Wholesale&Retail

LEADERSHIP CHAIR

Cape Peninsula
University of Technology

W&RSETA
WHOLESALE AND RETAIL SETA
Skills Development for Economic Growth

*"Collaboration opens the window
to a world of opportunities."*

Project 2019/32:

The influence of internal control activities used by sole trader South African Small, Medium and Micro Retail Enterprises operating in Cape Town and the attainment of their key financial objectives

APPLIED RESEARCH

LEADERSHIP DEVELOPMENT

SERVICE TO RETAIL COMMUNITY

Project 2019/32:

The influence of internal control activities used by sole trader South African Small, Medium and Micro Retail Enterprises operating in Cape Town and the attainment of their key financial objectives

Prepared by:

Dr Juan-Pierré Bruwer,
Business Re-Solution, South Africa
infobusinessresolution@gmail.com

Professor Roger B. Mason,
Wholesale & Retail Leadership Chair,
Cape Peninsula University of Technology, South Africa
masonr@cput.ac.za

Wholesale and Retail Leadership Chair

Cape Peninsula University of Technology

Cape Town

"Collaboration opens the window to a world of opportunities"

This report is available online at: www.wrlc.org.za

TABLE OF CONTENT

LIST OF TABLES

Abstract

Across the globe, Small, Medium and Micro Enterprises (SMMEs) are significant contributors to economies. In South Africa, these business entities are believed to contribute in the region of 50% to the national Gross Domestic Product while simultaneously employing an estimated 60% of the national workforce. Prior research, however, suggests that 70% of these business entities fail after being in existence for less than three years. Among the reasons for the latter dispensation is the non-management of economic factors which, in turn, result in risks to realise – ultimately adversely affecting the attainment of relevant financial business objectives. One manner in which economic factors can be managed is through means of making use of internal control activities. The objective of this study was to ascertain the extent to which internal control activities deployed in South African Retail SMMEs influence the attainment of its key financial objectives. Empirical research was conducted through obtaining responses, via a questionnaire, from 67 SMME owners/managers. Stemming from the results, two internal control activities had statistically significant influences on the attainment of sampled SMMEs' key financial objectives however, one was positive while the other was negative.

Keywords

CHAPTER 1: INTRODUCTION

Globally, Small, Medium and Micro Enterprises (SMMEs) are seen as major driving forces of economies, particularly due to the socio-economic value they add (Fatoki & Odeyemi, 2010; Sayed & Sunjka, 2016; Mukata & Swanepoel, 2017). In particular, these business entities are key role-players in the creation of employment opportunities which, in turn, contribute towards the decrease in unemployment rates and poverty levels of countries (Naidoo & Urban, 2010; Ndege, 2015; Cant, 2017; Bruwer & Van Den Berg, 2017).

From a South African perspective, 90% of all operating business entities can be classified as SMMEs (Mouloungui, 2012). To this end, it is not surprising that South African SMMEs have been reported to provide employment opportunities to up to 80% of the national workforce, while also contributing up to 50% to the national Gross Domestic Product (GDP) (Bruwer, 2016; SEDA, 2016; Wilkinson, 2017; Taljaard & Van Der Walt, 2018; Manete, 2018; SEDA, 2018; Statistics South Africa, 2019). Notwithstanding the foregoing, research shows that South African SMMEs have among the worst sustainability[1] rates in the world – up to 75% of these business entities failing after being in operation for less than three years (Cant & Wiid, 2013; Moloi, 2013; Bruwer & Van Den Berg, 2017; Bruwer, 2018).

Over the years, probable reasons for the weak South African SMME sustainability have been researched (Kunene, 2008; Swart, 2011; South African Institute of Chartered Accountants, 2015; Bruwer & Van Den Berg, 2017; Petersen, 2018). One of the key reasons for the weak South African SMME sustainability is the non-management of economic factors which include *inter alia* that of economic volatility, increases in inflation rates, increases in taxation rates, crime, weak service delivery, high overhead costs and the lack of internal business skills (Masama & Bruwer, 2018). More perspective is provided as to why these non-managed economic factors have a dire adverse influence on the sustainability of SMMEs when the focus is shifted to the economic environment of South Africa.

---

[1] Sustainability pertains to the ability of an organisation to achieve its relevant economic objectives, environmental objectives and/or environmental objectives (Masama, 2017; Petersen, 2018).

The economic environment of a country is defined as the overall state of a country's economy (Guilhoto, Marjotta-Maistro & Hewings., 2002; Tatiana & Valeriya, 2015). When taking into account relevant economic indicators (see Section 2.2), it becomes apparent that the South African economic environment serves as a type of "breeding ground" in which risks can develop, making it problematic for SMMEs to remain in operation for the foreseeable future (Bruwer & Van Den Berg, 2017; Masama, 2017; Van Vuuren, 2017). More often than not, when these risks are not properly managed, they result in loss events[2] that may have severe consequences for the attainment of key financial objectives (Bruwer & Coetzee, 2017). Though South African SMMEs face risks on a daily basis, it is apparent that most of their risks faced, stem predominantly from the harsh economic environment, negatively influencing the sustainability of these business entities (Peyper, 2017; Petersen, 2018).

Using the above as a basis, it becomes clear that South African SMMEs should have initiatives available to manage the economic factors and relevant risks, considering the harsh economic environment these business entities have to operate in. One such initiative is having sound internal control activities (see Section 2.3), namely those measures put in place by management to assist with the prevention, detection and/or correction of risks to provide, in turn, reasonable assurance surrounding the attainment of relevant business objectives (Beretta & Bozzolan, 2004; Connell, 2004; Ghosh & Jintanapakanont, 2004; Thevendran & Mawdesley, 2004; Van Tonder, 2006; Bruwer, 2016).

Hence, the inference can be drawn that South African SMMEs that have been in existence for at least three years are doing "something right" in relation to the management of economic factors. In particular, it may be that such SMMEs make use of sound internal control activities which, in turn, allow for these business entities to be sustainable. This study placed focus on sole trader South African SMMEs operating in the retail industry and will investigate the following primary research question:

---

[2] A loss event is regarded as a risk that has not been prevented, detected or corrected – a realised risk.

> "*To what extent do the internal control activities deployed in sole trader South African retail SMMEs, which have been in existence for at least three years, influence the attainment of their key objectives?*"

For the remainder of this report, relevant discussion is covered within four subsequent chapters which respectively cover: 1) literature review, 2) research design and methodology, 3) results and discussion, and 4) conclusion.

CHAPTER 2: LITERATURE REVIEW

In this chapter, relevant terminologies are conceptualised with the intent of measuring them, while the applicable context is also provided for the research study. Discussion takes place under three headings, namely that of 1) an overview of South African Retail SMMEs, 2) an overview of the South African economic environment, and 3) key financial objectives, risks and internal control activities.

2.1 An overview of South African retail SMMEs

According to the National Small Business Act No. 102 of 1996, an SMME is defined as a separate, distinct and legal business entity that is owned by one or more owner, while conducting its business within the borders of South Africa (Republic of South Africa, 1996). Also, these business entities can operate within any sector or subsector of the national economy and are generally categorised, in terms of their size, as either "micro enterprises", "small enterprises" or "medium enterprises" (Republic of South Africa, 2019). The demarcation of SMME sizes is based on two measures, namely: 1) the number of full-time employees, and 2) the total annual sales turnover. For the sake of clarity, a summary of these two measures, to ascertain the size of SMMEs in the Retail industry, is provided in Table 2.1:

Table 2.1: Measurements categorising the size of South African Retail SMMEs

Size	Number of full-time employees	Total annual turnover
Micro	0 – 10	R0 – R7 500 000
Small	11 – 50	R7 500 001 – R25 000 000
Medium	51 - 250	R25 000 001 – R80 000 000

(**Source**: Republic of South Africa, 2019)

The retail industry is defined as a type of industrial sector that is characterised predominantly by the purchasing and selling of consumable merchandise, all with the intent to satisfy the needs of end-users (Mi, 2017; Leani, Subrahmaniam & Naomi, 2018). Furthermore, the retail industry can be defined as business entities responsible for the purchasing from wholesalers and selling to natural persons of

perishable and/or non-perishable products, which are deemed as necessity products and/or non-necessity products (Nagarajan & Sheriff, 2013; Ashraf, 2014; Bruwer, 2016).

