A framework for facilitating bank funding of black SMEs in South Africa

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A research report submitted to the Faculty of Law, Commerce and Management, Wits Business School, in partial fulfilment of the requirements for the degree of Master of Business Administration

29 February 2024

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ACRONYMS

ANC	**African National Congress**
BASA	**Banking Association of South Africa**
BBEE	**Broad-Based Black Economic Empowerment**
BEE	**Black Economic Empowerment**
IDC	**Industrial Development Corporation of SA**
SARB	**South African Reserve Bank**
SMEs	**Small and Medium Sized Enterprises**
SMMEs	**Small Medium and Micro Enterprises**
KYC	**Know Your Customer**

CHAPTER 1. INTRODUCTION

1.1 Background of the study

Small and medium-sized enterprises are the fundamentals of economic growth. Younus (2021) mentions that the success of a country depends heavily on the performance of its SMEs sector. Business Unity South Africa (BUSA) (2019) illustrates that many private sector employments in South Africa come from Small Medium and Micro Enterprises, which generate 65% of all employment possibilities. This is evidence that SME's plays a significate role in the economy of South Africa. But still, they face various of challenges regarding access to funding especially through the Banks. The success or failure of SMEs is determined by their financial viability (Schwab, Gold, and Reiner, 2019).

Due to the significant default risk among SMEs and the inadequate financial facilities, access to formal funding is limited (Kauffmann, 2005). In South Africa, the funding landscape for SMEs is complex, with various challenges facing them. These challenges include a lack of collateral, high-interest rates, and stringent loan requirements, among others. With high interest rates, a lengthy application procedure, and onerous collateral requirements, many SMEs cite financing as the most difficult aspect of growth (Durst and Gerstlberger, 2021). Seldom are small enterprises able to meet the conditions set by banking firms, who perceive SMEs as a risk due to insufficient guarantees and an inexperience of their ability to repay loans (Kauffmann, 2005). Durst and Gerstlberger (2021) assert that due to a lack of established track records for success, small and medium enterprises (SMEs) are perceived as high-risk ventures by capital providers. The ability of SMEs to obtain external financing or internal capital plays a crucial role in their capacity to initiate new ventures, enhance existing ones, and achieve overall success (Younus, 2021).

Small and medium-sized businesses need sufficient long-term capital to invest in fixed assets and recruit personnel for the production of goods and services, contributing to sustained growth in the private sector (Amoako-Adu & Eshun, 2018). Nevertheless, lending institutions encounter difficulties associated with collateral requirements, a significant factor in mitigating credit risk for SMEs amid market volatility and challenges related to regulations, administration, and valuation (Amoako-Adu & Eshun, 2018). This study will delve further into these challenges, aiming to provide insights beneficial to SMEs in South Africa.

As part of the study, an exploration of the Racial Equity Framework, Financial Inclusion Framework, and Critical Race Framework will be conducted. The Racial Equity Framework is a procedure designed to ensure that individuals of all ethnicities have equal opportunities to lead healthy and dignified lives (Redwood & King, 2014). On the other hand, the Financial Inclusion Framework refers to a systematic approach that outlines tactics and regulations intended to enhance access to and utilization of financial services for marginalized groups, encompassing low-income individuals, women, and rural areas (Cull et al., 2018).The Critical Race Theory analyses how systemic racism is ingrained in legal and social systems by exploring the connection between race, power, and society (Delgado& Stefancic,2001). This is done in order to establish an inclusive financial ecosystem that acknowledges past injustices and fosters fair economic possibilities for all small and medium-sized black enterprises.

1.2 Research problem

Small and medium enterprises are acknowledged as the cornerstone of any economy, making substantial contributions to employment generation and economic growth. Despite their pivotal role, a major impediment hindering the performance and expansion of SMEs and small and medium-sized organizations in Africa is identified as the limited access to financial resources (Younus, 2021). There are many supportive conditions for business growth in South Africa, yet smaller enterprises do not thrive as expected (Langa & Govender, 2019). Banks serve as the primary source of external financing for SMEs; however, SMEs frequently encounter challenges in accessing loans or alternative forms of credit. Existing literature emphasizes a notable gap in SMEs' ability to secure funding from banks. This gap arises from the perceived high-risk nature of SMEs, which hinders banks from adopting the necessary flexibility to undertake risks associated with unsecured lending. Therefore, the purpose of this study is to carry out research and establish a framework that specifically targets the financial obstacles encountered by black-owned small and medium enterprises, with the aim of fostering a supportive financial environment in South Africa.

1.3 Research Questions & Objectives

Research Questions:

- What are the primary obstacles faced by SMEs in accessing funding from South African banks?
- What are the factors that influence banks' lending decisions to SMEs?
- What impact do historical and systemic variables, such as apartheid-era regulations and economic imbalances, have on the financial environment for SMEs owned by black individuals in South Africa?
- What are the key features and components that should be included in a banking framework designed to facilitate funding for black SMEs?
- What are the successful examples of banking frameworks in other countries that have effectively supported the funding needs of minority-owned SMEs?

The research objectives derived from the research questions are:

- To understand the primary obstacles faced by SMEs in accessing funding from South African banks.
- To explain the factors that influence banks' lending decisions for SMEs.
- To examine the impact of historical and systemic variables, such as apartheid-era regulations and economic imbalances, have on the financial environment for SMEs owned by black individuals in South Africa.

- Investigate the key features and components that should be included in a banking framework designed to facilitate funding for black SMEs.
- Explore the successful examples of banking frameworks in other countries that have effectively supported the funding needs of minority-owned SMEs.

1.4 Rationale

SMEs play a vital role in the South African economy, contributing significantly to employment and representing a substantial portion of the GDP, ranging from 28% to 36% (Small Business Institute, 2020). Despite their importance, SMEs encounter challenges in accessing funding and finance, impeding their growth and sustainability. While there are existing studies on this topic, there is a lack of research focused on establishing a framework specifically tailored to facilitate credit access for black SMEs from banks in South Africa. This gap in research is significant due to the unique context of South Africa, where SMEs may face obstacles not adequately addressed in current literature.

Understanding the funding challenges specific to black SMEs in South Africa is crucial for developing a bank's framework tailored to their needs. This research aims to provide valuable insights that could serve as a reference for black SMEs seeking funding from banks. Prior knowledge is essential for black SMEs in South Africa to efficiently manage their business operations and gather essential information for bookkeeping, especially when seeking financial support from banks. A comprehensive understanding of these challenges is imperative for the development of a bank's framework to effectively support black SMEs.

1.5 Statement of purpose

The purpose of this report is to examine and express interest in a framework for facilitating bank funding of black SMEs in South Africa. Despite government initiatives to assist black-owned enterprises and encourage economic empowerment, there is still a significant financial disparity between black and non-black SMEs. The historical and systemic disparities, the restricted access to networks and mentoring opportunities, and the discriminatory financing policies are some of the causes of this limitation. This dissertation seeks to develop a comprehensive framework that facilitates greater access to funding for black-owned SMEs in South Africa through the banks. It does this via a thorough assessment of pertinent literature, case studies, interviews with SME owners and banking experts, and other methods. This dissertation will also look at some suggestions and possible remedies to the problems, to a framework for facilitating bank funding of black SMEs in South Africa.

The findings of this report will be of significant interest to policymakers, bankers, and black-owned SME owners as they shed light on the current funding mechanisms for black-owned SMEs in South Africa and offer potential strategies to address the existing financing shortfall. Ultimately, the objective of this dissertation is to support black-owned firms in South Africa and bolster existing programs aimed at promoting economic empowerment.

1.6 Delimitations of the study

Looking at the study the focus will be on black SME's, based on funding access from the Banks. This study is an opportunity for the banks and black SMEs to have a framework that will work as guidance for access to funding through the banks. The study will be limited to data and information that is available up to the present day. Historical trends or changes over time may not be fully captured due to contextual changes. The study will rely primarily on secondary data sources, such as reports and publications, and include primary data obtained from interviews. And lastly the study will be conducted in English, which is one of the official languages in South Africa.

1.7 Definition of terms

Define SME

Small and medium-sized firms have been defined by the South African Reserve Bank (SARB) as "enterprises that employ fewer than 200 people, have an annual turnover of less than R100 million, and assets of less than R80 million" (South African Reserve Bank, 2018, p. 1). This definition is consistent with the National Small Business Act of 1996, which establishes a framework for identifying and supporting small enterprises in South Africa. In addition, the SMEs are defined by the Banking Association of South Africa (BASA) as "businesses with an annual turnover between R0 and R200 million, and less than 250 employees" (Banking Association of South Africa, n.d., para. 1).

According to the SARB, SMEs are classified as follows:

- Micro-enterprises: These are businesses with an annual turnover of up to ZAR 1 million and fewer than five employees.
- Very small enterprises: These are businesses with an annual turnover of between ZAR 1 million and ZAR 10 million and between six and twenty employees.
- Small enterprises: These are businesses with an annual turnover of between ZAR 10 million and ZAR 50 million and between twenty-one and fifty employees.
- Medium-sized enterprises: These are businesses with an annual turnover of between ZAR 50 million and ZAR 200 million and between fifty-one and two hundred employees.

These definitions are used by South African banks and financial institutions to determine the eligibility of SMEs for different financial products and services.

Funding

Funding refers to the process of raising capital or financial resources to support a particular project, venture, or organization (Freear et al.,2015). Lerner (2015) state that it involves acquiring money from various sources, such as investors, donors, grants, or loans. Funding is crucial for the growth and sustainability of businesses, non-profit organizations, and government programs (Osterwalder et al., 2014). On this study the funding means obtaining facilities given by the banks to support black SMEs in South Africa.

Banking institutions

A banking institution provides deposit accounts, loans, credit cards, and other financial services to people, corporations, and other organizations (Molyneux & Wilson, 2017). Banking institutions may trade, offer mutual funds, and other financial services (Saunders & Cornett, 2014). This study examines building a banking framework to help black SMEs in South Africa get capital.

Collateral/Security

Collateral is property given as security to a loan (Mishkin, 2007). In default, the lender might seize the collateral to recoup the debt. For fixed income securities, Fabozzi (2018) defines collateral as "assets that are pledged as security for the payment of interest and principal on the debt" (p. 50). Physical assets like real estate or equipment or financial assets like securities might be collateral. The SEC (2023) defines collateral as "a thing a lender will utilize as loan collateral.” If the borrower defaults, the lender can confiscate the collateral "(para. 1). SEC (2023) states that collateral can include real estate, automobiles, securities, and other assets.

1.7 Chapter Outline

The study is organized as follows: Chapter one introduces the study, and chapter two is a detailed literature analysis that summarizes past research to find market gaps for the main issue. It will be a compilation of research on the topic and its analysis to improve knowledge and argumentation. Research methods and procedures employed in this study are covered in chapter three. It will involve data analysis and discussion of data collection procedures. Chapter 4 will discuss the results, which will be shown in tables. Chapter 5 is explaining findings. Any diagram will be explained to explain graphs, charts, and tables. Chapter 6 will summarize the research and outcomes to conclude the study. The conclusion will also suggest bank framework changes to boost black SME funding access.

CHAPTER 2. LITERATURE REVIEW

2.1 Introduction

The urgent need for South Africa to experience consistent economic growth has never been given its historically average economic growth and the persistently high unemployment (Simatele, & Kabange, 2022). Additionally, there have been few substantial changes to the structure of the economy (Goga, Bosiu & Bell, 2019). Unbelievably high levels of inequality have accompanied the economy's poor performance (Simatele, M., & Kabange, 2022; Konieczna & Skinner, 2019). South Africa continues to rank as one of the most unequal nations globally, if not the most unequal, particularly in terms of income inequality among other indicators, and the situation has further deteriorated over time (Konieczna & Skinner, 2019). A Gini coefficient forecast of 0.63 for South Africa in 2024 indicates pronounced income inequality, with a substantial concentration of total income among a relatively small percentage of the population (Statistica, 2024).

The legacy of apartheid has left South Africa with an economy in which the bulk of the population, which is predominantly black, is excluded from engaging in the mainstream economy (Goga, Bosiu & Bell, 2019). Additionally, in South Africa, black people were colonized by the apartheid government, and their mindsets were not instantaneously decolonized (Mbandlwa, 2020).

When democracy was finally established in South Africa in 1994, it opened the door to numerous possibilities for the enactment of new policies and laws that would bring about the socio-economic equity that the nation required. The African National Congress (ANC) was confronted with the enormous task of redressing the socioeconomic injustices and inequities that were created as a result of apartheid (Pillay,2018). Therefore, the combination of historically average economic growth, persistent high unemployment, and a forecasted high Gini coefficient creates an economic landscape where access to funds for Black-owned SMEs in South Africa may be constrained among other things.

