

Financing ICT SMMEs at Different Stages of The Business Life Cycle

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Abstract—Small, medium and micro enterprises (SMMEs) represent a vital element in our economy in terms of addressing unemployment and the gross domestic product (GDP) of our country. Improving the success rate of SMMEs would save a lot of financial resources, thus understanding the financing options that complement success at different phases of the business is very important. This research sought to examine the extent to which the financing options chosen by entrepreneurs will have an impact on business success. The investigators adopted the progression of the ventures along the business life cycle stages as a benchmark for assessing success. The study focused primarily on SMMEs in the Eastern Cape Information Communication Technologies (ICT) sector. Data was obtained using an online survey which reached 50 small business owners/ business representative within the ICT sector in the Eastern Cape Province. The research study showed the role that internal financing options, such as personal savings, family, relatives and friends' financing, retained earnings, sale of existing assets and cutting down stock levels, play in the achievement of ICT SMME success. Furthermore, B-BBEE funding, bank loans, equity financing, government grants, and trade credit were

investigated as external financing alternatives for SMME success.

Key results revealed that the financial support of B-BBEE and personal savings have played a key role in the success of ICT SMMEs throughout the business life cycle phases. This occurs after an ICT SMME has advanced successfully over the start-up stage and aims for success in the development phase.

The finding revealed that for these SMMEs to attain success at the development stage, they should finance their business investment projects utilising credit trade, bank loans, families, relatives and friends. The abovementioned financing options are only substantially linked to good advancement from the development phase onto the expansion phase. Also, suggestions have been made to the ICT SMME management to include B-BBEE finance, personal savings, bank loans, families, relatives and friends and trade credit as suitable funding choices for the ICT SMME's life cycle

Keywords— Small, medium and micro enterprises, Information Communication Technologies, Broad-Based Black Economic empowerment,

1. INTRODUCTION

A substantial part of many economies is made up of SMMEs. They have become a pillar of economic growth in the much-advanced economies. Globally, SMMEs account for 90% of businesses and account for more than 50% of the job creation [Statistics South Africa, 2019]. Approximately 40% of GDP is contributed by SMMEs [Statistics South Africa, 2019]. According to the World Bank [2018], SMMEs generate 7 out of 10 jobs. South Africa's National Development Plan outlined a range of targets for 2030, such as eliminating inequality, poverty and reducing unemployment to below 6% [National Planning Commission, 2013]. However,

there is a large difference between these priorities and the actual economic status. Unemployment hit an all-time high of 29 percent [The Small Enterprise Development Agency, 2018].

Accelerating inclusiveness and growth is very critical if South Africa is to meet any of the priorities of the National Development Plan [National Planning Commission, 2013]. SMMEs have been identified as a crucial predictor for achieving inclusiveness and development in South Africa [World Bank Group, [2018]. These companies are

supposed to generate jobs, creativity and competition [Mazanai & Fatoki, 2011].

This paper examined the extent to which financing options chosen by entrepreneurs will influence business success. The study adopted the progression of a venture along the business life cycle stages as criteria for evaluating success. The success of ICT SMMEs is deemed to be moving a venture from start-up to the development phase and from development to the expansion phase. The period where a firm reaches maturity and moves towards a phase of decline will not be explored for purposes of

1.2. PROBLEM STATEMENT

This study is important because it fills a gap in previous research by performing an investigative analysis on the state of financing decisions across different stages of the financial life cycle in the South African context, unlike the previous studies which analysed the financing of small enterprises as being determined by the characteristics of the businesses and the characteristics of the owners. Even though the researchers revisit some small business topics investigated by others [Berger and Udell, 1998; Buttner and Rosen, 1989; Cole and Wolken, 1995], the researcher's study expands the research body of knowledge. This study recognises that the funding decision is not a haphazard process; rather optimal capital structures should be considered when financing small businesses. When SMMEs do not consider their capital structure they become subject to the following disadvantages:

- The company will be constrained with high financing costs, which tend to reduce the

2. LITERATURE REVIEW

2.1. Theory of Capital Structure

According to Hayes [2020], optimal capital structure is the best mixture of debt and equity in a firm's financing structure. Taking debt financing carries the benefits of the lowest cost, due to the tax shield benefit. However, an abundance of debt is a worrisome indicator to the shareholders and return on equity, as they become exposed to financial risk [Avgouleas, 2015]. Moreover, Frydenberg [2011] highlights when observing optimal capital structure, three assumptions must be understood before exploring the multi-period state choice model. These assumptions are as follows: the first assumption is that it is assumed that the organisation's investment strategies, when detailed decision making on

this research. This paper also contains a literature review of previous studies which explored the financing decisions of SMMEs. It explores the pattern of financing SMMEs at each stage of business development. Both external and internal financing options are explained and a discussion on financing theory to understanding the rationale behind various choices and business life stages. The research methodology is discussed in section 3. Section 4 discusses the results. The paper concludes with a discussion on the contribution of the research and recommendations for future studies are found in section 5.

confidence of shareholders and propel the demand for a higher return for the risk taken.

- Improper consideration of the financing option and capital structure can result in the SMMEs losing their business to the equity investors, while too many debt obligations that firms cannot service, can result in bankruptcy [Ward & Price, 2014].