When the focus is placed on South African SMMEs operating in the retail industry, recent statistics reveal that these business entities contribute approximately 15% to the national GDP while simultaneously employing an estimated 20% of the national workforce (SEDA, 2016; SEDA, 2018; Statistics South Africa, 2019). In addition, an estimated 39.26% of all South African SMMEs in operation are reported to operate in the retail industry (SEDA, 2018).

2.2 An overview of the South African economic environment

As previously mentioned (see Chapter 1), the dismal sustainability-rate of South African SMMEs is largely influenced by the non-management economic factors which, in turn, stem from a harsh economic environment. In order to evaluate the South African economic landscape, a total of six economic indicators[3] were taken into account (Furdell & Wolman, 2006). Each of these six economic indicators are first explained below, from where their statistics are presented in Table 2.2 for the 2015, 2016 and 2017 South African fiscal years (Kingdon & Knight, 2000; Schmitt-Grohé & Uribe, 2001; Mohr & Fourie, 2004; Račickas & Vasiliauskaitė, 2010; Farris, 2010; Akiba, Chiu, Shimizu & Liang., 2012; Frumkin, 2015; Diener, Martin & Seligman, 2018):

GDP (nominal): A figure representing total finished goods and/or services produced within the borders of a country, over a 12 month period. It shows the overall productivity of a country in relation to the production of economic output; in monetary terms.

---

[3] Despite the vast amount of economic indicators in existence, the chosen six economic indicators can be used to evaluate the fundamental economic landscape of a country (Fite et al., 2002).

GDP per capita (nominal): It is the GDP (nominal) divided by the estimated population size of a country. It shows the overall productivity of the average citizen of a country – indicating the average value added to the production of economic output; in monetary terms.

Gini-index: It shows how equally wealth is shared among the citizens of a country. A value of one represents absolute inequality while a value of zero represents absolute equality.

Inflation rate: The measurement of change in relation to the cost of living in a country.

Estimated population size: The estimated number of citizens living in a country.

Unemployment rate: It is a portion of the estimated population of a country (in percentage) that have been unemployed for between one and four weeks, including those wishing to be employed but who have not searched for any employment opportunities for between one and four weeks.

Table 2.2: Economic indicators measuring the South Africa economic landscape

Economic indicator	2015	2016	2017
GDP (nominal)	R3.751 trillion	R2.775 trillion	R3.278 trillion
GDP per capita (nominal)	R89 879.10	R88 684.32	R88 743.41
Inflation rate	4.6%	6.3%	5.3%
Unemployment rate	25.4%	26.7%	27.7%
Estimated population size	56 015 473	56 717 156	57 487 606
GDP (nominal)	R3.751 trillion	R2.775 trillion	R3.278 trillion

(**Source**: Masama, 2017; Indexmundi, 2018; Guardian, 2017; Trading Economics, 2018; Worldometers, 2018)

Stemming from the statistics in Table 2.2, the following observations can be made:

GDP (nominal): Between 2015 and 2016 the GDP (nominal) decreased by 26.0% and between 2016 and 2017 the GDP (nominal) increased by 18.1%. In effect, the GDP (nominal) decreased by 12.6% over the relevant period.

GDP per capita (nominal): Between 2015 and 2016 the GDP per capita (nominal) decreased by 1.3% and between 2016 and 2017 the GDP per capita (nominal) increased by 0.1%. In effect, the GDP per capita (nominal) decreased by 1.3% over the relevant period. This also serves as evidence that the productivity of South Africans decreased over these three years.

Inflation rate: Between 2015 and 2017 the cost of living increased substantially. If a product costed R1 000.00 at the end of 2015, the same product would cost R1 045.80 at the end of 2015, R1 112.00 at the end of 2016, and R1 170.70 at the end of 2017.

Unemployment: The unemployment rate increased by 2.4%. Specifically, between 2015 and 2016 the estimated population size increased by 1.3% and between 2016 and 2017 the estimated population size increased by 1.4%. With this in mind, as the estimated population size increased, it points to a 12.1% increase in the estimated number of unemployed citizens over the three years.

Taking into account the above, this provides evidence of the harsh economic environment in which South African business entities have to conduct their business, including that of SMMEs. According to previous research (Vawda, Padia & Maroun, 2013; Global Entrepreneurship Monitor, 2015; Bruwer & Coetzee, 2017) such an economic environment serves as a type of "breeding ground" the realisation of risks that, in turn, may adversely affect the attainment of the SMMEs key objectives.

2.3 Key financial objectives, risks and internal control activities

In order for business entities to remain in operation, they need to attain relevant objectives – better known as sustainability (Bechtold et al., 2013). Based on previous studies (Husband & Mandal, 1999; Rodgers, 2010; Buys, 2012) business entities generally have a mixture of environmental objectives (e.g. minimising wastage and reducing carbon footprints), economic objectives (e.g. development of human resources, attaining a sound financial performance and attaining a sound financial positions) and/or social objectives (e.g. promoting healthy lifestyles and adding value to the local community). When emphasis is placed on SMMEs, the attainment of economic objectives is of utmost importance – particularly the attainment of financial objective. According to previous studies (Ngary, Smit, Bruwer & Ukpere, 2014; Beck, et al., 2016; Bruwer et al., 2019) three key financial objectives exist for any business entity:

Profitability: The ability of a business to generate more income than expenses.

Solvency: The ability of a business to have more assets than liabilities.

Liquidity: The ability of a business to have adequate cash on hand in order to allow ordinary business activities to take place as normal.

As previously mentioned (see Chapter 1), the attainment of objectives can be adversely influenced by risks. A risk is defined as an event which may or may not occur and which, in turn, may have either a positive or negative influence on the attainment of a business entity's objectives (ISO 2009; Wu & Olson, 2009; Soltanizadeh et al. 2010; Remenyi & Heafield, 1996; Smit, 2012; Bruwer et al., 2013; Sin & Ng, 2013). Prior research (Bruwer et al., 2017; Masama & Bruwer, 2018) shows that risks can be grouped into four categories, namely: 1) strategic risks, 2) operational risks, 3) financial risks and 4) compliance risks. Each of these risks is briefly expanded below.

Strategic risks: Those events which may adversely influence the attainment of a business entity's vision and mission, e.g. reductions in market shares, and the loss of business reputation.

<u>Operational risks</u>: Those events which may adversely affect the effectiveness, economy and efficiency of operations evident in a business entity, e.g. operational inefficiencies, operational disruptions, supply chain disruptions, and incompetent personnel.

<u>Reporting risks</u>: Those events which may adversely influence the integrity and reliability of financial information and/or non-financial information, e.g. inaccurate and/or incomplete accounting records.

<u>Compliance risks</u>: Those events which may adversely affect the compliance of a business entity in relation to relevant legislation, rules, regulations, policies and procedures, e.g. non-compliance with labour legislation, and non-compliance with tax laws.

