

https://dspace.org/

# The role of growth aspirations in SMME financing decisions

**Kedibone Rathogwa; Jabulile Msimango-Galawe**

https://hdl.handle.net/10539/44279
SCOPUS

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

Cogent Business & Management

ISSN: (Print) (Online) Journal homepage: www.tandfonline.com/journals/oabm20

# The role of growth aspirations in SMME financing decisions

Belinda Rathogwa & Jabulile Msimango-Galawe

**To cite this article:** Belinda Rathogwa & Jabulile Msimango-Galawe (2023) The role of growth aspirations in SMME financing decisions, Cogent Business & Management, 10:1, 2196040, DOI: 10.1080/23311975.2023.2196040

**To link to this article:** https://doi.org/10.1080/23311975.2023.2196040

© 2023 The Author(s). This open access article is distributed under a Creative Commons Attribution (CC-BY) 4.0 license.

Published online: 01 Apr 2023.

Submit your article to this journal

Article views: 1375

View related articles

View Crossmark data

Citing articles: 1 View citing articles

Full Terms & Conditions of access and use can be found at
https://www.tandfonline.com/action/journalInformation?journalCode=oabm20

Rathogwa & Msimango-Galawe, *Cogent Business & Management* (2023), 10: 2196040
**https://doi.org/10.1080/23311975.2023.2196040**

cogent business & management

BANKING & FINANCE | RESEARCH ARTICLE

# The role of growth aspirations in SMME financing decisions

Belinda Rathogwa[1*] and Jabulile Msimango-Galawe[1*]

Received: 07 October 2022
Accepted: 23 March 2023

*Corresponding author: Belinda Rathogwa, Wits Business School, The University of Witwatersrand, Private Bag 3, WITS, Johannesburg, Gauteng, 2050 South Africa
E-mail:1664852@students.wits.ac.za

Reviewing editor:
David McMillan, University of Stirling, UK

Additional information is available at the end of the article

**Abstract:** The literature suggests that growth aspirations positively influence SMME access to finance. However, a knowledge gap remained concerning the role of growth aspirations in SMME financing decisions. This study explored the role of entrepreneurs' growth aspirations in their decision to apply for external finance. In addition, the study investigated the effect of intention to apply on entrepreneurs taking action to apply; and the effect of growth aspirations on entrepreneurs' intentions and actions. We conducted in-depth interviews with 14 South African entrepreneurs. In parallel, an online survey collected quantitative data from 185 South African entrepreneurs conveniently sampled on LinkedIn, Facebook and WhatsApp. Interview findings suggest that growth aspirations motivate entrepreneurs to seek external finance. The evidence indicates that intention to apply for external finance has a positive effect on entrepreneurs taking action to apply. However, we found no empirical support for growth aspirations positively affecting intention to apply or entrepreneurs taking action to apply. We propose that future research investigates a mediating effect wherein perceived desirability mediates the effect of growth aspirations on entrepreneurs' intention to apply for external finance. An improved understanding of the role of growth aspirations in SMME financing decisions can support policymakers and finance providers in guiding entrepreneurs who need external finance to grow their businesses.

**Subjects: Entrepreneurship; Entrepreneurial Finance; Finance**

**Keywords: SMME; entrepreneurship; financing decisions; growth aspirations; intention**

## 1. Introduction

Small, Micro and Medium Enterprises (SMMEs) are expected to play a critical role in creating employment and driving economic growth (Global Entrepreneurship Monitor, 2020). The finance literature has established that SMMEs need access to finance to grow and compete effectively in their chosen markets (Kersten, Harms, Liket, & Maas, 2017). Despite the recognition that access to finance is vital for growth, SMMEs have difficulty accessing the external finance required to drive growth (International Finance Corporation, 2017). As a primary decision-maker, the entrepreneur plays a vital role in SMME financing decisions (Andersson & Tell, 2009).

Growing research shows that cognitive factors can affect SMME financing decisions and the extent to which entrepreneurs make use of the financing opportunities available to them (Bilgehan & Yusuf, 2014; Krueger, 2003). More specifically, research has shown that firms

© 2023 The Author(s). Published by Informa UK Limited, trading as Taylor & Francis Group.
This is an Open Access article distributed under the terms of the Creative Commons Attribution License (http://creativecommons.org/licenses/by/4.0/), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited. The terms on which this article has been published allow the posting of the Accepted Manuscript in a repository by the author(s) or with their consent.

with higher growth objectives are more likely to apply for equity finance (Cosh et al., 2009; Fitzsimmons & Douglas, 2006). In their study of entrepreneurs' funding decisions, Fitzsimmons and Douglas (2006) found that growth intention is positively associated with entrepreneurs' decision to finance their businesses through equity capital. Similarly, Cosh et al. (2009) found that firms with stronger growth objectives are more likely to seek external finance. However, a knowledge gap remains concerning the role of growth aspirations in SMME financing decisions.

The explanatory mechanism underlying how growth aspirations affect SMME financing decisions is poorly understood. Moreover, studies investigating the effect of growth aspirations on financing decisions have focused on traditional sources of finance, including bank credit (Fitzsimmons & Douglas, 2006), trade credit and venture capital (Cosh et al., 2009). Public sector finance and emerging sources of finance such as crowdfunding and marketplace lending have received scant attention.

This research addresses this gap by using the intention construct to provide insight into the role of growth aspirations in SMME financing decisions. The study extends beyond bank credit, trade credit and venture capital by including alternative finance sources (crowdfunding, marketplace lending) and public sector finance sources (public sector grants, public sector loans, and public sector COVID-19 business support). The study draws on behavioural intention theory to answer the following research questions:

**RQ1:** *What is the role of growth aspirations in entrepreneurs' decision to apply for external finance?*

**RQ2:** *What is the effect of growth aspirations on entrepreneurs' intentions and actions when seeking external finance?*

We address the first research question by exploring entrepreneurs' decision-making process when seeking external finance. To provide a deeper insight into the role of growth aspirations in SMME finance decisions, we explore the needs that drive entrepreneurs to seek external finance, their goals, motivations and actions as part of this process. We address the second research question by testing hypotheses concerning the effect of growth aspirations on entrepreneurs' intention to apply and the action taken to apply for external finance.

We contribute to the literature by using the intention construct to provide insight into how entrepreneurs make and enact financing decisions. Further, we contribute to theory building by identifying the role of growth aspirations in SMME financing decisions. Identifying the role of growth aspirations in financing decisions is important since previous research suggesting that growth aspirations positively influence entrepreneurs' use of external finance fails to provide insight into the underlying process by which growth aspirations affect SMME financing decisions (Cosh et al., 2009; Wong et al., 2018).

This paper adopts the following structure, adapted from Bulanova et al. (2016). First, we discuss the literature on SMME financing decisions and conceptualise growth aspirations. Following that, we draw on the theory of planned behaviour and the entrepreneurial event model to develop hypotheses concerning the effect of growth aspirations on entrepreneurs' intentions and actions when seeking external finance. In the methodology section, we describe the research design, the sample, measures and the data analysis methods used. Then we present findings from the interview, followed by survey results. The results section is followed by an integrated discussion of the results and considering this study's limitations. We conclude by highlighting potential areas for further research and the implications of the research findings.

## 2. Theoretical framework and hypotheses development

### *2.1. SMME financing decisions*

The importance of SMMEs in promoting economic growth and employment creation is widely documented in the literature (Global Entrepreneurship Monitor, 2020). Research has shown that access to finance is vital for SMMEs to compete and grow (Carbo-valverde et al., 2016; Carpenter, 2002; Cassar, 2004). In addition, Osano and Koine (2016) have shown that financial investment supports technology transfer for businesses operating in innovative industries, enabling them to contribute to economic growth. SMMEs with access to external finance achieve better performance (Keasey & Watson, 1992; Rehm & Xavier, 2016). SMMEs require different types of finance as they go through different phases of their lifecycle (Berger & Udell, 1998; Fraser, 2019). As primary decision-makers in SMMEs, entrepreneurs may opt to use internal finance to support business activities that drive growth when they have adequate funds (Adonia et al., 2018). However, in the absence of adequate internal funds, SMMEs can use external finance to support business activities (Macan Bhaird et al., 2016).

Entrepreneurs seeking to drive SMME growth must decide how they will finance business activities (Nguyen & Canh, 2021). Decision-making involves an individual choosing a specific option or a course of action among a set of alternatives based on specific criteria (Wang & Ruhe, 2007). Thus, SMME financing decisions are concerned with choosing a financing option among a set of alternatives based on specific criteria.

The literature on entrepreneurial finance has focused mainly on capital structure optimisation to explain SMME financing decisions (Bulan & Yan, 2010; Cosh et al., 2009; Poutziouris et al., 2022; Robb & Robinson, 2014). For example, the pecking order theory argues that firms prefer internal finance over external finance when in need of additional funds. They prefer debt over equity if internal finance is insufficient (Bulan & Yan, 2010; Myers, 1984; Paul et al., 2007). The financial growth paradigm purports that entrepreneurs choose to use different sources of finance at different stages of the business lifecycle (Berger & Udell, 1998, 2006).

Studies that have adopted cognitive approaches to explaining SMME financing decisions argue that cognitive biases may affect how entrepreneurs make financing decisions (Adomdza et al., 2016; Bilgehan & Yusuf, 2014; Nguyen & Canh, 2021). Such studies recognise the central role of entrepreneurs and their motivations in SMME decisions (Andersson & Tell, 2009; Hessels et al., 2008; Levie & Autio, 2013). Following a review of the literature on psychological biases, 2014) concluded that cognitive factors could affect entrepreneurs' capital structure decisions and decisions to start a business or pursue business growth. This notion finds support in Adomdza et al. (2016), who investigated the effect of cognitive biases on financing decisions. They found that the cognitive bias of planning fallacy increases funding amounts while optimism and overconfidence do not affect finance amounts. Thus, cognitive factors can affect entrepreneurs as they make and act on financing decisions. This study provides insight into how entrepreneurs' growth aspirations affect SMME financing decisions.

### *2.2. Growth aspirations*

Although there is a growing body of research aimed at understanding why and how entrepreneurs choose to pursue growth (Eide et al., 2021; Hanifzadeh et al., 2018; Henríquez-Daza et al., 2019; Yang & Meyer, 2019), there is no consensus on the definition of entrepreneurial growth aspirations. Autio and Acs (2007, p. 4) define growth aspiration as "the decision to aspire for growth". Douglas (2013) distinguishes between the growth intentions of nascent entrepreneurs and the growth aspirations of practising entrepreneurs, as the aspirations of practising entrepreneurs are informed by experience, while the growth intentions of nascent entrepreneurs are not. He defines growth aspirations as "an entrepreneur's intention to grow an existing business" (Douglas, 2013, p. 636).

