

Perceptions of Start-up Small and Medium-Sized Enterprises (SMEs) on the Importance of Business Development Services Providers (BDS) on Improving Access to Finance in South Africa

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ABSTRACT The effectiveness of efforts to address challenges facing start-up SMEs in South Africa is an area of controversy. South Africa is characterised by one of the highest start-up SME failure rates despite several institutional and policy arrangements to address the challenges. The present study investigated the perceptions of start-up SME owners, managers and owner-managers about the services they receive from Business Development Services providers (BDS). In particular, the opinions about the need for access to finance dedicated services, the relevance of government subsidies, and their experiences with BDS providers and the risk perceptions of financial institutions were investigated. The results of the study revealed mixed reaction about the perception of start-up SMEs about the effectiveness of BDS.

1. INTRODUCTION

Start-up SMEs are a key driver to sustainable economic development of any country. Maas and Herrington (2006) suggested that if the government wants to sustain economic growth that will create wealth for all, efforts should be made to increase new business start-ups. Start-ups for the purpose of this research shall be defined as new businesses that have been in operation for a period of 0 to 3.5 years. The problem of access to finance and collateral, a result of historical imbalances, has impeded the number of start-ups and growth of existing businesses.

Small firms face problems in getting access to funding due to their peculiar characteristics, which are being relatively young, lacking credit histories, lack of adequate information, high risk perceptions, among others. Lenders may be reluctant to fund small firms, especially those with new and innovative products, which are likely difficult to evaluate. If small businesses face severe credit rationing, they may become credit constrained and miss out on projects that are profitable because they cannot raise the external capi-

tal necessary to fund them (Craig et al. 2007). In South Africa SMEs have constrained access to external funds (external equity and credit), more importantly as a result of the perceived risk and information asymmetries between the providers of funds and the SME economy. This justifies the need for government programmes to help SMEs to access external finance.

Promoting start-ups is the key to enhancing competition and entrepreneurship. This have spill over effects on innovation, efficiency and productivity growth. Furthermore, SMEs are generally held to be more productive than large firms although financial markets and other institutional failures could impede their development. More importantly, expansion of SMEs could boost employment more effectively than large firms because they tend to be more labour intensive. From this perspective government intervention to subsidize SMEs could help to create employment and alleviate poverty (Alweendo 2004).

The role of government in South Africa appears to be of critical importance in shaping the present and future of the SME sector. There has been a shift, since 1994, in the national policy environment surrounding small enterprises in South Africa. Post apartheid South Africa has seen the emergence of a changed institutional and policy context, which governs the operations of the SME economy (Makgoe 2008).

The government of South Africa, through the Department of Trade and Industries (DTI) has

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established a number of public sector institutions that caters for the needs of SMEs. Among them are Khula Enterprise Finance Ltd, Small Enterprises Development Agency (SEDA), Industrial Development Cooperation (IDC), National Youth Development Agency (NYDA), South African Micro-Finance Apex Fund (SAMAF), National Empowerment Fund (NEF), South African Women Entrepreneurs' Network (SAWEN) and Technology for Women in Business (TWIB) (Department of Trade and Industries 2005). These in this study are termed business development services (BDS). The International Finance Corporation (IFC) (2006) defined Business Development Services as "...those non-financial services and products offered to entrepreneurs at various stages of their business needs". Goldmark (1996) in Brijlal (2008) pointed out that, traditionally, the BDS sector had been referred as "non-financial services". However these services are offered in conjunction with credit and other financial services, hence financial services can be engrossed into the BDS services provision.

The government has invested considerable resources into supporting small enterprises. However, reach of these programmes is very limited and most businesses are either unaware of or have not used any of the government's programmes and structures. Furthermore, small enterprises are largely unimpressed with the direct support offered by government (Minniti and Bygrave 2004). The policy implications of these findings are that the government's role in supporting small enterprises needs to be radically rethought. In line with international best practice this should see the government reducing direct provision of support in favour of facilitating commercially-driven private sector provision of BDSs (Minniti and Bygrave 2004).

Despite a wide range of BDSs in the South African business landscape, start-up SMEs are still experiencing daunting challenges, specifically on access to finance, hampering entrepreneurial development. It is therefore important to assess the role being played by these BDSs in addressing access to finance challenges facing start-up SMEs. Gaining an understanding of the real problem facing start-up SMEs with regard to access to finance is paramount for policy making and introduction of sound interventions to address the problem. Given such a scenario, the objectives of this study were:

Primary Objective

- To investigate the effectiveness of government interventions in the form of access to finance dedicated subsidies in addressing access to finance challenges facing SMEs.

