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The Impact of Microfinance on Small, Medium and Micro Business in Northern Cape Province of South Africa

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Abstract: Micro finance banking has been instituted as a major component of the global banking system. Countries have different policies and frameworks for the operationalization of micro finance banking. What seems to be universal is that micro finance banks are established to render various financial services mainly to those that are somehow disconnected from the mainstream banks. In many countries, small and micro businesses are mainly funded through micro finance banks, which have yielded positive impacts in some countries and have proven harmful in some others. This paper vigorously examined the extent to which loans from micro finance banks facilitate the survival and growth of small and micro businesses in South Africa. It also pursued an understanding of the challenges faced by small and micro businesses and the economic importance of micro finance banking in South Africa. Data was sourced through manually and electronically dispatched questionnaires, and the research participants are owners of small, micro and medium businesses, and some officials of 15 selected micro finance banks. A total of 185 out of the distributed 250 questionnaires to business owners, were recovered and utilized for analysis. Over 82.5% of the respondents have collected loan from a micro finance bank at Northern Cape within a period of 5 years. The primary location for the research is Northern Cape. Mixed methods (qualitative and quantitative) were adopted and simple regression analysis, using graphs was conducted. Findings were made. It was discovered that the main challenge faced by small and micro businesses at South Africa is finance. Also, responses from the participants indicate that loans from micro finance banks are very harmful to small and micro businesses. A such, there is a gap between government policies on micro financing of small businesses at South Africa and the translating impacts of the policies on the growth and survival of small businesses. It is thus recommended that policy makers should restructure micro finance banking in South Africa to translate to the growth of the small businesses.

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Introduction

Micro banking and micro financing have become part of the banking system of most developing economies, mainly among the third world countries. The system of funding small, micro and medium businesses through the micro banking has been domesticated in the banking policies of different countries (Rena,2006). On the other hand, small, micro and medium businesses have been the backbone of the economy of many nations, mainly the underdeveloped and developing countries (Rena,2009). It has become pertinent to further fund and ensures the survival and growth of micro and small businesses. The understanding of micro banking as the banking system closer to the rich, poor and average in the society have been dominant in developing economies. On the premise of the above understanding, it is pertinent to state that countries differ in terms of how they operate their micro banking (Rena,2006). In other words, there is no universality across the globe in the operations of micro financing. The systems of micro banking are operational based on general or specific banking policies in a country (Rena,2008). In the same effort, different countries have different policies towards the establishment, survival and growth of micro and small businesses.

This paper examines the impacts of micro finance loans in the survival and growth of small, micro and medium businesses. The concern is to establish the extent to which loans from micro finance banks in Africa encourage the growth and survival of micro and small businesses. The remaining part of the work is structured as follows: section 1.1 is the background of the study which briefly examines the history of micro finance banking and the impacts. There is section 1.2 which states the objectives, and 2.0 which is a general review of existing literature and stating gaps in the literature. Then, 3.0 is the method and a material; 4.0 is the result and discussion, 5.0 is the conclusion and recommendations. The various parts of the works follow a successive order.

Background to The Study

The idea of microfinance is not a novel in the global economy. It has been in existence for centuries. Some of the savings and credit organizations that were established include the "susu group" of Ghana, "tandas" in mexico," arisan" in Indonesia, cheetu in Sri lanka, pasanaku in Bolivia and "Stockvel" in South Africa including many burial and savings clubs found all over the world (Global Envision, 2006). Jonathan (1989) indicated that microfinance has been in existence over centuries and could mostly be traced to Asia. The author further indicated that microfinance emerged in the 18th and the 19th centuries in Ireland through the Irish funds. On a separate narrative, Perkins (2008) argued that Muhammed Yunus who was a lecturer in University of Chittagong in Bangladesh lent an amount of $ 27 to a group of poor villagers. This act of lending by Muhammed Yunus won him a noble peace prize and Yunus idea of lending became the backbone of microfinance a strategy that is believed will eradicate global poverty and stretch the hands of wealth creation across the globe (Perkins, 2008). However the microfinance concept became more popularized in 2006 when the Noble Peace Prize was awarded to Muhammad Yunus and the Grameen Bank of Bangledesh. The award highlighted their contribution towards the social and economic development (Noble Prize, 2010). In the Czech Republic, there is a similar concept of microfinance that was well known in their history. The "Kampelicky" credit cooperative which was named after Frantisek Cyril Kamperlik between 1805-1870. It was a self-help organization established in the 19th century which enormously contributed to capital accumulation in the countryside of Czech Republic (Srnec K, Svtakova, J, Vyborna M, Burian P 2011). These are some prominent research lines along the effort to trace the history of micro financing. It is pertinent to submit the origin micro financing at South Africa which is the primary area of study.

There is no doubt that micro financing is an age long tradition, but in South Africa, it is empirically documented across that the microcredit market took off in 1980. This was led by group of forces that took interest in seeing its growth and development. These forces are the government, the NGO's and other profit-making agencies. Porteous (2009) and Skowronski (2010) however identified four stages in the growth of microfinance in South Africa namely the pioneer, breakout, consolidation and maturity. It has been noted by Gardner (2008) that South Africa is a host to a vibrant group of microfinances; though very small, yet they provide specific microfinance to a deeper and wider target market than ever before. Microfinance institutions in South Africa have emerged as a survivor from many years of unstable and turbulent development that includes drastic changes in institutional failure and expansion (Gardner, 2008).

In South Africa, a lot has been documented and has been identified that SMEs emerged to serve the smallest of these enterprises, while the banking industry serves the larger corporations (NCR, 2011). However, there are small businesses that finds themselves between these two markets where there is a gap in accessing finance which is commonly described as "missing middle" (IFC, 2009:10). A broader picture that emerged from the research done by the National Credit Regulator (NCR) is that, the owners of businesses see access to finance as a problem for doing business. In other words, they believe that there is still a gap in accessing finance even though there have been lots of initiatives by both public and private sectors to facilitate financing to small businesses in the form of microfinancing (Rena,2006; Rena,2008: NCR, 2011).