Growth motivation (Delmar & Wiklund, 2008) and growth preference (Cassar, 2006) have also been used to describe the same concept. In an effort to bring conceptual clarity to a body of

knowledge that is not well integrated, Hermans et al. (2015) argue that growth aspirations represent an entrepreneur's intrinsic desire for growth based on their attitude and subjective norms, while growth intentions represent the entrepreneurs' readiness to take the necessary action to drive growth. As this study seeks to explore the role of growth aspirations in SMME financing decisions, we adopt the recommendation by Hermans et al. (2015) and conceptualise growth aspiration as an entrepreneur's intrinsic desire for growth based on their attitude towards growth and subjective norms. The entrepreneurs' readiness to take action to apply for external finance in pursuit of growth is expressed as their intention to apply for external finance. Doing so improves conceptual clarity, avoiding overlap between the entrepreneurs' growth aspirations and intentions.

### *2.3. Behavioural intentions*

Intention models provide insight into entrepreneurs' behavioural processes (Krueger, 2003). Intention is defined as "a process, state, or act of conscious willing in the present to make some experience true, realised, manifested, or created in the future" (Bird, 2015, p. 163). While decisions are concerned with selecting an option among a set of alternatives (Wang & Ruhe, 2007), intentions capture the individual's motivation to act, including how much effort the individual is willing to put in (Ajzen, 1991; Delmar & Wiklund, 2008). Several studies have shown that individuals form an intention before taking action (Ajzen, 1991; Bird, 1988, 2015; Douglas et al., 2021; Krueger & Carsrud, 1993; Sheeran, 2002; Van Gelderen et al., 2015).

The construct of intention has been used to explain how individuals start a business (Douglas et al., 2021; Fitzsimmons & Douglas, 2011; Neneh, 2019; Schlaegel & Koenig, 2014) or grow their businesses (Hanifzadeh et al., 2018; Hermans et al., 2015; Neneh & Vanzyl, 2014). Entrepreneurs seeking external finance to grow their businesses adopt planned, intentional behaviour. Hence, the intention construct can be applied to exploring entrepreneurs' decision-making processes when seeking external finance (Schlaegel & Koenig, 2014).

The entrepreneurial event model (EEM) explains how intentions are formed, proposing that intentions are derived from perceptions of desirability and feasibility and form based on the individual's propensity to act upon opportunities (Shapero & Sokol, 1982). Perceived desirability represents the individual's perception of the relative attractiveness of an option (Katz, 1992), while perceived feasibility represents the degree to which the individual feels capable of acting. The propensity to act signifies the individual's disposition to act on their decisions (Shapero & Sokol, 1982).

The theory of planned behaviour (TBP) has been used to explain behaviour in different contexts (Ajzen, 2011). The theory states that the attitude toward a specific behaviour, subjective norms and the individual's perception of the control to perform the behaviour work together to shape their intentions and actions (Ajzen, 1991). The current research uses constructs from the EEM and TBP to explore entrepreneurs' decision-making processes when seeking external finance. This research investigates entrepreneurs' intention to apply for external finance, its association with growth aspirations and with entrepreneurs taking action to apply. Insight into how growth aspirations contribute to entrepreneurs using external finance is important as not all entrepreneurs want to grow their businesses (Wiklund et al., 2003), and not all entrepreneurs who need additional funds apply for external finance (Kon & Storey, 2003).

### *2.4. Development of hypotheses and conceptual framework*

Previous studies have shown that when undertaking intentional behaviour, intentions precede action (Douglas et al., 2021; Krueger & Carsrud, 1993; Schlaegel & Koenig, 2014). Moreover, intention has been shown to predict action (Sheeran, 2002; Van Gelderen et al., 2015). We suggest that entrepreneurs seeking external finance form an intention to apply before taking action to apply for external finance. We hypothesise:

**Hypothesis 1: Entrepreneurs' Intention to apply for external finance has a positive effect on them taking action to apply for external finance.**

Research has shown that entrepreneurs who intend to grow their businesses view external finance as an enabler of growth (Fitzsimmons & Douglas, 2006). Drawing from the TPB, we suggest that entrepreneurs with high growth aspirations have a positive attitude towards external finance, contributing to the formation of an intention to apply for external finance. We hypothesise:

**Hypothesis 2: Growth aspirations have a positive effect on entrepreneurs' intention to apply for external finance.**

Lastly, previous studies have shown that entrepreneurs' desire for growth has a direct and positive impact on their actions to pursue growth (Eide et al., 2021; Hanifzadeh et al., 2018). Moreover, research has found that entrepreneurs with high growth objectives are more likely to seek external sources of capital (Cosh et al., 2009; Fitzsimmons & Douglas, 2006). We hypothesise:

**Hypothesis 3: Growth aspirations have a positive effect on entrepreneurs taking action to apply for external finance.**

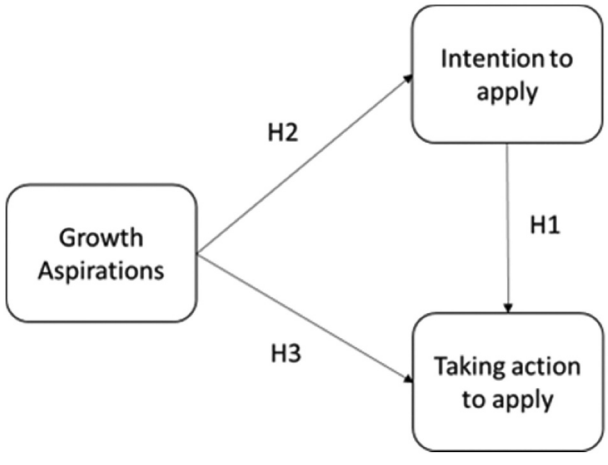
Figure 1 illustrates the conceptual model developed based on the hypotheses.

## 3. Methodology

Data for this study were collected from December 2020 to May 2021 through in-depth interviews and an online survey conducted in parallel. The sample comprised entrepreneurs operating SMMEs in South Africa who needed external finance to support business activities. In-depth interviews explored the entrepreneurs' decision-making process when seeking external finance, including the needs that drove them to seek external finance, their goals, motivations and actions. We successfully collected qualitative data from fourteen (14) entrepreneurs interviewed using Zoom video conferencing capability. To maintain confidentiality, each interview participant was assigned a pseudonym to refer to them when presenting findings.

The online survey investigated the effect of entrepreneurs' intention to apply on taking action to apply and the effect of growth aspirations on entrepreneurs' intentions and actions. We collected data from one hundred and eighty-five (185) entrepreneurs conveniently sampled from LinkedIn, Facebook and WhatsApp social networking platforms. Using social media to recruit research participants can enable rapid data collection from geographically dispersed participants at a low

**Figure 1. Conceptual model.**



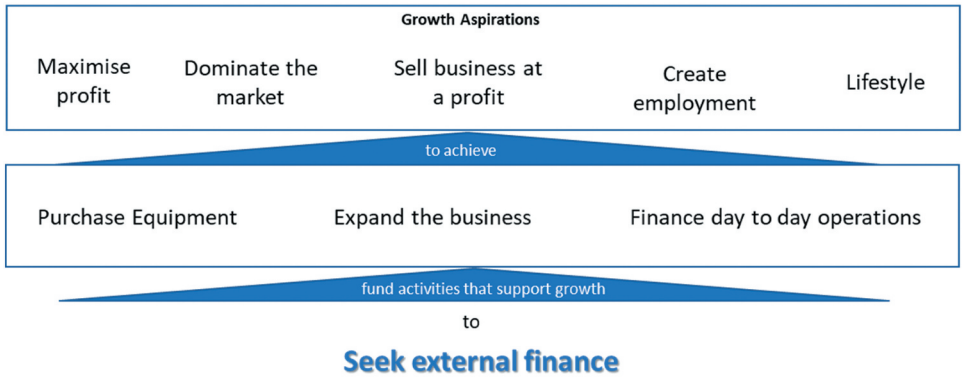



**Figure 2. Seeking external finance to achieve growth aspirations.**

cost (Chenane & Hammond, 2022; Stokes et al., 2019). However, it presents a greater risk of bias as age and socioeconomic status are driving forces on some platforms (Blank & Lutz, 2017). Hence, we adopted a multi-modal recruitment strategy which involved recruiting participants from three different platforms and using a public post together with private messages to broaden the reach to suitable participants and overcome the bias (McRobert et al., 2018; Stokes et al., 2019).

### *3.1. Measures*

We used an interview guide to maximise the value of information collected from the interviews, direct the conversation, and ensure the information collected was complete and consistent across respondents (Harrell & Bradley, 2009). The interview guide comprised the following open-ended questions:

1. **Demographic information**: The entrepreneurs' age, gender and education level were collected. In addition, we collected the SMME sector, province, SMME age, number of employees, and annual sales revenue, which enabled us to compare interview findings with the survey results.
2. **Reasons for seeking external finance**: "*Think back to the last time you needed to secure external finance for your business.*"
   a. *"How much was needed?"*
   b. *"What did you need the additional finance for?"*

3. **Decision-making process**: "*Please describe your thought process from when you recognised the need to secure external finance for your business until you took action to address the need. Please highlight your goals, concerns, motivations and the actions you took as part of this process*." Probing questions were asked to clarify or encourage entrepreneurs to provide more details as they described their thoughts and experiences.

The online survey collected the following data:

(1) **Demographic information**: The online survey collected the same demographic information collected during the interviews.

(2) **Reason for seeking external finance**: Based on research conducted by Finfind (2017) and Seed Academy (2018), respectively, respondents were asked to select one option from a list which included: *start a business*, *buy equipment*, *upgrade Business facilities*, *expand my business*, *finance a project/Contract*, *buy a franchise*, *buy stock*, *day to day business needs*.

(3) **Growth aspirations**: We adapted a scale used by Wiklund and Shepherd (2003), Cassar (2007) and Bulanova et al. (2016) to measure growth aspirations. The scale consisted of three items: "*I would like to double the number of people employed by the business in 5 years*", "*I would like to double sales revenue in 5 years*", "*In 5 years, I would like the business*

*to be much larger than it is today*". We used a seven-point Likert scale to collect responses wherein 1 indicated strong disagreement and 7 indicated strong agreement with the statement. Likert scale instruments are frequently used to measure psychological constructs. Data collected through a seven-point Likert scale can be treated as continuous data, enabling the researcher to draw inferences from the data using statistical analysis (Nemoto & Beglar, 2014). We performed confirmatory factor analysis using IBM SPSS Amos 25 to assess the validity and reliability of the scales used to measure growth aspirations and intention to apply for external finance. Confirmatory factor analysis results confirmed that the measure of growth aspirations demonstrated good construct validity (Refer to appendices). Moreover, Cronbach's alpha and composite reliability were equal to or greater than 0,70, indicating that the measures demonstrated high reliability (Taber, 2018; Hair et al., 2019). Further, the square root of the average variance extracted (AVE) exceeded intervariable correlation, indicating good discriminant validity (Fornell & Larcker, 1981).