Secondary Objectives

- To investigate the opinions of start-up SMEs on the need for finance dedicated services by BDSs
- To review the literature on government intervention efforts that can assist in improving access to finance by start-up SMEs
- To develop a more efficient model of government intervention effort through BDSs in improving access to finance by start-up SMEs

2. METHODS

The empirical study was approached from the perspective of a formal research design through the definition of the study population, the incorporation of suitable measuring instrument and reliable techniques for data analysis as stipulated in Cooper and Schindler (2008). The empirical research for the study was conducted in two ways; a pilot study and the main survey. Self-administered questionnaires were used for data collection in the survey. The research questionnaire was divided into three main parts: Section 1 addressed the challenges facing start-up SMEs in accessing external finance. Section 2 addressed the issue of awareness, use and effectiveness of BDSs in improving access to external finance for start-up SMEs. Section 3 focused on business characteristics and demographic factors. Following the design of the initial questionnaire, a pilot study on 20 respondents was conducted. The result of the pilot study and a discussion with a panel of experts led to the initial questionnaire being revised accordingly taking into consideration all the flaws identified in the process. The Buffalo City Municipality was the study area. The municipality consists of East London (including Mdantsane), King William's Town and Bisho. The study population in this study was obtained from information provided by the Small Businesses Development Agency (SEDA), the Black Enterprises register and Yellow Page telephone directory. According to these sources, 407 SMEs

suited the definition of start-up SMEs in the area of focus for this study (that is, SMEs that had been in operation for a period of less than 42 months). The study used the probability sampling method. The sample size was calculated using the Raosoft sample size calculator using a margin of error of 5%, 95 confidence levels and a 50% response distribution (Raosoft 2010). The sample size calculator gave a minimum recommended sample size of 198 SMEs. However, 315 questionnaires were distributed to provide for non-responses. The sample is small enough to allow for the feasibility of the study and yet large enough to be a true representative of the targeted population. Data analysis was done using the Statistical Package for Social Sciences. Statistical analysis included descriptive statistics, Pearson correlation and regression analysis. Reliability and validity were ensured by pre-testing the research instrument in a pilot study, using a panel of experts in the field of management to evaluate the research instrument for conceptual clarity and comprehensively reviewing the literature for theoretical constructs and empirical conclusions.

3. RESULTS AND DISCUSSION

This section entails a summary and discussion of statistical analyses and findings of the study present study. Statistical analyses that were performed include descriptive statistics, t-test, ANOVA, regression analysis and Pearson correlation analysis.

Sample Description and Descriptive Analysis

A total of 315 start-up SMEs participated in the study, 61% were family businesses and 39% were non-family businesses. This implies that the majority of start-up SMEs that participated in this survey was family businesses. Most of them were at least three years old (44.5%) and 30% were at most two years old while the rest were in their third year. Exactly 73% of these businesses had at most 50 employees and only 2.5% had at least 150 employees. About 74% of them had at most five members and only 2.5% have more than 20 members. Almost the same percentage (78.5%) had at most 5 members with financial interest. About 76.5% were at most 45 years old and 72.5% had at least a post matric

diploma and 20% had a first degree while the rest had post graduate degrees.

Questionnaire Analysis and Reliability Tests

The questionnaire was divided into three sections besides the business characteristics section discussed above. The three sections represented access to finance, use and role of Business Development Services providers and the BDS needs of start-up SMEs. The Cronbach's alpha coefficient was used for assessing the internal consistency of the questionnaire with coefficients of 0.70 being considered high enough to denote adequate consistency and reliability. The questionnaire was generally found to be reliable with a Cronbach's alpha coefficient of 0.84.

Data Summarisation

Using cluster analysis, six categorical variables emerged from the questionnaire analysis. Six categorical variables that were identified were used in the further analysis. The derived variables are defined in Table 1.