Notwithstanding the fact that the importance of micro financing system cannot be underestimated in the South African economy or any other economy, there is high level of mortality experienced among small businesses which is a concern in most developing countries. The international Corporation for Finance (ICF) intimated in 2002 that the ratio of small businesses that survive is 2:10 in every five years in South Africa. This was further supported by Small Business Enterprise Agency (SBEA) of South Africa which submitted that just about 18% of small businesses makes it in the first five years in South Africa (SBEA, 2015).

Finance plays a major role in the growth, development and survival of small businesses. The use of microfinance as the major financing medium makes it very much imperative for studying how far microfinance could improve small businesses (Rena, 2008). Microfinance however has an imperative responsibility of multiplying the number of small businesses (SME'S) in South Africa. Small business eternality should demonstrate engagement of viable resources, creation of employment, improve the standard of living, making use of modern technology and enhance the growth of gross domestic product (GDP). According to the National Development plan (NDP) an ambitious goal was setup for small and medium enterprises (SME's) which includes a target of 90% of employment opportunities that should be created by 2030 and the sector growing at least by 5.4% per year over the next 15 years since SME's are pivotal in driving the growth of the economy. In spite SME's represents 91% of all established companies in South Africa, their contribution towards growth and development is 15.2% of total output in the manufacturing sector, 50% of employment generation in the country and 45% contributions towards GDP (SBSA, 2015).

According to a report from SBSA (2015), the above situation brought about the establishment of the "microfinance policy, regulatory and supervisory framework (MPRSF)" in South Africa to help provide sustainability of financial services to small business enterprises. This has brought about a change in the microfinance enterprise when many banks such as ABSA and Standard bank has acknowledged the importance of micro fiancé (SBSA, 2015).

In 2012 small enterprise finance agency (SEFA) ltd which is commonly known by many as "sefa" was established because of South African Micro Apex fund, Khula Enterprise Finance ltd and the small business activities of industrial Development Corporation (IDC). The intention for the establishment of "Sefa" is the growth and survival of SMME's and to help eliminate poverty and creation of jobs (Rena,2007; Sefa annual Report, 2015). In the like manner, a credit guarantee scheme for small businesses to enable them access funds without rigorous requirement and the entrepreneurship improvement program was revived.

Even though it has been acknowledged by many researchers that, microfinance has a positive impact on the growth and development of small businesses, one major question remained unanswered. If funding from micro finance banks makes such an incredible impact in the growth of small businesses, why are small businesses not surviving but rather exterminating prematurely? The researchers therefore intend to fill in this gap by unraveling the impact of microfinance on small scale business in South Africa and how far it can help boost their survival. The researcher however intended to contribute to the argument on the impact of microfinance on small scale enterprises. Also there has been much research done on microfinance in Africa and the rest of the world; however, in South Africa, most of the works done on microfinance focuses on poverty and housing and other areas but not the impact of microfinance specifically on the small-scale industries. Therefore, this work will be one unique one to analyze the impact of microfinance on small business in South Africa.

Objectives and Research Questions

The main objective behind the research is to investigate the impact of microfinance on the performance of Small Businesses (SME'S) in South Africa. To pursue this general aim, the following objectives were created. The objectives were also turned into research questions in the effort to steady the direction of this research. Below are the objectives and research questions.

1. To investigate the impact of microfinance towards the expansion and growth of SME's in South Africa.
2. To evaluate the challenges faced by microfinance and small businesses, and investigate the economic importance of microfinance

The research intends to answer the following questions:

1. How does micro-financing improve the survival and growth of Small and Micro Enterprises (SME) in South Africa?
2. What are the challenges faced by microfinance and small businesses in South Africa, and what are the economic importance of microfinance in South Africa

Literature Review

The section reviews plethora of studies on microfinance and small business growth, survival and performance. Included in the literature review will also be the conceptual and theoretical framework of microfinance and MSMEs in South Africa. The study review will also include the formal impact assessment of microfinance in South Africa and other countries around the globe.

Micro finance Banking System: An Overview

Different studies have presented converging interpretation of Micro financing system. Among them is Stiftung (2014) which defined microfinance as a financial service that is rendered to the poor and people who fall with the group of low-income earners. Stiftung (2014) further emphasized that the term is often used to describe financial assistance or loans given to the poor to support them in uplifting the income status. The definition of micro banking system in various literatures is in line with the above definition. Microfinance institutions however mainly use new ways that have been developed over 30years to offer micro loans to people who are not salary workers and no collateral or any form of security is requested to access these micro loans. Some of these methods include pre-loan requirements, group loan liability and lending, progressive increasing loan sizes, and a guarantee to be an able to get more loans in the future if loans already accessed are well paid up promptly and fully. BSEC and KAS (2014) defined microfinance as a financial service rendered to the poor and people who fall with the group of low-income earners. Both writers emphasized that the term is often used to describe financial assistance or loans given to the poor to support them in uplifting the income status.

In a report issued by Atiku (2014), microfinance has been defined as a financial service provisioning such as insurance, savings, and credit for low-income earners who are mostly underserved or un-served mainly by the traditional financial institutions like the banks. Atiku further described part of microfinance operation as microcredit where small loans that demand frequent payments mostly bi-monthly or monthly including short term maturity periods that ranges between "four months and two years". Atiku indicated that, the terms and conditions necessary from the securing of micro-loans differs by geographical location but then, the expected mean proportion of micro-loan globally is about US $ 1,026 with a mean proportion interest rate of 30%.

Brouwers, Chongo, Millinga and Fraser (2014) on their own, submitted that even though there is no definition for microfinance, BAFIA has defined Microfinance Company to be a financial institution incorporated as limited by shares to embark in banking activities mostly with small farmers, households, and micro enterprises in urban or remote areas of Tanzania. This has to do with improve access to operational cash small and micro businesses and individuals.