These risks need to be properly managed[4] by SMME management to keep them from transforming into loss events – i.e. risks that have been realised (Bruwer et al., 2017). Overall the manner in which risks are managed depends directly on the internal control activities designed and implemented by management.

Internal control activities are regarded as those measures that are based on established policies, procedures, rules and guidelines (as developed and implemented by management) that assist in the mitigation of risks through means of detecting and preventing them, to provide, in turn, reasonable assurance surrounding the attainment of relevant business objectives (Agbejule & Jokipii, 2009; COSO, 2013; McNally, 2013). Moreover, internal control activities are demarcated into five categories, namely that of 1) proper document usage and design (e.g. source documents and internal documentation to showcase audit trails), 2) segregation of duties (e.g. different employees responsible for authorising, recording and executing transactions), 3) independent checks, 4) safeguarding of assets (e.g. actual safekeeping of economic resources) and 5) proper authorisation (Halonen, 2014; Bruwer & Coetzee, 2017).

---

[4] Depending on the probable frequency and probable impact of these risks, they can be avoided, shared (insured), mitigated or tolerated (Coetzee, Du Bruyn, Fourie & Plant., 2012).

2.4 Conclusion

As discussed in this chapter, the key financial objectives that business enterprises strive towards, and which can be reasonably measured, are that of profitability, solvency and liquidity. The attainment of these key financial objectives can be negatively influenced by a mixture of strategic, operational, reporting and/or compliance risks. Ultimately, the manner in which these risks are managed by SMME management will influence their effect on the key financial objectives, and allow them, or prevent them, from transforming into loss events, i.e. realised risks.

One manner in which these risks can be managed is by making use of internal control activities that detect and/or prevent them from realising. These internal controls include 1) proper document usage and design, 2) segregation of duties, 3) independent checks, 4) safeguarding of assets, and 5) proper authorisation.

Therefore, this study aims to assess the following five relationships identified by the literature review as relationships that can positively or negatively influence the small business entities' successful achievement of the key financial objectives, or otherwise:

- There is a significant, positive relationship between the *key financial objectives* and *proper document usage and design.*
- There is a significant, positive relationship between the *key financial objectives* and *segregation of duties.*
- There is a significant, positive relationship between the *key financial objectives* and *independent checks.*
- There is a significant, positive relationship between the *key financial objectives* and *safeguarding of assets.*
- There is a significant, positive relationship between the *key financial objectives* and *proper authorisation.*

The next chapter will explain the research design and methodology used to conduct this study.

CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

This study was positivist and empirical in nature and constituted both exploratory research and descriptive research. Regarding the former, limited research has been conducted pertaining to the identified research problem and so the research is exploratory in nature. However, since the study sought to describe the internal control measures, it is also descriptive in nature. Since a single survey method using a closed-ended questionnaire was used, the research was cross sectional and quantitative in nature.

The sampling population was that of South African SMMEs operating in the retail industry in Cape Town. As no formal sampling frame or database containing a list of South African SMMEs exists, a non-probability sampling method was used, namely purposive sampling. A total of 70 respondents were approached and 67 adequately completed responses were received – constituting a 95.7% response rate. In order for responses to be regarded as valid, each respondent and his/her SMME had to adhere to the following delimitation criteria:

Respondent
• Should be an owner and/or manager of his/her SMME.
• Should have decision making power in his/her SMME.
• Should be actively involved in his/her SMME's operations.
• Should be at least 18 years of age.
• Should be a South African citizen.

SMME of respondent
• Should be operating as a sole trader.
• Should adhere to the definition of a SMME as per legislation.
• Should employ between 0 and 50 full-time employees.
• Should be non-franchised.
• Should operate in the retail industry.
• Should operate in Cape Town, South Africa.
• Should have been in existence for at least three years.

The quantitative questionnaire was developed from the literature, based upon the research objectives. The questions posed in the questionnaire were mostly closed-ended in nature – made up mostly of 5-point Likert type scales. A contracted data-collection organisation assisted with the collection of data from the SMME population over the course of three weeks. Five qualified fieldworkers collected data from respondents via face-to-face visits using electronic tablets. All responses were automatically uploaded from the tablets and saved on a single, stable cloud storage device secured through encryption software and protected by a firewall. Each uploaded response was personally validated by the fieldwork supervisor by telephone or e-mail.

All data were cleaned and prepared for data analysis and analysed through statistical software (SPSS). Both descriptive and inferential statistics were used to analyse the data. Initial descriptive statistics involved presenting the summarised answers to each question response in tabulated percentage format. Thereafter inferential statistics were used. Firstly, factor analysis was applied to reduce the 39 items (36 individual internal control activities and 3 individual key financial objectives) to seven factors. Then linear regression analysis was used to assess the extent to which internal control activities deployed in the retail SMMEs influence the attainment of their key objectives, as required by the research objectives.

Content validity was obtained by developing the questionnaire from a detailed literature review, ensuring that the questions carefully addressed the research problem. Construct validity was obtained by ensuring that all questions asked were clear, simply stated, unambiguous, non-threatening and not misleading, while simultaneously making use of unbiased measurement scales. Finally, the questionnaire was successfully pilot tested with three experienced and qualified researchers and a statistician – this supported both the content validity and construct validity, while providing face validity.

Reliability was assessed by means of Cronbach's coefficient alpha. Denscombe (2010) suggests that, although a coefficient above 0.70 is acceptable and greater than 0.80 is good, coefficients between 0.50 and 0.60 are still significant, especially for a newly designed data collection instrument. Therefore, those factors with

coefficients greater than 0.60 were left in the model and considered for interpretation.

Regarding ethical considerations, participants provided their informed consent prior to voluntarily participating in the study, they were guaranteed anonymity, information provided by participants was treated with the highest level of confidentiality and participants were advised that they could withdraw from the study at any point, without giving reasons, and without being discriminated against.

The next chapter will present the findings resulting from the use of this research design and methodology, and discuss the achievement, or otherwise, of the research objectives.

CHAPTER 4: RESULTS AND DISCUSSION

For this chapter, relevant discussion takes place under two headings, namely that of 1) descriptive statistics, and 2) inferential statistics.

4.1 Descriptive statistics

4.1.1 Demographics of respondents and respondents' SMMEs

As all respondents and their respective SMMEs adhered to the relevant delimitation criteria (see Chapter 3), a summary of the demographical information of respondents and their SMMEs are provided in Table 4.1.

Table 4.1: Demographics of respondents and their SMMEs

Respondents' demographics	Description
Position in business	44.4% were owners, 31.7% were managers and 23.8% were owner-managers.
Years of managerial experience	61.9% had between 1 and 5 years' managerial experience, 23.8% had between 6 and 10 years' managerial experience and 14.3% had more than 10 years' managerial experience. The mean-score was 7.4 years managerial experience.
SMMEs' demographics	Description
Number of full-time employees	98.4% employed between 0 and 10 full-time employees (micro enterprises) and 1.6% employed between 11 and 50 full-time employees (small enterprises)
Years in existence	52.4% existed between 3 and 5 years; 31.8% existed between 6 and 10 years and 15.8% existed for more than 10 years. The mean-score was 6.1 years of existence.

From the above, the following two inferences can be made in relation to the average respondent and the average sampled SMME:

The average respondent was a South African owner of an SMME in which he/she had decision making power, while being actively involved in its operations. Moreover, he/she was at least 18 years of age, with an estimated 7.4 years' managerial experience.

The average sampled SMME adhered to the size characteristics of the relevant small business legislation and conducted its business as a non-franchised, sole trader, retail micro enterprise based in Cape Town, South Africa. It employed between 0 and 10 full-time employees and was in existence for an average of 6.1 years.