Table 1: Clusters and their Cronbach's alphas

Cluster	Cronbach's alpha	Description
1	0.80	BDS should have access to finance dedicated services (AFDS)
2	0.84	Opinions and experiences of BDS users (BDSEXP)
3	0.70	Impact of government subsidies on access to finance (IMPGSD)
4	0.81	Collateral, bad credit record and bad business planning impede access to finance (SMERISK)
5	0.70	BDS services are irrelevant (BDSIRR)
6	0.74	Credit Control Act and educational levels discourage financial institutions from financing SMEs (EDCCA)

The means for these variables show that, on the average, SMEs agree that BDS need to have access to finance dedicated services, SMEs are risky clients for financial institutions, and government subsidies are beneficial and that educational level and Credit Control Act requirements discourage financial institutions from dealing with SMEs. This is reflected by means above 3.5

for those variables. On the other hand, SMEs are not very sure of the benefits and relevance of the BDS centres/points as reflected by a mean of 2.45 which is below neutral and their experiences with BDS are neutral to positive as suggested by a mean of 3.49 as depicted in Table 2.

Table 2: Means, standard error, median, minima and maxima of categorical variables

Variable	N	Mean	Std. error	Median	Minimum	Maximum
AFDS	315	4.24	0.04	4.40	1.40	5.00
BDSEXP	315	3.49	0.06	3.71	1.43	4.71
SMERISK	315	3.79	0.06	4.00	1.00	5.00
IMPGSD	315	3.96	0.05	4.00	1.00	5.00
BDSIRR	315	2.45	0.07	2.50	1.00	5.00
EDCCA	315	3.99	0.05	4.40	2.00	5.00

The results of the study further showed that 89% of the respondents agreed that access to finance is a big challenge. This is in line with the sentiments echoed by Herrington et al. (2009) that access to finance is still a major problem facing all entrepreneurs. In examining the reason why start-up SMEs face access to finance challenges, about 30% of the respondents disagreed that start-up SMEs provide insufficient information for them to access finance while another 30% were not sure about that. The rest either agreed (24.5%) or strongly agreed (14.5%) that start-up SMEs do not provide adequate information hence their failure to secure financial support from financial institutions. Most of the respondents were aware (74%) of a local BDS service centre/point and 72% felt that these service centres/points were rather few. Close to 90% agreed or strongly agreed that there was a need for access to finance dedicated training by BDSs. Most of the SMEs (68%) do not believe that BDS is a waste of financial resources while 15% agreed that it was a waste of money while the rest were neutral.

Based on the results presented above, it can be deduced that start-up SMEs believe that access to finance is a major challenge so much that they need BDS service points to provide services deliberately aimed at increasing their chances of accessing finance from financial institutions. In further examining the reason why they face access to finance challenges start-up SMEs believe that they have problems providing sufficient information to financial institutions. This can be attributed to their lack of skills and experience. Owing to their BDS training needs, start-up

SMEs believe that BDS centre points are generally few in their localities. Furthermore, start-up SMEs acknowledge the importance of government subsidies and the government's investment in BDS institutions as they believe that this will help them in improving their access to finance.

The above summary suggests that BDS service centres/points are relevant but rather few and located apart and that there is a general problem of access to finance. Start-up SMEs feel that the services should be directed towards enhancing SMEs' chances of securing finance and that their educational levels and the credit control act requirements are impediments to access to finance from financial institutions.

Further analyses of the data were done to clearly exhibit the role of BDS in improving access to finance by start-up SMEs. The following section presents the results of the correlation analysis.

Correlation Analysis

The correlations of the derived variables were tested for statistical significance. The Spearman rank correlation was used. The Spearman's rank correlation coefficient (r_s) provides a measure of how closely two sets of rankings agree with each other. Spearman's rank correlation coefficient or Spearman's rho, named after Charles Spearman and often denoted by the Greek letter ρ (rho) or as r_s , is a non-parametric measure of statistical dependence between two variables. It assesses how well the relationship between two variables can be described using a monotonic (varying in such a way that it either never decreases or never increases) function. If there are no repeated data values, a perfect Spearman correlation of +1 or -1 occurs when each of the variables is a perfect monotone function of the other. The results of the Spearman correlation analysis for this study are shown in Table 3.