In South Africa, microfinance is portrayed to be in connection with micro credit and micro lending. Most researchers in South Africa largely associate micro credit to consumer credit (BanKSETA, 2013). However, BanKSETA defined financial inclusion as getting access to four (4) main financial services known as savings, credit, insurance and payment/transaction services. BanKSETA (2013) alluded to the definition of full financial inclusion by "The Centre for Financial Inclusion (CFI) as a situation whereby everyone who is capable of using finance is able to get access to a complete quality financial service, in a convenient manner, offered at a reasonable price with dignity and respect.

It has also been identified that close to about 2.5 billion people do not have access to formal account with the traditional banks. The estimated number of people has been broken down as follows: 77 percent of the population in developing countries who earn less than $ 2 a day are virtually adults; 11 percent of adults are in developed economies. Across the world getting financial assistance from friends and families has been identified as the major source of finance in exception of developed economies (BanKSETA, 2013).

From the above definitions, it has been observed that Microfinance is the provision of financial assistance in the form of loans, insurance products, money transfers and payment services to low-income homes and the poor for the establishment and operation of micro enterprises and small businesses to enhance their ability of improved standard of living through an increased level of income.

Micro, Small and Medium Enterprises: A Review of Basic Definitions

It has been observed that there is no precise definition for small businesses across different studies, including the World Bank. The World Bank defined SMEs logically by looking at the size, number of employees and sales assets. By virtue of that definition, the World Bank has distinguished between SMEs, microenterprises and large enterprises (IEG World Bank, 2013). The World Bank equally figured out some definitions of SMEs by different concerned economies.

Berisha and Pula (2015) in the attempt to define small and medium enterprises came across the fact that there is no singular definition or a universal definition for SMEs that is generally accepted by or used as a reference by statistical agencies or research economies. Even though there is lack of universality in the definition, both writers indicated that the importance of the definition so far as SMEs are concerned is inalienable. Berisha and Pula mentioned the importance of the definition since that will help in monitoring and preparation of statistics and the ability of an economy to impose regulations and taxation criteria.

The definition of SMEs is based on adjectives that indicates size that is been divided into a quantitative measurable indicator by economies. However, the most common distinction between small businesses and large businesses is the size of the employees (Berisha& Pula, 2015). The Bolton Report of 1971 suggested that there are two main approaches to the definition of SMEs: the qualitative and the quantitative approaches. Most policy makers, academics, statistical agencies and international institutions usually employ the quantitative approach to the definition of SMEs (Carter and Jones-Evans, 006).

SME is usually defined from the prism of the number of employees by most of the economies around the word. According to Kushnir, Mirmulstein and Rmalho (2010), a third of the world economies out of 132 define MSMEs as having up 250 employees. Ten (10) countries from East Asia and the Pacific, fourteen (14) Europe and central Asia economies, twenty (28) OECD economies described SMEs as having at least up to 149-250 employees. Furthermore, about fifteen (15) Latin America and the Caribbean countries, nine (9) middle east and North America economies and non-OECD economies with high income define SMEs as organizations with at least a minimum number of 60 and a maximum number of 100. Three (3) south Asia countries and ten (10) sub-Saharan African countries identified employee's size of 19 to 50. As a matter fact, across all the definitions of small, micro and medium business, the size of the business premises from the number of workers or employees directly determines the definitions.

In South Africa, the taxation Consideration interim Report makes it a common knowledge that there is no universally accepted definition of SMEs in South Africa, and this makes difficult for the Davis Tax committee (DTC) (DTC, 2014). According to the DTC, the national development Plan (NDP) pointed out three different kinds of businesses that exist within the sector of the SMEs that it described as entrepreneur, survivalist and lifestyle. The NDP described the entrepreneurial as businesses that are more into expansion by entrepreneur's who are interested in independent its market shares, developing a brand or developing a franchise (DTC, 2014). The NDP considers a business to be a survivalist business as a home-based business or a business operating on the street. Some of these businesses are Spaza shops, hawkers, taverns, casual construction workers, gardeners and informal subcontractors. The lifestyle businesses are those businesses considered by the NDP as businesses that are also home based but owned in the middle- and upper-class areas and has only one office. Some examples are Doctors, electricians, artisans, plumbers, engineers, brokers, accountants and small assembly operations and technology (DTC, 2014).

The national Small Enterprise Act of 1996 describes small enterprise a distinct and a separate business with different branches including subsidiaries or co-operative enterprises that is been controlled and managed by only one person or more than one person in any sector of the economy. It has been mentioned by the NSEA of 1996 that an enterprise can only be classified as micro, small or medium enterprise due to the number of paid employees, total turnover and aggregate asset value. NSEA describe a medium size business to be having 50 employees, a small business should have at least 20 employees, and a micro business at least 5 employees. A medium sized business is also expected to have approximately R 5 million turn over in terms of Agriculture, R64 million in terms of wholesales, services and trade. Aggregate asset ranges from R 5million to R 23 million for medium enterprises, r 1 million to R 6 million asset turnover for small businesses and R100,00 asset turnover for micro enterprises (DTC, 2014).

Economic Implication of Microfinance Banking

Several researchers including Alimukhamedova (2013) suggested that microfinance have eminently expressive impact on growth and the banking sector. At the same time, the development of the financial sector and the relationship of microfinance are established on improving access to financing. The background of development economics indicated that not all programs meant for poverty extermination has been able to reach the poorest. According to the World Bank (2005), microfinance came up as an instrument to solve this enigma, because it does not need exorbitant investment but serving a larger portion of the poor that is seen unprofitable for many traditional banks. Alimukhamedova (2013) asserted that poor people who run their businesses from microfinance loans improve their skills and knowledge, housing, health and create alternative opportunities for themselves. Again, microfinance allows the increase in participation of women in the business society.