According to the Global Entrepreneurship Monitor Report [2019], nine out of ten SMMEs fail in the first year of operation, considering the chances of success based on the global entrepreneurship monitor study findings. Such investment losses, especially at a rate of nine out of ten, cannot be afforded by the South African economy. Therefore, it has never been more important to consider the financing options that favour ICT SMME success at various stages of the business life cycle.

investment is not understood, the rules guiding decisions are known and the agreed rule is the optimisation of the shareholder's capital [Frydenberg, 2011]. In other words, it is believed that there is no relationship between financing and investment option. The second assumption claims the existence of optimal capital markets is free of trade costs, information asymmetry or bankruptcy costs [Frydenberg, 2011]. The third assumption states there are no taxes at the business or personal level. The tradeoff theory illustrates the tax interest hedge that can be manipulated by the use of the loan in the capital structure of the debt, while the default risk of the debt restricts this tax exploitation [Tesfaye & Minga, 2013]. Thus, the alternative of

eliminating leverage all together and losing the tax depreciation gain by the use of capital-only equity in the capital structure of companies continues to be a common preference for many businesses [Acharya, Mehran, & Thakor, 2016]. When investigating financing options chosen by SMMEs the capital structure theory must be employed by researchers because it has an influence [Frank and Goyal, 2009]. There are two other important and often used theories that have developed to clarify the chosen capital structure relative to the influence on company value [Aoun, 2012].

2.2. Pecking Order Theory [POT]

The pecking order theory assumes that firms follow a specific sequence when making financing decisions. Firstly, they must finance through retained earnings, followed by debt financing, and equity financing as a final option [Chen & Chen, 2011]. This theory further suggests it is within the interest of firms to avoid equity financing because it indicates to the market that the firm cannot satisfy its operational needs and requires external funding [Ramjee and Gwatidzo, 2012]. As a result, the pecking order structure exhibits a financial market imperfection, where the knowledge between managers and external investors is asymmetric; thus, having an impact on corporate financing decisions [Myers & Majluf, 1984]. Although the conception of this theory originates from large company financing, multiple scholars have found it useful to describe the financing decision of small business [e.g. Aktas, Bellettre & Cousin, 2011; Ang, 1991; Cosh & Hughes, 1994; Daskalakis & Psillaki, 2008; Holmes and Kent, 1991]. POT is underpinned by the information asymmetry model, which assumes that the manager represents the simplest interest of current shareholders [Dierkens, 1986]. This information asymmetry suggests that managers have access to information that external investors lack, the firm's assets and also the firm's growth strategies [Obuya, 2017]. Concerning POT to small and medium businesses, the concept of the manager representing the simplest interest of the prevailing shareholder is plausible because SMMEs are managed by the owners or relatives of the business, and such members are normally the main shareholders. In SMMEs there is no conflict of interest between the manager and existing shareholders due to the amalgamation of the stakeholder roles [Makina, Fanta, Mutsonziwa, Khumalo & Maposa, 2015]. However, agency

conflict within the relationship between the owner and the lender exists in SMME setups.

2.3. Financing Decisions of SMMEs

Observations made by previous scholars show that the less sophisticated business and non-established entities have difficulties in accessing external equity financing; hence the prevalence of debt and internal equity utilization [Njenga, 2018]. Borrowing capital usually bears an obligation that is in the form of interest and capital repayment commitments [Rossi, Lombardi, Siggia & Oliva, 2015f]. This results in SMMEs having limited access to capital markets; moreover, the barriers relating to information creates the perception that these businesses bear much higher risk in terms of interest risk and capital risk [Fatoki, 2014]. SMMEs' fiscal advantages are limited for small businesses because by their nature they tend to pay lower taxes and experience fluctuating taxable returns from one year to the next, and their likelihood of bankruptcy is much higher than that of bigger companies [Harash, Al-timimi & Alsaadi, 2014]. Due to the benefits of debt, Harash et al. [2014] made a theoretical claim that enterprises with access to debt finance should out-perform those without access to finance.

2.4. The Financial Business Cycle of SMMEs

To better understand the financing pattern adopted by SMMEs in the ICT sector, the researchers has adopted the concept of the business life cycle. The life cycle stages provide knowledge about the trail which an entity must undertake to succeed. However, the researchers are wary of Churchill & Lewis's [1983] contribution that each business is exclusive and their movement along the expansion model will differ [Lucey & Bhaird, 2011]. The stage of the life cycle illustrates the challenges that a small business is to encounter at each stage [Filho, Albuquerque & Nagano, 2017]. The characteristics of each stage are prescribed. The different phases of the company's lifecycle include the stage of birth or start-up, the stage of growth, the maturity stage and the stage of decay [Etemad, 2018]. Although many funding sources are more compatible with development and maturity, the goal is to spill over the funding sources at the start-up level.

2.4.1. Start-up Phase

The start-up phase formally begins when a business launches its products and services into the market [Gomez, 2017]. At this stage, the entrepreneur

spends a lot of energy in determining the target audience that will consume products. The founder is likely to be involved in all aspect of the business such as handling finance, managing cash flows, marketing activities and dealing with vendors and customers. The market dictates if the start-ups will survive and even have an opportunity to grow [Lewis & Churchill, 1983]. Having a viable business model is one of the contributing factors enforcing greater competitiveness in the market, according to Lichtenstein & Lyons, 2008. The founders work very closely with all employees until the business's sustainability has been proven [Gomez, 2017]. This is where many entrepreneurs decide to sell the business or are forced to close the enterprise because the capital funding has depleted, or the business has failed to secure a sufficient target [Gomez, 2017]. A case-based study by Filho, Albuquerque, Nagano, Philippsen Junior and de Oliveira [2017] offers insight into the management experience of active small business owner-managers. The study offers an insight into how business owners manage their businesses and how to stay on top of the growing market in a small business by analysing and responding to changing needs and challenges in the industry. The author's contributions demonstrate the individual traits that should be exhibited by entrepreneurs at this level. These include vision, full-time engagement, the liveliness of management and organisational practices [Gomez, 2017].