4.1.2 Findings related to key financial objectives

Respondents were asked whether their respective SMMEs were achieving their key financial objectives. This was done by asking respondents to rate three statements using a 5-point Likert scale (1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree, 5 = strongly agree). Each statement started with the base sentence: *"In my honest opinion, my SMME has ..."* A summary of the results is shown in Table 4.2.

Table 4.2: Sampled SMMEs' attainment of key financial objectives

In my honest opinion, my SMME has ...	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Mean out of 5
More income than expenses (profitability)	25.4%	34.9%	14.3%	17.5%	7.9%	3.6
More assets than liabilities (solvency)	11.1%	38.1%	30.2%	20.6%	-	3.4
Sufficient cash on hand (liquidity)	9.5%	63.5%	23.8%	1.6%	1.6%	3.8

From the results, it appears that sampled SMMEs were attaining their key financial objectives in a slightly above-average manner (see calculated mean-scores ranging between 3.4 and 3.8). Although the results may appear concerning, they are not out of the ordinary when taking into consideration the harsh economic environment of South Africa (see Chapter 2). The foregoing is further justified by the results pertaining to respondents' perceptions as to whether their business entities would

remain in existence for the foreseeable future - 85.7% agreed, 12.7% were unsure and 1.6% disagreed.

4.1.3 Findings related to internal control activities

Respondents were asked about the internal control activities evident in their business entities. This was done by asking respondents to rate 36 statements using a 5-point Likert scale (1 = strongly disagree, 2 = disagree, 3 = neither agree nor disagree, 4 = agree, 5 = strongly agree). Each statement started with the base sentence: *"In my honest opinion, my SMME makes use of ..."* A summary of the results is shown in Table 4.3.

Table 4.3: Sampled SMMEs' internal control activities used

In my honest opinion, my SMME makes use of ...	Strongly agree	Agree	Neither agree/ disagree	Disagree	Strongly disagree	Mean out of 5
Source documents are used when goods are bought	58.7%	1.6%	1.6%	1.6%	36.5%	3.4
Source documents are used when goods are received	63.5%	3.2%			33.3%	3.6
Source documents are used when goods are sold	55.6%	17.5%	9.5%		17.5%	3.9
Source documents are used when payments are made	65.1%	9.5%	1.6%	1.6%	22.2%	3.9
Source documents are used when money is received	52.4%	6.3%	11.1%		30.2%	3.5
All relevant source documents used are pre-numbered	46.0%	17.5%	19.0%	4.8%	12.7%	3.8
All relevant source documents used have spaces for the date of transaction	73.0%	12.7%	4.8%		9.5%	4.4
All relevant source documents used have spaces for signatures	66.7%	11.1%	1.6%		20.6%	4.0
All relevant source documents used are simple to complete	61.9%	11.1%	1.6%		25.4%	3.84
Only management may authorise transactions	60.3%	9.5%			30.2%	3.7
Employees may authorise transactions based on formal policies and/or procedures	49.2%	14.3%	17.5%		19.0%	3.8
Employees may authorise transactions with management approval only	46.0%	9.5%	15.9%		28.6%	3.4
Access controls are evident at entrances to the premises	54.0%	9.5%	11.1%	3.2%	22.2%	3.7
Access controls are evident at all the doors	61.9%	11.1%	14.3%	1.6%	11.1%	4.1
Access controls are evident at tills and/or safes	46.0%	17.5%	7.9%	3.2%	25.4%	3.6
Access controls are evident at storage points	63.5%	7.9%	12.7%	1.6%	14.3%	4.1

In my honest opinion, my SMME makes use of ...	Strongly agree	Agree	Neither agree/ disagree	Disagree	Strongly disagree	Mean out of 5
Alarm systems are used	47.6%	3.2%	9.5%	6.3%	33.3%	3.3
CCTV (surveillance) cameras are used	31.7%	6.3%	22.2%	9.5%	30.2%	3.0
Security guards are used	23.8%	4.8%	34.9%	9.5%	27.0%	3.0
Inventory is located and/or stored in a safe location	54.0%	12.7%	4.8%	4.8%	23.8%	2.9
Staff is protected on premises (bars, security guards etc.)	69.8%	4.8%	3.2%		22.2%	3.7
Staff are supervised	58.7%	17.5%	3.2%		20.6%	4.0
Staff are monitored (e.g. behaviour changes)	54.0%	19.0%	3.2%		23.8%	3.9
Staff performance review are conducted periodically	63.5%	20.6%	3.2%		12.7%	3.8
Quality checks are performed on goods received	42.9%	11.1%	9.5%		36.5%	4.2
Quality checks are performed on goods before they are sold	54.0%	12.7%	9.5%		23.8%	3.2
Surprise cash checks are performed (at tills) 30	38.1%	22.2%	11.1%	1.6%	27.0%	3.4
Surprise cash checks are performed (petty cash)	50.8%	19.0%	12.7%		17.5%	3.9
Inventory is periodically counted	50.8%.	22.2%	4.8%	1.6%	20.6%	3.8
Cash is banked daily	36.5%	12.7%	19.0%	20.6%	11.1%	3.4
The bank account is regularly reconciled by an independent person	42.9%	11.1%	19.0%	3.2%	23.8%	3.5
The debtors control account is regularly reconciled by an independent person	47.6%	14.3%	14.3%	3.2%	20.6%	3.7
The creditors account is regularly reconciled by an independent person	41.3%	17.5%	17.5%	1.6%	22.2%	3.5
The person authorising transactions does not record or execute them (e.g. the authorising of a delivery)	46.0%	11.1%	23.8%	6.3%	12.7%	3.7
The person recording the transactions does not authorise or execute them (e.g. the recording delivery of goods)	46.0%	11.1%	23.8%	7.9%	11.1%	3.7
The person executing transactions does not authorise or record it (e.g. the actual delivery of goods)	36.5%	9.5%	27.0%	9.5%	17.5%	3.4

From the results in Table 4.3 the inference can be drawn that sampled SMMEs made slightly above-average use of internal control activities. This is supported by the calculated mean scores – two were less than or equal to "3.0" (between "disagree" and "neither agree or disagree"), 28 were between "3.0" and "4.0" (between "neither agree or disagree" and "agree") and six were between "4.0" and "5.0" (between "agree" and "strongly agree"). In other words, most were more towards the "agree" end of the scale, rather than towards the "disagree" end.

4.2 Inferential statistics

Before the influence of internal control activities on the attainment of sampled SMMEs' key financial objectives could be ascertained, factor analysis was first performed – through means of Principal Axis Factoring. This was done to reduce 39 items (36 individual internal control activities and three individual key financial objectives) to seven factors. In order for a factor to be regarded as legitimate, a Keizer-Myer Olkin (KMO) test value of 0.600 and a Cronbach Alpha value of 0.600 are required (Field, 2009; Cohen & Sayag, 2010). A summary of the tests conducted is shown in Table 4.4.