With the above background, funding appeared to be one of the main challenges that stops small and medium-sized businesses from growing into mature businesses (Semenya & Dhliwayo, 2020). Consequently, up-to-date perspectives on South Africa's market for financing SMEs are largely divided between two groups: those who believe that business owners need additional skills to be more likely to qualify for financing, and those who believe that the formal financial system is unfairly biased against applicants from previously disadvantaged backgrounds (Simcock, 2007). Therefore, this paper will look at a framework for facilitating bank funding of black SMEs in South Africa.

2.2 Literature Review

2.2.1 *Frameworks*

Evaluation of the existing banking frameworks

In the global context of banking funding frameworks for Small and Medium-sized Enterprises, South Africa presents a unique landscape shaped by both domestic and international factors. Comparing South Africa's approach to SME financing with that of other countries offers valuable insights. While South Africa has made significant strides in supporting SMEs through government initiatives (Rogerson & Rogerson, 2018), the country also faces specific challenges in terms of regulatory policies and access to finance (Matambara & Skully, 2018). In contrast, countries like Germany have long-established cooperative banking systems that prioritize SME lending, resulting in robust support for this sector (Bannier et al., 2021). The German approach emphasizes close relationships between banks and SMEs, ensuring tailored financing solutions and higher success rates for small businesses. The section below discusses how the South African Reserve Bank (SARB) plays a pivotal role inter alia regulating banks.

2.2.2 *South African Reserve Bank (SARB)*

Access to funding is crucial for businesses and individuals to thrive in the economy. In South Africa, the regulatory environment surrounding banks plays a significant role in determining the accessibility of funding for various entities. South Africa has a well-developed banking sector regulated by the South African Reserve Bank and the Prudential Authority. The regulatory framework includes capital adequacy requirements, liquidity standards, and risk management guidelines aimed at ensuring the stability and soundness of the financial system (South African Reserve Bank, 2018). These regulations are essential for safeguarding depositors' funds and maintaining financial stability but can also create barriers to accessing funding for businesses and individuals.

2.2.3 *Bank Risk Measure definition*

Risks of any some kind may be encountered by all firms (regardless of size and sector) on a daily basis (Kaplan and Mikes,2012). These risks are typically broken down into five categories: operational risk, financial risk, strategic risk, reporting risk and compliance risk (Chehabeddine, Tvaronavičienė, 2020). Normally, Banks need to pay attention or manage all these risks for their business to stay liquid and compliant.

Operational risk:

According to Girling (2022), operational risk is "risk of loss from inadequate or failed processes, people, and systems of external events." Legal risk is included but not strategic or reputational risk (p.1). Operational risk is the chance of a loss due to fraud, internal control failures, and human error (Chakabva, Tengeh, & Dubihlela 2020). Operational hazards include theft, fraud, system failures, human error, and low-quality goods and services (Risk Management Association, 2017). Lee (2021) advises financial institutions to examine their risk profile to reduce operational risks and improve information security.

Compliance risk:

Financial loss, reputational damage, or legal or regulatory implications from a bank's violation of banking laws, regulations, and industry standards is called "compliance risk" (RiskOptics; 2023). Compliance risks include anti-money laundering, Know Your Customer (KYC), data, privacy, consumer protection, and other threats (Hull, 2016). New technologies, goods, and services are rapidly transforming compliance risk (Muhammad, 2019). Compliance is harder and more critical for banks than ever.

Overall, these risk metrics help banks assess and manage risks to support business funding and comply with SARB regulations. Therefore, access to funding in South Africa is influenced by the regulatory environment governed by the South African Reserve Bank (SARB) and the Prudential Authority, which, while ensuring financial stability, introduces potential barriers, and banks employ comprehensive risk measures to navigate operational, financial, and compliance risks, balancing the need for business funding with regulatory compliance.

2.2.4 *Government Support*

To address apartheid's injustices and inequality, the African National Congress (ANC) government created programs like the Redistribution and Development Programme (RDP) and Black Economic Empowerment (BEE) (Pillay, 2018). The Industrial Development Corporation (IDC) helped liberalize tariffs during the transition period, and the government established various economic policies that promoted fair pricing and minimal government interference (Goga, Bosiu & Bell, 2019). Neoliberal policies have failed to increase economic variety, productive capacity, or inclusion (Serame, 2019). South Africa still concentrates in several important productive sectors, many of which have high entry barriers, making it difficult for potential competitors to compete in their value chains and marketplaces (Goga, Bosiu & Bell, 2019).

Post-apartheid policies like Broad Bases Black Economic Empowerment (B-BBEE) failed to eliminate apartheid-era racial bias against SMEs, but if well-planned and implemented, Black-owned SMEs would have benefited greatly (Musabayana & Mutambara, 2022). SMEs that are already struggling cannot justify the high cost of compliance, thus some have budgeted millions of Rands that they cannot afford (Pillay, 2018). The development of B-BBEE to eliminate apartheid was praiseworthy, but its implementation failed to produce the anticipated results. Moreover, the bureaucratic processes associated with accessing government support programs can be cumbersome, deterring some black entrepreneurs from pursuing funding opportunities (Baker & Bhorat, 2017).

2.2.5 *Peer-to-peer lending and Venture capital*

Research by Mordor Intelligence (2019) suggests that peer-to-peer lending can help bridge the funding gap for SMEs by offering faster approval processes, lower interest rates, and greater flexibility compared to traditional bank loans. However, challenges such as regulatory uncertainties and credit risk management remain key considerations for the sustainable growth of peer-to-peer lending in South Africa (Gumede & Khoza, 2020). Research by Nkosi, N., et al. (2019) suggests that venture capital investments can catalyse the growth of SMEs by providing not only financial resources but also strategic guidance and industry expertise. However, challenges such as limited availability of venture capital funding and a lack of successful exits in the South African market pose obstacles to the scalability of venture-backed SMEs (Naidoo & Nkosi, 2021).

In South Africa, alternative financing mechanisms, such as peer-to-peer lending and venture capital, are still evolving (Chijoriga, 2017). While South Africa struggles with high levels of unemployment and economic inequality, countries like the United States have developed well-established venture capital ecosystems that provide ample funding opportunities for startups and SMEs

(Ewens et al., 2020). This stark contrast highlights the role of financial innovation in bridging the SME financing gap.

Therefore, in response to apartheid's legacy, South Africa's efforts, including programs like BEE and B-BBEE, have faced challenges in eliminating racial biases against SMEs, while alternative financing mechanisms like peer-to-peer lending and venture capital, though evolving, confront regulatory uncertainties and availability issues, highlighting the ongoing struggle to bridge the SME financing gap.

2.2.6 *Historical Background of South Africa*

The South African government after independence started its operations in 1994 amid a climate marked by discrimination based on race, the segregation of the black population from the nation's economic activity, and their status as second-class citizens as a result of apartheid (Musabayana & Mutambara, 2022). During apartheid majority of the population, which was made up of people of African descent, was barred from participating in the primary economy, which was dominated by businesses in the minerals and energy complex (Goga, Bosiu, and Bell, 2019). Blacks were only allowed to do unskilled work, and they did not have access to an education system that would have prepared them to compete with Whites (Goga, Bosiu, and Bell, 2019; Konieczny, and Skinner, 2019). Then, the role of black people in society in that epoch was of being woodcutters and water carriers (Thobejane, 2013).

Nevertheless, even though South Africa has been in a democracy for more than 25 years, leaders of different government institutions still talk about apartheid as the reason for inequalities in society (Mbandlwa, 2020). With South Africa having a history of racial segregation and some of the world's worst inequalities, but it has a more developed economy than most African countries; however, the size of SMEs and their access to capital continue to be greatly affected by race (Makina, Fanta, Mutsonziwa, Khumalo, & Maposa, 2015).

In summary, because of the apartheid regime, the bulk of South Africa's people were socialized and trained to become hired as waged workers and enter the workforce rather than entrepreneurs (Maduku & Kaseeram, 2021). This condition emphasizes the difficulties that the rising black entrepreneurs encounters as they compete with various groups of highly educated and talented immigrants who founded SMMEs in the post-apartheid period (Maduku & Kaseeram, 2021).

2.2.7 *Implications*

Discrimination

In America, only 27% of White-owned businesses reported being financially strained or at risk prior to the pandemic, compared to 58% of Black-owned businesses (Mills & Battisto, 2020). Racial discrimination in conventional commercial banks has a lengthy history (Bates & Robb, 2013). The two types of discrimination discussed in the literature are statistical and preference-based (Fang & Moro, 2011). This means financial institutions may use a person's race as a stand-in for unseen traits that relate to both a person's race and the likelihood of defaulting on a loan when they engage in statistical discrimination. Atkins, Cook, & Seamans (2021) state that at least four main ways exist for banks to discriminate against potential applicants: by rejecting loan applications, deterring borrowers, charging a higher price, and granting less credit. In this paper we will discover what is the driver for the above statistical discrimination against black SMEs in South Africa.

Inequality

South Africa has been in a democracy for more than 25 years, leaders of different government institutions still talk about apartheid as the reason for inequalities in society (Mbandlwa, 2020). In 1994, the post-independence South African government began working in an environment marked by racism, excluding the bulk of black people from their country's economic activity, and being demoted to second-class citizens by apartheid (Musabayana & Mutambara, 2022). Policies such as the Redistribution and Development Programme (RDP) and Black Economic Empowerment (BEE) were made and put into place to address the unfairness and inequality caused by apartheid (Pillay, 2018).

2.2.8 *Creditworthiness and Collateral*

Creditworthiness for Black SMEs in South Africa

According to Baloyi & Khanyile (2022), SMEs fall short of the funder's standards because they are unable to show creditworthiness, provide collateral, and because start-ups have a high failure rate during the early stages. Small and medium enterprises (SMEs) struggle to acquire access to external capital in South Africa and abroad because the current bank lending instruments are more suited for large businesses than for small businesses (Baloyi & Khanyile, 2022). Also, small, and medium-sized businesses (SMEs) often find it hard to get outside funding because there are gaps in the market while South Africa does not lack access to funds, the country's lending mechanisms have not kept pace with technological advances (Simatele & Kabange, 2022).

However, according to Asah, Louw and Williams (2020), the most influential variables on the formal financial sector's decision to extend credit to SMEs are collateral, annual business revenue, and audited financial records. SMEs can't meet the needs of their funders because it's hard for them to prove their creditworthiness and provide collateral (Baloyi & Khanyile, 2022). Therefore, lack of investment capital, collateral, and financial records are the primary challenges faced by the formal financial industry when extending loans to SMEs (Asah et al., 2020). Business information is one of the major indicators of SMEs' ability to repay borrowing (Asah et al., 2020).

Also, age of the business is frequently adversely connected with informal credit access and favourably correlated with formal credit availability and entrepreneurs with more experience are more likely to borrow from formal sources (Semenya & Dhliwayo, 2020). Age impact access to financial resources for multiple reasons:

1) there is likely a favourable correlation between age and experience, therefore, it will result in a favourable evaluation of creditworthiness by lenders;2) older entrepreneurs are more prone to be risk averse, therefore, they will pursue legal loans, which are safer and more secure than informal loans (Semenya & Dhliwayo, 2020). Credit histories, insufficient collateral, and poorly designed business plans are some of the most typical reasons that limit the amount of finance that may be obtained by SMMEs (Serame, 2019). Small and medium-sized businesses (SMMEs) have a considerable demand for training in banking operations, financial literacy, and business management. As a direct consequence of this desire, SMMEs may have fewer bad marks on their credit reports (Simatele & Kabange, 2022). In addition, the real causes of negative credit history are a lack of education as well as a misunderstanding of financial concepts.

Therefore, creditworthiness is not an independent factor that determines access to finances; rather, it is one of several interrelated factors that play a role. As a result, SME owners who can furnish complete company information have an increased probability of securing financing from formal financial institutions and other lenders (Semenya & Dhliwayo, 2020).

Because of this, it is necessary for financial institutions to devise innovative methods of credit risk analysis. When measuring risk, financial institutions must look further than established indicators.

Collateral requirements by the Banks for the Black SMEs in South Africa

The insufficient funding of SMEs by South African financial institutions can be attributed to a few factors, such as: the comprehensive enforcement of regulatory requirements; the absence of collateral; information asymmetry; moral hazards; the absence of credit performance soundtrack records; a technological divide between lenders and borrowers; and the absence of financial records. (Marimo,

& Chimedza 2022). According to Asah et al.'s research (2020), collateral and firm size are the two factors that have the most significant influence on the decision of the formal financial sector about whether to extend credit to small and medium-sized businesses.

Although other contributing problems, such as a lack of financial literacy, adequate recordkeeping, and governance, are impeding small and medium-sized businesses from acquiring access to financing, these three variables are the most significant. (Serame, 2019). On the other hand, a financial institution is more likely to grant loans to a company when there is sufficient collateral and a sizeable investment from the company's owner. (Asah et al., 2020). When borrowers fail to repay loans in line with the terms of the contract, lenders have the right to seize the collateral, which is an item of value that the borrower has provided. Creditors are better protected when dealing with these business owners since they are less prone to make risky investments, and the creditor can take back the collateral if the borrower fails on the loan. In other words, these business owners are less likely to put their creditors in jeopardy. (Asah et al., 2020).