(4) **Intention to apply –** We adapted intention scales used by Rhodes and Matheson (2005), Fatoki (2020) and Neneh (2019) to measure intention to apply for each type of external finance in the scope of the study. The scale consisted of 2 items: "*To what extent did you consider applying for the following sources of finance*?", "*To what extent did you plan to apply for the following sources of finance?*". Respondents selected an option from a 7-point Likert scale where 1 represented did not consider/plan to apply, and 7 represented strongly considered/planned. Respondents were allowed to submit responses for multiple sources of finance. As SMMEs require different types of finance as they go through different phases of their lifecycle (Berger & Udell, 1998; Fraser, 2019), we expected that some respondents would have formed an intention to apply for more than one type of external finance. Initial results of the confirmatory factor analysis suggested that intention to apply for a public sector grant was highly correlated to intention to apply for a public sector loan (maximum shared variance = 0, 728 for both variables and average variance extracted was 0,711 and 0,633 respectively). Based on this initial finding, we created a new variable (i.e., intention to apply for public sector finance), incorporating four items. We repeated confirmatory factor analysis following the creation of the new variable (see Table A1). Confirmatory analysis results confirmed that the measures of intention to apply demonstrated good construct validity. Cronbach's alpha and composite reliability were equal to or greater than 0,70, indicating that the measures demonstrated high reliability. Moreover, the measures demonstrated good discriminant validity (see Table A2) as the square root of the average variance extracted (AVE) exceeded the intervariable correlation.

(5) **Taking action to apply –** We used a categorical measure to collect data on the sources of external finance respondents applied for. Respondents were able to select multiple items from a list which included "*Crowdfunding*", "*Online lending platforms (excludes banks)*", "*Venture capital finance*", "*Bank credit*", "*Credit from my supplier*", "*Public sector grant*", "*Public sector loan*", "*Public sector COVID-19 Business Support*".

### *3.2. Data coding and analysis*

We conducted thematic analysis to identify patterns or themes in the qualitative data (Braun & Clarke, 2006). The themes are presented with interview findings. Following quantitative data collection, we used Pearson product-moment correlation analysis and linear regression analysis to determine the association between growth aspirations and intention to apply for external finance, both interval variables (Courtney, 2018; Field, 2009). The analysis was conducted separately for each type of external finance included in the study. In addition, we used Eta correlation and logistic regression to test the association between intention to apply and taking action to apply, as well as the association between growth aspirations and taking action to apply. These methods were selected as they are suitable for evaluating an association between an interval variable and a categorical variable (Sage Publications, 2014; Sperandei, 2014). We integrated findings from the thematic analysis with the correlation and regression analysis findings to develop a multifaceted view of the role of growth aspirations in SMME financing decisions.

## 4. Interview findings

The interviews explored the entrepreneurs' decision-making process when seeking external finance, including the needs that drove them to seek external finance, their goals, motivations and actions. We present the participants' profiles and findings concerning entrepreneurs' reasons for seeking external finance and the role of growth aspirations in SMME financing decisions below.

### *4.1. Participants' profiles*

Table 1 presents the profiles of interview participants.

**Table 1. Profile of interview participants**

| Assigned Pseudonym | Age | Gender | Business Services offered | Purpose of additional finance |
|---|---|---|---|---|
| Mpho | 28 | Male | Online business—promoting community businesses via social media | Develop a business website |
| Kabelo | 37 | Male | Waste management and recovery | Equipment to process the waste and earn more revenue |
| Patrick | 36 | Male | Fashion design and production | Set up a factory, buy equipment, buy a vehicle |
| Elvis | 39 | Male | Software application development | Expand sales and marketing activities |
| Lerato | 40 | Female | IT Management consulting | Working capital to pay salaries |
| Anna | 57 | Female | Recruitment and labour broking | Enhancements to a recruitment platform |
| Harris | 50 | Male | Logistics and transport | Buy a truck |
| Robert | 48 | Male | Distributor—car and household cleaning products | Buy delivery vans, branding |
| Eugene | 50 | Male | Environmental waste management—biowaste | Buy equipment, set up a factory |
| Nthabiseng | 52 | Female | Technology manufacturing—drone technology | Develop a prototype, set up a manufacturing plant |
| Lillian | 45 | Female | Physical Security | Buy equipment—firearms, drone technology |
| Sibusiso | 47 | Male | Mining engineering consulting | New mining project |
| Sipho | 42 | Male | Financial services—insurance | Increase call centre operational capacity |
| Edward | 43 | Male | Granite mining | Purchase mining equipment |

### *4.2. Reasons for seeking external finance*

Participants reported seeking external finance for business expansion, purchasing equipment and optimising day-to-day operations. When elaborating on their reasons for seeking external finance, participants revealed that although they sought finance for business expansion, equipment purchase or day-to-day operations, the underlying motivation for seeking external finance was to lay a foundation for business growth. Table 2 summarises the perspectives shared by participants.

Thus, interview findings suggest that entrepreneurs seek external finance to support business activities intended to drive business growth.

### *4.3. Growth aspirations*

As they sought external finance to support activities that drive business growth, we explored each participant's goals and motivations to develop a deeper understanding of their growth aspirations. Participants reported that they aspired to dominate the markets in which the SMMEs operate or maximise the profit generated by the business. In addition, some participants reported that they aspired to grow their businesses with the aim of selling them at a larger profit in future. Participants whose aspirations went beyond the desire to increase profit reported that they aspired to grow their businesses to empower others by creating employment, or they sought to enable a specific lifestyle they desired in the long term. Table 3 elaborates on participants' views:

Thus, interview findings suggest that entrepreneurs aspire to grow their businesses to dominate the markets in which they operate, maximise the profit generated by the business or grow their businesses to sell at a larger profit in future. In addition, findings suggest that some entrepreneurs are motivated to grow their businesses to empower others through employment creation or to support a specific lifestyle they desire. Analysis of the relationships between themes showed that participants' reasons for seeking external finance are linked to their growth aspirations (See Figure 2). The interview findings suggest that entrepreneurs make a decision to seek external finance to fund activities that support business growth in order to achieve their growth aspirations. In other words, entrepreneurs' decision to seek external finance is motivated by their desire to achieve their growth aspirations.

### *4.4. The role of growth aspirations in SMME financing decisions*

The process of applying for external finance can be complex, requiring entrepreneurs to take multiple actions over time. Participants reported encountering difficulties with the application process. However, participants further reported that their growth aspirations provided additional motivation to overcome the obstacles and act on their decision. The prospect of achieving their growth aspirations made external finance more desirable, such that participants remained resolute in their intention to apply for external finance even when faced with obstacles. **Kabelo** and **Harris** elaborate below:

> *"The potential of the business keeps me going – I know exactly what I need to do to get to the next level. I don't want to take 2 years to do it, if it can be achieved in 2 months, if I can get some funding. If I give up, I will be giving up on my business!"* **Kabelo**

> *"I believe it has a viable business case and it can work and sustain itself and grow as well, not just only sustain, grow as well into something bigger. So that's why one would keep knocking on people's doors trying to go forward with it."* **Harris**

Our exploration of the role of growth aspirations in entrepreneurs' decision to apply for external finance suggests that growth aspirations positively motivate entrepreneurs to make and act on the decision to apply for external finance to support the desired business growth. Our findings further suggest that entrepreneurs with high growth aspirations perceive external finance as more desirable as it provides the means to achieve their growth aspirations. Thus, growth aspirations appear to positively influence entrepreneurs' intention to apply for external finance by increasing the

**Table 2. Interview findings – "What did you need the additional finance for?"**

| Reason for seeking external finance | Participant quotes |
|---|---|
| Business expansion | • *"The finance we think we need is for a marketing and sales drive. We need to burn a bit of capital trying to have on the ground customer education and marketing, alongside what we do on social media and electronically. . . . ."* **Elvis**<br>• *"I was looking to set up a warehouse. I wanted to have a sweatshop with 20 to 40 machines, overlockers, industrial machines. We could scale the business and produce in bulk, not one-one."* **Patrick**<br>• *"We planned to insure two million workers within five (5) years, and we needed to ramp up for that. We needed expansion capital because we had a contact centre, call centre, where we would have the sales drive. We needed to get more bums on seats. So, we needed to expand our office space to allow for that."* **Sipho** |
| Purchase equipment | • *"To make it work well, I need to make this thing bigger. We need a crane truck and a TLB (Tractor Loader Backhoe). We will need probably two bakkies, we need a forklift, and I need bigger premises where I can do the charcoal."* **Eugene**<br>• *"I needed funding from the bank to purchase a truck."* **Harris**<br>• *"The demand for waste has grown substantially. Working capital is not enough to cover the demand. So, I need funding to get additional equipment and to be able to buy more waste that I can process and sell to meet the demand of my customers."* **Kabelo**<br>• *"The requirement that we had, and still have, basically is tools of trade meaning firearms that are required for the organisation."* **Lillian** |
| Finance day-to-day operations | • *"We are looking to have funders or potential investors who can help us with the operations of the business. In terms of the salaries that we need to pay people. That is why we cannot afford to employ people on a permanent basis because there is nothing that we can pay them with."* **Lillian**<br>• *"When you work with big companies, you have to deliver the stock first before they pay . . . in some cases, they pay late. The funds I have are not enough to support the growth that I am going for."* **Kabelo**<br>• *"With the work that we do with government, they pay in 30 days. Most of them take 30 days or even more than that. So, you need that contingency in your bank to be able to meet your daily needs and pay your contractors. After they have worked, you cannot say 'No, I am waiting for clients to pay' and they work for two months without being paid. So, you need some working capital to meet those commitments that you have on a month-to-month basis."* **Lerato** |



cogent business & management

**Table 3. Interview findings—goals and motivations**

| Goals and motivations | Participant quotes |
|---|---|
| Dominate the market | Some participants reported that they aspired to grow their businesses to a point where they dominate the markets in which they operate in the long term, as explained by **Elvis** and **Nthabiseng**:<br>• *"The thought or the imagination that one day we could be a big name that is on the JSE (Johannesburg Stock Exchange), that is the only fascination. That is what motivates us. The day this thing catches fire, you will hear about us instead of hearing about E.O.H (a large technology service provider)! Dominance normally translates into financial gain. So, for us, the focus is what can we do to dominate the market."* **Elvis**<br>• *"Growth means being able to do mass production of these drones but of high quality."* **Nthabiseng** |
| Maximise profit | While some participants were motivated by the prospect of dominating the markets they operate in, others sought to expand their businesses to maximise profit in the long term. **Harris** and **Kabelo** elaborate below:<br>• *"When I started, it was just a one-man show, and then it grew to three people, and then it grew from there. We have got to start from there, growing upwards. Then the revenue would really look good"* **Harris**<br>• *"Getting the additional funding would help me grow my business. If I had more funds to get equipment, I could process the waste a bit more before selling it. That way, I could get more margin."* **Kabelo** |
| Grow to sell | In addition to maximising profit, some participants' aspirations went beyond generating profit from selling goods and services as they aspired to grow their businesses to sell them for profit in future:<br>• *"For us, it is an investment that enables us to have an asset that we can sell into the future, that we can grow. And when we are ready, we can sell this business and make money out of it."* **Anna**<br>• *"The end goal was always very clear- Develop it, start it, build it and sell it. My plan was that in the space of five years, I need to get this thing to a point where it is sellable and attractive to someone else, cash out and move to the next. I was quite clear on that."* **Sipho** |