Table 4.4: Factor analysis testing

Item	Factor loading	KMO value	Cronbach alpha	Potential factors
Profitability	0.824			
Solvency	0.772	**0.645**[x]	**0.655**[x]	Key financial objectives
Liquidity	0.735			
Source documents are used when goods are bought	0.855			
Source documents are used when goods are received	0.790			
Source documents are used when goods are sold	0.596	**0.729**[x]	**0.800**[x]	Proper document usage
Source documents are used when payments are made	0.662			
Source documents are used when money is received	0.799			
All relevant source documents used are pre-numbered	0.651			
All relevant source documents used have space for transaction date	0.748	0.659	0.539	Proper document design
All relevant source documents used have space for signatures	0.588			
All relevant source documents used are simple to complete	0.625			
Only management may authorise transactions	0.522			
Employees may authorise transactions based on formal policies and/or procedures	0.734	0.552	0.382	Proper authori-sation
Employees may authorise transactions with managers approval only	0.742			
Access controls are evident at entrances to the premises	0.636			
Access controls are evident at all the doors	0.554			
Access controls are evident at tills and/or safes	0.725			
Access controls are evident at storage points	0.568			
Alarm systems are used	0.741	**0.670**[x]	**0.788**[x]	Safe-guarding of assets
CCTV (surveillance) cameras are used	0.611			
Security guards are used	0.571			
Inventory is located and/or stored in a safe location	0.494			
Staff is protected on premises (bars, security guards etc.)	0.566			

Item	Factor loading	KMO value	Cronbach alpha	Potential factors
Staff are supervised	0.461			
Staff are monitored (e.g. behaviour changes)	0.456			
Staff performance review are conducted periodically	0.361			
Quality checks are performed on goods received	0.441			
Quality checks are performed on goods before they are sold	0.500			
Surprise cash checks are performed (at tills) 30	0.707			
Surprise cash checks are performed (petty cash)	0.761	**0.744 ×**	**0.831 ×**	Indepen-dent checks
Inventory is periodically counted	0.444			
Cash is banked daily	0.734			
The bank account is regularly reconciled by an independent person	0.715			
Debtors control account is regularly reconciled by an independent person	0.680			
The creditors account is regularly reconciled by independent person	0.805			
The person authorising transactions does not record or execute them (e.g. the authorising of a delivery)	0.896			
The person recording the transactions does not authorise or execute them (e.g. the recording delivery of goods)	0.873	**0.836 ×**	**0.711 ×**	Segre-gation of duties
The person executing transactions does not authorise or record it (e.g. the actual delivery of goods)	0.873			

× = Justification provided to group items in relevant factors

From the summary in Table 4.4, justification was provided for the reduction of the 39 questions to seven items, but only five met the requirements for inclusion as factors (KMO>0.6 and Cronbach aloha>0.6). For all factors, the averages of their comprising items were taken into account – the explanation of the five factors is contained in Table 4.5.

Table 4.5: Summary of factor analysis factors

Factor	Description	Measurement
FINOBJ	Key financial objectives of sampled SMMEs (profit-ability, solvency, liquidity)	It measures the attainment of sampled SMMEs' key financial objectives. It assumes a value between 1 (strongly disagree) & 5 (strongly agree).
DOCUSE	Document usage (comprising 5 individual internal control activities)	It measures whether document usage is used as internal control activity in sampled SMMEs. It assumes a value between 1 (strongly disagree) & 5 (strongly agree).
SAFEG	Safeguarding of assets (comprising 9 individual internal control activities)	It measures whether safeguarding of assets is used as internal control activity in sampled SMMEs. It assumes a value between 1 (strongly disagree) & 5 (strongly agree).
INDEP	Independent checks (comprising 12 individual internal control activities)	It measures whether independent checks are used as internal control activity in sampled SMMEs. It assumes a value between 1 (strongly disagree) & 5 (strongly agree).
SEGR	Segregation of duties (comprising 3 individual internal control activities)	It measures whether segregation of duties are used as internal control activity in sampled SMMEs. It assumes a value between 1 (strongly disagree) & 5 (strongly agree).

Following the factor analysis, in order to achieve the research objective of this study, linear regression analysis was conducted. The calculated R^2 was 0.270, which means that 27% of the time, FINOBJ was solely influenced by the relevant independent variables. Alternatively stated, 27% of the variance in FINOBJ was due to the selected independent variables while 83% of the variance was caused by unidentified variables (e.g. the non-management of social risks and/or environmental risks). A summary of the results is shown in Table 4.6 below. Out of the 11 relationships, only two were found to be statistically significant, one moderately strong and positive at the 1% level and the other moderately strong and negative at the 5% level. To this end, the following statistically significant predictions can be made:

At a 95% confidence level, if sampled SMMEs make use of SAFEG, it will have a moderately strong negative influence on the attainment of FINOBJ (β = -0.466).

At a 99% confidence level, if sampled SMMEs make use of SEGR, it will have a moderately strong positive influence on the attainment of FINOBJ (β = 0.536).

Table 4.6: Summary of linear regression analysis performed

	Independent variable		FINOBJ
Factors	DOCUSE	Std β	-0.051
		Sig.	0.779
	SAFEG	Std β	-0.466
		Sig.	0.030**
	INDEP	Std β	0.274
		Sig.	0.275
	SEGR	Std β	0.536
		Sig.	0.004***
Items not subsumed into factors	All relevant source documents used are pre-numbered	Std β	-0.147
		Sig.	0.883
	All relevant source documents used have spaces for the date of transaction	Std β	-0.178
		Sig.	0.860
	All relevant source documents used have spaces for signatures	Std β	-0.583
		Sig.	0.562
	All relevant source documents used are simple to complete	Std β	-0.273
		Sig.	0.786
	Only management may authorise transactions	Std β	0.989
		Sig.	0.327
	Employees may authorise transactions based on formal policies and/or procedures	Std β	-0.375
		Sig.	0.709
	Employees may authorise transactions with management approval only	Std β	-0.125
		Sig.	0.901

*** = Significant at the 1% level, ** = Significant at the 5% level.

4.3 Conclusion

Based on the above findings and discussion, the following conclusions about the research relationships can be reached:

- There is not a significant, positive relationship between the *key financial objectives* and *proper document usage and design*

The factor analysis identified *document usage* as an independent factor, but did not reflect a statistically significant relationship. The items related to *document design* did not appear to form a coherent factor and therefore no conclusions can be reached about *document design*. Furthermore, none of the independent items proposed as components of *document design* proved to be statistically significant in their own right.

- There is a significant, positive relationship between the *key financial objectives* and *segregation of duties*

The finding of a moderately strong positive influence by *segregation of duties* on *key financial objectives* shows that this relationship can be accepted. *Segregation of duties* is important.

- There is not a significant, positive relationship between the *key financial objectives* and *independent checks*

Since a statistically significant relationship between *independent checks* and the *key financial objectives* was not found, this relationship cannot be seen to exist. *Independent checks* can therefore be seen as less important.

- There is not a significant, positive relationship between the *key financial objectives* and *safeguarding of assets*

A statistically significant relationship was found, but in this case it was in a negative direction. Thus, the more emphasis placed on the safeguarding assets control, the less the achievement of the key financial objectives.

- There is not a significant, positive relationship between the *key financial objectives* and *proper authorisation*

The items related to *proper authorisation* did not appear to form a coherent factor and therefore no conclusions can be reached about this potential factor. It should be noted also that none of the independent items proposed as components of *proper authorisation* proved to be statistically significant in their own right.

The next chapter will provide a summarising discussion of these findings, outline any limitations of the study, and recommend further research to cater for these limitations and to obtain a clearer, in-depth understanding of the research problem.

CHAPTER 5: CONCLUSION

Notwithstanding the importance of South African SMMEs to the national economy, these business entities are reported to have among the worst sustainability rates in the world (see Chapter 2). Despite the fact that the reason for the latter situation is caused mainly by the non-management economic factors, internal control activities can assist these business entities in the task of improving sustainability.

5.1 Conclusions about the research question

From the results of this study, it is apparent that although sampled SMMEs made use of internal control activities to an above-average extent, not all internal control activities deployed had a positive influence on the attainment of their key financial objectives. Only two key internal control activities were found to have a statistically significant influence on the attainment of key financial objectives of sampled SMMEs.