The results of the Spearman Rank Based correlation showed that all the variables have statistically significant pair wise except for BDS irrelevance and BDS experiences. Another observation from these results is that BDS irrelevance is negatively correlated with all the other variables. Note that this variable also has the lowest mean of 2.45 which is below neutral. These negative correlations suggest that disagreement with the irrelevance of BDS is associated with agreement on need for access to finance dedicated

Table 3: Spearman correlation analysis

Spearman correlation coefficients, N = 200						
	<i>AFDS</i>	<i>BDSEXP</i>	<i>SMERISK</i>	<i>IMPGSD</i>	<i>BDSIRR</i>	<i>EDCCA</i>
<i>AFDS</i>		0.2349	0.2797	0.4251	-0.1968	0.4979
<i>BDSEXP</i>	0.2349		<.0001	<.0001	0.0052	<.0001
	0.0008		0.4982	0.5017	-0.0920	0.5449
<i>SMERISK</i>	0.2797	0.4982		<.0001	0.1949	<.0001
	<.0001	<.0001		0.4046	-0.2607	0.5711
<i>IMPGSD</i>	0.4251	0.5017	0.4046		0.0002	<.0001
	<.0001	<.0001	<.0001		-0.3297	0.4287
<i>BDSIRR</i>	-0.1968	-0.0920	-0.2607	-0.3297		-0.2647
	0.0052	0.1949	0.0002	<.0001		0.0002
<i>EDCCA</i>	0.4979	0.5449	0.5711	0.4287	-0.2647	

BDS, positive experience with BDS, agreement that SMEs are risky business for financial institutions, agreement that government subsidies have had beneficial impact and agreement that educational levels and the Credit Control Act impede SMEs access to finance from financial institutions.

Significance Testing

The derived variables were tested for business characteristic effects. Based on the hypotheses of this study, tests for the hypotheses of the derived variables depend on characteristics of the SME, namely, business age, size, and business ownership. These derived variables do not satisfy the assumptions for parametric tests. As such, nonparametric one way analysis of variance was used for testing these hypotheses, specifically, the Kruskal-Wallis test was used. In the case of business ownership which is binary the Mann-Whitney test was used. The results of these tests are presented in the subsections that follow.

Business Age

The results of the study showed that business age does not affect the SMEs' opinions on the impact of government subsidy and relevance of BDS. This is shown by p-values which are greater than 5% (0.0644 and 0.1527 for impact of government subsidies (IMPGSD) and BDS irrelevance (BDSIRR) respectively). These results indicate that start-up SMEs generally felt that government subsidies are going a long way in assisting their access to finance. Furthermore, the results suggest that start-up SMEs are not aware or cannot evaluate the relevance of BDS services to their businesses. However, all the other vari-

ables are significantly affected by age of the SME. This is reflected in the p-values which are less than the significance level of 5% used in the analysis as depicted in Table 4.

Table 4: Kruskal-Wallis test on business age

<i>Variable</i>	<i>KW statistic</i>	<i>P-value</i>
<i>AFDS</i>	8.77	0.0325
<i>BDSEXP</i>	31.57	0.0001
<i>SMERISK</i>	11.44	0.0096
<i>IMPGSD</i>	7.25	0.0644
<i>BDSIRR</i>	5.28	0.1527
<i>EDCCA</i>	13.69	0.0034

The results indicated that while there is a general agreement that BDS need to provide access to finance dedicated services, SMEs which are at most a year old and those at least three years old (as indicated by the means 4.36 and 4.28 respectively) feel more strongly about the need for access to finance dedicated services than those between 12 and 36 months old. This might be because the first segment (SMEs less than one year old) are new and the business is still at stages where their internal finance generating potentials are minimal hence they require access to external financing the most, thus their strong need for access to finance dedicated services to improve their chances of accessing external financing. The second segment (SMEs older than 3 years but less than 3.5 years) are approaching establishment stage, therefore business expansion is at the heart of the entrepreneur, thus they will require external financing. In their attempt to access such external financing they are faced with bigger challenges compared to those encountered in their first year hence they feel the need for access to finance dedicated services to improve their access to finance.

A further look at the means of the opinions of start-up SMEs at different business ages indicated that at each stage the means are close to neutral (3.0) or slightly above or below neutral. Thus across all ages, it can be presumed that start-up SMEs are of the feeling that the services they received from BDS are not enough for them to either agree or disagree on whether BDS are relevant in improving their access to finance.

Business Size

The Kruskal-Wallis test (depicted in Table 5) revealed that opinions of start-up SMEs about their experiences with BDS and the impact of government subsidies are not affected by their size. This is shown by their p-values which are greater than 5% (p-values 10% and 13% for BDSEXP and IMPGSD respectively).