Also, the extent to which small and medium-sized businesses have had positive or negative experiences with credit in the past is an extremely important aspect in deciding whether they will have access to financial resources. (Semenya & Dhliwayo, 2020). Because SMEs have to furnish financial statements so that banks may assess their capacity to repay financing, the processes that banks go through can be quite involved. Since they do not keep adequate accounting records, small and medium-sized businesses are unable to meet the requirements necessary to qualify for financing under this criterion. The lack of financial literacy, proper bookkeeping, and governance among small and medium-sized businesses is the primary component that contributes to this problem and serves as its underlying core cause (Serame, 2019). However, in the field of lending to small and medium-sized enterprises, lending can be restricted when SMEs fail to present sufficient collateral to safeguard lenders against the possibility of credit losses.

2.2.9 *Bias by Banks in South Africa*

The historically disadvantaged small and medium-sized enterprise group, which is primarily comprised of people of African descent, continues to have widespread financial difficulties (Simcock, 2007). At the same time, this group reports a higher rate of difficulty in gaining access to loan funding than the white-owned business sector does (Baloyi, F., & Khanyile, 2022). This is a concern because historically disadvantaged SME groups have had a tougher time accessing loan financing in the past, and this continues to be the case (Simcock, 2007). As a result, there are still widespread problems with prejudice inside South African Banks. For instance, the ease with which owners of small businesses can obtain finance is influenced by a wide range of socioeconomic criteria, including age, gender, race, and level of education, amongst others (Baloyi, F., & Khanyile, 2022).

The issue of bias in access to funding for black SMEs in South Africa remains a persistent challenge, despite the government's efforts to promote financial inclusion and economic transformation. Research has shown that black entrepreneurs often face systemic bias when seeking funding from banks, including both traditional financial institutions and alternative lenders (Kim, Brown& Earle 2021). One of the primary factors contributing to bias is the historical legacy of apartheid, which has resulted in enduring economic disparities between racial groups (Matlou, 2018). This historical context has created a situation where black-owned SMEs may not have the same access to financial resources, opportunities, or support networks as their white counterparts.

Another aspect of bias relates to credit scoring and evaluation criteria used by banks. Research suggests that credit scoring models may inadvertently discriminate against black SMEs by relying on historical data and traditional creditworthiness factors that may not accurately reflect the potential and creditworthiness of these businesses (Baker & Bhorat, 2017). This issue highlights the importance of revisiting and recalibrating credit assessment methods to ensure fair and equitable access to funding for black-owned SMEs, aligning with the broader objectives of economic empowerment and financial inclusion in South Africa. These persistent challenges stemming from apartheid's legacy, coupled with issues of creditworthiness, collateral requirements, and biases, hinder black-owned SMEs in South Africa, emphasizing the urgency for innovative financial solutions to bridge the financing gap and a development of the new framework.

2.3 Theoretical Framework

2.3.1 *Introduction*

Creswell (2014) defines a theoretical framework as a collection of interconnected concepts that provide a thorough comprehension of a phenomenon or issue. It offers a framework for researchers to analyse data, form hypotheses, and make conclusions using known theories or models. Theoretical frameworks are crucial in research for understanding complicated processes, directing data collection and analysis, and serving as a foundation for interpreting results. Researchers can situate their study within established knowledge, confirm their research design, and provide interpretations for observed patterns or relationships in the data by employing a theoretical framework (Creswell, 2014).

2.3.2 *Critical Race Theory*

Critical Race Theory (CRT) is a framework that emerged in legal studies in the United States during the late 1970s and 1980s (Ogbonnaya-Ogburu; et al. 2020). It has since expanded into various disciplines, including education, sociology, and political science. CRT seeks to understand how race and racism intersect with and perpetuate social, economic, and political inequalities. This theory serves as a lens to expose concealed manifestations of racism and their roots, providing substantiating data, persuasive language, and a sense of community for individuals affected by racism (Vaught & Castagno, 2020). Studies show that minority entrepreneurs, such as Black, Hispanic, and Indigenous business owners, encounter substantial obstacles in obtaining capital for their small and medium-sized enterprises. Research has shown differences in loan approval rates, access to venture capital, and total investment amounts between minority-owned businesses and white-owned enterprises (Dixson & Rousseau, 2005).

2.3.3 *Financial Inclusion Framework*

Financial inclusion, defined as the access and usage of financial services by individuals and businesses, has gained significant attention globally (Allen, et, al. 2016). Various frameworks have been developed to understand and promote financial inclusion, considering its role in economic development and poverty alleviation. As Simatele & Kabange (2022) allude that in order to combat poverty, financial inclusion is a crucial weapon. The financial exclusion doesn't only apply to black SMEs, but even those in lower-class individuals will have difficult access to capital and will consequently be more inclined to obtain start-up financing through unauthorized channels, such as those with low levels of education and income (Valdez 2011).

The Financial Inclusion Framework provides a valuable viewpoint on overcoming obstacles to financial services and resources for marginalized people (Cull et al., 2018). This framework highlights the significance of offering inclusive financial products, services, and support systems customized to the distinct requirements and situations of excluded enterprises, like Black-owned SMEs. Policymakers, financial institutions, and support organizations can significantly enhance possibilities for Black entrepreneurs in the SME sector by championing financial inclusion policies that emphasize diversity, equity, and accessibility (Mersland, et, al.2019). By applying the concepts of financial inclusion and equality, stakeholders can collaborate to establish a more inclusive and supportive environment for Black-owned small and medium enterprises to obtain the financial resources necessary for expansion and success.

2.3.4 *Racial Equity Framework*

As Redwood & King (2014), they define racial equity as the process that leads to all people of colour having an equal chance to live a life that is both healthy and respectable. This mean being given enough time to be at the same level as others, which is normally a process to build up. They further explain that foundation had to go through and is still going through a process of racial equity, which entails significant adjustments to how it functions, in order to accomplish the aim of racial equity (Redwood & King 2014). This framework link to the racial problem of black SME's not having access to funding from the Banks. By ensuring environments that allow everyone, regardless of race or ethnicity, to live as comfortably as possible, that is advancing the cause of racial equity. This theoretical framework indicates that there is a historical impact that need to be addressed first in order for everyone to have an equal chance presented. Looking at the theory, racial equity is mostly used or analysed under Education, Health, and social development topics. For a framework for facilitating bank funding of black SMEs in South Africa, this theoretical framework has not been used much. This is a gap that has been identified in this study.

Therefore, this study employs the combination of these three frameworks; Critical Race Theory, Financial Inclusion Framework, and Racial Equity Framework as lenses because they collectively offer a comprehensive perspective on the complex issues surrounding the financial inclusion of Black-owned SMEs in South Africa.

The literature reviewed above draws upon a combination of three theoretical frameworks: Critical Race Theory, Financial Inclusion, and Racial Equity frameworks. These theoretical perspectives collectively contribute to a comprehensive understanding of the challenges faced by black-owned SMEs in South Africa and support the development of a new, inclusive framework.

Critical Race Theory (CRT):

The historical background outlined in the literature aligns with the principles of Critical Race Theory, which emphasizes the intersectionality of race and economic inequalities. The apartheid era and its discriminatory practices have left a lasting impact on the economic opportunities available to the black population. CRT provides a lens through which we can analyse how historical injustices, such as limited access to education and economic segregation, continue to shape the experiences of black entrepreneurs in post-apartheid South Africa.

Financial Inclusion Framework

The Financial Inclusion Framework is applied to understand the obstacles faced by marginalized groups, particularly black-owned SMEs. The literature discusses the struggles of SMEs to meet the standards set by funders, including challenges in proving creditworthiness, providing collateral, and addressing the high failure rate of start-ups. This aligns with the principles of financial inclusion, highlighting the need for inclusive financial systems that cater to the unique needs of SMEs, especially those led by black entrepreneurs.

Racial Equity Framework

The Racial Equity Framework is invoked to address historical impacts and advocate for systemic changes. The literature emphasizes that despite South Africa's transition to democracy, the historical legacy of apartheid continues to contribute to racial disparities in SMEs' access to capital. Policies like the Redistribution and Development Programme (RDP) and Black Economic Empowerment (BEE) are discussed, but the literature suggests that these efforts have not fully rectified the inequalities. The Racial Equity Framework calls for a more nuanced understanding of the structural barriers and biases that persist, necessitating systemic changes to promote true equity.

By integrating these three theoretical frameworks, the literature creates a comprehensive analytical lens. CRT exposes the historical context and ongoing impact of race on economic opportunities, the Financial Inclusion Framework sheds light on the current challenges faced by black-owned SMEs in accessing capital, and the Racial Equity Framework advocates for transformative, systemic changes to address these challenges. Together, these theories guide the development of a new, inclusive framework that considers historical, contemporary, and structural factors in fostering equitable financial opportunities for black-owned SMEs in South Africa.

2.4 Conceptual Framework

2.4.1 *Research constructs*

- Regulatory environment (SARB) - Influence of South African Reserve Bank (SARB) policies on Black SMEs' access to bank funding.
- Financial Literacy: The level of financial knowledge among Black SME owners impacting their ability to navigate the funding process.
- Banking framework components - Identification of key features and components essential in a banking framework tailored for facilitating funding for Black SMEs.
- International examples - Examination of successful international banking frameworks that have effectively supported the funding needs of minority-owned SMEs.

2.4.2 *Theoretical framework*

- Race equity - Examination of historical and systemic factors related to race affecting disparities in bank funding opportunities for Black SMEs.
- Financial inclusion theory - Guiding exploration of how financial institutions can actively include and serve the unique needs of Black SMEs.
- Critical race theory - Analysing intersections of race, law, and economics to understand and address structural barriers in bank funding for Black SME

2.4.3 *Interrelation and Integration*

- The partnership between the government and banks is a critical aspect connecting the regulatory environment (SARB), proposed frameworks, and government support.
- Insights from interviews and literature provide the foundation for understanding challenges, shaping the theoretical framework, and informing recommendations.

Table 1:below illustrate conceptual framework:

A (Existing Frameworks)	**B (Recommendations)**	**C (Partnership)**	
Regulations/SARB *Bank Framework (Risk measures)* *Government support (BEE)* *Private Investors*	Interviews Findings plus Literature	Partnership between Government and Banks	**D (Framework for Black SMEs)**

Diagram below indicate the structure of conceptual framework:

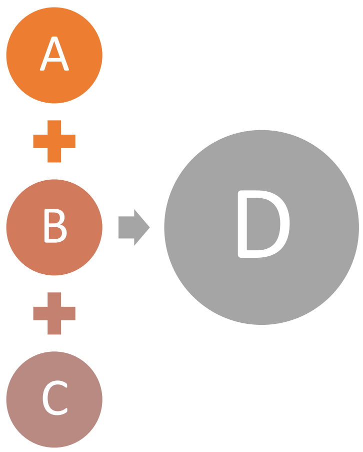

Figure 1: Conceptual framework structure

A (Existing Frameworks):

- Regulations/SARB (South African Reserve Bank)
  - ✓ This examines the regulations that impact lending practices, risk management, and overall financial stability.
- Bank Framework (Risk Measures)
  - ✓ This involves evaluating factors such as credit history, collateral, and financial stability. Understanding the risk measures employed by banks is essential for Black SMEs to navigate the lending landscape effectively.
- Government Support (BEE - Black Economic Empowerment)
  - ✓ The mechanisms and effectiveness of BEE policies for Black SMEs seeking government support.
- Private Investors
  - ✓ Private investors contribute to the existing framework by providing alternative sources of funding for SMEs.

Each of these components forms a critical part of the existing frameworks that impact Black SMEs.

B (Recommendations from interviews):

The integration of interview findings and literature review will allow for a comprehensive set of recommendations that are both context-specific and grounded in established knowledge. The insights gained from interviews is providing a nuanced understanding of the practical challenges faced by Black SMEs, while the literature review ensures that recommendations align with theoretical frameworks and existing scholarly discourse.

C (Partnership):

The partnership is envisioned as a dynamic and adaptive collaboration, where the government and banks work together to create and implement policies that facilitate equitable access to funding. This collaboration aims to bridge the gap between regulatory frameworks and the practical needs of Black SMEs, fostering a supportive financial ecosystem.

D (Framework for Black SMEs):

The framework for Black-owned SMEs is designed to address the specific challenges faced by these businesses in South Africa, with a focus on facilitating improved access to funding.