Studies have indicated that microfinance institutions have dynamic and growing impact on small enterprises sector, and this contributes to a range of development objectives including the achievement of income and poverty reduction, production of basic goods and services that will meet the needs of the poor and the needy and the creation of employment (Adbul 2015). Raymat, Megananda and Achmad (2006) equally emphasized in the study that on the impact of microfinance on small enterprises performance and improvement of their businesses. Their findings emerged that, microfinance has a positive impact on the improvement and the survival of SME's performance, and this was indicated by their sales.

However, Ayodopo's (2011) research on the topic of the impact of microfinance on small business resulted that, microfinance does not have a massive impact on the growth and development of small-scale enterprises but their level of education, technology related training received and skills, business location (urban area) including business registration impacts positively on the sustainability and growth of the business. Ayodopo (2011) agrees that though microfinance might have some kind of impact, its magnitude is very small.

Challenges Facing Microfinance and Small Business

Government regulations, hiring new employees and revenue growth are the challenges faced by many small businesses. However, many businesses with 11-50 staff members are expecting an increase in capital and cash flow as their main concerns (Wasp, 2015). Even though the restrictions on accessing of loans has reduced drastically after the "Great Recession" many companies still see it as a herculean task to access finance from banks because of their higher lending rates that puts enormous stress on their business operations. Small businesses therefore see it as an alternative to access loans from micro-lenders like CAN capital or Kabbage. This alternative provides small businesses with the flexibility of securing funds under terms traditional methods limit. It is based upon this background that the researcher will examine the impact of microfinance on the growth and development of small and micro enterprise.

Impact Assessment of Micro Finance

According to the UNCDF final report in 2004, they looked at three major areas where impact was observed. Those key areas are income and asset variables. It's been observed that positive impact was realized throughout the UNCDF supported programs when it comes to investment and acquisition of land as domestic assets. UNDF (2004) asserted that the variance in number of individuals that have observed an improvement acquiring investments or assets in real property indicated a signifying statistic between control and treatment groups for land as an asset. According to UNDF, research in Nigeria and Malawi showed that there is a positive impact in microfinance in assets acquisitions. In similar manner, positive impact was realized in Nigeria in investment and in real property. UNDF (2004) has equally observed that, in Kenya and Nigeria there is an increase in income in households that patronize microfinance but not in Haiti and Malawi.

RBS foundation and CASHPOR of India (2008) conducted a survey on the impact analysis of microfinance in 2004 and 2008. In 2004, it's been observed that the research conducted by ABN AMRO Bank with CASHPOR in assessing the impact of microfinance on poverty yielded a positive impact. They interviewed 200 matured clients that is those people or group of people who have collected loans on more than four occasions annually, about 58% of them had a signifying decline in the level of poverty and about 42% of the has totally eradicated poverty from their own lives. It has also been observed that, 78% of microfinance customers who borrowed moderate amounts and invested into agriculture equally experienced a signifying reduction in poverty.

Similar research conducted by RBS foundation and CASHPOR (2008) which was known as a second impact assessment survey in India has indicated that beneficiaries of microfinance have a tremendous improvement in poverty alleviation.

Theoretical Framework

Every research is based upon a particular theory. Theories however helps researchers to predict, analyze, explain and understand a phenomenon in order to contribute or challenge an existing knowledge within a particular academic area. There is a need to find a theoretical framework that will be useful and enable us to investigate our chosen area of interest Stokes (2007:64). Stokes therefore explained theoretical framework as a tool that will helps researchers to think.

Pecking Order Theory

According to Gichuki1, Njeru and Tirimba (2014) Pecking Order theory or what is normally called the POT was developed by Myers in 1984. The pecking order theory however is established upon the premises that inside management are more aware of the realistic value of the organization than investors who are outside the firm. Most investors always perceive equity to be riskier than debt resulting to varying cost of external additional finance making the information asymmetric. Investors however proposed that organisations try to overcome the issues of undervaluation emanating from asymmetric information's preferring internal funding of projects in the first instance. When equity is used up, organisations turn to employ debt financing first before looking out for external funding.

Researchers such as Sindelar, Ibbostson and Ritter (2001) argued that POT is very much more suitable for SME's because of its asymmetric information and high cost of outside funding. Taylor, Jordan and Lowe (1998) observed a common occurrence in the sector and that is the interest of the owners of the firm to withhold control of their organisations and retain independence in management. The above-mentioned factors implied that owners of SME's get their capital from Pecking Order. Firstly, from their own retain earnings or savings, secondly from short term borrowing, thirdly longer-term borrowing. According to empirical evidence support OU and Haynes (2006), studies indicated that smaller firm's falls on internal means of finance and borrowing from outside support their growth and operations and just a meagre number of smaller firms rely on external equity.

Adherence to the POT is dependent not only on demand-side preferences, but also on the availability of the preferred source of financing. The supply of finance depends on many factors, particularly the stage of development of the firm. The most important source of funding for start-up and nascent firms are the personal funds of the firm owner, and funding from friends and family.

Financial Growth Theory

Financial growth theory was proposed by Berger and Udell (1998) for micro and small businesses where their needs for financing and finance means can switch in line with the growth of their business and when the business accumulated enough experience and has become informally nontransparent. Bothe writers also suggested that organisations rely on age, size and information continuum implying that the firm will have to rely on trade credit, insider financing or angel financing. The theory of the growth cycle further predicted that firms would get adit to venture capital as a means of intermediary equity and medium-term finance or loans as an avenue of intermediary debt. During the last stage of the growth paradigm, when the firms grow older by becoming informally perspicuous and experienced it will then get avenue or access to equity within the public domain or long-term debt.

Contract Theory

Stigilitz and Weiss (1981) indicated that asymmetric information is an ultimate issue so far as credit constrains on small businesses are concerned. The authors stated that small businesses do not always have access to capital because of moral hazard and adverse selection. These two factors are recognized as negative effects on small businesses.