Table 5: Kruskal-Wallis test on business size

<i>Variable</i>	<i>KW statistic</i>	<i>P-value</i>
AFDS	12.78	0.0051
BDSEXP	6.13	0.1015
SMERISK	15.74	0.0013
IMPGSD	5.57	0.1345
BDSIRR	8.42	0.0381
EDCCA	25.25	0.0001

The results revealed that businesses with less 50 employees indicated the most need for access to finance dedicated services. The need decreases as the number of employees (business size) increases. These results imply that small enterprises require the most access to finance dedicated services and this can be attributed to their lack of internal resources and adequate staff, hence they require the services of BDS. On all other variables irrespective of size, start-up SMEs indicated good experiences with BDS, believe that they are viewed as risk investments by financial institutions, agree that government subsidies have a positive impact on their access to finance, believes BDS are relevant in improving their access to finance and points out that their educational level and the Credit Control Act requirement impede their access to finance.

Business Ownership

In significance testing of business ownership on the derived variables, the Mann-Whitney test was used. This is because the data obtained was

binary and cannot be tested using the Kruskal-Wallis Test. The results indicated that only the opinions on BDS experiences and the opinion that educational level and Credit Control Act requirements had a statistical significance when tested against business ownership. This implies that all other derived variables are not related to business ownership.

The means of the derived variables by business ownership indicated that irrespective of whether the business is a family business or a non-family business, start-up SMEs felt a strong need for access to finance dedicated services, reported positive experiences with BDSs, believes that financial institutions view them as risky investments, the government subsidies have a positive impact on their access to finance and educational and Credit Control Act requirements impede their access to finance (this is shown by the means above 3.0). Furthermore respondents generally disagreed that BDS are irrelevant in improving access to finance (as shown by the mean below 3.0).

Regression of Derived Variables on SME Characteristics

Multiple linear regressions of derived variables on SME and respondent characteristics were used to determine the magnitude and direction of effects of these characteristics on the derived variables. The no intercept regression model was used in this analysis because all predictors have no possibility of being equal to zero so much that the intercept would not have any meaningful interpretation. The results of that analysis are shown below for each response variable separately.

Access to Finance Dedicated Services (AFDS)

Table 6 shows the results of the regression analysis of AFDS. The analysis of variance table shows that the variables in the model have a statistically significant effect on AFDS (model $F=426$; $p<0.0001$). The model explains 95% of the variability in the response as given by the coefficient of determination of 0.950.

By analysing the parameter estimates of this model, it can be noted that not all the SMEs and respondent characteristics affect AFDS. Only business age, business type, position of the re-

Table 6: Regression analysis on AFDS

Source	DF	Sum of squares	Mean square	F value	Pr > F
Model	14	3489.70967	387.74552	426	<.0001
Error	301	173.85033	0.91021		
Uncorrected total	315	3663.56			
Root MSE	0.95405	R-square	0.9525		
Dependent mean	4.239	Adj R-sq	0.9503		
Coeff var	22.50648				
<i>Parameter estimates</i>					
Variable	DF	Parameter estimate	Standard error	t value	Pr > t
D1	1	0.36452	0.05865	6.22	<.0001
D2	1	-0.16519	0.131	-1.26	0.2088
D3	1	0.56724	0.13599	4.17	<.0001
D4	1	0.06362	0.14675	0.43	0.6651
D5	1	-0.02962	0.13066	-0.23	0.8209
D6	1	0.29029	0.08087	3.59	0.0004
D7	1	0.6239	0.13133	4.75	<.0001
D8	1	0.29252	0.05984	4.89	<.0001
D9	1	0.11505	0.06355	1.81	0.0718

spondent, gender and age of the respondent have significant effects on the response as shown by parameter estimates that are significantly different from zero. These effects have p-values that are less than 0.0005, which suggests high statistical significance. All estimates (except D2 and D5) suggest that a unit increase in the predictors results in an increase in the response. That means, the higher the values of the predictors the higher the value of AFDS.

The parameter estimates for the effects of age of the business, form of ownership, position of the respondent, age of the respondent and highest educational qualification of the respondent are 0.36, 0.57, 0.29, 0.62 and 0.29 respectively. This means that when all the predictors are held constant, a unit increase in age of the business results in an increase of 0.36 in mean AFDS, and so on. The magnitudes of these parameter estimates suggests that age of the respondent has the most pronounced effect on AFDS followed by the position of the respondent and then the age of the business. The least pronounced but significant being form of ownership and educational qualification.