2.5 Conclusion of Literature Review

In conclusion, the literature review and theoretical framework of racial equity provide a comprehensive understanding of the challenges faced by black-owned SMEs in order to develop a framework for facilitating bank funding of black SMEs in South Africa. The legacy of apartheid-era policies, limited collateral, issue of creditworthiness, and history impact are some of the key factors that contribute to these challenges.

Furthermore, bias and discrimination in the financial industry have also been identified as a significant barrier to accessing funding for black-owned SMEs. The theoretical framework for racial equity proposes a range of interventions to address these challenges, including policy and legislative interventions, capacity building interventions, and stakeholder engagement.

By addressing the historical and structural factors that contribute to the challenges faced by black-owned SMEs, as well as the specific barriers they face in accessing funding, it may be possible to promote greater equity and social justice in the financial industry in South Africa. The theoretical framework for racial equity provides a roadmap in discovering a framework for facilitating bank funding of black SMEs, this will assist in promoting economic growth and development in South Africa.

CHAPTER 3. RESEARCH METHODOLOGY

3.1 Introduction/Overview

This study employed a detailed research methodology, as delineated by Creswell (2014), to guide the investigation. A qualitative research approach was adopted, chosen for its capacity to comprehensively explore complex phenomena that surpass the limitations of numerical data alone. Qualitative methods, including interviews, focus groups, observation, and textual analysis, were employed to collect, and analyse non-numerical data (Patton, 2014). The inherent flexibility of qualitative research approaches, as highlighted by Miles, Huberman, and Saldaña (2019), allowed researchers to adjust the methodology to the specific environment and study inquiries. Qualitative research finds application across various fields, aiming to comprehend the subjective experiences and perspectives of individuals or groups (Merriam & Tisdell, 2015). Unlike quantitative research, which focuses on hypothesis testing and quantitative measurement of variables, the primary objective of qualitative research is to uncover meaning and gain a profound understanding of the social world being investigated (Creswell, 2014). This chapter provides a comprehensive exposition of the qualitative research methodology employed in the current study, offering a detailed account of the research design, methods, and procedures utilized for data collection and analysis. Such transparency aids in comprehending the research process, while also facilitating the assessment of the validity and reliability of the findings.

3.2 Research approach

Science employs various research methodologies, including quantitative, qualitative, mixed techniques, and action research. The choice of approach depends on the research issues and the data type. Quantitative research focuses on gathering and analysing numerical data, often used to verify theories and establish causal connections through surveys, experiments, and statistical analysis (Kline, 2016). In contrast, qualitative research aims to understand people's experiences and worldviews using non-numerical data, such as interviews and observations, often employed to explore complex phenomena (Creswell & Poth, 2016). Mixed methods research combines both quantitative and qualitative components to provide a comprehensive understanding of the research subject.

This study utilized a qualitative research approach to investigate a framework for facilitating bank funding of black SMEs in South Africa. Qualitative research is well-suited for exploring complex social and economic issues, allowing for in-depth exploration of the experiences and perspectives of those directly affected (Creswell & Poth, 2018). Semi-structured interviews and focus groups with black SME owners and financial institution representatives were conducted to gather data on a framework for facilitating bank funding of black SMEs in South Africa. Thematic analysis was employed for data analysis, involving the identification and examination of patterns within the data to provide detailed explanations (Braun & Clarke, 2019; Miles et al., 2019).

3.3 Research design

The technique employed for data collection in this study was semi-structured interviews. This approach was recommended as it provided opportunities for researchers to clarify and probe participants' responses, enabling a deeper understanding of their experiences and perspectives. Interviews served as a valuable tool for collecting in-depth data about people's experiences, opinions, attitudes, and points of view, and were recommended wherever possible.

The interview research design was chosen to gain insights into the viewpoints and encounters of the study participants. Additionally, it allowed for the validation of research findings concerning the establishment of a banking framework that facilitates access to funding for black-owned SMEs in South Africa. In summary, these two considerations played a role in the choice of the interview study design. While this research design had a few disadvantages, thorough planning and careful execution of the study partially alleviated them.

3.4 Population and sample

3.4.1 *Population*

In the field of scientific investigation, the term "population sample" refers to a selection of people or observations taken from a broader population for the purpose of carrying out an investigation or an examination. In the instance of development, a framework for facilitating bank funding of black SMEs in South Africa, the population would consist of all black-owned SMEs in South Africa that have made an effort to gain access to funding from banks. In addition, any bank representatives who are involved in the decision-making process for sanctioning finance for black SMEs is included in this research.

As of September 2021, the South African Reserve Bank (SARB) reported that there was a total of 22 registered banks operating inside the borders of South Africa. The ownership of these banks' ranges from locally to internationally, and they can be classified as either subsidiaries or branches of larger financial institutions. A number of the most well-known financial institutions in South Africa are Nedbank, Standard Bank, Absa, First National Bank (FNB) and Capitec. During this research, the most well-known representatives of a financial institutions that will be questioned will constitute the primary focus of attention. These representatives from the banks are occupying the position of a Credit Sanctioners, Business Analyst, Business Managers, Business Products Specialist, Enterprise Development, Acquisition Managers, Heads of Specialised Departments and Head of Business and Commercial banking. There is a direct connection between all the stated positions from the banks and an understanding of the present issues that black SMEs face in gaining access to capital from the banks. The primary banks to prioritize for the interviews is the top five banks.

Interviews for black-owned SMEs is chosen using purposive sampling, a method that selects participants based on their prior experience applying for assistance from financial institutions. According to Bryman (2016), purposive sampling enables the selection of participants who have knowledge or experiences connected to the topic of the research being conducted. This research includes black SMEs from a variety of sectors and areas across South Africa to acquire a broad spectrum of opinions.

3.4.2 *Sample and sampling method*

Purposive sampling is employed in a qualitative study that interview black SMEs and bank personnel to examine a framework for facilitating bank funding of black SMEs in South Africa. Choosing volunteers with expertise and experience of the research issue is part of the non-probability sampling strategy known as "purposeful sampling” (Palys, 2008). The selection of black SMEs who have previously applied for funding from banks and bank representatives who are involved in the loan approval process is done through the use of purposeful sampling in this instance. In qualitative research, where the aim is to get in-depth insights into the experiences and viewpoints of participants, purposeful sampling is very helpful. This study will gather rich data that can lead to a deeper understanding of the research issue by choosing individuals who have relevant experiences and knowledge.

The size of the study's sample is established based on the number of participants who indicate their willingness to take part in an interview. It will be necessary to conduct interviews with at least 15 black SMEs as well as 15 bank representatives from top five banks in South Africa in order to ensure that a representative sample has been obtained that is large enough to provide accurate assessments of the research. According to Guest et al. (2006), data saturation can be achieved with a sample size as small as 12 participants, although they recommend a sample size of at least 16 to ensure that data saturation is achieved. Similarly, Morse (1995) recommends a sample size of 15-20 participants for qualitative studies, while Creswell (2014) suggests a sample size of 10-20 participants.

Participants are chosen by employing a sampling method known as purposive sampling. In this method, researchers intentionally select participants or cases based on specific criteria relevant to the research question or objectives. Because the sampling must select black SMEs that are searching for funding right now or black SMEs that have applied for funding in the past but have run into problems or had their applications turned down, this will be more beneficial for Black SMEs. This is because the sampling must evaluate black SMEs that are searching for funding right now.

3.5 The research instruments.

The research instruments used in this study are semi-structured interviews with SMEs and bank representatives. The interviews were carried out through Microsoft Teams (MST), where each interview was recorded along with a transcript. This method was favoured for the interview as it eliminated the need for individuals to disrupt their schedules and arrange an in-person meeting. In qualitative research, semi-structured interviews are advantageous because they permit flexibility and the exploration of participants' opinions and observations in their own words (Bryman, 2016). The following are some design considerations for the interviews:

- The questions are structured according to the literature review as guide.
- There was an open-ended question to allow participants to elaborate on their experiences and perspectives.
- A sample layout of the interviews was used to unsure that the sample is appropriate for the research objectives.

The interview questions are listed in a distinct research instrument document. The questions are formulated in accordance with black SME and Bank representatives, looking at internal and external factors from both black SMEs and banks.

3.6 Data analysis strategies and interpretation

Thematic analysis, which involves finding patterns and themes in the data (Braun & Clarke, 2006), was used for the data analysis. In order to find codes and themes, the transcripts were read several times. The codes were categorized, and themes were developed using these categories. Begin the thematic analysis process by conducting initial coding of the data. Reading the transcripts and identify reoccurring themes, difficulties, and patterns connected to developing a framework for Black SMEs to get bank finance. The themes were analysed in connection to the research objectives to finalize and report the study.

3.7 Research limitations

Qualitative research can offer detailed data for investigating concepts in an emerging discipline, but it has limitations that must be acknowledged:

- Limited Nonverbal Cues: Conducting interviews through Microsoft Teams may hinder the capacity to observe nonverbal clues, which could affect the thoroughness of data gathered (Kaye, 2020). Most interviewees agreed to use video for the discussion on MST to reduce nonverbal cues, however at times they had to turn off the video for better signal quality.
- Technology Constraints: Technology-based interviews might be affected by technical issues including audio quality and connectivity (Braun & Clarke, 2013). Technology use has gotten easier since people have become used to working from home during the COVID-19 epidemic. Most interviews went well with few research issues.
- Sample Size: To acquire enough data, the study interviewed 15 black SMEs and 15 bank representatives. The researcher interviewed 10 black SMEs and 14 bankers. After 10 interviews with black SMEs, the research

was finished because the data was saturated. Identifying data redundancy during interviews and stopping them, when necessary,

- helps researchers maximise resource use, protect ethics, and focus on data processing and interpretation (Emanuel et al., 2004).
- Bias in the research process: Researchers' biases and assumptions can affect study design and interpretation. Self-selection bias may occur because study participants may have strong ideas. This suggests that sample non-participants may differ from participants (Saunders & Lewis, 2017). The results may not apply to the full population under study.

3.8 Quality Assurance

Saunders, Lewis, and Thornhill (2009) suggest that qualitative interviews can achieve a high level of validity provided they are handled carefully in a way that "...allows questions to be clarified, meanings of responses to be probed, and topics to be discussed from a variety of angles."

To establish credibility, the researcher conducted interviews until data saturation was reached, following Fusch and Ness (2015). A comprehensive interview manual ensured data uniformity and response comparability. Audio interviews were transcribed and analysed for key themes and insights. Data triangulation, as suggested by Saunders and Lewis (2018), was employed to reduce bias, and enhance accuracy. Black SMEs and bank staff were interviewed with identical questions, confirming multiple opinions, and verifying the findings' validity and reliability. Participants' comprehension of questions was routinely reviewed during interviews to ensure clarity and meaningful discourse. This proactive data collection strategy promoted meaningful debates and raised awareness of a framework to help Black SMEs access funding in South Africa.

3.9 Ethical considerations

Prior to starting data collection, the researcher received ethical approval from the University of the Witwatersrand (Wits) Ethics Committee (Appendix C). All participants were presented with the consent form in Appendix B, which highlighted their right to withdraw and guaranteed the maintenance of confidentiality and anonymity. Each of the participants were required to sign a consent form.

CHAPTER 4. RESULTS

4.1 Introduction

This chapter presents the results of the study based on the questions outlined in the previous chapter. The organization follows the inductive nature of the classic qualitative content analysis method. The findings stem from in-depth qualitative interviews involving various stakeholders, including bank representatives and black SME owners. The interview questions were crafted using a semi-structured guide aligned with the key research topics from Chapter Two's literature review. Findings were analysed using a thematic approach, creating codes that were categorized. These categories were further subdivided into overarching themes, which will be explored in the subsequent section.

This qualitative analysis sought to elucidate the intricate dynamics impacting the effectiveness and success of existing banking systems in addressing the unique demands and challenges faced by Black SMEs. The results presented here are crucial for advancing discussions, policy dialogues, and strategic initiatives aimed at fostering a more supportive and empowering environment for Black SMEs in South Africa.

Data for this analysis was collected through interviews involving 24 participants, including both bank representatives and Black small and medium-sized enterprises. The subsequent data analysis generated 96 distinct codes from all interviews, which were further organized into themes, as illustrated in the diagram.

4.2 Sample Description

The tables presented below categorize interview participants into two groups: Bank representatives (R001-R0014) and black SMEs (B001-B0010). To safeguard participants' identities, each was assigned a unique participation code.

Pseudonyms were employed in place of individuals and organizations/business units mentioned by interviewees. Purposive sampling was utilized to select both bank representatives and black SMEs. Participants were chosen from diverse banks and SMEs based on their borrowing experience, ensuring sample diversity. All participants bring extensive experience to their roles as bank representatives and in managing black-owned SMEs for over two years. They have all encountered the need for capital for their businesses at some point.