(*Continued*)

**Table3. (*Continued*)**

| Goals and motivations | Participant quotes |
|---|---|
| Create employment | Those who were not only motivated by economic profit reported that they aspired to grow their businesses to empower others by creating employment.<br>• *"In the next three to five years, I would like to recruit a minimum of ten (10) to fifteen (15) permanent women who will be running this journey with us. I would like to ensure that the workforce that we have is empowered enough to take the business forward even in my absence."* **Lillian**<br>• *"I will rate my growth by the number of jobs created through me having this manufacturing (facility). Also, the number of people I would have trained. If I make a difference by upskilling them to be part of this drone journey, that is going to make me happy."* **Nthabiseng** |
| Lifestyle | One participant reported that they aspired to grow their business to support the type of lifestyle that they desire in the long term:<br>*"Looking at my age, I would like to be free from working on our business. So, it becomes self-sustainable, and it gives us freedom as owners. We really want to move to a place where we control our time and have more freedom to do with the time as we wish."* **Anna** |

desirability of external finance. This finding resembles the pattern in a mediated relationship where a mediating variable transfers the effect of an independent variable on a dependent variable (MacKinnon et al., 2007). We propose that the following is tested in future research:

**Proposition 1:** Perceived desirability of a finance option mediates the effect of growth aspirations and entrepreneurs' intention to apply.

## 5. Survey results

The online survey investigated the effect of entrepreneurs' intention to apply on taking action to apply and the effect of growth aspirations on entrepreneurs' intentions and actions. We present a summary of the respondents' profiles and results concerning the effect of entrepreneurs' intention to apply on taking action to apply. In addition, we present results concerning the effect of growth aspirations on entrepreneurs' intention to apply and taking action to apply below.

### *5.1. Respondents' profiles*

One hundred and eighty-five (185) entrepreneurs responded to the online survey. Figure 3 compares the age group of SMMEs represented in the survey to those that participated in the interviews.

The age distribution of SMMEs that participated in the survey was similar to those in the interviews. 69,2 % of businesses in the survey had operated for less than five years, while 85,8% of businesses represented in the interviews had operated for five years or less. Most businesses in this study had operated for less than five years. In addition, we compared the number of people employed by SMMEs represented in the survey with those that participated

**Figure 3. SMME distribution by age.**

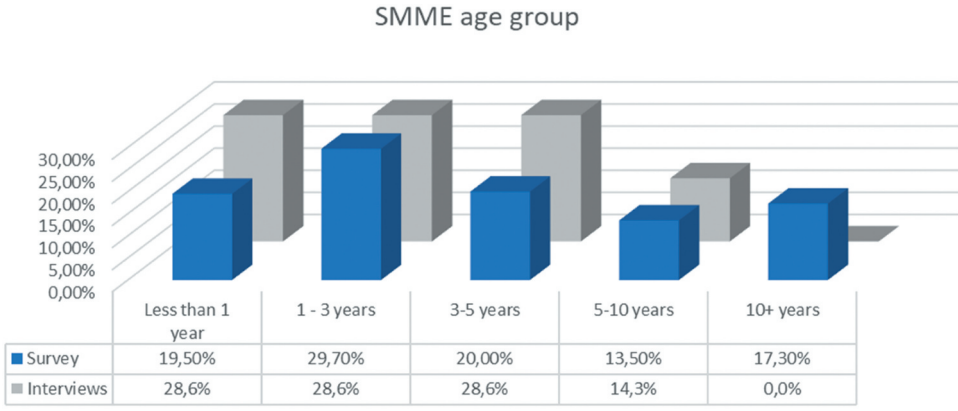
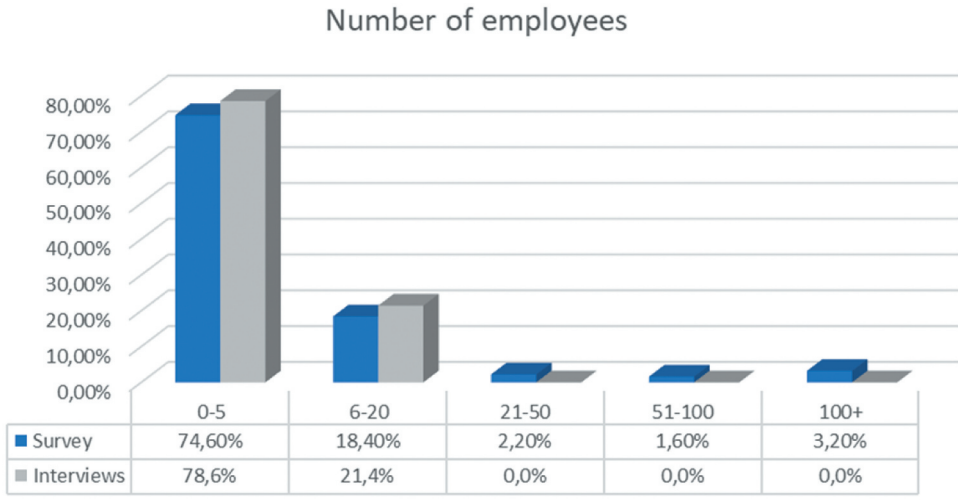



**Figure 4. Number of employees.**




in the interviews. Figure 4 shows that 74,6% of survey respondents employed less than five people, while 78,6% of interview participants employed less than five people. Thus, most SMMEs represented in the study were younger than five years and employed less than five people.

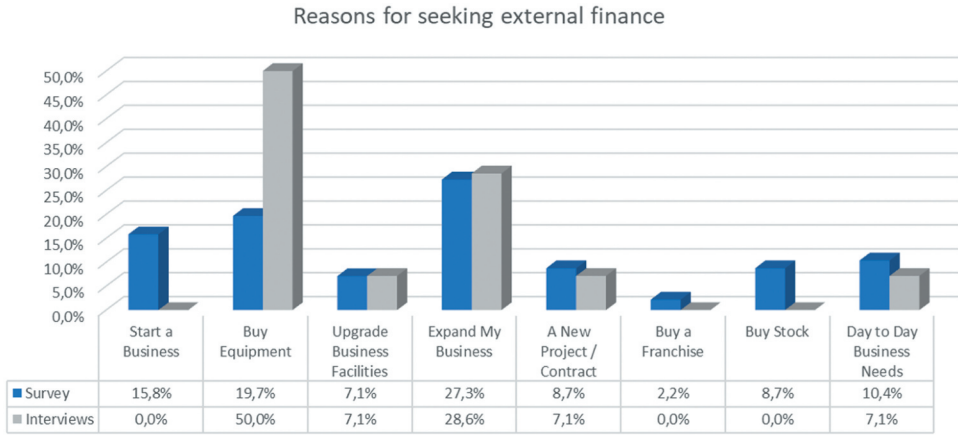
### *5.2. Reasons for seeking external finance*

Most survey respondents (27,3%) reported that they needed external finance to drive business expansion, followed by 19,7% who reported needing additional funds to buy equipment. 15,8% of respondents needed external finance to start a business, while 10,4% needed additional funds to finance day-to-day business operations. Entrepreneurs who needed external finance to secure a new project or contract were the minority, accounting for 8,7% of survey respondents. While there was a greater emphasis on equipment purchase among interview participants (See Figure 5), the reasons for seeking external finance were similar across survey respondents and interview participants. Most participants in this study sought external finance to fund equipment, business expansion, day-to-day business needs, and a new business or project.

### *5.3. Growth aspirations*

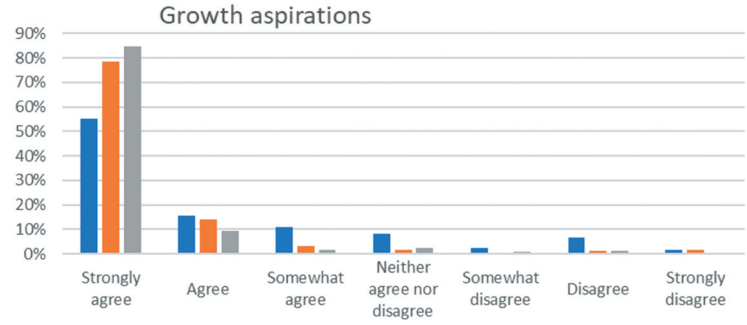
Respondents' growth aspirations were indicated by the extent to which they wished to double the number of people employed, double sales revenue, or double the size of their business. As shown in Figure 6, a vast majority of survey respondents (84,9%) reported a strong aspiration to double

**Figure 5. Reasons for seeking external finance.**




| | Start a Business | Buy Equipment | Upgrade Business Facilities | Expand My Business | A New Project / Contract | Buy a Franchise | Buy Stock | Day to Day Business Needs |
|---|---|---|---|---|---|---|---|---|
| Survey | 15,8% | 19,7% | 7,1% | 27,3% | 8,7% | 2,2% | 8,7% | 10,4% |
| Interviews | 0,0% | 50,0% | 7,1% | 28,6% | 7,1% | 0,0% | 0,0% | 7,1% |

**Figure 6. Entrepreneur growth aspirations - survey.**




| | Strongly agree | Agree | Somewhat agree | Neither agree nor disagree | Somewhat disagree | Disagree | Strongly disagree |
|---|---|---|---|---|---|---|---|
| Double Number of People Employed | 55,1% | 15,7% | 10,8% | 8,1% | 2,2% | 6,5% | 1,6% |
| Double Sales Revenue | 78,4% | 14,1% | 3,2% | 1,6% | 0,0% | 1,1% | 1,6% |
| Double Business Size | 84,9% | 9,2% | 1,6% | 2,2% | 0,6% | 1,0% | 0,5% |

the size of their business, followed by a significant proportion (78,4%) that aspired to double sales revenue within five years. Only 55,1% of respondents felt strongly that they would like to double the number of people employed in their business.

### *5.4. The effect of entrepreneurs' intentions to apply for external finance on them taking action to apply*

Hypothesis 1 tested the effect of entrepreneurs' intention to apply for external finance on them taking action to apply. We used the Eta coefficient to determine the direction and strength of the association between entrepreneurs' intention to apply for external finance and taking action to apply. Table 4 presents the results.