Experiences with BDS (BDSEXP)

Table 7 shows the results of the regression analysis of BDSEXP. The analysis of variance table shows that the variables in the model have a statistically significant effect on AFDS (model

F=287.06; $p < 0.0001$). The model explains 93% of the variability in the response as given by the coefficient of determination of 0.928.

Table 7: Regression analysis of BDSEXP

<i>Analysis of variance</i>					
Source	DF	Sum of squares	Mean square	F value	Pr > F
Model	14	2400.2999	266.69999	287.06	<.0001
Error	301	177.45519	0.92908		
Uncorrected total	315	2577.7551			
Root MSE		0.96389	R-square	0.9312	
Dependent mean		3.49286	Adj R-sq	0.9279	
Coeff var		27.59604			
<i>Parameter estimates</i>					
Variable	DF	Parameter estimate	Standard error	t value	Pr > t
D1	1	0.52743	0.05925	8.9	<.0001
D2	1	-0.15743	0.13235	-1.19	0.2357
D3	1	0.31282	0.1374	2.28	0.0239
D4	1	-0.00279	0.14826	-0.02	0.985
D5	1	0.02482	0.13201	0.19	0.8511
D6	1	0.0913	0.08171	1.12	0.2652
D7	1	0.44599	0.13268	3.36	0.0009
D8	1	0.15471	0.06045	2.56	0.0113
D9	1	0.17828	0.06421	2.78	0.006

By analysing the parameter estimates of this model, it can be noted that not all the SMEs and respondent characteristics affect BDSEXP. It is

on business age, business type, gender, age of the respondent and educational qualification of the respondent that have significant effects on the response as shown by parameter estimates that are significantly different from zero. These effects have p-values that are less than 0.0005, which suggests high statistical significance. All estimates (except of number of employees and number of active owners) suggest that a unit increase in the predictors results in an increase in the response. That means, the higher the values of the predictors the higher the value of BDSEXP.

Opinions that Start-up SMEs are Risky Investments (SMERISK)

Table 8 shows the results of the regression analysis of SMERISK. The analysis of variance table shows that the variables in the model have a statistically significant effect on SMERISK (model $F=334.73$; $p<0.0001$). The model explains 95% of the variability in the response as given by the coefficient of determination of 0.947.

Table 8: Regression analysis of SMERISK

<i>Analysis of variance</i>					
Source	DF	Sum of squares	Mean square	F value	Pr > F
Model	14	2852.0519	316.89465	334.73	<.0001
Error	301	180.82313	0.94672		
Uncorrected total	315	3032.875			
Root MSE		0.97299	R-Square		0.9404
Dependent mean		3.7925	Adj R-Sq		0.9376
Coeff var		25.65575			
<i>Parameter estimates</i>					
Variable	DF	Parameter estimate	Standard error	t value	Pr > t
D1	1	0.42583	0.05981	7.12	<.0001
D2	1	-0.3942	0.1336	-2.95	0.0036
D3	1	0.44058	0.13869	3.18	0.0017
D4	1	0.10673	0.14966	0.71	0.4766
D5	1	0.04581	0.13325	0.34	0.7314
D6	1	-0.06883	0.08248	-0.83	0.405
D7	1	0.66991	0.13394	5	<.0001
D8	1	0.36504	0.06102	5.98	<.0001
D9	1	0.16077	0.06481	2.48	0.014

By analysing the parameter estimates of this model, it can be noted that not all the SMEs and

respondent characteristics affect SMERISK. It is only business age, business size, business type, gender, age of the respondent and educational qualification of the respondent that have significant effects on the response as shown by parameter estimates that are significantly different from zero. These effects have p-values that are less than 0.0005, which suggests high statistical significance. Almost all the estimates suggest that a unit increase in the predictors results in an increase in the response. That means, the higher the values of the predictors the higher the value of SMERISK. However, the results on business size although statistically significant indicate that, results in a decrease of 0.4 in SMERISK score. This suggests that bigger SMEs (more employees) do not so strongly believe that SMEs are considered risky clients for financial institutions.

Opinions on the Impact of Government Subsidies (IMPGSD)

Table 9 shows the results of the regression analysis of IMPGSD. The analysis of variance table shows that the variables in the model have a statistically significant effect on IMPGSD (model $F=331.18$; $p<0.0001$). The model explains 94% of the variability in the response as given by the coefficient of determination of 0.9369.