The results showed that SAFEG (safeguarding of assets) had a statistically significant, moderately strong, negative influence on the attainment of key financial objectives of the sampled SMMEs. Although it cannot be confirmed by the data (a possible avenue for further research) it is highly probable that some sampled SMMEs may just mimic other business entities in relation to internal control activities pertaining to SAFEG, without assessing the real need for these activities. For example, although the use of security guards is a 'nice to have', it is not necessarily a 'must have' as, without proper justification, employment of such an activity may cause sampled SMMEs to haemorrhage money. Furthermore, it could be that such controls do not focus on improving profit, but do reduce the risk of losses, and so unless there are actual losses through, for example, theft, the investment in these control activities is not seen as having a positive relationship to the profit objective.

Regarding the second statistically significant internal control activity, the results showed that SEGR (segregation of duties) had a statistically significant, moderately strong, positive influence on the attainment of the key financial objectives of the sampled SMMEs. Regardless of whether sampled SMMEs merely copied this

internal control activity from other businesses, it appears that this internal control activity is effective in assisting these business entities to achieve their key financial objectives. Furthermore, although it may not be known whether SEGR does actually contribute to achieving the key objectives, the respondents certainly believe it is important to have different employees authorising, recording and executing transactions.

A possible reason as to why the other factors and items were not found to be statistically significant can be attributable to the informal nature of these business entities. This is supported by the fact that documents were sometimes used to support transactions (DOCUSE), sometimes proper authorisation activities were performed (proper authorisation), and sometimes independent checks were performed (INDEP). Another possibility is that these business entities were relatively small in nature – rendering limited need for the foregoing internal control activities.

Although not all internal control activities were found to have a statistically significant influence on the attainment of key financial objective of sampled SMMEs, it may be that these business entities made use of other, customised internal control activities that replace DOCUSE and INDEP, and which were not considered in this study.

5.2 Limitations and recommendations for further research

Since this was essentially an exploratory study, it is to be expected that it may throw up more questions than answers. Hence, avenues for further research that are suggested by this study's findings, and its limitations, include the following:

- Since this study had a relatively small sample due to it being essentially exploratory, a further study with a large sample may well produce more statistically meaningful results
- This study did not consider beliefs about, or attitudes toward, internal control activities. Therefore, a study to assess the SMME owner/managers' understanding of the need for internal control activities, rather than merely doing what others do, might indicate why some activities were found to be ineffective in this study, for example, because they may not be committed to, or are incorrectly implemented.

- A study to ascertain the effectiveness of *customised* internal control activities in South African SMMEs on the attainment of their key financial objectives is suggested, since the study did not consider the possibility of different, customised controls used by the respondents.

- A qualitative, exploratory study to identify the additional factors that influence the financial performance, i.e. factors accounting for the unexplained 83% of the variance identified by the regression analysis in this study.

REFERENCES

Agbejule, A. & Jokipii, A. 2009. Strategy, control activities, monitoring and effectiveness. *Managerial Auditing Journal*, 24(6):500-522.

Akiba, M., Chiu, Y., Shimizu, K. & Liang, G. 2012. Teaching salary and national achievement: a cross-national analysis of 30 countries. *International Journal of Educational Research*, 53:171-181.

Ashraf, A.K.M. 2014. Cross-functional conflicts in new product launches in the food industry. Unpublished PhD thesis, University of Oulu, Finland.

Bechtold, J., Kaspereit, T., Kirsch, N., Lyakina, Y., Seib, S., Spiekermann, S. & Stengert, K. 2013. Corporate sustainability in the estimation of financial distress likelihood – Evidence from the world stock markets during the financial crisis. *Research Journal of Finance and Accounting*, 4(5):205-211.

Beck, T.; Bruwer, J-P.; Beck, R.; Chalmers, M.; Maseko, J.; Pele, P. & Walker, T. (2016). *Applied Accounting*. Cape Town: Oxford University Press Southern Africa

Beretta, S. & Bozzolan, S. 2004. A framework for the analysis of firm risk communication. *International Journal of Accounting*, 39(3):265-288.

Bruwer, J-P. 2016. The relationship(s) between the managerial conduct and the internal control activities of South African fast moving consumer goods SMMEs. Unpublished DTech: Internal Auditing thesis, Cape Peninsula University of Technology, South Africa

Bruwer, J-P. 2018. Do internal control activities adversely influence the profitability and solvency of South African SMMEs? *Journal of Economics and Behavioural Studies*, 10(1), 49-58.

Bruwer, J-P., Beck, T., Smith, J., Naidoo, V. & Green, P. 2019. Do accountancy skills of management influence the attainment of key financial objectives in selected South African fast moving consumer goods Small, Medium and Micro Enterprises? *Acta Universitatis Danubius. Œconomica*, 15(2):297-306.

Bruwer, J-P. & Coetzee, P. 2017. Do independent checks positively influence the perceived financial sustainability of South African SMMEs? International Southern African Accounting Association Biennial International Conference Proceedings, Drakensberg, South Africa. 28-30 June.

Bruwer, J-P., Coetzee, P. & Meiring, J. 2017. Perceived relationship between managerial conduct and internal control activities in South African SMMEs. *South African Journal of Economic and Management Studies*, 20(1):1-19

Bruwer, J-P., Masama, B., Mgidi, A., Myezo, M., Nqayi, P., Nzuza, N., Phangwa, M., Sibanyoni, S. & Va, N. 2013. The need for a customised risk management framework for small enterprises. Proceedings of the Southern African Accounting Association, Somerset West, South Africa, 26 –28 June: 999-1030.

Bruwer, J-P. & Van Den Berg, A. 2017. The conduciveness of the South African economic environment and small, medium and micro enterprise sustainability. *Expert Journal of Business and Management*, 5(1), 1-12.

Buys, J.P. 2012. A conceptual framework for determining sustainability of SMMEs in Lesedi. Unpublished MBA dissertation, North West University, Potchefstroom, South Africa.

Cant, M.C. 2017. Do Small, Medium and Micro Enterprises have the capacity and will to employ more people: Solution to unemployment of just a pipe dream? *International Review of Management and Marketing*, 7(3): 366-372.

Cant, M.C. & Wiid, J.A. 2013. Establishing the challenges affecting South African SMEs. *International Business & Economics Research Journal*, 12(6):707-716.

Coetzee, G.P., Du Bruyn, R., Fourie, H. & Plant, K. 2012. *Internal auditing: an introduction*. 3rd ed. Durban: LexisNexis.

Cohen, A. & Sayag, G. 2010. The Effectiveness of Internal Auditing: An Empirical Examination of its Determinants in Israeli Organisations. *Australian Accounting Review*, 20(3), 296-307.

Connell, L.J. 2004. Cross-industry applications of a confidential reporting model. In Bier, V.M., Kunreither, H. & Phimister, J.R. (eds). *Accident precursor analysis and management: reducing technological risks through diligence*. Washington, DC: National Academy of Sciences: 139-146.

COSO. 2013. Internal control – integrated framework: executive summary. [Online]. Available from: https://na.theiia.org/standards-guidance/topics/Documents/Executive_Summary.pdf [Accessed on 17/04/2015].

Denscombe, M., 2010. *The good research guide: for small scale social research projects*. 4th ed. Maidenhead: Open University Press.

Diener, E., Martin, E. & Seligman, P. 2018. Beyond Money: Progress on an Economy of Well-Being. *Perspectives on Psychological Science*, 13(2): 171-175.

Farris, F.A. 2010. The Gini index and measures of inequality. *Mathematical Association of America*, 117(1):851-864, December.