According to Sage Publications (2014), eta coefficient (η)values between 0,4 and 0,69 indicate a medium strength association, while values greater than 0,7 indicate a strong association. Based on the results in Table 5, we found a strong association between entrepreneurs' intention to apply for external finance and taking action to apply for crowdfunding, bank credit and public sector

**Figure 7. Proposed mediation model.**

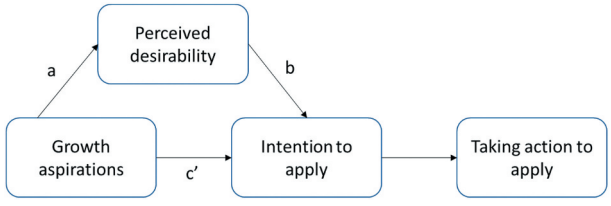


**Table 4. Association between entrepreneurs' intention to apply for external finance and taking action to apply**

| Independent Variable | Dependent variable | Eta (η) | Eta$^2$ (η2) | Strength of association |
|---|---|---|---|---|
| Intention to apply - crowdfunding | Taking action to apply - crowdfunding | 0,82 | 0,67 | Strong |
| Intention to apply -marketplace lending | Taking action to apply -marketplace lending | 0,55 | 0,30 | Medium |
| Intention to apply - venture capital | Taking action to apply - venture capital | 0,63 | 0,39 | Medium |
| Intention to apply - bank credit | Taking action to apply - bank credit | 0,70 | 0,49 | Strong |
| Intention to apply - trade credit | Taking action to apply - trade credit | 0,65 | 0,42 | Medium |
| Intention to apply - public sector finance | Taking action to apply - public sector finance | 0,72 | 0,52 | Strong |
| Intention to apply - public sector COVID-19 business support | Taking action to apply - public sector COVID-19 business support | 0,65 | 0,42 | Medium |

finance. In comparison, we detected a medium-strength association for marketplace lending, venture capital, trade credit and public sector COVID-19 business support. We then conducted multivariate logistic regression to quantify the effect of entrepreneurs' intention to apply on them taking action to apply for external finance. We analysed the association of all variables together to avoid confounding effects (Sperandei, 2014). In this process, we generated several models for each type of external finance, starting with the null model with no predictors. We added control variables in each step (entrepreneurs' age group, gender and education level, number of employees and annual sales revenue), then added intention to apply and growth aspirations to generate the full model. The results of the multivariate logistic regression are presented in Table 5.

The chi-squared test for the logistic regression models yielded a significance value of $p < 0,01$, indicating that the models presented a significant improvement in fit relative to the null model at the 0,01 significance level. The full model for each type of external finance studied was more than 80% accurate in predicting the outcome.

The output of logistic regression is an odds ratio, which measures effect size and provides information about the strength of an association between two variables (McHugh, 2009). An odds ratio equal to 1 indicates that the predictor variable does not affect the outcome such that the odds of a specific outcome are the same for two groups. An odds ratio greater than 1 indicates that the odds of a group producing a specific outcome increase with each increment in the predictor variable, while an odds ratio less than 1 indicates that the odds of the group under investigation producing a specific outcome decrease with each increment in the variable under investigation (McHugh, 2009).

The odds ratios generated in the full model for each type of external finance were greater than 1, suggesting that across the different types of external finance included in the study, the odds of entrepreneurs taking action to apply increase as their intention to apply increases. The odds of entrepreneurs taking action to apply were highest for crowdfunding, with an odds ratio of 3,94.

**Table 5. Multivariate logistic regression results summary**

| | Model Summary | | | Goodness of fit (Chi-Square) | | | Predictor variable: Intention to apply | | | | Predictor variable: Growth aspirations | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Nagelkerke's R square | Constant | % Correct | Observations | Chi-Square (Full model) | Sig. | Odds Ratio | 95% confidence interval | | Sig | Odds Ratio | 95% confidence interval | | Sig. |
| | | | | | | | | Lower | Upper | | | Lower | Upper | |
| Crowdfunding | 0,721 | 0,000 | 96,7 | 150 | 42,530 | <0,001 | 3,94 | 1,82 | 8,54 | <0,001 | 1,23 | 0,29 | 5,19 | 0,780 |
| Marketplace Lending | 0,352 | 0,019 | 89,3 | 149 | 22,196 | <0,001 | 2,14 | 1,44 | 3,19 | <0,001 | 1,28 | 0,62 | 2,66 | 0,510 |
| Venture Capital | 0,475 | 0,004 | 85,1 | 150 | 43,772 | <0,001 | 2,00 | 1,51 | 2,64 | <0,001 | 1,34 | 0,73 | 2,45 | 0,340 |
| Bank Credit | 0,528 | 0,057 | 81,0 | 151 | 59,814 | <0,001 | 2,04 | 1,59 | 2,63 | <0,001 | 0,96 | 0,58 | 1,60 | 0,880 |
| Trade Credit | 0,418 | 0,028 | 84,3 | 150 | 40,073 | <0,001 | 1,99 | 1,52 | 2,59 | <0,001 | 0,76 | 0,43 | 1,35 | 0,350 |
| Public Sector Finance | 0,640 | 0,000 | 86,0 | 150 | 76,665 | <0,001 | 2,63 | 1,84 | 3,72 | <0,001 | 0,73 | 0,41 | 1,42 | 0,396 |
| Public Sector COVID-19 business Support | 0,469 | 0,004 | 87,6 | 150 | 42,530 | <0,001 | 1,84 | 1,03 | 3,34 | <0,001 | 0,70 | 0,37 | 1,33 | 0,280 |

Outcome variable: Taking action to apply



cogent business & management

This means that for each increment in the entrepreneurs' intention to apply, entrepreneurs are 3,94 times more likely to apply for crowdfunding. The results also show that the odds of entrepreneurs taking action to apply for marketplace lending, venture capital, bank credit and public sector finance increased by a factor of 2 or more with each increment in their intention to apply. Notably, the odds ratio for public sector COVID-19 business support was the lowest among the types of external finance studied.

The null hypothesis for logistic regression states that there is no statistically significant relationship between the predictor variable and the outcome variable. We reject the null hypothesis as the effect of intention to apply on entrepreneurs taking action to apply is statistically significant ($p < 0,01$) across each type of external finance. The results provide empirical support for Hypothesis 1.

### *5.5. The effect of growth aspirations on entrepreneurs' intention to apply for external finance*

Hypothesis 2 tested the effect of growth aspirations on entrepreneurs' intention to apply for external finance. We used Pearson Product Moment correlation ($r$) to determine the direction and the strength of the association between growth aspirations and entrepreneurs' intention to apply. Table 6 presents the results.

Correlation results presented in Table 6 show that growth aspirations and intention to apply for external finance are negatively correlated for marketplace lending, bank credit, public sector finance and public sector COVID-19 business support. Thus, the direction of the association is such that entrepreneurs' intention to apply for these types of finance decreases as their growth aspirations increase. Conversely, growth aspirations and intention to apply for crowdfunding, venture capital and trade credit are positively correlated. Thus, entrepreneurs' intention to apply for these types of finance increases as their growth aspirations increase.

The Pearson Product Moment Correlation coefficient ($r$) indicates the strength of the association between two variables (Courtney, 2018). According to Cohen (1992), $r = 0,10$ indicates a small effect, while $r = 0,30$ indicates a medium effect. Based on the results presented in Table 7, there is a negligible correlation between growth aspirations and entrepreneurs' intention to apply for external finance across all the types of external finance in the scope of the study. Moreover, the correlation is not statistically significant ($p > 0,05$). Linear regression is required to determine the effect of one interval variable on another. The null hypothesis for linear regression states that no statistically significant relationship exists between the predictor and outcome variables. We failed to reject the null hypothesis because we found no evidence of a statistically significant linear relationship between growth aspiration and intention to apply for external finance. Given our finding, the assumption of a linear association between the predictor and outcome variable (Courtney, 2018; Field, 2009) was not met. Thus, we did not proceed with linear regression. We found no empirical evidence for hypothesis 2.

### *5.6. The effect of growth aspirations on entrepreneurs taking action to apply for external finance*

Hypothesis 3 tested the effect of growth aspirations on entrepreneurs taking action to apply for external finance. We used the Eta coefficient to determine the direction and strength of the association between entrepreneurs' growth aspirations and taking action to apply for external finance. Table 7 presents the results.

The results show a medium-strength association between growth aspirations and entrepreneurs taking action to apply for crowdfunding and public-sector COVID-19 business support. In addition, the results show that the association between growth aspirations and entrepreneurs taking action to apply for marketplace lending, venture capital, bank credit, trade credit and public sector finance is weak (Sage Publications, 2014).

**Table 6. Correlation between growth aspiration and intention to apply for external finance**

| | Growth Aspiration | Intention to apply - Crowdfunding | Intention to apply - Marketplace Lending | Intention to apply - Venture Capital | Intention to apply - Bank Credit | Intention to apply - Trade Credit | Intention to apply - Public Sector finance | Intention to apply - Public Sector COVID-19 Support |
|---|---|---|---|---|---|---|---|---|
| Growth Aspiration | 1 | | | | | | | |
| Intention to apply - Crowdfunding | .084 | 1 | | | | | | |
| Intention to apply - Marketplace Lending | −.048 | .305** | 1 | | | | | |
| Intention to apply - Venture Capital | .015 | .291** | .180* | 1 | | | | |
| Intention to apply - Bank Credit | −.056 | −.069 | .130 | −.124 | 1 | | | |
| Intention to apply - Trade Credit | .028 | .306** | .305** | .195* | .299** | 1 | | |
| Intention to apply - Public Sector finance | −.076 | .121 | .251** | .229** | −.095 | .146 | 1 | |
| Intention to apply - Public Sector COVID-19 Business Support | −.077 | .075 | .145 | .107 | .001 | .205* | .408** | 1 |

** Correlation is significant at the 0.01 level * Correlation is significant at the 0.05 level



cogent business & management

**Table 7. Association between growth aspiration and entrepreneurs' taking action to apply for external finance**

| Independent Variable | Dependent variable | Eta (η) | Eta$^2$ (η2) | Strength of association |
|---|---|---|---|---|
| Growth aspiration | Taking action to apply - crowdfunding | 0,42 | 0,18 | Medium |
| Growth aspiration | Taking action to apply- marketplace lending | 0,35 | 0,12 | Weak |
| Growth aspiration | Taking action to apply – venture capital | 0,25 | 0,06 | Weak |
| Growth aspiration | Taking action to apply – bank credit | 0,31 | 0,09 | Weak |
| Growth aspiration | Taking action to apply – trade credit | 0,22 | 0,05 | Weak |
| Growth aspiration | Taking action to apply – public sector finance | 0,35 | 0,12 | Weak |
| Growth aspiration | Taking action to apply – public sector COVID-19 business support | 0,40 | 0,16 | Medium |

After establishing the association between growth aspirations and entrepreneurs taking action to apply for external finance, we conducted multivariate logistic regression to quantify the effect of entrepreneurs' growth aspirations on them taking action to apply for external finance. Results in Table 7 show odds ratios greater than 1 for crowdfunding, marketplace lending and venture capital. This indicates that the odds of entrepreneurs taking action to apply for crowdfunding, marketplace lending and venture capital increase as their growth aspirations increase. On the contrary, the odds ratios for bank credit, trade credit, public sector finance and public sector COVID-19 business support were less than 1. Odds ratios less than 1 suggest that the odds of entrepreneurs taking action to apply for the above-mentioned types of external finance decrease as their growth aspirations increase. These results suggest that growth aspirations have a positive effect on entrepreneurs taking action to apply for crowdfunding, marketplace lending and venture capital. The results also suggest that growth aspirations negatively affect entrepreneurs taking action to apply for bank credit, trade credit, public sector finance and public sector COVID-19 business support.