By analysing the parameter estimates of this model, it can be noted that not all the SMEs and respondent characteristics affect IMPGSD. It is only the business age, business type, position of the respondent, gender and age of the respondent and educational qualification that have significant effects on the response as shown by parameter estimates that are significantly different from zero. These effects have p-values that are less than 0.0005, which suggests high statistical significance. All estimates except business size suggest that a unit increase in the predictors results in an increase in the response. That means, the higher the values of the predictors the higher the value of IMPSGD.

Opinions on Irrelevance of BDS (BDSIRR)

Table 10 shows the results of the regression analysis of BDSIRR. The analysis of variance table shows that the variables in the model have a statistically significant effect on BDSIRR (model $F=120.99$; $p<0.0001$). The model ex-

plains 84% of the variability in the response as given by the coefficient of determination of 0.843.

Table 9: Regression analysis of IMPGSD

<i>Analysis of variance</i>					
Source	DF	Sum of squares	Mean square	F value	Pr > F
Model	14	3047.2341	338.58157	331.18	<.0001
Error	301	195.26588			
Uncorrected total	315	3242.5			
Root MSE		1.01111	R-Square	0.9398	
Dependent mean		3.955	Adj R-Sq	0.9369	
Coeff var		25.56525			
<i>Parameter estimates</i>					
Variable	DF	Parameter estimate	Standard error	t value	Pr > t
D1	1	0.36497	0.06216	5.87	<.0001
D2	1	-0.13879	0.13883	-1	0.3187
D3	1	0.47262	0.14413	3.28	0.0012
D4	1	0.05942	0.15553	0.38	0.7028
D5	1	0.0452	0.13847	0.33	0.7445
D6	1	0.16909	0.08571	1.97	0.05
D7	1	0.5486	0.13918	3.94	0.0001
D8	1	0.30288	0.06342	4.78	<.0001
D9	1	0.12205	0.06735	1.81	0.0715

Table 10: Regression analysis on BDSIRR

<i>Analysis of variance</i>					
Source	DF	Sum of squares	Mean square	F value	Pr > F
Model	14	1181.0878	131.23198	120.99	<.0001
Error	301	207.16216			
Uncorrected total	315	1388.25			
Root MSE		1.04145	R-Square	0.8508	
Dependent mean		2.4475	Adj R-Sq	0.8437	
Coeff var		42.55159			
<i>Parameter estimates</i>					
Variable	DF	Parameter estimate	Standard error	t value	Pr > t
D1	1	0.1248	0.06402	1.95	0.0527
D2	1	0.11307	0.143	0.79	0.4301
D3	1	0.34172	0.14845	2.3	0.0224
D4	1	0.0518	0.16019	0.32	0.7468
D5	1	0.27033	0.14263	1.9	0.0596
D6	1	0.14624	0.08828	1.66	0.0992
D7	1	0.44421	0.14336	3.1	0.0022
D8	1	0.00395	0.06532	0.06	0.9519
D9	1	0.0323	0.06937	0.47	0.642

The analysis indicates that only business type and gender have significant effects on the response as shown by parameter estimates that are significantly different from zero. These effects have p-values that are less than 0.0005, which suggests high statistical significance. All estimates suggest that a unit increase in the predictors results in an increase in the response. That means, the higher the values of the predictors the higher the value of BDSIRR. These results suggest that non-family businesses seem to feel that BDS services might not be so relevant more than family businesses and the same applies to female respondents.

Opinions on Educational and Credit Control Act Requirements (EDCCA)

Table 11 shows the results of the regression analysis of EDCCA. The analysis of variance table shows that the variables in the model have a statistically significant effect on EDCCA (model F=370.94; p<0.0001). The model explains 95% of the variability in the response as given by the coefficient of determination of 0.943.