2.4.2. Development phase

The development phase begins with the entity reaching breakeven from sales. The second phase is mainly about encouraging the growth of the firm and addressing resource insufficiencies [Lichtenstein & Lyons, 2008]. The growth of a new firm is characterised by two innovative problems [Gomez, 2017]. Entrepreneurs face several challenges that will determine the firm's growth and ability to survive. The entrepreneur needs to implement strategic performance management to manage a rising level of revenues, attending to customers, dealing with competition and leading a diverse workforce [Petch, 2016]. The SMME inception phase is more difficult than the SMME development phase. It is a time when the entrepreneur will be faced with multiple challenges. It's a time where the owner must be able to delegate tasks and control the entire company, he writes [Blackburn, De Clercq and Heinonen, 2018]. The increased demands require greater supervision to ensure all the

operation are moving according to plans [Gomez, 2017]. Jabłoński & Jabłoński, [2016] highlights the importance of a business model change process needs to be managed in this stage and the owner needs to have a strong business model alignment with the mission, strategy and goals. The entrepreneur needs to emerge into the role of being the company head in this stage. The entrepreneur should be conscious of how the business grows [Gomez, 2017].

2.4.3. Expansion phase

This stage could be viewed by the entrepreneur as a business routine [Petch, 2016]. The teams helping the entrepreneur have their respective duties under management. According to Gomez [2017] The company has built its position in the market successfully. This stage begins when, by risking the company's current borrowing or equity capacity to finance expansion, a company with stable performance and a good indication of growth potential reduce its growth leverage, and while the companies are successful, cash flow is typically inadequate to provide the requisite growth capital for the next step [Petch, 2016]. This move comes to an end when the company has progressed as a growth company, has shown its ability to serve several consumers, has offered a wide variety of products and services, has expanded gradually, has succeeded, retained market share, has secured itself from the competition, has improved operations and has sustained growth and profitability increases over time [Lewis & Churchill, 1983]. If successful, the company will have a relatively broad scale to make a reasonable economic return on its assets and labour, given its market and customer niche [Lewis & Churchill, 1983]. A sustainable business model of a sustainable business building company value can be based on the following driving factors that give it the right dynamics [Jabłoński & Jabłoński, 2016]. The company must make the transition from a single product-line company to a multi-product company [Gomez, 2017]. It must also move away from one industry to a more diversified sector through the combination of corporate social responsibility and value-based management [Lewis & Churchill, 1983]. A strategy for a balanced dividend is also important.

2.5. ICT SMME Financing Options

Start-ups and SMMEs are characterised by unique asset structures, growth orientation and their

operational path are typically constrained by debt and the requirements of other financing options [Erzurumlu & Joglekar, 2010]. Any shortfalls to generating enough cash inflows immediately will result in a default of financing obligations, which could lead to serious financial distress costs, bankruptcy and even unofficial liquidation may erupt which can create serious information problems for the firms [Katerega, Ngoma, Masaba, Nangoli and Waswa, 2015]. The SMMEs have the responsibility to generate sufficient cash flow to service short-term liabilities [Erzurumlu & Joglekar, 2010] such as account payable, bank overdraft and other short-term outflows of cash. Moreover, Erzurumlu and Joglekar [2010] suggest it is normal to have information asymmetry in the context of SMMEs, but this often creates pressure on the cost of internal and external financing of ICT SMMEs. The founder [entrepreneur] and a few key workers are the greatest numbers of employees, and financing needs are often limited since the primary sources of funding are the money of the owner, family, associates and colleagues [Dilger, 2012].

2.5.1. Internal financing

Internal financing includes loans acquired from family members, non-profit the organisation, moneylenders, rotating savings and credit associations [Abdulsaleh and Worthington, 2013]. Internal financing possesses the characteristics of low risk of losing control, while decision making in the business remains with the founders of the business [Adair & Adaskou, 2015]. The difficulty for SMMEs in accessing external financing prompts

the SMME founder to reliance on an internal financing option. Internal financing is an informal financing source [Ayyagari, Demirgüç-Kunt, & Maksimovic, 2010]. The authors further highlighted that the origin of informal financing stems from moneylenders, such as informal banks, which are not legally registered [Fatoki, 2011].

2.5.2. External Financing

The financial life of a company is a complex matter it relies very much on both internal and external influences. The basic premise, however, is that a business starts with a small amount of operating capital [usually the owner's interest in a company] and with a personal commitment [Gomez, 2017]. Having initiated the company, the founder notices that extra money is needed to fund the costs and wants to search for additional financing options [Rajan and Zingales 1998]. Then the organisation has maybe managed to hit the stage of expansion and the key functional activities are starting to expand. However, the company is not yet happy and is thinking about opportunities to grow but new investments require more money [Gomez, 2017]. Fazzari, Hubbard & Petersen [1988] After making all the big acquisitions, the company runs profitably but searches for a way to grow the firm. Perhaps the company decides to reach a larger audience by launching an initial public offering. Demircuc-Kunt and Maksimovic [1996] At the maturity stage, the goods of the business produce income and financial needs are covered to a certain extent.

3. RESEARCH METHODOLOGY

Given the objectives of this analysis the researchers adopted a quantitative approach, often referred to as a positivistic study, which helped the researchers to analyse the statistical relationship between the different internal and external financing options and the success of SMMEs in the ICT market. "Since social phenomena are assumed to be measurable, the positivist paradigm is related to quantitative methods of research, supports the analysis of statistical quantitative research data" [Collis & Hussey, 2014:45]. A quantitative methodology was needed for the investigators to examine the interactions within the conceptual structure [Collins, 2011]. Besides, this approach is often deemed relevant for quantifying the effect of independent

factors, including internal and external funding alternatives, on the progress of the start-up process and the successful transfer of the ICT SMME beyond the growth phase. The researchers used a generic method of gathering data as a formal questionnaire made it easier to compare data whilst the researchers remained neutral [Quinlan, 2011]. Adopting the above model encourages research to make generalisations free of time and meaning, thereby eliminating any subjectivity [Patton, 2002].