Fatoki, O. & Odeyemi, A. 2010. Which new small and medium enterprises in South Africa have access to bank credit? *International Journal of Business and Management*, 5(10):128-136.

Field, A. 2009. *Discovering statistics using SPSS*. London: Sage.

Fite, J.T., Taylor, D.G., Usher, J.S., English, J.R. & Roberts, J.N. 2002. Forecasting freight demand using economic indices. *International Journal of Physical Distribution & Logistics Management*, 32(4):299-308.

Frumkin, N. 2015. *Guide to economic indicators*. 4th ed. Abingdon: Routledge.

Furdell, K. & Wolman, H. 2006. Toward understanding urban pathology: Creating a typology of 'weak market' cities. Working Paper 021. George Washington Institute of Public Policy, George Washington University, Washington, DC.

Ghosh, S. & Jintanapakanont, J. 2004. Identifying and assessing the critical risk factors in an underground rail project in Thailand: a factor analysis approach. *International Journal of Project Management*, 22(8):633-643, November

Global Entrepreneurship Monitor. 2015. An alarmingly low level of entrepreneurial activity in spite of high unemployment. [Online]. Available from: http://www.gemconsortium.org/country-profile/108 [Accessed on 26/06/2015].

Guardian, T. 2017. Inequality index: where are the world's most unequal countries? [Online]. Available from: https://www.theguardian.com/inequality/datablog/2017/apr/26/inequality-index-where-are-the-worlds-most-unequal-countries [Accessed on 24/05/2019]

Guilhoto, J.J.M., Marjotta-Maistro, M.C. & Hewings, G.J.D. 2002. Economic landscapes: what are they? An application to the Brazilian economy and to sugar cane complex. In Hewings, G.J.D., Somis, M. & Boyce, D.E. (eds). *Trade, networks and hierarchies: modeling regional and interregional economies*. Berlin: Springer: 99-118.

Halonen, P. 2014. Risk-based evaluation of internal controls in case company's sales process – case company X. Unpublished master's thesis in Accounting, Aalto University, Helsinki, Finland.

Husband, S. & Mandal, P. 1999. A conceptual model for quality integrated management in small and medium size enterprises. *International Journal of Quality & Reliability Management*, 16(7):699-713.

Indexmundi. 2018. South Africa. Available from: https://www.indexmundi.com/south_africa/ [Accessed on 16/01/2019]

ISO. 2009. ISO 31000 -Risk management [Online]. Available from: http://www.iso.org/iso/home/standards/iso31000.htm [Accessed on 19/12/2016]

Kingdon, G. & Knight, J. 2000. The incidence of unemployment in South Africa. Paper presented at the 2000 Trade and Industrial Policy Strategies (TIPS) Forum, Muldersdrift, Gauteng, South Africa, 18–20 September.

Kunene, T.R. 2008. A critical analysis of entrepreneurial and business skills in SMEs in the textile and clothing industry in Johannesburg, South Africa. Unpublished PhD (Entrepreneurship) thesis, University of Pretoria, South Africa.

Leani, S., Subrahmaniam, A. & Naomi, P. 2018. Sustainability and Alliance Performance Car Rims Retail in Jakarta, *Social Sciences & Humanities*, 26(1): 258-296.

Manete, T.K.J. 2018. The impact of investment on economic growth and employment in South Africa: A sectoral approach. Unpublished Manuscript (thesis), North West University, Potchefstroom.

Masama, B. 2017. The utilisation of Enterprise Risk Management in fast food Small, Medium and Micro Enterprises operating n the Cape Peninsula. Unpublished Manuscript (thesis), Cape Peninsula University of Technology, Cape Town.

Masama, B. & Bruwer, J-P. 2018. Revisiting the Economic Factors which Influence Fast Food South African Small, Medium and Micro Enterprise Sustainability. *Expert Journal of Business and Management*, 6(1), 19-28.

McNally, J.S. 2013. The 2013 COSO framework and SOX compliance: one approach to an effective transition. *Strategic Finance*, June. [Online]. Available from: http://www.coso.org/documents/COSO%20McNallyTransition%20Article-Final%20COSO%20Version%20Proof_5-31-13.pdf [Accessed on 09/07/2013].

Mi, Z. 2017. Research on Synergetic Development Mechanism of Logistics Service in Innovation and Transformation of Entity Retail Enterprises. 2019 International Conference on Frontiers in Educational Technologies and Management Sciences. Nanjing, China, 7-8 October.

Mohr, P. & Fourie, L.J. 2004. *Ekonomie vir Suid-Afrikaanse studente*. 3de uitg. Pretoria: Van Schaik.

Moloi, N. 2013. The sustainability of construction small-medium enterprises (SMEs) in South Africa. Unpublished MSc (Building) dissertation, University of Witwatersrand, Johannesburg, South Africa.

Mouloungui, S.M.K.E. 2012. Assessing the impact of finance on small business development in Africa: the cases of South Africa and Gabon. Unpublished MTech: Comparative Local Development dissertation, Tshwane University of Technology, Pretoria, South Africa.

Mukata, C.M. & Swanepoel, E. 2017. Development support for small and medium enterprises in the financially constrained north-eastern regions of Namibia. *Southern African Business Review*, 21(1), 198-221.

Nagarajan, G. & Sheriff, J.K. 2013. Emerging challenges and prospects of FMCG product development in India. *International Journal of Marketing, Financial Services & Management Research*, 2(1):41-52.

Naidoo, R. & Urban, B. 2010. The relevance of operational skills towards business sustainability: a focus on SMME manufacturers in the Vaal Triangle region. *Acta Commercii*, 10(1):234-248.

Ndege, M. 2015. Factors that affect the growth and development of Small, Micro and Medium-sized business enterprises in the Vaal Triangle of Gauteng Province in South Africa. *European Journal of Business, Economics and Accountancy*, 3(3), 73-100.

Ngary, C., Smit, Y., Bruwer, J-P. & Ukpere, W.I. 2014. Financial performance measures and business objectives attainment in fast food SMMEs in the Cape metropolis: a preliminary liability and suitability analysis. *Mediterranean Journal of Social Sciences*, 5(20):909-921, September.

Petersen, A. 2018. The effectiveness of internal control activities to combat occupational fraud risk in fast moving consumer goods Small, Medium and Micro Enterprises (SMMEs) in the Cape Metropole. Unpublished Manuscript (thesis), Cape Peninsula University of Technology. Cape Town.

Peyper, L. 2017. SA economy the worst of both worlds – economist. Available from: https://www.fin24.com/Economy/sa-economy-the-worst-of-both-worlds-economist-20170127 [Accessed on 05/01/2019].

Racickas, E. & Vasiliauskaite, A. 2010. Global financial crisis and its impact on Lithuanian economy. *Economics and Management*, 15:1006-1017.

Remenyi, D. & Heafield, A. 1996. Business process re-engineering: some aspects of how to evaluate and manage the risk exposure. *International Journal of Project Management*, 14(6):349-357, December.

Republic of South Africa. 1996. *National Small Business Act No. 102 of 1996*. Pretoria: Government Printer.

Republic of South Africa. 2019. *Revised Schedule 1 of the National Definition of Small Enterprise in South Africa. Government Gazette No. 42304*, 15 March. Government Printer, Pretoria.

Rodgers, C. 2010. Sustainable entrepreneurship in SMEs: a case study analysis. *Corporate Social Responsibility and Environmental Management*, 17(3):125-132, May–June.

Sayed, Z., & Sunjka, B. 2016. Investigating and evaluating the influence of supply chain structure on supply chain risk. *South African Journal of Industrial Engineering*, 27(3): 122-135.