Table 11: Regression analysis of EDCCA

<i>Analysis of variance</i>					
Source	DF	Sum of squares	Mean square	F value	Pr > F
Model	14	3124.7467	347.19408	370.94	<.0001
Error	301	178.77326			
Uncorrected total	315	3303.52			
Root MSE		0.96746	R-Square	0.9459	
Dependent mean		3.994	Adj R-Sq	0.9433	
Coeff var		24.22292			
<i>Parameter estimates</i>					
Variable	DF	Parameter estimate	Standard error	t value	Pr > t
D1	1	0.46163	0.05947	7.76	<.0001
D2	1	-0.20592	0.13284	-1.55	0.1228
D3	1	0.37121	0.1379	2.69	0.0077
D4	1	0.02964	0.14881	0.2	0.8423
D5	1	-0.25863	0.1325	-1.95	0.0524
D6	1	0.14401	0.08201	1.76	0.0807
D7	1	0.75758	0.13317	5.69	<.0001
D8	1	0.32637	0.06068	5.38	<.0001
D9	1	0.17421	0.06444	2.7	0.0075

By analysing the parameter estimates of this model, it can be noted that not all the SMEs and

respondent characteristics significantly affect EDCCA. It is only business age, business type, number of members with financial interest, gender, age of the respondent and educational qualification of the respondent that have significant effects on the response as shown by parameter estimates that are significantly different from zero. These effects have p-values that are less than 0.0005, which suggests high statistical significance. All estimates (except number of employees and position of the respondent) suggest that a unit increase in the predictors results in an increase in the response. That means, the higher the values of the predictors the higher the value of EDCCA.

The results of the multiple linear regressions on the six categorical variables discussed above reveal that although there are other components the business characteristic variables which do not significantly affect the derived categorical variables, most of the derived variable achieved p-values that are less than 0.001 ($p\text{-value} < 0.0001$). This indicated that all the derived variables are statistically significant to reject the null hypotheses.

CONCLUSION

In conclusion, the study has revealed that BDS play a significant role in improving access to finance by start-up SMEs. Furthermore, cognisance of the importance of start-up SMEs, policy directions should be such that this segment receives the best attention of the central government to ensure sustainable socio-economic development. Furthermore, because of the inherent access to finance challenges encountered by start-up SMEs, specially designed service packages to ensure access to finance should be developed and delivered to start-up SMEs. As the results of this study revealed, the focus of BDS provision should begin with creating awareness of BDS, understanding the BDS needs of start-up SMEs and encourage the use of BDS. Lastly it should be noted that promoting the growth and survival of start-up SMEs is an important step towards developing a self-sustaining economy.

RECOMMENDATIONS

It should be acknowledged that start-up SMEs are engines that drive the economy towards sustainable employment creation, poverty allevia-

tion and solving income inequalities. To cater for the demands of increasing population, increasing number of job seekers and increasing ever-changing business environment, new businesses should be encouraged and fully supported to ensure that sustainable economic growth is achieved. SMEs face severe challenges in their attempts to access the financing they need, their inherent characteristics and also perceptions of the financial services provider about the SME sector. Among the challenges are issues such as SMEs are perceived as risky investments, they lack sufficient skills and knowledge of effectively running their businesses, they lack adequate collateral security, and they fail to furnish sufficient information about their business propositions, among other challenges. Stiglitz and Weiss (1981) develop the main theoretical contributions about credit rationing and suggest that the problems of information asymmetry, moral hazard and adverse selection have the greatest limitations on productive credit granting. The arguments put forward by Stiglitz and Weiss (1981) prompted the need for government intervention to help the SME sector overcome the challenges they face due to the inherent characteristics which lead to credit rationing.

Thus, it is recommended that the central government should work hand in hand with private sector institutions to ensure effective and adequate access to finance by start-up SMEs. This can be done through efficient and effective provision of BDS. The BDS provision should be restructured in such a way that provision of access to finance dedicated services is intensified and effectively supported to benefit start-up SMEs. Furthermore, the initiatives to support emerging businesses should be intensified in order to achieve sustainable socio-economic growth.

Such initiatives as BDS provision can be intensified through intensive awareness campaigns, encouraging the use of BDS by start-up SMEs and incentives or subsidies provided to BDS institutions. Emanating from the relevance of BDS in helping solve challenges facing start-up SMEs, these institutions should be closely monitored and evaluated on a regular basis to ensure sustainability in their services provision. The legal frameworks relating to access to finance should also be fundamentally restructured to ensure that they are favourable to start-up SMEs who in many cases despite having good and viable busi-

ness proposition fail to access adequate financing to sustain their businesses. Furthermore, a strong bond between BDS providers, financial services providers and entrepreneurs should be created to ensure that benefits derived at one service level becomes effective at another service to achieve a desirable subsequent outcome.

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