The target population in this research is ICT SMMEs in South Africa, Eastern Cape. The criterion of interest is ICT SMMEs' Financing Patterns, or ICT SMMEs, which have generated financing capital. The sampling frame was ICT SMMEs working in

the Eastern Cape of South Africa, in particular SMMEs which are members of well-established and reputable associations known as the Nelson Mandela Business Chamber, Ihub and Propella business incubator. Collaboration with these institutions would allow the researchers to reach ICT SMMEs in the Eastern Cape Province of South Africa.

In this analysis, the sampling approach adopted was a convenience sampling method, where the survey was distributed to ICT SMMEs from different groups to ensure that sub-populations of different categories of ICT SMMEs are presented. The benefit of this approach was to limit time and funds to conduct this research. The following hypotheses are formulated to test the relationship between the independent variables [Internal financing and external financing] and the dependent variable business success:

H1: There is a significantly positive relationship between personal savings, retained earnings financing and moving ICT SMMEs past the start-up phase into the development phase.

H2: There is a significantly positive relationship between BBBEE, bank loans, equity financing, government grants, trade credit and family, relatives and friends' financing and moving ICT SMMEs past the start-up phase into the development phase.

H3: There is a significantly positive relationship between personal savings, Retained Earnings, sale of existing assets and cutting down of stock levels and successfully moving ICT SMMEs past the development phase to the expansion phase.

H4: There is a significantly positive relationship between BBBEE, bank loans, equity financing, government grants, trade credit and family, relative and friends' financing and successfully moving ICT SMMEs past the development phase to the expansion phase.

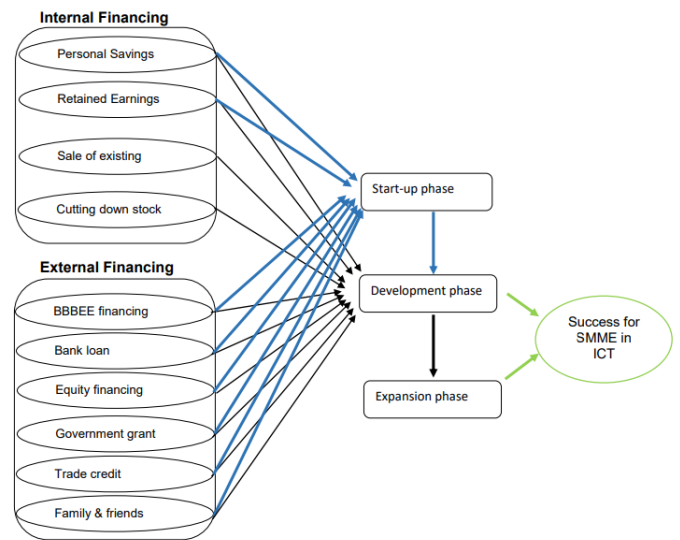


Figure 1 THE HYPOTHESED RELATIONSHIPS TO INCREASE SMME SUCCESS

Source: Author's own construction

4. DISCUSSION OF FINDINGS

The gender distribution of participants is shown in Figure 2 below. The majority of respondents are male [60%, n= 30] versus female [40%, n=20]. This may contribute to some gender disparities in the findings of this analysis.

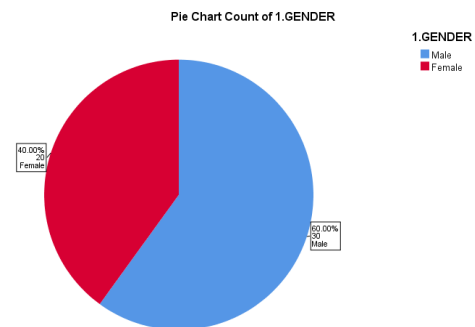


Figure 2 GENDER OF RESPONDENTS

Source: Author's own construction from statistical data

The distribution of age for participants is defined in Table 1. The majority of respondents [54% n=27] were between 25 and 35 years old with another 22

percent [n=11] of respondents between 20 and 24 years of age. Therefore, between ages 20 and 35, constituted 76 percent of respondents [n=38]. The age group 36 and 45 represented 20 percent [n=10] and lastly, the age group above 56 had a 4 percent representation.

Table 1 AGE OF RESPONDENTS

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20 - 24	11	14.5	22.0	22.0
	25 - 35	27	35.5	54.0	76.0
	36 - 45	10	13.2	20.0	96.0
	56+	2	2.6	4.0	100.0
	Total	50	65.8	100.0	

Source: Author's own construction from statistical data

The responses from the SMME ICT owners and their managerial representative to the question concerning their education level [n=50] are seen in Figure 3 indicates that the Diploma score was 32 percent of the respondent's educational level, 32 percent had degree, and 20 percent had a post-graduate degree. In addition, 10 percent of the respondent emphasised their highest education is a Matric and only 6 percent of the respondents had qualifications less than a matric.

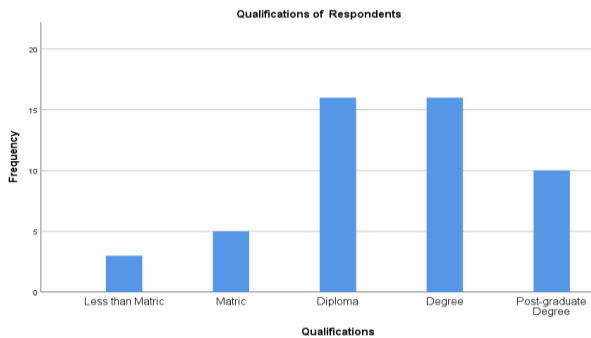


Figure 3 EDUCATIONAL LEVEL OF RESPONDENTS

Source: Author's own construction from statistical data

Figure 4 below shows 70 percent [n= 35] are business owners, whilst the other 30 percent [n=15] represent non-owners.