While the odds ratios suggest that growth aspirations affect entrepreneurs taking action to apply for external finance, the variability in the 95% confidence intervals suggests that the findings are not statistically significant. Further, we fail to reject the null hypothesis since the significance value associated with each odds ratio is greater than 0,05 ($p > 0,05$). Therefore, hypothesis 3 is not supported by the results.

## 6. Discussion

This study explored the role of entrepreneurs' growth aspirations in their decision to apply for external finance. In addition, we investigated the effect of entrepreneurs' intention to apply for

external finance on them taking action to apply and the effect of growth aspirations on entrepreneurs' intentions and actions.

Interview findings suggest that growth aspirations motivate entrepreneurs to make the decision to apply for external finance and act on that decision by applying to finance providers who offer crowdfunding, marketplace lending, venture capital, bank credit, trade credit, public sector finance and public sector COVID-19 business support. This finding is consistent with Fitzsimmons and Douglas (2006), who found that growth intention is positively associated with entrepreneurs' decision to finance their businesses through equity. In addition, this finding supports Wong et al. (2018), who showed that goals influence entrepreneurs' financing decisions and actions. We extend the current literature by showing that entrepreneurs are motivated by their growth aspirations to make the decision to seek external finance beyond conventional equity finance.

Drawing from the entrepreneurial event model (Shapero & Sokol, 1982) and the theory of planned behaviour (Ajzen, 1991), we hypothesised that entrepreneurs formed an intention to apply before taking the necessary action to apply for external finance. Hypothesis 1 tested the association between entrepreneurs' intention to apply with taking action to apply for external finance. We found empirical support for this hypothesis as survey results showed a strong association between entrepreneurs' intention to apply for external finance and taking action to apply for crowdfunding, bank credit and public sector finance. In comparison, we found evidence of a medium-strength association for marketplace lending, venture capital, trade credit and public sector COVID-19 business support. Moreover, we found that entrepreneurs' odds of applying for crowdfunding, marketplace lending, venture capital, bank credit, trade credit, public sector finance and public sector COVID-19 business support increase with each increment in their intention to apply (i.e., odds ratios>1). Through this finding, we show that intention to apply for external finance has a positive effect on entrepreneurs taking action to apply. This finding contributes to the current literature by using the intention construct to provide insight into how entrepreneurs make and enact financing decisions.

Hypothesis 2 tested the effect of entrepreneurs' growth aspirations on their intention to apply for external finance. Our results showed no statistically significant association between growth aspirations and entrepreneurs' intention to apply for external finance. This finding contradicts our interview findings which suggest that growth aspirations positively motivate entrepreneurs to make and act on the decision to apply for external finance. The finding further contradicts Aisaiti et al. (2019), who demonstrated that entrepreneurs' perception of the benefits of finance (i.e. finance as an enabler of growth) can positively enhance finance intention. The lack of empirical support for the effect of growth aspirations on entrepreneurs' intention to apply for external finance can be explained by the presence of a mediator variable. A mediator variable is a variable that is in a causal sequence between two variables, transferring the effect of an independent variable on a dependent variable (MacKinnon et al., 2007).

According to the entrepreneurial event model, the intention to perform a specific behaviour is affected by the individual's perception of the desirability and the feasibility of the behaviour, as well as the individual's propensity to act (Bulanova et al., 2016; Shapero & Sokol, 1982). An association between entrepreneurs' growth aspirations and their intention to apply for external finance might not be detected if it is an indirect effect (Warner, 2012) mediated by the entrepreneurs' perceptions of the desirability of the finance option. This explanation is supported by interview findings which suggest that growth aspirations positively influence entrepreneurs' intention to apply for external finance by increasing the desirability of external finance.

Hypothesis 3 tested the effect of growth aspirations on entrepreneurs taking action to apply for external finance. We found support for a positive association between growth aspirations and entrepreneurs taking action to apply for external finance. However, logistic regression results indicate that entrepreneurs' growth aspirations do not have a statistically significant effect on

entrepreneurs taking action to apply for external finance at the 0,05-significance level. The lack of empirical evidence for a statistically significant relationship between growth aspirations and intention or action to apply for external finance is inconsistent with previous research, which showed that firms with high growth objectives are more likely to seek external finance (Cosh et al., 2009; Khalil et al., 2020). While this result could be due to the statistical model not having sufficient power to detect weak effects (Smith, 2020) or the timing difference that can occur when entrepreneurs desire to grow their businesses but delay taking action until they are ready (Fitzsimmons & Douglas, 2006), the lack of empirical support for a statistically significant association between growth aspirations and entrepreneurs taking action to apply for external finance is consistent with an indirect effect due to a mediating factor (MacKinnon et al., 2007; Warner, 2012). We propose that the perceived desirability of a finance option mediates the association between growth aspirations and entrepreneurs' intention to apply.

The model for goal-directed actions (Perugini & Bagozzi, 2001) further supports this proposition as it purports that the intention to perform a specific behaviour is mainly motivated by the desire to perform it and achieve a specific goal. Moreover, the model states that desire mediates the influence of attitude toward the behaviour, subjective norm and perceived behavioural control on the individual's intentions. In the context of entrepreneurs seeking external finance, the model for goal-directed actions suggests that the intention to apply for external finance is mainly motivated by the desirability of external finance to support business growth. Similarly, Fitzsimmons and Douglas (2011) demonstrated that perceptions of desirability could influence intention. The proposition that perceived desirability mediates the influence of growth aspirations on the entrepreneurs' intentions is supported by interview findings. Specifically, interview findings suggests that growth aspirations positively influence entrepreneurs' intention to apply for external finance by increasing the desirability of external finance. Figure 7 presents the proposed mediation model for testing in further research:

## 7. Limitations and further research

While this study sought to determine the effect of growth aspirations on entrepreneurs' intentions and actions when seeking external finance, causal conclusions cannot be confidently drawn from non-experimental studies (Warner, 2012). Moreover, the study does not account for growth-related factors that change over time (Davidsson et al., 2005; Wright & Stigliani, 2013). Thus, this study cannot draw definitive causal conclusions.

Although we applied constructs from the entrepreneur event model (Shapero & Sokol, 1982) and the theory of planned behaviour (Ajzen, 1991), This study did not test the effect of entrepreneurs' perceptions of the desirability or feasibility of applying on entrepreneurs' intention to apply for external. In addition, we did not measure entrepreneurs' perceptions of their control over applying for external finance nor their propensity to act. Thus, while this study uses constructs from intention models to provide insight into how growth aspirations affect SMME financing decisions, it does not account for all factors that play a role in SMME financing decisions. Further research is needed to determine the manner and the extent to which perceptions of desirability, feasibility, behavioural control, or the entrepreneurs' propensity to act affect entrepreneurs' intention to apply for external finance.

Based on the interview findings, we proposed a mediation model that can be tested to determine if perceived desirability mediates the association between growth aspirations and entrepreneurs' intention to apply for external finance. However, hypotheses in the proposed model were not tested as part of this study. Further research is required to test the hypotheses in the proposed mediation model.

Lastly, further research is needed to replicate this study across different samples to validate that the results are not due to sampling error (Warner, 2012) and increase the likelihood of detecting weak/small effects in larger samples. This study used sales revenue to categorise businesses and

select a sample comprising businesses classified as SMMEs (Department of Small Business Development, 2019). However, using a profitability index to select and compare businesses represented in the sample may be beneficial for validating this study's findings. We recommend that future research apply different inclusion criteria to validate the generalisability of these results across different samples.

## 8. Research implications

This study contributes to the literature by using the intention construct to provide insight into how entrepreneurs make and enact financing decisions. Researchers can extend this contribution by using the intention construct to explain why some entrepreneurs choose to apply while others do not (Freel et al., 2012; Kon & Storey, 2003; Statnik & Giang, 2019). Further, we contribute to theory building by identifying the role of growth aspirations in SMME financing decisions. A more precise understanding of the role of cognitive factors in SMME financing decisions can support policymakers and finance providers in guiding entrepreneurs who need additional funds to grow their businesses to make better use of the finance options available to them. Based on this study's findings, we recommend that finance providers encourage SMMEs to use available financing options by emphasising entrepreneurs' growth aspirations and demonstrating how different finance options can help them achieve their aspirations.

## 9. Conclusion

The literature suggests that growth aspirations positively influence SMME access to finance. However, a knowledge gap remained concerning the role of growth aspirations in SMME financing decisions. This study explored the role of entrepreneurs' growth aspirations in their decision to apply for external finance. In addition, the study investigated the effect of entrepreneurs' intention to apply for external finance on them taking action to apply, as well as the effect of growth aspirations on entrepreneurs' intentions and actions. While interview findings suggest that growth aspirations motivate entrepreneurs to make and act on the decision to apply for external finance, we found no empirical support for growth aspirations positively affecting intention to apply or entrepreneurs taking action to apply. Considering the interview finding, which suggested that growth aspirations increase the desirability of external finance, we propose that further research investigates a mediating effect wherein perceived desirability mediates the effect of growth aspirations on entrepreneurs' intention to apply for external finance. This study contributes to the literature by using the intention construct to provide insight into how entrepreneurs make and enact financing decisions. A more precise understanding of the role of growth aspirations in SMME financing decisions can support policymakers and finance providers in guiding entrepreneurs who need additional funds to grow their businesses to make better use of the finance options available to them.

**Funding**
The work was supported by the University of the Witwatersrand, Johannesburg .

**Author details**
Belinda Rathogwa[1]
E-mail: 1664852@students.wits.ac.za
ORCID ID: http://orcid.org/0000-0002-6678-6320
Jabulile Msimango-Galawe[1]
E-mail: Jabulile.msimango-galawe@wits.ac.za
ORCID ID: http://orcid.org/0000-0002-8489-9038
[1] Accounting & Finance, Wits Business School, University of Witwatersrand, Stirling, Johannesburg, South Africa.

**Disclosure statement**
No potential conflict of interest was reported by the authors.

**Citation information**
Cite this article as: The role of growth aspirations in SMME financing decisions, Belinda Rathogwa & Jabulile Msimango-Galawe, *Cogent Business & Management* (2023), 10: 2196040.

**References**

Adomdza, G. K., Åstebro, T., & Yong, K. (2016). Decision biases and entrepreneurial finance. *Small Business Economics*, *47*(4), 819–834. https://doi.org/10.1007/s11187-016-9739-4

Adonia, S. A., Ahmad, K., & Zabri, S. M. (2018). An exploration of financing preferences among entrepreneurs: The case of micro enterprises in Kelantan, Malaysia. *WSEAS Transactions on Business and Economics*, *15*(36), 375–384.