According to contract theory, information asymmetry comes up when one of the two parties involved in a business seems to get more access to information compared to the other. When that happens, one party will not have adept knowledge about the other which will enhance his failure to making accurate decisions. This situation induces potential moral hazards and adverse selection within the credit market. The problem of adverse selection emanates from information asymmetry that which arises preceding a transactional agreement. Lenders often could make up their minds not to lend money to a particular borrower even though the borrower can repay the loan. Moral hazard also arises because of asymmetric information, and this occurs after an agreement is entered into. This means that, the borrower could undertake activities that the lender could consider undesirable, and this could make it impossible for the repayment of the loan. Based on these circumstances, many formal financial institutions look out for a guarantee or collateral as a requirement for giving loan to small business.

Research Methodology

The chapter discusses the framework of methodology that will be adopted by the researcher to attain the above-mentioned objectives. Major focus will be placed on design of research, sources and types of data, sample size, population size, and characteristics of the sampling framework, questionnaire design, and choice of data collection instrument including how data is measured.

Method

The methodology used for this research is a mixed method. The decision to use mixed methodology is based upon the research questions. There are two main types of research methodology. They include the qualitative and the quantitative research methodology. A combination of them gives us what is called mixed methodology. The research questions are clearly framed in a way that will arrive at accurate results there must be a prove and this prove could only be done through visiting the target audience to collect information using questionnaires or through a simple survey that will be analyzed and synthesized. Since accurate results might not be achieved through only a word of mouth from the targeted audience, there will be a need to collect primary and secondary data from the financial institutions that provides micro credits to small business. Therefore, there is the need to make statistical calculations, and this is where quantitative method comes into play.

Population of the Study

The general population of this study includes all the Microfinance Banks (MFB) in the Northern Cape of South Africa, all the microfinance clients of the Banks who operate small businesses in the Northern Cape especially those who benefited from financial services offered by the microfinance Banks in the northwest (MFB). In the Northern Cape, there are about 15 registered microfinance institutions who have obtained the license to operate as microfinance institutions. For this research all the 15 registered microfinance institutions will be adopted for the research. In the same effort, there are over 300 micro, small, and medium businesses that operate around the areas selected for this study.

Sampling Technique and Sample Size

Multi-stage random sampling is used in this study. The clump is microfinance Banks in Northern Cape of South Africa, their customers who are small businesses and have benefited from financial services from microfinance banks during a period of at least five (5) years. All the 15 microfinance banks based in the Northern Cape are selected because they are the only institutions that are fully licensed to undertake micro financing in the Northern Cape. The institutions will be selected based upon their geographical spread in the Northern Cape. The same approach is applied in the collation of data from the small, micro and medium businesses owners.

Materials and Method of Collection

Primary data is basically utilized in this study. The primary data is raised from well-organized questionnaire to get the necessary information on microfinance and small business, growth, survival and performance. Interviews will also be arranged with most of the banks to write down the nature, process and how they operate in South Africa.

Data was collected through a well-structured questionnaire. The outcome was employed to answering the questions of the research. A very well constructed questionnaires are dispensed to operators and semi-constructed interviews were conducted with senior officials of the Bank that are involve in giving small or micro loans to write down the process and practices of microfinance in South Africa.

Methods of Data Analysis

This study employed inferential and descriptive analysis techniques to analyse data that were generated for the purpose of this study. Basically, two analytical techniques were adopted: multiple regression analysis taking into consideration (OLS) ordinary least square approach and survival analysis. Kaplan Meier Survival Analysis and Cox regression analysis technique was incorporated into the survival analysis. The likelihood ratio test will be employed to access the suitability of the fitted model. SPSS statistic software package was used for the multiple regression analysis.

Result and Discussion

This chapter presents basic findings made in the collated data and submits discussions surrounding the findings. In other words, the concern of this chapter is to present what was discovered from the data collated, the quality and quantity of data collected, then other important discussions that accompany the findings, and then summarize the discussion. In this order, the chapter will be divided into four sections. The first is the summary of the collated data. This is followed by the submission of the findings, then the discussion, and finally the summary of analysis.

Presentation of Data

Due to the nature of the restrictions placed by various government authorities because of the covid-19 pandemic, the authorities of the different micro finance banks were reached through their official email addresses. Data were generated from their responses. As such, from the fifteen (15) various micro finance banks that questionnaires and further inquiries about the operations of loans to MSME's, seven (7) responded through the same email platform. This figure represents about 46.66% of the total email sent. In other words, less than half of the fifteen (15) of the micro finance banks questionnaires were sent to, responded. Notwithstanding, the percentage that responded is sufficient to carry out a research and make conclusions based on their responses.

On the other hand, two hundred (200) questionnaires were also circulated across to various micro, small, and medium enterprises at various locations at the Northern Cape Town. The manner of distribution is summarized in the table 1 below:

Table 1: Small, and medium enterprises at various locations at the Northern Cape Province

	Online	*Offline*	*Total*	*Percentage*
Micro Businesses	90	24	114	45.6
Small Businesses	60	25	85	34
Medium Businesses	35	16	51	20.4
Total	185	65	250	100

Source: Primary data

From the above table, it is stated that 45.6% of the persons that received the questionnaire are owners of micro businesses. In the same effort, 34 and 20.4 are owners of small and medium enterprises respectively. Furthermore, a total of 185 questionnaires were distributed through emails and WhatsApp (online distribution), whereas 65 of the questionnaires were distributed offline. The implication is that 66% of the distributed questionnaires to owners of various MSME's were done online, while 34% were distributed offline. The reason for the dominance of online distribution is as a result of the restrictions made by governmental authorities as a result of the covi-19 pandemic.

In terms of the responses of the business owners, almost all the owners of micro businesses and small businesses contacted returned the questionnaires, both the online and offline distribution. Out of the distributed 250 copies of questionnaires, 185 copies were recovered both online and offline. By implication, 74% of the distributed questionnaires were recovered. This stated number will suffice for the analysis and in making substantial decisions.