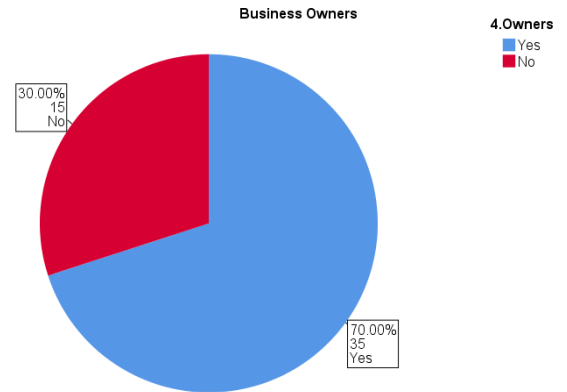


Figure 4: BUSINESS OWNERS

Source: Author's own construction from statistical data

The majority of the SMMEs were in business for less than 2 years [62%; n=31]. Other SMME's accounts had been in business for 3 years to 5 years [28%; n=14]. Together the two categories accounted for 90 percent [n=45] of the respondents. The remaining category of 6 years to 10 years in business was represented by 10 percent [n=5] of respondents. Of these SMMEs, 90 percent of them employ between 1-4 employees and the remaining 10 percent employ between 5 to 19 employees. The classification of ICT businesses was by the size of these SMMEs, 52 percent of the respondents had a turnover that was below R200 000. A smaller group [14%] had a turnover of R200 001 to R 500 000, Four percent earned between R 500 001 to R750 000. The turnover of R 750 001 to R 1000 000 was represented by 6 percent, while 20 percent of the SMMEs had turnovers between R 1000 001 to R 10 000 000. Together the turnover groups of R 10 000 001 to R 50 000 000 and turnover above R 50 000 001 accounted for 4 percent of SMMEs.

To ensure the reliability of the study, the questions used to evaluate the dependent and independent variables of this analysis was checked for reliability. The internal consistency method was used to calculate the consistency using the Cronbach alpha coefficient. Nunnally [1978] advises that basic

research approaches should have a reliability of .70 or higher. In this study, there have been no problems that have reduced the Cronbach alpha coefficient among all the variables. The end results of Cronbach alphas are seen in Table 2, 3 & 4 below. These variable have adequate internal stability.

Table 2: RELIABILITIES OF FINANCING OPTIONS AT START-UP PHASE

Factor	Startup Phase		
	Items	Cronbach Alpha	Reliability
BBBEE financing	3	0.940	Excellent
Bank loan	3	0.901	Excellent
Equity financing	3	0.813	Excellent
Government grants	3	0.892	Excellent
Trade credit	2	0.626	Acceptable
Personal saving	3	0.906	Excellent
Family, relatives & friends	3	0.891	Excellent
Retained earnings	2	0.565	Acceptable

Source: Author's own construction from statistical data

Table 3: RELIABILITIES OF FINANCING OPTIONS AT DEVELOPMENT PHASE

Factor	Development Phase		
	Items	Cronbach Alpha	Reliability
BBBEE Financing	4	0.858	Excellent
Bank loan	4	0.818	Excellent
Equity Financing	4	0.767	Good
Government grants	5	0.798	Excellent
Trade credit	4	0.89	Excellent
Personal saving	4	0.835	Excellent
Family, relative & Friends	4	0.795	Excellent
Retained Earning	4	0.857	Excellent
Sale of existing assets	4	0.889	Excellent

Source: Author's own construction from statistical data

Table 4: RELIABILITIES OF MOVING PAST START-UP & DEVELOPMENT PHASE

Factor	Items	Cronbach Alpha	Reliability
Moving past the start-up phase	14	0.839	Excellent

Moving past the development phase	8	0.755	Good
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Source: Author's own construction from statistical data

A correlation analysis has been developed to establish the direction and strength of the relationships between financing options and progressing an ICT SMME from the start-up to the development phase. Cooper and Schindler [2008] and De Muth [2006] states: a positive 1 correlation coefficient implies a perfect positive correlation and negative 1 correlation indicates a completely opposite or unfavorable relationship between variables [Cooper & Schindler 2008; De Muth, 2006]. Moreover, a correlation of zero shows that there is no association between different variables [Cooper & Schindler, 2008]. More precisely the correlations were interpreted as follows; correlation values of -1.0 and -0.7 represent a highly adverse relationship; between -0.7 and -0.3 represents a weak negative association; from -0.3 to +0.3 a minimal to no association reflects the weak positive association; from +0.3 and +0.7 it indicates the strong positive association representing the strong positive association [Statsoft, 2014; Jackson, 2011; Perez & Conkey, 2011]. Table 5 illustrates the results of the variables of interest

Table 5: RELATIONSHIP BETWEEN THE VARIOUS FINANCING OPTIONS AND SUCCESS AT THE START-UP PHASE

		MOVE PAST STAR-TUP
MOVE PAST STAR-UP	Correlation Coefficient	1.000
	Sig. [2-tailed]	.
BBBEE At Start-Up	Correlation Coefficient	.452**
	Sig. [2-tailed]	.000
Bank loan at start-up	Correlation Coefficient	-.080
	Sig. [2-tailed]	.445
Equity at start-up	Correlation Coefficient	-.077
	Sig. [2-tailed]	.466
Family, Relatives & Friends at start-up	Correlation Coefficient	.058
	Sig. [2-tailed]	.584
Government Grants at start-up	Correlation Coefficient	.217*

	Sig. [2-tailed]	.037
Personal Savings at start-up	Correlation Coefficient	.270**
	Sig. [2-tailed]	.009
Retained Earnings at start-up	Correlation Coefficient	-.181
	Sig. [2-tailed]	.094
Trade Credit at start-up	Correlation Coefficient	-.345**
	Sig. [2-tailed]	.001