Aisaiti, G., Liu, L., Xie, J., & Yang, J. (2019). *An empirical analysis of rural farmers' financing intention of inclusive finance in China: The moderating role of digital finance and social enterprise embeddedness*. Industrial Management & Data Systems.

Ajzen, I. (1991). The theory of planned behaviour. *Organizational Behavior and Human Decision Processes*, *50*(2), 179–211. https://doi.org/10.1016/0749-5978(91)90020-T

Ajzen, I. (2011). The theory of planned behaviour: Reactions and reflections. *Psychology & Health*, *26*(9),

1113–1127. https://doi.org/10.1080/08870446.2011.613995
Andersson, S., & Tell, J. (2009). The relationship between the manager and growth in small firms. *Journal of Small Business and Enterprise Development*, *16*(4), 586–598. https://doi.org/10.1108/14626000911000938
Autio, E., & Acs, Z. (2007). Individual and country-level determinants of growth aspiration in new ventures. *Frontiers of Entrepreneurship Research*, *27*(19), 2–14.
Berger, A. N., & Udell, G. F. (1998). The economics of small business finance: The roles of private equity and debt markets in the financial growth cycle. *Journal of Banking & Finance*, *22*(6–8), 613–673. https://doi.org/10.1016/S0378-4266(98)00038-7
Berger, A. N., and Udell, G. F. (2006). A more complete conceptual framework for SME finance. *Journal of Banking & Finance*, *30*(11), 2945–2966. https://doi.org/10.1016/j.jbankfin.2006.05.008
Bilgehan, T., & Yusuf, G. (2014). Psychological biases and the capital structure decisions: A literature review. *EMC Review - Časopis za ekonomiju - APEIRON*, *21*(2). https://doi.org/10.7251/EMC1402286B
Bird, B. (1988). Implementing entrepreneurial ideas: The case for intention. *Academy of Management Review*, *13*(3), 442–453. https://doi.org/10.2307/258091
Bird, B. (2015). Entrepreneurial intentions research: A review and outlook. *International Review of Entrepreneurship*, *13*(3), 143–168.
Blank, G., & Lutz, C. (2017). *Representativeness of social media in Great Britain*. Investigating Facebook.
Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology*, *3*(2), 77–101. https://doi.org/10.1191/1478088706qp063oa
Bulanova, O., Isaksen, E. J., & Kolvereid, L. (2016). Growth aspirations among women entrepreneurs in high growth firms. *Baltic Journal of Management*, *11*(2), 187–206. https://doi.org/10.1108/BJM-11-2014-0204
Bulan, L. T., & Yan, Z. (2010). Firm maturity and the pecking order theory. *Available at SSRN 1760505*.
Carbo-valverde, S., Rodriguez-fernandez, F., & Udell, G. F. (2016). Trade credit, the financial crisis, and SME access to finance. *Journal of Money, Credit, and Banking*, *48*(1), 113–143. https://doi.org/10.1111/jmcb.12292
Carpenter, R. E. & Petersen, B. C. (2002). Is the growth of small firms constrained by internal finance? Resour Policy, *84*(2), 298–309. https://doi.org/10.1162/003465302317411541
Cassar, G. (2004). The financing of business start-ups. *Journal of Business Venturing*, *19*(2), 261–283. https://doi.org/10.1016/S0883-9026(03)00029-6
Cassar, G. (2006). Entrepreneur opportunity costs and intended venture growth. *Journal of Business Venturing*, *21*(5), 610–632. https://doi.org/10.1016/j.jbusvent.2005.02.011
Cassar, G. (2007). Money, money, money? A longitudinal investigation of entrepreneur career reasons, growth preferences, and achieved growth. *Entrepreneurship & Regional Development*, *19*(1), 89–107. https://doi.org/10.1080/08985620601002246
Chenane, J. L., & Hammond, Q. (2022). Using social media to recruit participants for scholarly research: Lessons from African female immigrants in the United States. *Journal of Criminal Justice Education*, *33*(4), 509–525. https://doi.org/10.1080/10511253.2021.1991411
Chen, H., Cohen, P., & Chen, S. (2010). How Big is a Big Odds Ratio? Interpreting the Magnitudes of Odds Ratios in Epidemiological Studies. *Communications in Statistics - Simulation and Computation*, *39*(4), 860–864. https://doi.org/10.1080/03610911003650383
Cohen, J. (1992). A power primer. *Psychological Bulletin*, *112*(1), 155. https://doi.org/10.1037/0033-2909.112.1.155
Cosh, A., Cumming, D., & Hughes, A. (2009). Outside Entrepreneurial Capital. *The Economic Journal*, *119* (540), 1494–1533. https://doi.org/10.1111/j.1468-0297.2009.02270.x
Courtney, M. G. R. (2018). Pearson correlation coefficient. In B. B. Frey (Ed.), *The SAGE encyclopedia of educational research, measurement, and evaluation*. Sage Publications.
Davidsson, P., Achtenhagen, L., & Naldi, L. (2005). Research on small firm growth: A review. In 35th EISB Conference: Sustaining the Entrepreneurial Spirit over Time: Implications for Young Companies, Family Businesses, and Established Companies (pp. 1–27). IESE Business School.
Delmar, F., & Wiklund, J. (2008). The effect of small business managers' growth motivation on firm growth: A longitudinal study. *Entrepreneurship Theory & Practice*, *32*(3), 437–457. https://doi.org/10.1111/j.1540-6520.2008.00235.x
Department of Small Business Development. (2019). *Revised schedule 1 of the national definition of small enterprise*.
Douglas, E. J. (2013). Reconstructing entrepreneurial intentions to identify predisposition for growth. *Journal of Business Venturing*, *28*(5), 633–651. https://doi.org/10.1016/j.jbusvent.2012.07.005
Douglas, E. J., Shepherd, D. A., & Venugopal, V. (2021). A multi-motivational general model of entrepreneurial intention. *Journal of Business Venturing*, *36*(4), 106107. https://doi.org/10.1016/j.jbusvent.2021.106107
Eide, A. E., Moen, Ø., Madsen, T. K., & Azar, M. J. (2021). Growth aspirations in SMEs: Managerial determinants and organizational outcomes. *Journal of Small Business and Enterprise Development*, *28*(4), 640–665. https://doi.org/10.1108/JSBED-09-2020-0332
Fatoki, O. (2020). Determinants of sustainability-oriented entrepreneurial intentions of university students. *Southern African Business Review*, *24*. https://doi.org/10.25159/1998-8125/7795
Field, A. (2009). *Discovering statistics using SPSS*. SAGE Publications.
Finfind. (2017). *Inaugural South African SMME access to finance report*. Retrieved from https://www.accesstofinancereport.co.za/
Fitzsimmons, J. R., & Douglas, E. J. (2006). Entrepreneurs and funding decisions: Evidence from Australian SMEs. *International Journal of Entrepreneurship and Small Business*, *3*(1), 76. https://doi.org/10.1504/IJESB.2006.008663
Fitzsimmons, J. R., & Douglas, E. J. (2011). Interaction between feasibility and desirability in the formation of entrepreneurial intentions. *Journal of Business Venturing*, *26*(4), 431–440. https://doi.org/10.1016/j.jbusvent.2010.01.001
Fornell, C., & Larcker, D. F. (1981). *Structural equation models with unobservable variables and measurement error: Algebra and statistics*. Sage Publications Sage CA.
Fraser, S. (2019). Entrepreneurial borrowing: Do entrepreneurs seek and receive enough credit? *Foundations and Trends® in Entrepreneurship*, *15* (5–6), 461–663. https://doi.org/10.1561/0300000076
Freel, M., Carter, S., Tagg, S., & Mason, C. (2012). The latent demand for bank debt: Characterizing

"discouraged borrowers". *Small Business Economics*, *38*(4), 399–418. https://doi.org/10.1007/s11187-010-9283-6

Global Entrepreneurship Monitor. (2020). *2019/2020 GlobalReport*. Retrieved from

Hanifzadeh, F., Talebi, K., & Sajadi, S. M. (2018). The analysis of effect of aspiration to growth of managers for SMEs growth case study: Exporting manufacturing SMEs in Iran. *Journal of Entrepreneurship in Emerging Economies*, *10*(2), 277–301. https://doi.org/10.1108/JEEE-10-2016-0045

Harrell, M. C., & Bradley, M. A. (2009). *Data collection methods. Semi-structured interviews and focus groups*. Retrieved from https://www.researchgate.net/publication/235018870_Data_Collection_Methods_Semi-Structured_Interviews_and_Focus_Groups

Henríquez-Daza, M., Capelleras, J. -L., & Osorio-Tinoco, F. (2019). Entrepreneurial engagement and growth aspirations: The moderating role of opportunity perception. *International Review of Entrepreneurship*, *17*(2), 189–212.

Hermans, J., Vanderstraeten, J., Witteloostuijn, A. V., Dejardin, M., Ramdani, D., & Stam, E. (2015). *Ambitious Entrepreneurship: A review of growth aspirations, intentions and expectations*. Paper presented at the Entrepreneurial Growth: Individual, Firm, and Region (Advances in Entrepreneurship, Firm Emergence and Growth).

Hessels, J., Van Gelderen, M., & Thurik, R. (2008). Entrepreneurial aspirations, motivations, and their drivers. *Small Business Economics*, *31*(3), 323–339. https://doi.org/10.1007/s11187-008-9134-x

International Finance Corporation. (2017). *MSME Finance Gap - Asssessment of the shortfalls and opportunities in Financing Micro, Small and Medium Enterprises in emerging markets*. https://www.ifc.org/wps/wcm/connect/03522e90-a13d-4a02-87cd-9ee9a297b311/121264-WP-PUBLIC-MSMEReportFINAL.pdf?MOD=AJPERES&CVID=m5SwAQA

Katz, J. A. (1992). A psychosocial cognitive model of employment status choice. *Entrepreneurship Theory & Practice*, *17*(1), 29–37. https://doi.org/10.1177/104225879201700104

Keasey, K., & Watson, R. (1992). *Investment and financing decisions and the performance of small firms*. National Westminster Bank.

Kersten, R., Harms, J., Liket, K., & Maas, K. (2017). Small firms, large impact? A systematic review of the SME finance literature. *World Development*, *97*, 330–348.

Khalil, M., Ramraini, A., & Khan, M. A. (2020). Influence of prior family business exposure, motivation and growth intention on financial bootstrapping among women entrepreneurs: Moderating role of entrepreneurial competencies. *Journal of Critical Reviews*, *7*(18), 1858–1869.

Kon, Y., & Storey, D. J. (2003). A theory of discouraged borrowers. *Small Business Economics*, *21*(1), 37–49. https://doi.org/10.1023/A:1024447603600

Krueger, N. (2003). The cognitive psychology of entrepreneurship. In Z. J., Acs, & D. B., Audretsch (Eds.), *Handbook of Entrepreneurship Research* (pp. 105–140). Springer.