Results

Plethora of findings were made in connection with the generated research questions and questionnaires. The findings are based on the responses submitted by the research participants who are the operators of various micro finance banks located at the Northern Cape of South Africa, and micro, small, and medium businesses owners across the towns in the Northern Cape. The findings are highlighted below:

(i) 114 respondents have collected loan from various micro finance banks to improve their businesses. In that way, 69 respondents have not collected loan, and 2 respondents declined to comment their loan status. The above figure can be summarized as thus: '61.63% of the research participants have collected loans at various times from the micro finance banks. 37.30% have not collected loan, while 1.07 declined comments for reasons not stated.' By implication, greater percentage of business owners in Northern Cape Town have at one or the other collected loan of different packages from any of the micro finance banks. In other words, business loans from the micro finance banks are part of the system financing businesses at the Northern Cape Town

(ii) A total of 120 respondents, which represents 64.86% of the research respondents, in a scale of four measures, strongly agreed that collection of loan from micro finance banks in Northern Cape Town is VERY DIFFICULT. In the same narrative, 60 respondents, which are about 32.43% of the respondents, agreed that loan collection in any micro finance bank in Northern Cape Town Province. Only 4 respondents, which represent 2.16% of the total respondents, agreed that the collection of loans in any micro finance bank in Northern Cape Town Province is EASY. No respondent accepted that collection of loan in micro finance banks in Northern Cape Town Province is VERY EASY.

(iii) From the 114 business owners that have collected loan from various micro finance banks, business improvement assessment was conducted, and the following findings were made: 84 responds strongly affirmed that the loan they collected from the micro finance bank has not improved their businesses. This figure represents about 78.08% of the respondents that have injected loan collected from any micro finance banks in their businesses. Also, 13.15%, which is about 15 business owners out of the total respondents that have injected loan in their businesses affirmed that they cannot ascertain the impacts of the loan in their businesses. A total of 8.77%, which is about 10 business owners out of the 114 persons that have injected loan into their businesses, stated that the loan has improved their businesses. It is therefore discovered that the loan has been inimical to the business growth at the Northern Cape Town Province.

(iv) On another scale of assessment, 94 business owners out of the 114 persons that agreed to have collected loans insisted that the injection of loans from any micro finance banks in the Northern Cape Town is highly harmful or inimical to businesses.

(v) On the proposed factors that affect business growth in the Northern Cape Town, within the options of governmental policies, taxation, environment, and lack of finance, the following findings were made: 159 business owners, which is about 85.94% of the respondents, stated that lack of finance is the biggest challenge faced by business owners in the Northern Cape Town Province. The remaining percentages are spread across other options.

(vi) Finally, about 87.16 percent clearly stated that they wouldn't encourage anyone to proceed to collect loan from any of the micro finance banks until government restructure the banking policies towards giving loans to micro, small and medium businesses. The implication is that many businesses are not growing at the pace at which they should.

Discussions

From the findings, a few issues have been submitted which were generated from the findings in connection with the research objectives and the research questions. The discussions here are summarized under two headings, which fully cover all that were submitted as the findings and the research questions.

Impacts of Micro Finance Loans on the Growth of Small and Micro Businesses in Northern Cape

Across the economy of different nations, micro financing, as already established in the reviewed literature and the historical assessment of the concept, remains a basic component for the funding of micro and small businesses. Nevertheless, it has also been established that the operations and functionality of the micro finance banking institutions do not have universally accepted standards. In other words, various countries have different national policies and systems towards the operationalization of micro finance institutions. What is common is that either the commercial banking institutions or governmental banking institutions through legislative efforts, situate the operations of micro finance banks. An obvious gap across different nations and states remains the examination of the direct impacts of the micro finance institutions in the consistent growth of micro and small businesses. Apparently, the impacts of micro finance loans in the growth of micro and small business seems to be dependent on the operation systems of the banking. In other words, while the banking system may be quite impactful in the growth of micro and small businesses in some states or nations, it may be harmful or not impactful in others because of policies towards its operations.

The nature of the impacts of the micro finance banks loans in the growth of small and micro businesses in South Africa at Large and Northern Cape Town constitute the primary concern of the findings made in the study.

From the findings, it is obvious that loans from micro finance banks do not assist in the growth of small and micro businesses in South Africa because of certain operational policies towards the disbursement of the loans and servicing of the loans. The statistics from the findings, as already submitted, suggested that over 80% of the small and micro businesses owners have at one time or the other collected loans from any of the micro finance banks located at the Northern Cape Town, aimed at improving the growth of their businesses. However, the respondents suggest that the loans they collected do not exert obvious effects in the growth of their businesses. For instance, 84 respondents strongly affirmed that the loans they collected from the micro finance bank have not improved their businesses. This figure represents about 78.08% of the respondents that have injected loans collected from any micro finance banks in their businesses. In a likelihood concern, about 13.15%, which represents 15 business owners out of the total respondents that have injected loan in their businesses, affirmed that they cannot ascertain the impacts of the loan in their businesses. Nonetheless, a total of 8.77%, which is about 10 business owners out of the 114 persons that have injected loan into their businesses, stated that the loan has improved their businesses. It is therefore discovered that the loan has been inimical to the business growth at the Northern Cape Town Province.

On another scale of assessment, 94 business owners out of the 114 persons that agreed to have collected loans insisted that the injection of loans from any micro finance banks in the Northern Cape Town is highly harmful or inimical to the growth of their businesses. However, they proceed to take loans from the banks because of lack of funding and there is no other preferred alternative.

The implication of the above findings is that there is the need for governmental agencies to regulate the operations of the micro finance banks mainly as it concerns the giving of loans to small and micro businesses. When the operations of loans to the small businesses are left mainly in the hands of the commercial banks, as it is the case in the operations of micro finance loans at South Africa, the priority will not be in the sustenance and growth of micro and small business, but in generating gains for the banks. In other words, both the process of giving out the loans and the servicing of the loans directly make the loans difficult to have any impact on the growth of small businesses.