Table 2: Research Study Participants (Bank Representatives)

	Participant Code	Gender	Position
Bank Representatives	R001	Female	Business Analysist
	R002	Male	Business Production Specialist
	R003	Female	Business Manager
	R004	Male	Acquisition Manager
	R005	Female	Credit Sanctioner
	R006	Female	Business Production Specialist
	R007	Male	Business Banker
	R008	Female	Business Production Specialist
	R009	Female	Business Manager
	R0010	Male	Business Manager
	R0011	Female	Business Banker
	R0012	Male	Business Manager
	R0013	Male	Acquisition Manager
	R0014	Male	Credit Sanctioner

Table 3: Research Study Participants (Black SME's)

	Participant Code	Industry	Position
Black SME's	B001	Warehousing and logistics	Shareholder
	B002	Insurance	Managing Director
	B003	Retail	Owner/Director
	B004	Real Estate	Owner/Director
	B005	Medical Waste	Owner/Director
	B006	Oil & Gas	Owner/Director
	B007	Car accessories	Owner/Director
	B008	Retail	Owner/Director
	B009	Property Investments	Owner/Director
	B0010	Engineering	Managing Director

4.3 Results for Research Question One & Two

Question 1 & 2: What are the factors that influence banks' lending decisions to SMEs? & What are the primary obstacles faced by SMEs in accessing funding via banks?

This question aimed to discover and comprehend the various elements that influence banks' lending decisions, particularly regarding SMEs. By a intend to uncover the factors and decision-making processes that influence banks' lending practices towards SMEs. This information may be used to design strategies to improve SMEs' access to financial resources and support inclusive economic development. While the question posed to SMEs aims to discover and comprehend the primary issues and obstacles faced by SMEs while trying to secure funding from banks. Examining both internal and external elements to gain a deeper understanding of the intricate SME finance environment and to develop solutions for improving capital availability, stimulating business expansion, and encouraging economic growth. Participants had the freedom to interpret and answer the questions as they deemed suitable. This method offered insights into the portions of their tales that they considered pertinent and necessary to share.

Table 4:below present an overview of Question 1 categories that emerged related to each theme.

Theme	Category
Bank Representatives	
Internal Factors	Organizational culture
	Impact of policies and procedures
	Training and sensitization programs
	Alignment with social responsibility goals
External Factors	Government regulations
	Economic conditions
	Market competition
	Government support programs
Black SME's	
Internal Factors	Lack of innovation and adaptability
	Limited financial literacy
	Inadequate business planning
	Weak credit history
	Inadequate management competence
	Limited networking opportunities
External Factors	Regulatory hurdles
	Risk perception
	Limited government support
	Complex application processes
	Inequality in access

Interviews with bank personnel and Black SMEs uncovered a range of internal and external issues that affect their experiences and interactions in the financial ecosystem. Bank representatives see internal elements including organizational culture, rules and processes, training programs, and alignment with social responsibility goals as crucial in influencing their strategy for SME lending. External factors like government rules, economic conditions, market competition, and the availability of government support programs are important in influencing the support offered by banks. Black SMEs encounter internal obstacles such as a deficiency in creativity and adaptation, low financial literacy, inadequate company planning, bad credit history, insufficient management skills, and restricted networking prospects. Black-owned SMEs confront problems due to regulatory impediments, risk perception, limited government backing, cumbersome application processes, and disparity in access to resources.

Participants expressed the below quotes as the internal factors and external factors that is faced by SMEs in accessing funding via banks.

Internal Factors:

R001:" But what I can say is that, umm, market conditions affect businesses differently, right?"

R005:" There's no understanding, there's no comprehension, or it's difficult for them to put it to them to this is what the bank requires and why it's."

R003: "But overall, yes, we need to have the behavior, the mindset, to want to encourage this, to want to support and they both in."

R002:" So the bank already has stringent criteria and with SME's we right, we should be funding towards you know, developing them to get to a level where they will be considered low risk."

B007:" So are we feel like good funding the there isn't enough education provided to young entrepreneurs or even young people."

B002:" You are not white, then the risk that comes with you being black, all those things."

"No bank wants to look at it and you have the idea, but no capital."

B004:" You know, challenges for black business is reporting."

B005:" It is a big internal problem, so I think uh people need to be skills and skilled in terms of uh financial management."

B006:" So I think they're baseline is you've got to have some skill if it's the market, uh funding becomes much easier because your business plan will indicate profitability."

B0010:" I've heard that disadvantage that we have not had any background one in terms of education."

External Factors:

R0013:" Yeah, yeah, I think they, you know, some of the policies were very much tick box exercises if you didn't pass clear credit checks, if you didn't pass certain little entry level type things, you wouldn't get past the first stage of criticism."

R004: "Between bank and the SMEs, because there's also another external factor which is government regulations."

R0011:" So yes, external factors, very important load shedding is one of them, more so in manufacturing."

R007:" I think the National Credit Act now think of the National Credit Act and also think of an SME."

R006:" How is this business doing in the market in comparison to other businesses?"

R0012: "So those economic factors sort of influence the banks policies and yeah, that influenced the Bank's policies externally."

B001:" Government *policy must incentivize the commercial banks to support black businesses sustainably."*

B003:" So I think the government regulations or whatever rules that they put in place in terms of helping. Are not helping black businesses."

B005: "However, and I don't know if I can say we understand or what, because with the government as well, our economy is not doing well."

B006"I think the major issues really a in the entrepreneurs' small businesses is all the regulations."

"I mean barriers to enter into market."

"So, all of those areas I measure major issue for entrepreneurs, legislation or government related external factors are just difficult to."

B008:" To be honest, I don't think there's enough support from government in that regard."

4.4 Results for Research Question Three

Question 3: What impact do historical and systemic variables, such as apartheid-era regulations and economic imbalances, have on the financial environment for SMEs owned by black individuals in South Africa?

The question aims to examine the impact of historical and systemic variables, including apartheid-era policies and economic disparities, on the financial landscape for black-owned SMEs in South Africa. The aim is to investigate how past events still influence the financial environment, such as capital availability, regulatory challenges, and economic prospects for SMEs owned by black individuals. The goal of qualitative research is to reveal detailed insights into the obstacles and difficulties encountered by black entrepreneurs in obtaining financial resources and navigating the wider socio-economic environment. This information can then be used to develop strategies that promote inclusivity, fairness, and sustainable economic growth. Participants were free to interpret and respond to the questions as they saw fit.

Table 5: provides a summary of the findings for Research Question 3, displaying the categories linked to each topic.

Theme	Category
Bank Representatives	
Cultural Competency and Relationship Dynamics	Impact of personal beliefs
	Biases in risk assessment
	Cultural competency and sensitivity
	Addressing unconscious biases
Challenges in Institutional Practices	Trust in banking relationships
	Communication challenges
	Collaboration and partnerships
	Role of relationship managers
Risk Management and Decision-Making	Bureaucratic hurdles
	Lack of flexibility in policies
	Risk aversion in decision-making.
	Resistance to change.
Black SME's	
Historical Legacies and Policy Impact	Apartheid-era legacies
	Wealth distribution
	Transformation initiatives
	Socio-economic disparities
	Impact of post-apartheid policies
Trust, Relationships, and Communication	Communication styles
	Community-centric values
	Perceptions of risk and success
	Familial and informal networks
	Community development initiatives
Equity and Inclusion in Financial Systems	Collateral as a barrier
	Creditworthiness challenges
	Holistic assessment of business viability
	Need for policy clarity.
	Reassessing credit metrics & Support for credit building

The findings from interviews with both bank representatives and Black SMEs shed light on various factors shaping the financial environment and relationships within the banking sector. For bank representatives, cultural competency and relationship dynamics emerge as crucial themes, encompassing the impact of personal beliefs, biases in risk assessment, and efforts to address unconscious biases through cultural sensitivity training. Challenges in institutional practices highlight the importance of trust-building, effective communication, and collaboration with clients, emphasizing the role of relationship managers in fostering partnerships. Risk management and decision-making within banks are influenced by bureaucratic hurdles, inflexible policies, risk aversion, and resistance to change. Conversely, for Black SMEs, historical legacies, and policy impacts, such as apartheid-era inequalities and post-apartheid policies, continue to shape wealth distribution and socio-economic disparities. Trust, relationships, and communication are pivotal for navigating the financial landscape, including communication styles, community-centric values, and leveraging familial networks. Equity and inclusion in financial systems are essential for overcoming barriers like collateral requirements and creditworthiness challenges, highlighting the need for policy clarity, reassessment of credit metrics, and support for credit building initiatives to foster business viability and economic empowerment within marginalized communities. These findings underscore the complexities inherent in financial interactions and call for concerted efforts to address systemic inequalities and promote inclusive economic development.

Participants expressed the below quotes looking at the impact do historical and systemic variables, such as apartheid-era regulations and economic imbalances.

BANK REPRESENTATIVES:

R001: "That tells me that I can't trust you, so that trust is developed like that, right?"

R0014: "Like when we speak about historical and contemporary inequalities in South Africa have an effect, minority dude."

R0013: "I just don't think that the places that the enterprise development individuals who sit within the banks are communicating it properly."

R0012: "Look, I think there's definitely trust deficit, and I, I must say, more, especially from the black SME and I think towards the bank they feel discriminated."

R0011: "I am completely and utterly biased."

"One thing that misses is open communication."

"You don't have investments; you don't have any tangible security that the bank will want your White counterpart."

R0010:" Secondly, other point of default, what is there for the recovery model so that in itself when you look at historically disadvantaged individuals, majority of those SME S do not have what we call securities that could be a banking right and more."

R009:" You don't have anything you are starting because you don't have anything, so you don't have any collateral to offer versus nonblack."

R008: "There are high expectations from family members, from parents and all of that, so it becomes a bit of a node on the shoulder to say, OK, now I've grown."

"We do not have family members with businesses that we do not security to put forward."

R007:" it becomes easier you get to a point where you prioritize those ones because it's easier for you to finalize, you know people when you when you come and say, do you have collateral disk collateral, do you have this, this that so it that also goes into your mind whereby you have a target to reach and easiest way to get in that target affect you would affects the way you would look into these things, right?"

R003:" It might be financial literacy that as an advisor you can go in and assist them with."

R002:" So do not treat, you know, have a blanket approach way you treat each and everyone the same."

"There's a lot of legacy issues, so yeah, it's very specific to this landscape".

B004:" It's quite a long shot though, because most of the and especially banks, I mean especially banks with banks, you have to show them how much have you made in the past three years at least or maybe show them management accounts of the past year sometimes."

BLACK SMEs

B001:" Then again on a historic basis, the one thing that I think needs to be given more consideration rather is the historical market."

B002:" Whites is meant to be the boss in a black pen is supposed to be the employee. That's the current set-up."

"Fans were more accessible to the to the white men is than the black men and they were more strict regulations."

"But if the bank also does not take risk, how else are you going to grow?"

B003:" If you don't have you know assets, you know that you can, you know, put as a collateral or really your art."

"History haven't seen any change to me."

"We are still much analysed, even for the fact that we're given smaller stores then whites."

B005: "In most cases we come from these disadvantaged backgrounds whereby you know when you start working, you need to be supporting yourself."

"Credit worthiness is an issue."

B006: "The reason why the number of black people are not in big business one social orientation prohibits them from taking major risks because, and they've never taken any risk."

"But, but most of the policies of our government based on apartheid anyway, so there's nothing new that it."

B008:" You see, the thing is, I mean, if you look at under apartheid, one to three difficult for black people to own a house."

B009:" They don't communicate it well to the customers."

B0010:" They're not able to adequately support because the bounce when you walk into a bank, they're going to ask you for security."

"So now that money is going to go to the family, it's not going to go to empowering this person."

4.5 Results for Research Question Four

Question 4: What are the key features and components that should be included in a banking framework designed to facilitate funding for black SMEs?

The aim of this question is to gather insights from both bank representatives and Black SMEs regarding the essential elements of a banking framework tailored to facilitate funding for black-owned small and medium-sized enterprises. Through qualitative research, the goal is to identify and understand the key features and components deemed necessary by both stakeholders to enhance accessibility, inclusivity, and effectiveness in providing financial support to black-owned SMEs. By exploring perspectives from both sides, the research aims to inform the development of a comprehensive banking framework that addresses the unique needs, challenges, and opportunities of black entrepreneurs, ultimately fostering equitable access to funding and promoting sustainable growth within marginalized communities. Participants had the liberty to interpret and answer the questions as they deemed appropriate.

Table 6: provides a summary of the findings for Research Question 4, displaying the categories linked to each theme.