Source: Author's own construction from statistical data

The results show a positive association between BBBEE financing and moving ICT SMMEs past the start-up phase to the development phase. The association is considered to be positively correlated according to the Pearson correlation with a coefficient of 0.452 and significant p-value of 0.000 which is below 0.05. The government grant has also shown a coefficient of 0.217 with a p-value of 0.037, and according to Collis and Hussey's [2014] explanation on the strength of a correlation coefficient that falls between the range of positive 0.01 and 0.39 is considered to be low positively correlated. Thus, the government grant falls within that specified range, it can therefore be concluded that this financing option is low positively correlated to moving ICT SMMEs past the start-up phase. The same conclusions can be drawn about personal savings, as this financing options has a low positive correlation to success at the start-up phase, as it possesses a coefficient of 0.270 and a p-value of 0.009. The trade credit financing showed a low negative correlation with the success of ICT SMMEs at the start-up phase. The coefficient of this financing options is negative 0.345 and has a p-value of 0.001. The table above also depicts that bank loans, equity financing, family, relatives and friends' loans and lastly retained earnings, have no significant correlations to the success of ICT SMMEs at the start-up phase. The study's results do not show a strong conclusive support earlier empirical findings by Makubo [2015] that suggested that government funding for small enterprises enhances performance.

Table 6 has been developed to establish the direction and strength of the relationships between various financing options and the success of ICT SMMEs at the development phase, similarly to the correlation analysis of the start-up phase. Table 6 below illustrates the results of the variables of interest.

Table 6: RELATIONSHIP BETWEEN THE VARIOUS FINANCING OPTIONS AND SUCCESS AT THE DEVELOPMENT PHASE

		MOVE PAST DEVELOPMENT PHASE
MOVE PAST DEVELOPMENT PHASE	Pearson Correlation	1
	Sig. [2-tailed]	
BBBEE at development	Pearson Correlation	.511**
	Sig. [2-tailed]	.000
Bank Loan at development	Pearson Correlation	.334*
	Sig. [2-tailed]	.018
Equity at development	Pearson Correlation	.156
	Sig. [2-tailed]	.280
Family, Relatives & Friends at development	Pearson Correlation	.216
	Sig. [2-tailed]	.133
Government Grant at development	Pearson Correlation	.266
	Sig. [2-tailed]	.062
Personal Savings at development	Pearson Correlation	.495**
	Sig. [2-tailed]	.000
Retained Earnings at development	Pearson Correlation	.183
	Sig. [2-tailed]	.204
Sale Of Existing at development	Pearson Correlation	.265
	Sig. [2-tailed]	.063
Trade Credit at development	Pearson Correlation	.232
	Sig. [2-tailed]	.105
Cutting Down Of Stock Levels at development	Pearson Correlation	.131
	Sig. [2-tailed]	.364

Source: Author's own construction from statistical data

The Pearson Correlation analysis results also demonstrate a medium positive and significant relationship between BBBEE financing and the success of ICT SMMEs at the development phase [p < 0.05]. The coefficient of the relationship is 0.511. With regard to bank loans, the results showed a coefficient of 0.334 with a p-value of 0.018, thus the relationship is considered to be low positively correlated to the success of ICT SMMEs at the development phase. The outcomes of the Pearson Correlation analysis show that personal savings has a medium positive correlation with the success of ICT SMMEs at the development phase. The relationship possesses a coefficient of 0.495 and a p-

value of 0.000. However, it is also evident that the success of ICT SMMEs at the development phase is not significantly correlated to equity financing, family, relative and friends' loans, government grants, retained earnings, sale of existing assets, trade credit and cutting down stock levels.

Using regression analysis, the empirical findings for the study were analysed. The regression refers to a group of techniques for the analysis of two or more variables' straight-line relationships [Uyanik & Guler, 2013]. An extension of basic linear regression analysis is multiple regression. In terms of the hypotheses that were formed in chapter one, the following section aims to investigate the relationships of the variables.

The empirical results on the relationships between the chosen variables in the study are shown in table 7 below.

Table 7: MULTIPLE REGRESSION WITH INDEPENDENT VARIABLES VS MOVING SMMEs PAST THE START-UP PHASE

Model Summary				
Model	R	R Squared	Adjusted R Squared	Std. Error of the Estimate
1	.789 ^a	.623	.549	.45567

a. Predictors: [Constant], Trade Credit Startup, BBBEE Startup, Personal Saving Startup, Government Grant Sstartup, Equity Startup, Family Relative Friends Startup, Bank Loan Startup, Retained Earnings Startup

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.048	8	1.756	8.457	.000 ^b
	Residual	8.513	41	.208		
	Total	22.561	49			

a. Dependent Variable: MOVEPAST1
b. Predictors: [Constant], Trade Credit Startup, BBBEE Startup, Personal Saving Startup, Government Grants Startup, Equity Startup, Family Relative Friends Startup, Bank Loan Startup, Retained Earnings Startup

Coefficients ^a						
Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error			
1	[Constant]	1.468	.293		5.016	.000
	BBBEE Start-Up	.270	.072	.532	3.746	.001
	Bank Loan Start-Up	.011	.087	.021	.124	.902
	Equity Start-Up	-.202	.101	-.312	-2.005	.052

Family, Relatives, Friends Start-Up	.124	.091	.220	1.365	.180
Government Grants Start-Up	.101	.083	.185	1.219	.230
Personal Savings Start-Up	.299	.072	.564	4.160	.000
Retained Earnings Start-Up	-.046	.119	-.068	-.389	.699
Trade Credit Start-Up	-.102	.116	-.140	-.878	.385

a. Dependent Variable: MOVEPAST1

Source: Author's own construction from statistical data

Table 7 shows a significantly positive relationship between BBBEE financing and Moving ICT SMMEs past the Start-up Stage [$r = 0.270$, $p < 0.005$]. This means that the more ICT SMMEs receive BBBEE enterprise development and supplier development assistance, the more they are likely to move past the start-up stage. Table 7 also shows a significantly positive relationship between Personal Savings Financing and moving ICT SMMEs past the Start-up Stage [$r = -0.299$, $p < 0.005$]. This is a positive finding, as it shows that the more access to personal savings to finance an ICT venture, the more likely to move the SMME past the start-up stage. Bank loans, financing through equity, Government grants, retained earnings and trade credit financing are not significantly related to moving ICT SMMEs past the start-up stage. According to the R^2 value [0.623] the eight independent financing variables explained 62 percent of the variance in Moving ICT SMME past the Start-up Stage, while the other variables are not measured in this study.