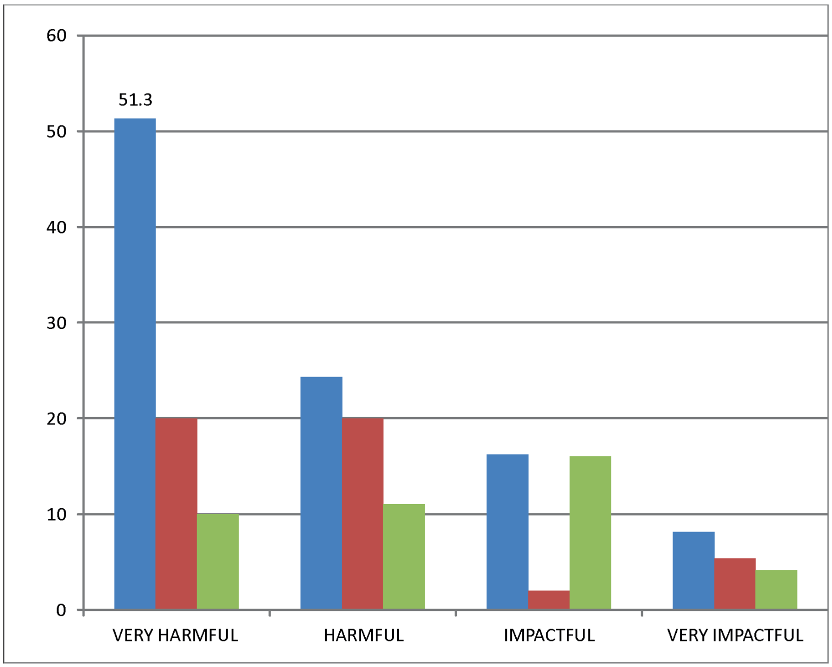
From the respondents, the graph below summarizes the regressive nature of impact. The respondents were presented with a four-option question, which include: “very impactful, impactful, harmful, and very harmful." The percentages for the responses have been submitted earlier and are summarized with the graph below.

Meanwhile, in the graphs, the following designs are used to mark the three categories of businesses.

(i) Micro business owners

(ii) Small Business Owners

(iii) Medium Business Owners



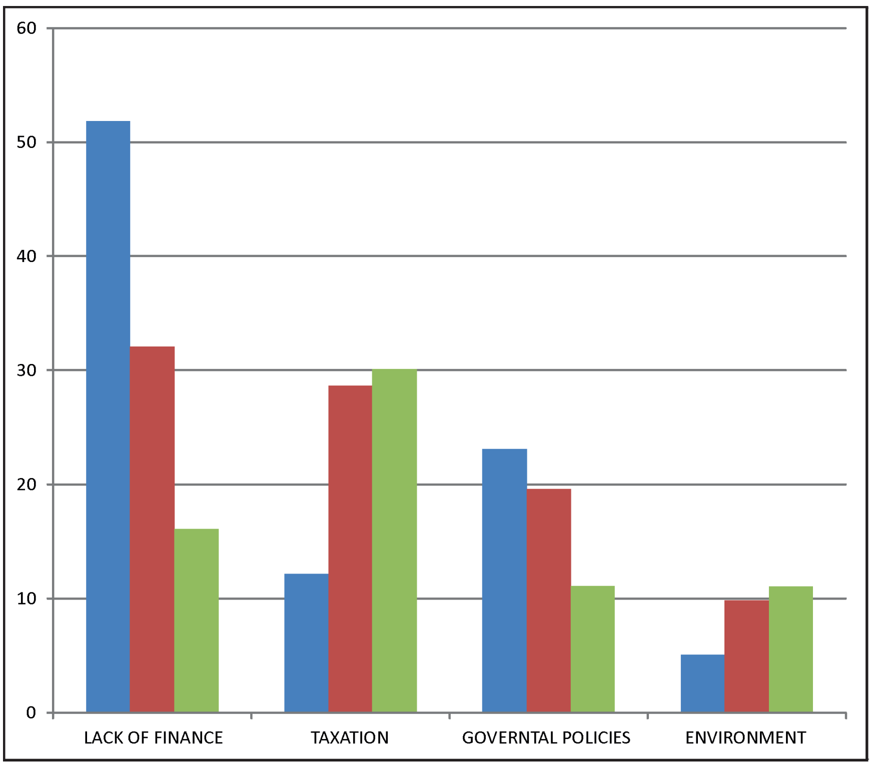
The diagram clearly encodes a regressive pattern of grading the impacts of loans from micro finance banks in Northern Cape. The diagram contains multiple variables that spread across the nature of the responses elicited from the respondents. Opinion varies at each value in connection to the identity and category of business owners. The four response indices also have varying values from the three categories of businesses. In the case of the "very harmful" value, it can be seen that owners of micro businesses rank higher. This is followed by owners of small businesses. The owners of medium enterprises seem to have strong confidence in the impacts of the micro finance loans in their businesses. In other words, across the values, the owners of medium businesses directly accept the fact that loans from micro finance banks have impacted in their businesses. This is in direct contract with the opinions of owners of micro businesses.

The owners of micro businesses and majority of the owners of small businesses directly affirm that loans from micro finance banks are very harmful to their businesses.

It is thus concluded here that opinions of the owners of businesses directly vary on the nature of the impacts of the loans from the micro finance banks. However, on a general assessment, over 75% of business owners at Northern Cape affirm that loans from micro finance banks are very harmful to the growth of small and micro businesses.

Challenges Faced by Micro and Small Businesses in South Africa

The collated data directly availed that small, micro and medium businesses face plethora of challenges in the effort to take their businesses to another level. On the proposed factors that affect business growth in the Northern Cape, within the options of governmental policies, taxation, environment, and lack of finance, the following findings were made: 159 business owners, which is about 85.94% of the respondents, stated that lack of finance is the biggest challenge faced by business owners in the Northern Cape Town Province. The remaining percentages are spread across other options. The graph below summarizes the distribution of opinions as gathered from the collated data:



Again, the diagram above directly indicates the extent to which the values affect the growth of business in Northern Cape. The basic indication from the data and the graph is that the most challenge faced by micro businesses is funding. The biggest challenge of small businesses is also funding, in addition to taxation. In other words, small and medium scale businesses face more taxation challenges more than micro businesses. However, various governmental policies towards businesses affect micro businesses. Across the three categories, there is a consensus that environment is the least factor that affect their businesses.