Theme	Category
Bank Representatives	
Feedback-Driven Community Empowerment	Impact of positive experiences
	Addressing negative feedback
	Feedback loops and continuous improvement
	Community engagement and participation
Adaptive Policies for Inclusive Growth	Flexible collateral requirements
	Creditworthiness enhancement programs
	Post-apartheid policies alignment
	Community outreach and education
Black SME's	
Empowerment through Access and Education	Financial literacy programs
	Collateral flexibility
	Streamlined application processes.
	Tailored financial products.
	Government support and incentives
Simplification and Inclusivity in Financial Systems:	Capacity-building initiatives
	Risk mitigation strategies
	Community engagement and outreach
	Perceptions of exclusion
	Complexity of processes
Fostering Collaboration and Innovation in Risk Management and Product Development	Risk aversion
	Lack of understanding
	Limited customization of products
	Desire for collaboration

The results collected from interviews with bank representatives and Black SMEs highlight important concerns concerning promoting community empowerment and inclusive growth in the financial sector. Bank representatives prioritize feedback-driven community empowerment by acknowledging both positive experiences and negative comments to achieve ongoing enhancement. This subject highlights the significance of feedback loops and community involvement in developing adaptable policies that support post-apartheid efforts and foster inclusive growth. Key elements of these flexible policies include collateral requirements, creditworthiness enhancement programs, and community outreach initiatives. Black SMEs stress the significance of empowerment through access and education, focusing on financial literacy initiatives, simplified application procedures, and customized financial products. They emphasize the importance of streamlined and accessible financial systems, backed by capacity-building programs, risk reduction tactics, and community involvement to tackle feelings of exclusion and the intricacy of procedures. Encouraging collaboration and innovation in risk management and product development is crucial. This necessitates moving away from risk aversion towards a focus on collaboration and a deeper understanding of SMEs' requirements. The results highlight the significance of cooperation between financial institutions and SMEs to establish a more inclusive and empowering financial environment.

Participants expressed the below quotes looking at the key features and components that should be included in a banking framework.

BANK REPRESENTATIVES

R0014:" How many SMS have we helped in the process via the cooler funding similar to you know when we had COVID were COVID loans, right, they need to report to say we've helped this many SMEs with this funding."

R0013:" It should be really in the front of our business instead of at the back of the business, yeah."

R0012:" Look, I think it's a matter of and it is developing the framework first because you can't implement something that you don't have that specifically support black SME."

R0011:" Do you understand that you cannot breach those covenants if you breach those covenants?"

R0010:" Is there an understanding as to why that particular information is needed or why that particular document is needed right so that's that."

"And also, what is the government intervention as far as assisting them is parity and the local residents to stay afloat and awareness there."

R009"So because our framework is based on a risk appetite, umm, the decision-making process is based on the risk appetite."

R008:" Partnerships between in this instance, it would then be between the party which is the SME, and the financial institution funded the funding of the of the SME, but to create there that that, that relationship sustainable."

"You know, they don't want to now fund based on vision and a dream, but now they want to want something that already running and is incredible."

R007:" You know, if we as banks could look into exploring nontraditional collateral options, you know, a because many SME's leg significant assets to use as collateral."

R006:" No, there's a lot of work still need to be done there."

R005: "For example, in terms of collateral and already with the credit scores or Bureau, it's already an external way."

R004:" For example, you'll never take a banker. *That's never grow up or never been, you know, exposed to, like Township, and then put them in a Township."*

R002:" We can look at available, you know, guarantees that I cared for assignee or trampling."

BLACK SMEs

B001:" So yeah, the at the attitude is negative to existing framework because a lot of them feel and we've been in this position before, you feel that the bank is not supportive of you when you need it most, right?"

B003:" So for black people then, starting from knowing don't have property, don't have family that you know background or family businesses or family property that you can you know what's done is a charity."

"So I from the framework, whatever it was implemented during the apartheid time, it still reflects now."

B005:" You know, I don't think that there are enough platforms."

"I think that attitude then needs to change."

B006:" Begging, please finance me because you are a bargain to yourself."

B007:" Over the last few years, I don't feel confident enough going to our bank in mainland."

"I think education and teaching people and providing the knowledge."

B008:" In the broader sector, probably now to be honest, I think that a, you know, the broader blackheads and knees are not using, are not using banks.

B009:" So again it becomes the pain keys and again it goes it goes, it goes back to the lack of understanding."

B0010: "We need to renew our minds and know that that is history."

4.6 Results for Research Question Five

Question 5: What are the successful examples of banking frameworks in other countries that have effectively supported the funding needs of minority-owned SMEs?

This question aims to collect thoughts from bank representatives and Black SMEs about successful banking frameworks in other countries or any deficiencies in the current framework that have effectively met the financial requirements of minority-owned SMEs. The aim is to discover and assess important features, tactics, and best practices used by banking systems in other places to enhance accessibility, inclusivity, and efficacy in offering financial assistance to minority-owned SMEs through interview research. The research seeks to analyse effective foreign models in order to derive insights and suggestions that may be used to create comparable frameworks specifically designed for minority-owned SMEs in the local environment. The goal is to improve banking practices and policies to promote fair access to capital and support sustainable growth of minority-owned SMEs. Participants had the freedom to interpret and answer the questions as they deemed suitable. This method offered insights into the portions of their tales that they considered pertinent and necessary to share.

Table 7: provides a summary of the findings for Research Question 5, displaying the categories linked to each theme.

Theme	Category
Bank Representatives	
Persistent Effects of Apartheid Legacy	Legacy of apartheid-era inequalities
	Contemporary socio-economic inequalities
Promoting Diversity and Inclusion	Importance of diversity and inclusion policies
	Role of transformation initiatives
Empowerment through Education and Sensitization	Collaboration with external experts
	Regular sensitization programs
	Tailored training programs
	Experiential learning and exposure
Black SME's	
Enhancing Access to Funding and Financial Resources:	Facilitating access to funding
	Challenges in risk assessment
	Establishing strong financial management
	Building robust credit histories
	Utilizing alternative financing options
Navigating Regulatory and Bureaucratic Challenges	Bureaucratic processes
	Innovative financial products
	Training and capacity building
	Active participation in training programs
	Embracing technology adoption
Strategic Alignment with Government Initiatives and Community Engagement	Alignment with Government Initiatives
	Community engagement
	Establishing strong networks
	Strategic alignment with government initiatives
	Alignment with Government Initiatives

The data collected from interviews with bank representatives and Black SMEs reveal major topics related to the lasting impact of apartheid legacies and initiatives to enhance diversity, inclusion, and empowerment in the financial sector. Bank representatives must take aggressive initiatives to promote diversity and inclusion due to the existence of apartheid-era injustices and modern socio-economic imbalances. This theme covers the significance of diversity and inclusion policies, together with the impact of transformation programs on resolving systemic disparities. Empowerment through education and sensitization is a key priority, achieved through partnership with external experts, frequent sensitization events, customized training efforts, and experiential learning opportunities to promote a more inclusive and empowered financial ecosystem. Black SMEs prioritize improving access to capital and financial resources, overcoming legal and bureaucratic obstacles, and strategically aligning with government programs and community involvement. The findings emphasize the need for a comprehensive approach to tackle historical injustices and promote inclusive economic development in underrepresented groups.

Participants shared the below quotes about successful banking systems and future ideas that could help black SMEs acquire finance from banks.

<u>BANK REPRESENTATIVES</u>

R001:" Now the government that they partnered with that actually came in as a collateral partner."

"Yeah, giving guaranteed to SME's." "I think that's probably good initiatives whereby they actually partner with these black owned SMEs you know from a collateral point of view because I think that where the struggle is more in the business."

R0014:" "Every as an as an account executive every quarter or every month you just a call pop up, not email"

R0013:" But I mean the world changed now everybody got everybody has financial education."

R0011:" You teach them how to do cash flow projections, how to budget for their business, how to how to how to and by you giving them all this information."

R0010:" And the more negative sentiment, the more financial institution has to review their policies and practices."

R009:" So we need to move away completely from the current ways of assessing risk from for SME's."

R008:" But again, it's over and above the partnership and collaboration with the SME's as well as other partners within, you know, like people that do marketing, and all of those things involve them so that they can help you know they can help grow themselves."

R006:" We are working on something called the Township economy and this is where we're looking at primarily small businesses, people who are doing business in the Township."

R005:" Yeah, I think probably trained in terms of changes, the mindset, the, the perspective, because as much as you can be educated in all those things."

R003: "So there's a lot I think as we are evolving, we evolving as a bank on the technology, on the technology side, we're going digital."

R002:" so there's a lot that can be done in this and education that can be done in this space."

“You know, so before you throw the rulebook to an SMEs, find out.”

BLACK SMEs

B001:” Let me build a relationship with the bank.”

B002:” You borrow from family and friends.”

“if the public sector is with the private sector really in the context of South Africa looking look and say you and look at the ratio of the population distribution then come up with the measures to try to make sure that all sectors, all the ratio of uh types I will represented in the market because of how do you have this is just from the top of my head that I think 3/4 of the population is the black population but they're the ones what is the reason where the begging ends.”

B003:” Let's talk about you go to your community in the any community cause that you need to support, you know, take your business”

“I plead with the banks that you know; I mean they must just look at the way and how they structure the funding.”

“It's a relationship thing more than anything.”

“Educational support.”

B004:” I really banks could actually look at those leadership academies for.”

B006:” What is more important is there's a need for banks and the state funding institution to work together.”

B007:” Tailor your solutions that suit both parties.”

B008:” So if banks looked at risk more on a on a family basis, I think that that would be more effective.”

“Like if you look at the Middle East and South, you, Italy's southern parts of France, Portugal and Spain and you're, you know, Turkey, Lebanon, those, it's much more of a family centered structure.”

“So now you've got the benefit of not just looking at one person, but that entire, that entire family.”

B009:” I see successful businesspeople who have good networks.”

4.7 Conclusion

This chapter has presented the findings that arise from the literature review covered in Chapter Two. Chapter 4 thoroughly examines the findings of the study on creating a framework for banks to help Black SMEs get funding in South Africa. Analysed internal and external factors influencing Black SMEs and bank representatives, along with historical and systemic variables affecting the financial environment for black-owned SMEs, revealing insights on the complexities of funding and challenges for Black entrepreneurs.

Moving forward, the findings from Chapter serve as a springboard for further exploration and action, guiding the development of targeted interventions and policy initiatives aimed at dismantling barriers and fostering greater access to funding for Black-owned SMEs. By utilizing the findings from this research, stakeholders may work together to create a more inclusive and fairer financial environment that maximizes the capabilities of Black entrepreneurship and promotes sustainable economic growth and progress in South Africa.

CHAPTER 5. DISCUSSION OF RESULTS

5.1 Introduction

In this chapter, the findings from both Black SMEs and Bank Representatives are synthesized to provide insights into the factors influencing banks' lending decisions to SMEs, the primary obstacles faced by SMEs in accessing funding, the impact of historical and systemic variables on the financial environment for black-owned SMEs, key features and components for a banking framework, and successful examples of banking frameworks in other countries.

5.2 Discussion for Research Question One

5.2.1 *Factors influencing banks' lending decisions to SMEs.*

Internal factors for bank representatives

Internal factors within banking institutions, including organisational culture, policies and procedures, training programs, and alignment with social responsibility goals, significantly influence how bank representatives engage with Black-owned SMEs seeking financial assistance. The internal factors identified by bank representatives, including organisational culture, policies and procedures, training programs, and alignment with social responsibility goals, align with existing literature (Creswell, 2014). The literature emphasizes the importance of a supportive organisational culture and policies that facilitate inclusive lending practices (Mersland et al., 2019). Training programs play a crucial role in enhancing cultural competency and addressing biases (Redwood & King, 2014). Therefore, cultivating an organisational culture that values diversity and inclusivity is crucial, and aligning policies with the principles of the Financial Inclusion Framework ensures a supportive environment for minority-owned enterprises. Training programs that sensitize employees to historical and contemporary challenges faced by Black entrepreneurs, drawing insights from Critical Race Theory, contribute to informed decision-making and address unconscious biases. Additionally, aligning social responsibility goals with the broader objective of promoting financial inclusion creates a powerful internal driver, fostering a more inclusive banking environment and actively supporting the financial inclusion of Black-owned SMEs in South Africa.

External factors for bank representatives

External factors influencing bank representatives in their engagement with Black-owned SMEs encompass government regulations, economic conditions, market competition, and the availability of government support programs. Government regulations play a pivotal role in shaping lending practices, and aligning these regulations with the Racial Equity Framework ensures that policies contribute to dismantling historical disparities. Economic conditions and market competition impact the risk appetite of financial institutions, emphasizing the need for adaptive strategies aligned with the Financial Inclusion Framework. Government support programs, if strategically designed with insights from Critical Race Theory, can bridge existing gaps and enhance the effectiveness of financial institutions in supporting Black SMEs. These external factors emphasize the importance of systemic changes and collaborative efforts to create an environment conducive to equitable access to financial resources for Black-owned SMEs. Supported also by literature, government regulations, economic conditions, market competition, and the availability of government support programs emerged as external factors influencing banks' lending decisions. This resonates with literature on the impact of macroeconomic conditions on lending practices (Allen et al., 2016) and the role of government support in shaping financial inclusion policies (Simatele & Kabange, 2022).