Krueger, N., & Carsrud, A. (1993). Entrepreneurial intentions: Applying the theory of planned behaviour. *Entrepreneurship & Regional Development*, *5*(4), 315–330. https://doi.org/10.1080/08985629300000020

Levie, J., & Autio, E. (2013). Growth and growth intentions. *White paper 1* .

Macan Bhaird, C., Sánchez-Vidal, J., & Lucey, B. (2016). Discouraged borrowers: Evidence for Eurozone SMEs. *Journal of International Financial Markets, Institutions and Money*, 44, 46–55. https://doi.org/10.1016/j.intfin.2016.04.009

MacKinnon, D. P., Fairchild, A. J., & Fritz, M. S. (2007). Mediation analysis. *Annual Review of Psychology*, *58*(1), 593. https://doi.org/10.1146/annurev.psych.58.110405.085542

McHugh, M. L. (2009). The odds ratio: Calculation, usage, and interpretation. *Biochemia Medica*, *19*(2), 120–126. https://doi.org/10.11613/BM.2009.011

McRobert, C. J., Hill, J. C., Smale, T., Hay, E. M., Windt, D. A. V. D., & Lozano, S. (2018). A multi-modal recruitment strategy using social media and internet-mediated methods to recruit a multidisciplinary, international sample of clinicians to an online research study. *Plos One*, *13*(7), 1–17. https://doi.org/10.1371/journal.pone.0200184

Myers, S. C. (1984). *Capital structure puzzle*. National Bureau of Economic Research Cambridge.

Nemoto, T., & Beglar, D. (2014). *Likert-scalequestionnaires*. Paper presented at the JALT 2013 conference proceedings, Tokyo.

Neneh, B. N. (2019). From entrepreneurial intentions to behavior: The role of anticipated regret and proactive personality. *Journal of Vocational Behavior*, *112*, 311–324. https://doi.org/10.1016/j.jvb.2019.04.005

Neneh, B. N., & Vanzyl, J. (2014). Growth intention and its impact on business growth amongst SMEs in South Africa. *Mediterranean Journal of Social Sciences*, *5*(20), 172. https://doi.org/10.5901/mjss.2014.v5n20p172

Nguyen, B., & Canh, N. P. (2021). Formal and informal financing decisions of small businesses. *Small Business Economics*, *57*(3), 1545–1567. https://doi.org/10.1007/s11187-020-00361-9

Osano, H. M., & Koine, P. W. (2016). Role of foreign direct investment on technology transfer and economic growth in Kenya: A case of the energy sector. *Journal of Innovation and Entrepreneurship*, *5*, 1–25. https://doi.org/10.1186/s13731-016-0059-3

Paul, S., Whittam, G., & Wyper, J. (2007). The pecking order hypothesis: Does it apply to start-up firms? *Journal of Small Business and Enterprise Development*, *14*(1), 8–21. https://doi.org/10.1108/14626000710727854

Perugini, M., & Bagozzi, R. P. (2001). The role of desires and anticipated emotions in goal-directed behaviours: Broadening and deepening the theory of planned behaviour. *British Journal of Social Psychology*, *40*(1), 79–98. https://doi.org/10.1348/014466601164704

Poutziouris, P., Markou, D., Glyptis, L., & Hadjielias, E. (2022). Capital structure of UK SMEs: An integrated understanding. *International Journal of Entrepreneurship and Small Business*, *46*(1), 64–95. https://doi.org/10.1504/IJESB.2022.123986

Rehm, F., & Xavier, A. (2016). *Financing sources and performance metrics in early-stage start-ups*. Paper presented at the ISPIM Innovation Symposium, Manchester.

Rhodes, R. E., & Matheson, D. H. (2005). Discrepancies in exercise intention and expectation: Theoretical and applied issues. *Psychology & Health*, *20*(1), 63–78. https://doi.org/10.1080/08870440412331296071

Robb, A., & Robinson, D. (2014). The Capital structure decisions of new firms. *The Review of Financial Studies*, *27*(1), 153–179. https://doi.org/10.1093/rfs/hhs072

Sage Publications. (2014) . *Sage Research Methods: Datasets. In learn to Use the Eta Coefficient Test in R with Data from the NIOSH Quality of Worklife Surve*. (Vol. Part 2): Sage Publications.

Schlaegel, C., & Koenig, M. (2014). Determinants of entrepreneurial intent: A meta–analytic test and integration of competing models. *Entrepreneurship Theory & Practice*, *38*(2), 291–332. https://doi.org/10.1111/etap.12087

Seed Academy. (2018). *The Real State of Entrepreneurship Survey* Retrieved from https://www.seedengine.co.za/media/the-real-state-of-entrepreneurship-survey-2018/

Shapero, A., & Sokol, L. (1982). The social dimensions of entrepreneurship. *University of Illinois at Urbana-Champaign's Academy for Entrepreneurial Leadership Historical Research Reference in Entrepreneurship*.

Sheeran, P. (2002). Intention—behaviour relations: A conceptual and empirical review. *European Review of Social Psychology*, *12*(1), 1–36. https://doi.org/10.1080/14792772143000003

Smith, R. J. (2020). P > .05: The incorrect interpretation of "not significant" results is a significant problem. *American Journal of Physical Anthropology*, *172*(4), 521–527.

Sperandei, S. (2014). Understanding logistic regression analysis. *Biochemi Medica*, *24*(1), 12–18. https://doi.org/10.11613/BM.2014.003

Statnik, J. -C., & Giang, V. T. L. (2019). Does corruption impact the demand of bank credit? A study of discouraged borrowers in asian developing countries. *A Study of Discouraged Borrowers in Asian Developing Countries (April 10, 2019)*.

Stokes, Y., Vandyk, A., Squires, J., Jacob, J. -D., & Gifford, W. (2019). Using Facebook and LinkedIn to recruit nurses for an online survey. *Western Journal of Nursing Research*, *41*(1), 96–110. https://doi.org/10.1177/0193945917740706

Van Gelderen, M., Kautonen, T., & Fink, M. (2015). From entrepreneurial intentions to actions: Self-control and action-related doubt, fear, and aversion. *Journal of Business Venturing*, *30*(5), 655–673. https://doi.org/10.1016/j.jbusvent.2015.01.003

Wang, Y., & Ruhe, G. (2007). The cognitive process of decision making. *International Journal of Cognitive Informatics and Natural Intelligence*, *1*(2), 73–85. https://doi.org/10.4018/jcini.2007040105

Warner, R. M. (2012). Mediation. In *Applied statistics: From bivariate through multivariate techniques* (pp. 645–687). Sage Publications.

Wiklund, J., Davidsson, P., & Delmar, F. (2003). What do they think and feel about growth? An expectancy-value approach to small business managers' attitudes toward growth. *Entrepreneurship Theory & Practice*, *27*(3), 247–270. https://doi.org/10.1111/1540-8520.t01-1-00003

Wiklund, J., & Shepherd, D. (2003). Aspiring for, and achieving growth: The moderating role of resources and opportunities. *Journal of Management Studies*, *40*(8), 1919–1941. https://doi.org/10.1046/j.1467-6486.2003.00406.x

Wong, A., Holmes, S., & Schaper, M. T. (2018). How do small business owners actually make their financial decisions? Understanding SME financial behaviour using a case-based approach. *Small Enterprise Research*, *25*(1), 36–51. https://doi.org/10.1080/13215906.2018.1428909

Wright, M, and Stigliani, I. (2013). Entrepreneurship and growth. *International Small Business Journal*, *31*(1), 3–22. https://doi.org/10.1177/0266242612467359

Yang, W., & Meyer, K. E. (2019). How does ownership influence business growth? A competitive dynamics perspective. *International Business Review*, *28*(5), 101482. https://doi.org/10.1016/j.ibusrev.2018.02.009

cogent business & management

# Appendices

**Table A1. Confirmatory factor analysis results**

| Variable/Construct | Item | Standardised factor loadings | Cronbach's Alpha | Composite reliability | Average variance extracted | Maximum shared variance |
|---|---|---|---|---|---|---|
| Growth Aspiration | GA1 | 0,421 | 0,731 | 0,769 | 0,554 | 0,012 |
| | GA2 | 0,678 | | | | |
| | GA3 | 1,013 | | | | |
| Intention to apply - crowdfunding | ICF1 | 0,732 | 0,696 | 0,711 | 0,551 | 0,287 |
| | ICF2 | 0,753 | | | | |
| Intention to apply - marketplace lending | IML1 | 0,819 | 0,756 | 0,759 | 0,612 | 0,287 |
| | IML2 | 0,744 | | | | |
| Intention to apply - bank credit | IBC1 | 1,162 | 0,836 | 0,925 | 0,870 | 0,083 |
| | IBC2 | 0,624 | | | | |
| Intention to apply - trade credit | ITC1 | 0,968 | 0,733 | 0,781 | 0,653 | 0,205 |
| | ITC2 | 0,607 | | | | |
| Intention to apply - venture capital | IVC1 | 0,827 | 0,762 | 0,761 | 0,615 | 0,216 |
| | IVC2 | 0,739 | | | | |
| Intention to apply - public sector finance | IPSF1 | 0,794 | 0,856 | 0,857 | 0,601 | 0,281 |
| | IPSF2 | 0,859 | | | | |
| | IPSF3 | 0,685 | | | | |
| | IPSF4 | 0,752 | | | | |
| Intention to apply - public sector COVID-19 business support | IPCS1 | 0,878 | 0,845 | 0,846 | 0,733 | 0,281 |
| | IPCS2 | 0,834 | | | | |

Model fitness: $X^2$ = 246,456 df = 124 $X^2$/df = 1,988 *p*-value < 0,001 RMSEA = 0,073 CFI = 0,878

**Table A2. Discriminant validity**

| Variable/ Construct | IML | GA | IBC | ICF | ITC | IVC | IPSF | IPSC |
|---|---|---|---|---|---|---|---|---|
| Intention to apply - marketplace lending (IML) | **0,782** | | | | | | | |
| Growth Aspiration (GA) | −0,060 | **0,745** | | | | | | |
| Intention to apply - bank credit (IBC) | 0,152 | −0,066 | **0,933** | | | | | |
| Intention to apply - crowdfunding (ICF) | 0,536 | 0,111 | −0,101 | **0,743** | | | | |
| Intention to apply - trade credit (ITC) | 0,453 | 0,064 | 0,288 | 0,341 | **0,808** | | | |
| Intention to apply - venture capital (IVC) | 0,352 | 0,030 | −0,233 | 0,465 | 0,272 | **0,784** | | |
| Intention to apply - public sector finance (IPSF) | 0,383 | −0,068 | −0,105 | 0,219 | 0,241 | 0,276 | **0,775** | |
| Intention to apply - public sector COVID-19 business support (IPSC) | 0,314 | −0,051 | −0,005 | 0,182 | 0,305 | 0,231 | 0,530 | **0,856** |