TABLE 8: MULTIPLE REGRESSION WITH INDEPENDENT VARIABLES VS MOVING SMME PAST THE DEVELOPMENT PHASE

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.762 ^a	.581	.473	.54615

a. Predictors: [Constant], Cut Down Development, Government Development, Personal Saving Development, BBBEE Development, Equity Development, Retained Earnings Development, Family Relative Friend Development, Bank Loan Development, Trade Credit Development, Sale Of Existing Development

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.126	10	1.613	5.406	.000 ^b
	Residual	11.633	39	.298		

Total	27.759	49			
a. Dependent Variable: MOVEPAST2					
b. Predictors: [Constant], Cut Down Development, Government Development, Personal Saving Development, BBBEE Development, Equity Development, Retained Earnings Development, Family Relative Friend Development, Bank Loan Development, Trade Credit Development, Sale Of Existing Development					

Coefficients ^a						
Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		B	Std. Error	Beta		
1	[Constant]	1.299	.353		3.676	.001
	BBBEE Development	.423	.126	.536	3.344	.002
	Bankloandevlopment	-.339	.167	-.493	-2.030	.049
	Equity Development	-.154	.150	-.186	-1.031	.309
	Family Relative Friend Development	-.286	.140	-.378	-2.047	.047
	Government Development	.099	.122	.125	.810	.423
	Personal Saving Development	.617	.165	.811	3.735	.001
	Retained Earnings Development	.182	.142	.286	1.284	.207
	Sale Of Existing Development	-.243	.198	-.344	-1.230	.226
	Trade Credit Development	.741	.195	1.041	3.805	.000
	Cut Down Development	-.227	.126	-.417	-1.802	.079

a. Dependent Variable: MOVEPAST2

Source: Author's own construction from statistical data

Table 8 highlights a significantly positive relationship between BBBEE financing and Moving ICT SMME past the Developmental Stage [$r = 0.423$, $p < 0.005$]. This means that the more ICT SMMEs receives BBBEE enterprise development and supplier development assistance, the more they are likely to succeed in moving the venture past the developmental stage.

Table 8 also illustrates a significantly negative relationship between Bank Loan Financing and moving an ICT SMME past the Developmental Stage [$r = -0.339$, $p < 0.005$]. This finding highlights that the more bank loans an ICT SMME can access, the less likely the SMME will be to succeed in moving past the developmental stage. Family, Relatives and Friends' Financing has a negative

correlation to moving the SMME past the Developmental Stage [$r = -0.286$, $p < 0.005$]. This shows the more financing acquired from family and friends, the less likely the ICT SMME is to move past the developmental stage. However Personal Savings are positively correlated with moving SMME past Developmental Stage. [$r = 0.617$, $p < 0.005$]. Trade Credit Financing has a positively significant relationship with moving the SMME past the Developmental Stage. Financing through equity, government grants, retained earnings, sale of existing assets and cutting down stock levels financing, is not significantly related to moving ICT SMMEs past the developmental stage. According to the R^2 value [0.581], the ten independent financing variables explained 58 percent of the variance in moving the ICT SMME past the developmental stage, while other variables were not measured in this study.

4.1. BBBEE Financing at the Start-up and Development Phases

The findings of the multiple regression showed that there is a substantial correlation between BBBEE financing and successfully moving an ICT SMME past the start-up phase to the development phase. This suggests that if ICT SMME owners were to increase their ability to access BBBEE financing to fund their venture at the start-up stage, the SMME is likely to make that leap from the start-up to the development stage. Morales-Nieto [2008] highlighted that BBBEE enterprise development and supplier development have become instrumental in supporting the development of a start-up. Similar evidence was visible on BBBEE financing at the development phase. The regression model illustrates a significantly positive influence from BBBEE financing at the development phase to moving ICT SMMEs past the development phase onto the expansion phase. This indicates that if ICT SMME owners were to improve their ability to obtain BBBEE funds to finance their enterprise at the stage of growth, the SMME is likely to pass from the stage of development to the stage of expansion effectively through the business life cycle.

4.2. Bank Loans at the Start-up and Development Phases

The results of the multiple regression analysis found that there is no significantly strong association between bank loans and the successful transition of

an ICT SMME to the development phase after the start-up period. This means that if ICT SMME owners were to expand their willingness to receive bank loans to support their start-up venture at the start-up stage, the SMME is not likely to make the jump between the start-up and development stage. Also, the regression model illustrates that the bank loans initiated at the development phase have a significantly negative association with pushing ICT SMMEs beyond the development phase to the expansion phase. This suggests that if ICT SMME owners were to be less reliance on bank loan funding to fund their company at the stage of growth, the SMME is likely to move from the stage of development to the stage of expansion successfully over the business life cycle.

4.3. Equity Financing at the start-up and Development Phases

The findings reveal that equity funding is not substantially linked to pushing ICT SMMEs beyond the start-up phase as per the multiple regression study. Comparable evidence for equity finance is apparent in the development phase, the regression model shows that equity financing started at the development stage has no important relationship to moving ICT SMMEs to extend past the development phase.