Internal factors for black SMEs

Internal factors influencing Black-owned SMEs in their pursuit of funding from banks include a lack of innovation and adaptability, limited financial literacy, inadequate business planning, weak credit history, insufficient management competence, and restricted networking opportunities. These factors align with insights from Critical Race Theory, emphasizing the historical impact of apartheid-era legacies on education and economic opportunities. Integrating Financial Inclusion Framework principles, addressing financial literacy gaps and fostering innovation becomes crucial for empowering Black entrepreneurs. Recognizing these internal factors, a comprehensive approach rooted in the Racial Equity Framework should be devised, including targeted support programs, educational initiatives, and networking platforms to enhance the capabilities of Black-owned SMEs and address historical disparities. Therefore, internal obstacles faced by Black SMEs, such as a lack of innovation, limited financial literacy, inadequate business planning, weak credit history, insufficient management competence, and restricted networking opportunities, are consistent with findings in the literature (Dixson & Rousseau, 2005). Strategies to address these internal challenges should include tailored training programs and capacity-building initiatives (Cull et al., 2018).

External factors for black SMEs

External factors influencing Black-owned SMEs in their pursuit of funding from banks encompass regulatory hurdles, risk perception, limited government backing, complex application processes, and inequality in access to resources. These external challenges are intertwined with historical and systemic variables, reflecting the enduring impact of apartheid-era regulations and economic imbalances. Critical Race Theory elucidates how historical legacies shape contemporary obstacles, emphasizing the need for systemic changes. The Financial Inclusion Framework stresses the importance of addressing regulatory barriers and enhancing government support. Embracing a Racial Equity Framework necessitates policies that dismantle external barriers, ensuring fair access and opportunities for Black-owned SMEs within the financial landscape. Policymakers should work collaboratively to streamline application processes, mitigate risk perception, and provide equitable government support to bridge existing disparities. Therefore, regulatory hurdles, risk perception, limited government support, complex application processes, and inequality in access identified by Black SMEs align with literature highlighting the challenges faced by minority-owned businesses in obtaining funding (Valdez, 2011). The literature emphasizes the need for policy clarity and reassessment of credit metrics to foster financial inclusion (Mersland et al., 2019).

5.3 Discussion for Research Question Two

5.3.1 *Primary obstacles faced by SMEs in accessing funding via banks.*

The challenges identified by both bank representatives and Black SMEs provide a comprehensive understanding of the obstacles in SME financing. These challenges, rooted in both internal and external factors, highlight the complexity of the financial ecosystem for SMEs. The primary obstacles faced by SMEs in accessing funding through banks are multifaceted and involve both internal and external factors. Internally, Black SMEs encounter challenges such as a lack of innovation and adaptability, limited financial literacy, inadequate business planning, weak credit history, insufficient management competence, and limited networking opportunities. These internal factors contribute to a less favourable perception by banks, impacting their creditworthiness and ability to meet lending criteria. Externally, regulatory hurdles, risk perception, limited government backing, complex application processes, and inequality in access to resources further impede the funding prospects for Black-owned SMEs. The intricacies of navigating these obstacles underline the need for a comprehensive framework that addresses both internal and external factors, aligning with the Financial Inclusion Framework and Racial Equity Framework, to foster an inclusive environment for Black SMEs seeking financial support.

The challenges faced by Black SMEs in accessing funding through traditional banking channels resonate with existing literature on financial inclusion and racial disparities in entrepreneurship. Studies, such as those by Dixson and Rousseau (2005), have highlighted the disparities in loan approval rates, access to venture capital, and total investment amounts between minority-owned businesses and their white-owned counterparts. The financial exclusion experienced by Black-owned SMEs is also echoed in the Financial Inclusion Framework, which emphasizes the importance of offering inclusive financial products, services, and support systems customized to the unique requirements of excluded enterprises (Cull et al., 2018). The literature points out the systemic barriers and biases that persist, contributing to the challenges faced by Black SMEs, necessitating the development of frameworks that address historical legacies and promote racial equity in financial systems.

5.4 Discussion for Research Question Three

5.4.1 *Impact of historical and systemic variables on the financial environment for black-owned SMEs*

Cultural competency and relationship dynamics for bank representatives play a pivotal role in shaping the financial environment for black-owned SMEs. The interviews highlighted the impact of personal beliefs, biases in risk assessment, and cultural competency on banking practices. Addressing unconscious biases becomes imperative in fostering trust, effective communication, collaboration, and partnerships between banks and black SMEs. The literature stresses the importance of cultural competency in banking relationships, emphasizing the need to address unconscious biases, and highlighting the significance of trust and adaptability (Vaught & Castagno, 2020). This aligns with the findings, showcasing the need for cultural competence and sensitivity within the banking sector to create equitable financial relationships with black-owned SMEs.

- *Cultural competency and relationship dynamics for bank representatives*

Bank representatives acknowledged the impact of personal beliefs, biases in risk assessment, cultural competency, and sensitivity. The literature underscores the significance of cultural competence within banking relationships, highlighting the necessity to confront unconscious biases. It emphasizes the pivotal role of cultural competency, trust, and adaptability in cultivating fair and inclusive financial relationships (Vaught & Castagno, 2020).

- *Challenges in institutional practices for bank representatives*

Issues related to trust in banking relationships, communication challenges, collaboration, partnerships, bureaucratic hurdles, lack of flexibility in policies, and resistance to change highlight the institutional challenges faced by banks. Literature emphasizes the role of relationship managers and the need for flexibility in institutional practices (Creswell, 2014).

- *Historical legacies and policy impact for black SMEs*

For Black SMEs, the apartheid-era legacies, wealth distribution, transformation initiatives, socio-economic disparities, and the impact of post-apartheid policies emerged as influential factors. The literature corroborates these findings, emphasizing the persistent effects of historical inequalities on financial systems (Redwood & King, 2014).

- *Trust, relationships, and communication for black SMEs*

Communication styles, community-centric values, perceptions of risk and success, familial and informal networks, and community development initiatives play a pivotal role in shaping the financial environment for Black SMEs. The literature supports the importance of community-centric values and inclusive communication in fostering trust and relationships (Vaught & Castagno, 2020).

- *Equity and inclusion in financial systems for black SMEs*

Collateral as a barrier, creditworthiness challenges, holistic assessment of business viability, the need for policy clarity, and reassessing credit metrics are critical components shaping equity and inclusion in financial systems for Black SMEs. The literature emphasizes the importance of assessing business viability comprehensively and advocating for policy clarity (Mersland et al., 2019).

5.5 Discussion for Research Question Four

5.5.1 *Key features and components for a banking framework for black SMEs*

The key features and components for a banking framework designed to facilitate funding for black SMEs include feedback-driven community empowerment, adaptive policies for inclusive growth, empowerment through access and education, simplification, and inclusivity in financial systems, and fostering collaboration and innovation in risk management and product development.

- *Feedback-driven community empowerment for bank representatives*

Bank representatives stressed the importance of positive experiences, addressing negative feedback, feedback loops, continuous improvement, and community engagement. Literature supports the idea of community engagement and empowerment as essential components of an inclusive financial framework (Creswell, 2014).

- *Adaptive policies for inclusive growth for bank representatives*

Flexible collateral requirements, creditworthiness enhancement programs, post-apartheid policies alignment, and community outreach and education were highlighted by bank representatives. The literature advocates for adaptive policies to foster inclusive growth and financial literacy programs (Allen et al., 2016).

- *Empowerment through access and education for black SMEs*

Black SMEs emphasized the need for financial literacy programs, collateral flexibility, streamlined application processes, tailored financial products, and government support and incentives. These findings align with the literature emphasizing the role of education and tailored financial products in empowering SMEs (Simatele & Kabange, 2022).

- *Simplification and inclusivity in financial systems for black SMEs*

Capacity-building initiatives, risk mitigation strategies, community engagement, outreach, perceptions of exclusion, and the complexity of processes were identified as crucial components for Black SMEs. Literature supports the simplification of processes and the need for risk mitigation strategies (Cull et al., 2018).

- *Fostering collaboration and innovation in risk management and product development for black SMEs*

Bank representatives and Black SMEs both highlighted the importance of collaboration, innovation in risk management, and product development. The literature underscores the significance of collaborative approaches and innovation in financial products (Mersland et al., 2019).

5.6 Discussion for Research Question Five

5.6.1 *Successful examples of banking frameworks in other countries*

Successful international examples of banking frameworks provide valuable insights for South Africa's context. Persistent effects of apartheid-era inequalities shape the country's financial landscape, aligning with findings that historical and systemic variables significantly impact black-owned SMEs. These global frameworks emphasize diversity and inclusion policies, collaborative training programs, and experiential learning. They focus on enhancing access to funding, navigating regulatory challenges, and aligning with government initiatives. Adaptive policies, empowerment through education, simplification, inclusivity, and innovation in risk management are crucial features. These frameworks highlight the need for continuous improvement, community engagement, and collaboration, serving as a guide for developing a robust and effective banking framework for black SMEs in South Africa.

- *Persistent effects of apartheid legacy for bank representatives*

Bank representatives recognized the persistent effects of apartheid-era inequalities. The literature supports this observation, emphasizing the need for acknowledging historical legacies in financial frameworks (Redwood & King, 2014).

- *Promoting diversity and inclusion for bank representatives*

Diversity and inclusion policies and the role of transformation initiatives were identified as successful strategies. Literature supports the importance of diversity and inclusion in financial frameworks (Creswell, 2014).

- *Empowerment through education and sensitization for bank representatives*

Bank representatives emphasized the importance of collaboration with external experts, regular sensitization programs, tailored training programs, experiential learning, and exposure. The literature supports ongoing education and sensitization programs in financial frameworks (Simatele & Kabange, 2022).

- *Enhancing access to funding and financial resources for black SMEs*

Facilitating access to funding, challenges in risk assessment, establishing strong financial management, building robust credit histories, and utilizing alternative financing options were identified as successful strategies. Literature supports alternative financing options and the importance of strong financial management for SMEs (Dixson & Rousseau, 2005).

- *Navigating regulatory and bureaucratic challenges for black SMEs*

Successful examples highlighted strategies for navigating bureaucratic processes, innovative financial products, training, capacity building, active participation in training programs, and embracing technology adoption. Literature emphasizes the importance of innovation and technology in overcoming bureaucratic challenges (Valdez, 2011).

- *Strategic alignment with government initiatives and community engagement for black SMEs*

Alignment with government initiatives, community engagement, establishing strong networks, and strategic alignment with government initiatives were identified as successful strategies. The literature supports the strategic alignment of financial frameworks with government initiatives and active community engagement (Mersland et al., 2019).

5.7 Framework development for black SMEs

5.7.1 *An integrated approach*

The development of a new framework for Black SMEs' access to funding draws upon the integration of the theoretical framework, which incorporates Critical Race Theory (CRT), Financial Inclusion Framework, and Racial Equity Framework, and the conceptual framework comprising existing frameworks (Regulations/SARB, Bank Framework, Government Support/BEE, and Private Investors).

5.7.2 *Regulatory framework (SARB)*

The South African Reserve Bank (SARB) plays a central role in shaping the regulatory environment for lending practices. Building upon the Financial Inclusion Framework, the new framework proposes regulatory enhancements that explicitly promote inclusive lending practices. This involves revisiting existing regulations to ensure they align with the principles of financial inclusion, equity, and diversity.

The CRT lens is applied to examine historical injustices and biases embedded in regulatory practices. By acknowledging the historical legacies, the framework advocates for regulatory adjustments that address systemic inequalities, fostering an environment conducive to fair lending practices.

5.7.3 *Bank framework (risk measures)*

Understanding and improving risk measures are vital components of the new framework. Utilizing insights from both Black SMEs and bank representatives, the framework encourages banks to adopt adaptive policies. This aligns with the Financial Inclusion Framework, emphasizing flexible collateral requirements and creditworthiness enhancement programs.

The CRT perspective sheds light on the intersectionality of race and economic inequalities. Banks are urged to reassess their risk metrics, acknowledging the impact of historical disparities, and adopting measures that consider the unique challenges faced by Black SMEs. The framework suggests incorporating affirmative action measures to counter historical disadvantages, promoting a more inclusive risk assessment.

5.7.4 *Government support (BEE)*

The effectiveness of government support, particularly through Black Economic Empowerment (BEE) policies, is critical for Black SMEs' financial inclusion. The framework advocates for a comprehensive evaluation of BEE policies, ensuring their alignment with post-apartheid goals and continuous improvement.

Drawing on the Racial Equity Framework, the new framework stresses the need for government support that goes beyond policy documents. It calls for practical measures to address socio-economic disparities, wealth distribution, and historical legacies. This includes targeted financial incentives, capacity-building programs, and ongoing support for Black-owned SMEs.

