen.*

Gupta, V, D Turban, S Wasti, and A Sikdar. ‘’The Role of Gender rStereotypes in Perceptions of Enterpreneurs and Intentions to become an Enterpreneur.’’ Entrepreneurship Theory and Practice, 33 (2009): 397-417.

Herrington, M., Kew, J., Kew, P., & Monitor, G. E. (2010). *Tracking entrepreneurship in South Africa: a GEM perspective*. Graduate School of Business, University of Cape Town.

Jasra, Javed M, Mohammad A Khan, Ahmed I Hanjra, Rana A Rehman, and Rauf Azam.

‘’Determinants of Business Success of Small and Medium Enterprises.’’International Journal of Enterpreneurship and innovation 4(2003): 251-263.

Joubert, P. Constraints And Ehalleges of Small and Medium Enterprises (SMEs) in Swaziland: A Case Analysis. University of Swaziland, 2002.

Kristiansen, S, B Furuholt, and F Wahid. ‘’Internet of cafe entrepreneurs.’’ International Journal of Enterpreneurship and Innovation 4 (2003): 251-263.

Loderer, C F, and U. Waechli. ‘’Firm Age and Perfomance.’’ Social Sciences Research Network, 2010.

Lugga, James, and Tesmegen Zewotir. Analysis of a Binary Response: An Application to Entrepreneurship Success in South Sudan. Pitermaritzburg: UKZN,2012.

Ministry of Commerce, Industry and Trade. SME Census,2010

Ministry of Enterprise and Employment. National Policy of the Government of Swaziland on the Development of Small and Medium Enterprises. Policy, Mbabane: Government of Swaziland, 2003.

Morduch, J. 2000. Microfinance schism. *World Development Journal,* **28**(4), 617–629

Nofsinger, J. R., & Wang, W. (2011). Determinants of start-up firm external financing worldwide. *Journal of Banking & Finance*, *35*(9), 2282-2294.

Papadaki, E, and B Chami. Growth Determinants of Micro-Business in Canada:. Small Business Policy Branch Industry Canada., 2007.

Pitman, F. ‘’Internet cafe entrepreneurs:pioneers in information dissemination in Indonesia.’’ International Journal of Entepreneurship and Innovation 4(4): (2008): 251-263.

Robb, A and RW Fairlie. Determinants of Business Success: An Examination of Asian Owned Businesses in the United States.’’ Discussion Paper, 2008.

Rodgers, M. ‘’Network, Firm Size and Innovation.’’ Small Business Economics, 22 (2004): 141-153.

Seifert, B., & Gonenc, H. (2008). The international evidence on the pecking order hypothesis. *Journal of Multinational Financial Management*, *18*(3), 244-260.

Swaziland Industrial Development Corporation. 2011. [Online] Available: www.sidc.co.sz Accessed: 11 March 2012.

Swierczek, F, and T Ha. Entrepreneurial orientation uncertainty avoidance and firm performance: an analysis of Thai and Vietnamese SMEs.” International journal of Entrepreneurship and Innovation 4 (2007).): 46-58.

The Government of Swaziland. 2003. *National Policy on Small and Medium Enterprises.* Mbabane: Ministry of Enterprise and Employment

Times of Swaziland. 2011. SIDC joins local financial institutions in financing SMEs. 14 October.

UNIDO. ‘’United Nations Industrial Development Organisation.’’ 2005.

Watson, R., & Wilson, N. (2002). Small and medium size enterprise financing: A note on some of the empirical implications of a pecking order. *Journal of Business Finance & Accounting*, *29*, 557-578.