Schmitt-Grohé, S. & Uribe, M. 2001. Stabilization policy and the costs of dollarization. *Journal of Money, Credit and Banking*, 33(2):482-509.

SEDA. 2016. The Small, Medium and Micro Enterprise Sector of South Africa [Online]. Available from: http://www.seda.org.za/publications/publications/the%20small,%20medium%20and%20micro%20enterprise%20sector%20of%20south%20africa%20commissioned%20by%20seda.pdf [Accessed on 16 February 2019]

SEDA. 2018. SMME Quarterly Update – 1st Quarter 2018 [Online]. Available from: http://www.seda.org.za/Publications/Publications/SMME%20Quarterly%202018-Q1.pdf [Accessed on 16 February 2019].

Sin, I. & Ng, K. (2013). The evolving building blocks of enterprise resilience: ensnaring the interplays to take the helm. *Journal of Applied Business and Management Studies*, 4(2), pp. 1-12

Smit, Y. 2012. A structured approach to risk management for South African SMEs. Unpublished DTech: Internal Auditing thesis, Cape Peninsula University of Technology, Cape Town, South Africa.

Soltanizadeh, S., Abdul, R., Siti, Z., Mottaghi, G. & Wan, I. 2010. Business strategy, enterprise risk management and organizational performance. *Management Research Review*, 39(9), pp.1016-1033.

South African Institute of Chartered Accountants. 2015. 2015 SME insights report. [Online]. Available from: http://www.saica.co.za/Portals/0/documents/SAICA_SME.PDF [Accessed on 03/10/2015].

Statistics South Africa. 2019. Quarterly Labour Force Survey [Online]. Available from: http://www.statssa.gov.za/publications/P0211/P02114thQuarter2018.pdf [Accessed on 23 March 2019].

Swart, M. 2011. Small businesses are set to lead economic recovery. *Professional Accountant* (SAIPA), 10-12, October–November.

Taljaard, J. & Van Der Walt, F. 2018. Employment and Inequality Challenges Facing South African Agriculture in a Minimum Wage Dispensation. *African Journal of Public Affairs*, 10(4), 212-229.

Tatiana, B. & Valeryia, S. 2015. Special economic zones as an instrument to enhance international cooperation in the economic conditions imposed sanctions. *International Journal of Innovative Technologies in Economy*, 2(2): 24-26.

Thevendran, V. & Mawdesley, M.J. 2004. Perception of human risk factors in construction projects: an exploratory study. *International Journal of Project Management*, 22(2):131-137, February.

Trading Economics. 2018. South Africa - Economic Indicators. Available from: https://tradingeconomics.com/south-africa/indicators [Accessed on 22/02/2019]

Van Tonder, C.L. 2006. Towards a minimum conceptualisation of ethical organisational change: the platform provided by the "King II" report. *SA Journal of Human Resource Management*, 4(3):12-21.

Van Vuuren, D. 2017. Worse than Greece! SA worst third-slowest growing economy in last four quarters. Available from: https://www.biznews.com/global-citizen/2017/10/25/sa-world-third-slowest-growing-economy [Accessed on 03/02/2019].

Vawda, M., Padia, N. & Maroun, W. 2013. Islamic banking in South Africa: an exploratory study of perceptions and bank selection criteria. Proceedings of the Biennial Southern African Accounting Association Conference, Somerset West, South Africa, 26–29 June: 941-973.

Wilkinson, R. 2017. Western Cape's agricultural growth to drive economy [Online]. Available from: http://www.engineeringnews.co.za/print-version/western-capes-agricultural-growth-to-drive-economy-2017-08-11 [Accessed on 16 February 2019].

Worldometers. 2018. Population of South Africa [Online]. Available from: http://www.worldometers.info/world-population/south-africa-population/ [Accessed on 16 February 2019]

Wu, D.D., Chen, S.H. & Olson, D.L. 2014. Business intelligence in risk management: some recent progress. *Information Sciences*, 256:1-7.

Wu, D.D. & Olson, D.L., 2009, 'Enterprise risk management: Small business scorecard analysis', *Production Planning and Control*: *The Management of Operations,* 20(4), 362–369.

APPENDIX: QUESTIONNAIRE

SECTION A: BUSINESS DEMOGRAPHICS
A1) How would you classify the business as? (tick the most appropriate box below)
Sole trader [ ]   Partnership [ ]   Close corporation [ ]   Other [ ]
A2) What type of business is this? (tick <u>as many</u> appropriate boxes below)
Retail store [ ] Wholesale store [ ] Caterer [ ] Restaurant [ ] Convenience store [ ] Café [ ] Spaza shop [ ] Tuck shop [ ] Other: _____
A3) Is this business a franchised business or a non-franchised business? (tick the most appropriate box below)
Franchised [ ] Non-franchised [ ]
A4) How many employees does the business employ? (tick the most appropriate box below)
0 - 5 employees [ ] 6 – 10 employees [ ] 11 – 50 employees [ ] 51 – 100 employees [ ] 101+ employees [ ]
A5) How long has the business been in existence? (please write in a number)
_____ years

SECTION B: MANAGEMENT DEMOGRAPHICS
B1) What is your exact position in the business? (tick the most appropriate box below)
Owner [ ] Manager [ ] Owner and manager [ ]
B2) How long have you been in this position? (please write in a number)
_____ years
B3) Are you a South African citizen? (tick the most appropriate box below)
Yes [ ] No [ ]
B4) Do you have decision-making power in the business? (tick the most appropriate box below)
Yes [ ] No [ ]

SECTION C: ECONOMIC SUSTAINABILITY OF THE BUSINESS
C1) For each statement below, indicate your level of agreement. The base sentence reads: **"The business ..."** (tick the most appropriate box(es) below).

Statement:	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Has more income than expenses					
Has more assets than liabilities					
Has sufficient cash on hand					
Will remain in operation for the foreseeable future					

	SECTION D: INTERNAL CONTROL ACTIVITIES					

D1) For each statement below, indicate your level of agreement. The base sentence reads **"In the business …"** (tick the most appropriate box(es) below)

Statement	N/A	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Source documents are used when goods are bought						
Source documents are used when goods are received						
Source documents are used when goods are sold						
Source documents are used when payments are made						
Source documents are used when money is received						
All relevant source documents used are pre-numbered						
All relevant source documents used have spaces for the date of transaction						
All relevant source documents used have spaces for signatures						
All relevant source documents used are simple to complete						
Only management may authorise transactions						
Employees may authorise transactions based on formal policies and/or procedures						
Employees may authorise transactions with management approval only						
Access controls are evident at entrances to the premises						
Access controls are evident at all doors						
Access controls are evident at tills and/or safes						
Access controls are evident at storage points						
Alarm systems are used						
CCTV (surveillance) cameras are used						
Security guards are used						
Inventory is located and/or stored in a safe location						
Staff is protected on premises (bars, security guards, etc.)						
Staff are supervised						
Staff are monitored (e.g. behaviour changes)						
Staff performance review are conducted periodically						
Quality checks are performed on goods received						
Quality checks are performed on goods before they are sold						
Surprise cash checks are performed (at tills)						
Surprise cash checks are performed (petty cash)						
Inventory is periodically counted						

Cash is banked daily						
The bank account is regularly reconciled by an independent person		35				
The debtors control account is regularly reconciled by an independent person						
The creditors control account is regularly reconciled by an independent person						
The person authorising transactions does not record or execute them (e.g. the authorising of a delivery)						
The person recording the transactions does not authorise or execute them (e.g. the recording delivery of goods)						
The person executing transactions does not authorise or record it (e.g. the actual delivery of goods)						

Thank you very much for donating your valuable time in answering this questionnaire.