5.7.5 *Private investors*

Private investors contribute significantly to the existing financial framework. In the new framework, the collaboration between government, banks, and private investors is highlighted as a key element. By fostering partnerships and creating synergies, the framework envisions a financial ecosystem where private investors actively participate in supporting Black SMEs.

The CRT perspective emphasizes the importance of dismantling systemic barriers. Private investors are encouraged to be actively involved in addressing historical imbalances, promoting diversity, and contributing to the economic empowerment of Black entrepreneurs.

5.8 Recommendations

Building on the insights from both theoretical and conceptual frameworks, the new framework proposes specific recommendations. These include the need for financial literacy programs targeting Black SMEs, simplified application processes, tailored financial products that cater to the unique needs of these enterprises, and government incentives to encourage private investors to engage with Black-owned SMEs.

The Racial Equity Framework guides the recommendation to reassess credit metrics and support credit building. By actively addressing historical disparities, the framework advocates for measures that go beyond symbolic gestures, promoting tangible changes in financial practices.

5.9 Conclusion

The integrated framework is a comprehensive response to the challenges identified in the study. By leveraging insights from Critical Race Theory, Financial Inclusion Framework, and Racial Equity Framework, and aligning them with the existing conceptual framework, the proposed framework aims to transform the financial landscape for Black SMEs in South Africa. It encourages a holistic approach, emphasizing regulatory changes, adaptive banking practices, effective government support, and collaborative efforts from private investors. Through these measures, the framework aspires to create an inclusive financial environment that addresses historical imbalances and fosters equitable access to funding for Black-owned SMEs.

CHAPTER 6. CONCLUSION

6.1 Conclusion

The exploration of challenges faced by Black-owned SMEs in South Africa has unravelled complex issues deeply rooted in historical inequalities stemming from the apartheid era. The empirical findings from Chapter 5, complemented by a comprehensive review of existing literature, have illuminated a myriad of barriers ranging from regulatory constraints to biases within the financial ecosystem. In conclusion, it is evident that a cohesive, collaborative, and innovative approach is imperative to overcome these challenges and cultivate an environment conducive to the sustained growth and prosperity of Black-owned SMEs.

6.2 Recommendations

6.2.1 *Regulatory and government support*

- *Tailored regulatory frameworks.*

Advocate for regulatory adjustments that acknowledge and accommodate the distinctive characteristics and challenges of Black-owned SMEs. Work collaboratively with the South African Reserve Bank (SARB) to develop tailored regulatory frameworks aimed at promoting financial inclusion and rectifying historical biases.

- *Strengthening B-BBEE Policies*

Enhance and reinforce Broad-Based Black Economic Empowerment (B-BBEE) policies to effectively bridge historical gaps and provide equal opportunities. Encourage collaboration between government agencies, industry stakeholders, and Black-owned SMEs for the effective implementation of support programs.

6.2.2 *Financial infrastructure and funding*

- *Innovative lending models*

Encourage financial institutions to adopt innovative lending models that consider the unique risk profiles of Black-owned SMEs. Explore risk-sharing mechanisms between banks, government bodies, and private investors to mitigate collateral constraints.

- *Private investment ecosystem*

Incentivize private investors to engage in the Black-owned SME ecosystem through targeted funds, venture capital initiatives, and angel investor networks. Facilitate partnerships between private investors, incubators, and accelerators to provide mentorship, expertise, and financial resources.

6.2.3 *Partnership and collaboration initiatives*

- *Stakeholder Collaboration*

Facilitate regular dialogue and collaboration between government agencies, financial institutions, industry associations, and Black-owned SMEs to address systemic barriers. Establish joint initiatives focused on capacity-building, financial literacy, and access to market opportunities for Black entrepreneurs.

- *Integration of insights*

Integrate insights from interviews with Black entrepreneurs and academic literature to inform policy development and program implementation. Conduct periodic assessments and evaluations to ensure ongoing alignment with the evolving needs of Black-owned SMEs.

6.2.4 *Capacity building and knowledge transfer*

- *Training programs and mentorship*

Develop targeted training programs in financial management, business development, and technology adoption tailored to the needs of Black-owned SMEs. Establish mentorship networks connecting experienced entrepreneurs with emerging Black business owners to facilitate knowledge transfer.

- *Research and innovation support*

Establish research and innovation hubs focused on addressing the specific challenges faced by Black-owned SMEs. Foster collaboration between universities, research institutions, and industry partners to drive innovation and entrepreneurship within the Black business community.

6.3 Implications

The successful implementation of these recommended strategies and initiatives carries significant implications for various stakeholders. Firstly, the proposed regulatory adjustments and tailored financial mechanisms have the potential to create an inclusive and supportive ecosystem for Black-owned SMEs, thereby contributing to economic growth and job creation. Moreover, the collaborative partnerships between government, financial institutions, private investors, and SMEs can lead to a more equitable distribution of resources and opportunities. This, in turn, may contribute to the reduction of income inequality and the dismantling of barriers that have historically hindered the progress of Black entrepreneurs. The focus on capacity-building programs and knowledge transfer initiatives is expected to empower Black-owned SMEs, fostering not only immediate financial support but also long-term sustainability and competitiveness. By addressing the root causes of financial exclusion and biases, the implications of these recommendations extend beyond the SME sector to influence broader economic transformation and social equity.

6.4 New framework integration

The recommendations outlined above converge into a holistic framework designed to empower Black-owned SMEs in South Africa. This framework, depicted in the diagram below, highlights the interconnected nature of regulatory support, financial infrastructure, collaborative partnerships, and capacity-building initiatives.

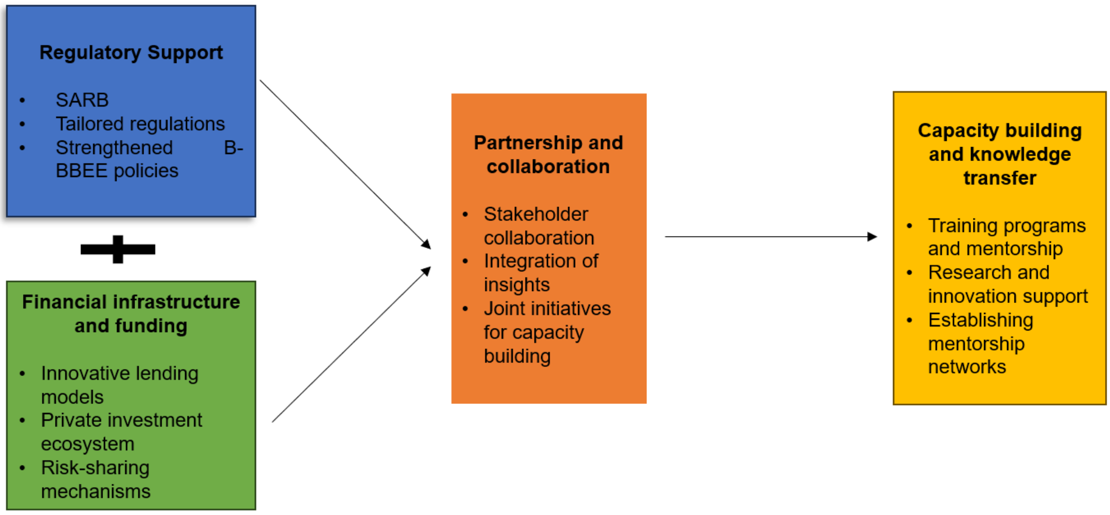

Figure 2: New Framework

6.5 Recommendations for Future Research

The research findings indicate the necessity of implementing a comprehensive strategy to address historical injustices and foster inclusive economic growth in marginalized groups such as black SMEs. Future study should focus on investigating options for integrating technology, evaluating the effectiveness of capacity building programs, and undertaking longitudinal studies to quantify the long-term effects of the framework.

Given that this research is confined to the banking sector, it would be intriguing to expand future research by examining additional sorts of financial entities, such as venture capitalists, FinTech companies, and government grants.

By focusing on these specific areas, future research can offer significant insights to improve the framework for supporting black-owned SMEs in obtaining bank finance. This will contribute to boosting financial inclusion and advancing economic empowerment in South Africa.

6.6 Conclusion

In conclusion, the comprehensive approach outlined in this chapter, if embraced and implemented collaboratively, has the potential to reshape the landscape for Black-owned SMEs in South Africa. This will foster a more inclusive, resilient, and prosperous entrepreneurial ecosystem. The implications of these recommendations reach far beyond the SME sector, presenting an opportunity for meaningful economic and societal transformation. It is a call to action for policymakers, financial institutions, private investors, and the broader community to contribute collectively to the realization of a more equitable and vibrant future for Black-owned SMEs in South Africa.

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APPENDIX A

Participation information sheet

Dear Sir / Madam

My name is Nompilo Majozi. I am a master's MBA student at the University of the Witwatersrand, Johannesburg. My supervisor is Prof. Moyo. I am conducting a research study about Black SMEs funding challenges from the Banks. The study title is "*A framework for facilitating bank funding of black SMEs in South Africa*".

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 +/-2 hours. The interview will take place online or face to face as an option to choose by participants.

With your permission, I would like to audio & video record the interview. This data will be stored in a password protected computer for 5 years and deleted after 5 years. Only the researcher will have access to the data.

The interview will be confidential and anonymous. When I share the results of the research study, I will not include your name or anything else that could identify you.

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

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,

Nompilo

Researcher:

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APPENDIX B

Consent Form

A framework for facilitating bank funding of black SMEs in South Africa

Nompilo Majozi

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 may be audio recorded

YES NO

I agree that direct quotations from my interview may be used by the researcher in their research report/ manuscript/book chapter

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/manuscript/book chapter)

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)

Nompilo Majozi (name of researcher/person seeking consent)

28/01/2024 (date)

APPENDIX C

Ethical Clearance

Graduate School of Business Administration
University of the Witwatersrand, Johannesburg

Wits Business School

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

Ethics Clearance Certificate

Ethics protocol number: WBS/BA2627771/751

This certificate is only valid with a legitimate ethics protocol number and signed by the Researcher (below)

Project title	A framework for facilitating bank funding of black SMEs in South Africa
Investigator / Researcher	Ms Nompilo Majozi
Nature of Project	MBA (Research Article)
Decision of the Committee	Approved, provided stakeholders and participants are guaranteed confidentialty.
Issue Date of Certificate	2023/08/28
Expiry date	Date of submission of the project / research report
Chairperson	Dr Pius Oba ☎ +27 11 717 3976 +27 82 733 6587 pius.oba@wits.ac.za

Declaration by Researcher

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

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

Signature

Date:

APPENDIX D: Codes

• Organizational culture • Impact of policies and procedures • Training and sensitization programs • Alignment with social responsibility goals • Government regulations • Economic conditions • Market competition • Government support programs
• Impact of personal beliefs • Biases in risk assessment • Cultural competency and sensitivity • Addressing unconscious biases • Trust in banking relationships • Communication challenges • Collaboration and partnerships • Role of relationship managers • Bureaucratic hurdles • Lack of flexibility in policies • Risk aversion in decision-making. • Resistance to change. •
• Impact of positive experiences • Addressing negative feedback • Feedback loops and continuous improvement • Community engagement and participation • Flexible collateral requirements • Creditworthiness enhancement programs • Post-apartheid policies alignment • Community outreach and education
• Legacy of apartheid-era inequalities • Contemporary socio-economic inequalities • Role of transformation initiatives • Importance of diversity and inclusion policies • Tailored training programs • Experiential learning and exposure • Collaboration with external experts • Regular sensitization programs
• Limited financial literacy • Inadequate business planning • Weak credit history • Insufficient technology adoption • Limited networking opportunities • Inadequate management competence • Lack of innovation and adaptability • Limited access to business support services • Regulatory hurdles • Risk perception • Limited government support • Inequality in access • Complex application processes • Insufficient government support
• Apartheid-era legacies • Wealth distribution • Transformation initiatives • Socio-economic disparities • Trust and relationship building • Communication styles • Community-centric values • Perceptions of risk and success • Familial and informal networks • Community development initiatives • Collateral as a barrier • Creditworthiness challenges • Impact of post-apartheid policies • Need for policy clarity. • Reassessing credit metrics • Holistic assessment of business viability • Support for credit building
• Financial literacy programs • Collateral flexibility • Streamlined application processes. • Tailored financial products. • Government support and incentives • Capacity-building initiatives • Risk mitigation strategies • Community engagement and outreach • Perceptions of exclusion • Complexity of processes • Risk aversion • Lack of understanding • Limited customization of products • Desire for collaboration
• Facilitating access to funding • Challenges in risk assessment • Bureaucratic processes • Alignment with Government Initiatives • Community engagement • Innovative financial products • Training and capacity building • Establishing strong financial management • Building robust credit histories • Active participation in training programs • Establishing strong networks • Diversifying revenue streams • Strategic alignment with government initiatives • Utilizing alternative financing options