The above statistics reveals something striking about the role of micro finance banks in the growth of small, micro and medium businesses. This data suggests that business owners across all levels face financial challenges, yet the previous graph suggests that the businesses owners think that loan from microfinance banks are harmful. They need money for their businesses to grow, but they consider loan offers from the micro finance banks harmful. This observation clearly indicates that there are certain policies that govern loans from micro finance banks. There is need the need for the government to revisit the processes of securing loans from the micro finance banks by small and micro businesses owners.

Extensively, the findings and discussions have made plethora of submissions culled from the collated data and information from existing literature. The bases of the analysis are in two related forms: the main challenge faced by small businesses in Northern Cape is finance, followed by certain governmental policies. The loans from micro finance banks are basically harmful to the growth of small and micro businesses in Northern Cape. On a scale of understanding, since the major challenge of small and micro businesses is finance and the loan from the institution designated to fund the SME's is considered harmful from the business owners, there is the implication that government must further restructure the micro financing system. This is projected in line with the main challenge of the businesses. In other words, if the loans from micro finance institutions at Northern Cape are structure not for generating profit for the micro finance institution, but for the growth of SMEs in the state, the impact will be visible.

Conclusions

Attempt has been made in this research to critically examine the nature of the impact of loans from micro finance banks in the growth of SMEs in Northern Cape. The study also examined the economic importance of micro finance banks mainly as it concerns the survival and growth of small and micro businesses. Another concern that was pursued vigorously in this study was the challenges faced by small and micro businesses at the Northern Cape. The study gathered data from key stakeholders in the variable's projections, who are the owners of small and micro businesses and officials of some micro finance banks.

For emphasis, microfinance bank was presented as a financial institution situated to render services such as insurance, savings, credit for low-income earners to targets who are mostly underserved or un-served by the traditional financial institutions like the banks. Furthermore, it was described that part of the microfinance operations is microcredit lending where small loans that demand frequent payments mostly bi-monthly or monthly including short term maturity periods that ranges between "four months and two years". The terms and conditions necessary from the securing of micro-loans differ by geographical location. This is premised on the fact that the operationalization of micro finance banking differs according to certain governmental policies.

On the other hand, there is no precise definition for small businesses. The World Bank defined SMEs logically by looking at the size, number of employees and sales assets. By virtue of that definition, the World Bank has distinguished between SMEs, microenterprises and large enterprises (IEG World Bank, 2013). The World Bank equally figured out some definitions of SMEs by different concerned economies. According to the World Bank OECD defines SMEs as entities that have between 10 to 250 employees and realizing a turnover of €10-€50 million which is equivalent to $ 13.1 million as annual aggregate on their balance sheet (IEG World Bank, 2013).The European Union also defined SMEs as entities that have between 10-250 employees and are generating between €10-€50 million turnover which is also equivalent to $13.1 million - %65.7 million. Alternatively, they could generate between € 10-€ 43 million in assets. MIGA and IFC contributed to the definition of SMEs as organizations that have between 10-300 employees and $100,000-$15 million which is equivalent to € 11, 4 million turnovers annually (IEG World Bank, 2013).

From a further review, microfinance institutions seem to have a dynamic and growing impact on small enterprises sector, and this contributes to a range of development objectives including the achievement of income and poverty reduction, production of basic goods and services that will meet the needs of the poor and the needy and the creation of employment (Rena, 2008; Rena,2009; Adbul 2015). Raymat, Megananda and Achmad (2006) equally emphasized the impact of microfinance on small enterprises performance and improvement of their businesses. Their findings emerged that, microfinance has a positive impact on the improvement and the survival of SME's performance, and this was indicated by their sales.

However, Ayodopo (2011) research on the topic of the impact of microfinance on small business resulted that, microfinance does not have a massive impact on the growth and development of small-scale enterprises but their level of education, technology related training received and skills, business location (urban area) including business registration impacts positively on the sustainability and growth of the business. Ayodopo (2011) agrees that though microfinance might have some kind of impact, its magnitude is very small.

Findings were made in this research. First, there is an overwhelming response from both the online and offline questionnaires circulated. Findings were made from the collated data and are summarized as follows:

Over 78.02% of the respondents who collected loans from micro finance banks to improve their businesses agree strongly that loans from micro finance banks in South Africa are harmful to the survival and growth of small, micro and medium businesses. In other words, even though these micro finance banks are primarily established to offer micro credits to facilitate the growth of the small and micro businesses, the loans are considered harmful as they do not translate to the growth of the businesses.

The main challenge facing micro and small business in Northern Cape is financial limitation. Unfortunately, the financial institution commissioned to cater for the financial needs of the SME's do not operate in a manner to facilitate the growth.

Recommendations

There is the need to redirect subsequent studies in this regard and to recommend to policy makers the best ways to restructure the operations micro finance institutions in order to exert obvious effects on the survival and growth of small and micro businesses.

It is recommended that policy makers at the governmental level need to reexamine the policies that have implemented by nations where micro financing banking exert credible impact in the growth of small and micro businesses.

There should be an overwhelming uniformity across South Africa in terms of the operation of micro finance banking and restructure the system to not only provide loans but trainings, effective monitoring, and proper business education in connection with considerate and interest rates. In other words, the micro finance banks should not be operated as profit oriented financial system but designed to ensure the growth of small and micro business and render basic financial services to the poor and average in the community.

Further studies are needed to elaborate on the extent to which loans from micro finance banks have negatively impacted on the growth and survival of small businesses in South Africa.

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