4.4. Family, Relatives, Friends' Financing at the Start-up and Development Phases

The results from the multiple regression analysis showed that family, relatives and friends' financing is significantly not related to moving past the start-up. This is an indication that if ICT SMMEs were to increase the family, relatives and friends' financing levels, based on the multiple regression model, such an initiative will not move the venture past the start-up stage. However, Comparable evidence for family, relatives, friends' financing is apparent in the development phase. The regression model shows a significant inverse relationship between family, relatives and friends' financing and moving ICT SMMEs past the development stage. This means a reduced undertaking of this type of financing alternative could increase the success of moving SMME past the development stage into the expansion stage.

4.5. Government Grants at the Start-up and Development Phases

Grants or benefits provided by an organisation such as the Department of Trade and Industry [DTI] to SMMEs will help these enterprises expand and promote growth. The research suggests that government support for small businesses increases efficiency [Marsh, 2004] scientific research and definitive publications are hailing the role of the Government in fostering stimuli and assisting with the donation of funds to support SMMEs. However, the finding suggests that there are mixed responses from SMMEs in the ICT sector to view this funding choice as not influential in the process of bringing SMMEs beyond the start-up. Furthermore, the findings of the multiple regression study discussed in section four [4] revealed that government grants were not substantially related to going beyond the start-up. This implies that if the government grants, based on the multiple regression model, were accessed by ICT SMMEs, such an effort would not drive the venture beyond the start-up point. In the development phase, comparative data for government grants is evident revealed that ICT SMMEs do not consider these funding choices to be influential. The regression model, also, shows that there is no essential relationship between government grants and bringing ICT SMMEs beyond the stage of development. The success of bringing SMMEs beyond the development stage into the expansion stage would not necessarily be improved by an enhanced undertaking of this form of funding option.

4.6. Personal Savings at the start-up and development phases

The multiple regression model showed that personal savings are significantly related to moving the venture past the start-up into the development stage. The results in the development phase shows that personal savings as positive b^* [$r = .617$] significantly related to moving the venture past the start-up into the development stage. When the same financing option was assessed as a movement from development to the expansion phase. Similar results of the multiple regression analysis indicate that personal savings are significantly related to successfully moving the venture past the development phase into the expansion phase. Personal savings had a positive b^* [$r = .299$] which indicates a positively significant relationship.

4.7. Retained Earnings at the Start-up and Development phases

The findings of the multiple regression study suggest that retained earnings are not substantially linked to the successful transition into the development phase of the venture. Therefore, it is possible to assume that residual earnings do not have a positive impact on advancement from the start-up to the development phase. Comparative evidence for retained earnings is clear in the development phase, this funding options do not render any influence on ICT SMMEs. The regression model also demonstrated that the relationship between retained earnings and taking ICT SMMEs past the development stage is not significant. An improved undertaking of this sort of financing alternative does not increase the progress of getting SMMEs past the development stage into the expansion stage.

4.8. Trade Credits at the Start-up and Development phases

The findings suggesting that SMMEs in the ICT sector do not consider this funding choice to be influential in the progress of bringing SMMEs beyond the start-up phase. This is an indicator that if ICT SMMEs were to raise the amount of support for trade credit based on the multiple regression model, such an effort would not bring the company beyond the start-up stage.

In the development phase, comparative evidence shows a strong positive association between trade credits and bringing ICT SMMEs beyond the development stage is seen in the regression model. The success of bringing SMMEs beyond the

development stage into the expansion stage could be improved by an expanded undertaking of this type of funding option.

4.9. Sale of Existing assets at the Development Phase

The respondents indicate that this funding choice is not deemed to be influential by the ICT SMMEs. There is no strong positive association seen in the regression model between selling existing assets as a form of raising capital and bringing ICT SMMEs beyond the development stage. The success of bringing SMMEs beyond the development stage into the expansion stage would not improve by an expanded undertaking by this type of funding option.

4.10. Cutting down Stock Levels at the Start-up and Development Phases

Answers from the respondents show that these funding options are not perceived to have an impact on ICT SMMEs. There is no clear positive association between the reduction of stock levels as a way of raising capital and taking ICT SMMEs beyond the stage of growth, as can be seen in the regression model. The success of getting SMMEs past the stage of development to the stage of expansion could not be increased by an extended cut down of stock volumes. It is not necessary to cut down stock levels to transfer SMMEs past the growth phase. Therefore, management should not consider selling its stock to raise money.

5. CONCLUSION AND RECOMMENDATIONS

The purpose of this paper was to investigate the role of financing options in achieving ICT SMME Success. Chapter one consisted of the problem statement, research question and the hypothesised model of financing options to successfully moving ICT SMMEs along the business life cycle. As outlined in Chapter Two, the business life cycle variables and both internal and external financing options were considered important as per the theoretical framework, and the life cycle stages were identified as the start-up stage, development stage and expansion stage. The empirical data were collected and the method of collection was analysed and presented in Chapter three and four. The reasons as to why the utilised research method was

chosen were also presented in Chapter Three. The empirical results which revealed that BBBEE financing and personal savings were positively related to the success of ICT SMME were also presented. Moreover, the empirical findings suggest bank loan financing, family, relatives and friends' financing and trade credit become influential to the success of ICT ventures at the development stage.

The paper consists of the results which showed the role that internal financing options, such as personal savings, family, relatives and friends' financing, retained earnings, sale of existing assets and cutting down stock levels, play in the achievement of ICT SMME success. Moreover, the study examined

external financing options such as BBBEE financing, bank loans, equity financing, government grants, trade credit, to SMME success.

Key results revealed that BBBEE funding and personal saving investments have played a major role in achieving the success of ICT SMMEs in the business life cycle. The overview of important values considered to be significant in the growth of

SMMEs' performance in the form of bank loans, families, relatives and friends and company loans is only slightly linked to advancement from the growth phase to the expansion phase. Also, suggestions have been made to ICT SMME management to include BBBEE financing, personal savings, bank loans, families, relatives and friends' financing and company credit as suitable funding choices for ICT SMME's life cycle progress.

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