RESEARCH ARTICLE:

Nexus of Loan Re-payment Plans, Interest on Loans and the Sustainability of Small and Medium Enterprises in South Africa

Thabiso Sthembiso Msomi[1] and Odunayo Magret Olarewaju[2]

Abstract

This paper examined the influences of interest on loans and loan re-payment plans on the sustainability of small and medium enterprises (SMEs) in South Africa. A quantitative research design that adheres to the positivist paradigm was utilized for this study's methodology. The study targeted 103 SMEs operating in KwaZulu-Natal, South Africa using purposive sampling. A total of 103 surveys were administered, representing a participation rate of 100 percent. The analysis demonstrated a positive relationship between interest on loans and the SMEs' sustainability and positive relationship between Loan re-payment plans and SMEs' sustainability. The study recommended that financial institutions should examine loan re-payment plans for SMEs as necessary in order to minimize loan defaults by SMEs, and financial institutions should cut loan interest rates and the costs associated with loan approvals, which may be accomplished via automation and the utilization of online applications. Furthermore, the study suggested that financial institutions should design a flexible loan re-payment plan for SMEs that considers the nation's economic realities.

Keywords: *interest rates; loan payments; sustainability; small business*

Introduction

Small- and medium-sized enterprises (SMEs) are the backbone of the South African economy. They are an integral component of society, spurring ingenuity, delivering distinctive goods and services, as well as connecting individuals in manners that larger corporations cannot (Zide and Jokonya, 2022). SME owners have shown themselves to be extremely resilient, adaptive, and imaginative over the past years (Msomi and Olarewaju, 2021a). Despite several attempts, small businesses have been particularly hard hit by the COVID-19 pandemic's savagery, with over two million jobs lost across all industries in South Africa (Msomi, Olarewaju and Ngcobo, 2021). According to Khan (2020), five out of seven South African small enterprises fail during the first year of existence. Research shows that several small firms fail within the first year of operation. Enterprises that withstand this failure rate also face dangers to their financial stability. That is, SMEs hardly move past the survival stage of their existence, pointing to the challenging situation of sustaining their operations (Mashingaidze, Phiri and Bomani, 2021).

For small businesses to compete or have a competitive advantage, they have to be sustained beyond the survival stage (Bushe, 2019). Over the years, the sustenance of SMEs has proven to be a major challenge within the South African economy. This has had effects on the country's economy and its global outlook. Many factors have been attributed to the inability of SMEs to be sustainable. Scholars such as Mutezo (2013), Peprah (2016) and Khan (2020) pointed out that the major reasons for SME failure are unstable interest rates on loans and stringent loan re-payment programs from banks. Many SMEs and innovators rely significantly on pure debt to meet their start-up, working capital and investment requirements, and bank loans are the most

[1]Durban University of Technology, thabisom4@dut.ac.za
[2]Coventry University, ad8714@coventry.ac.uk

prevalent source of external capital for them (Sawaya and Bhero, 2017). However, traditional bank financing poses challenges for SMEs and could be ineffective at certain stages of the company's entire life cycle, notwithstanding that it is commonly used by small businesses (Sawaya and Bhero, 2017). Although SMEs have been yearning for loans to supplement their capital, when these resources are granted access to, the high costs levied limits the entire efficiency and effectiveness by functioning as a large expense that stymies business expansion. Nevertheless, the sluggish effect of finance on SMEs has been attributed to a few factors, including a lengthy loan application procedure, bureaucracy and inefficient distribution channels (Onyonyi, 2018). Although the major goal of loans was to increase SME sustainability, minimal progress has been made (Kirikiru and Kalui, 2021).

Interest rates are the costs a borrower will incur when taking a loan from a bank; they are the costs associated with on-loan assets (Saidah, 2020). Since 2020, financial institutions were restricted by the South African government which imposed a maximum interest rate on lending facilities of not more than 10% of the Treasury bill, since the South African government was worried about interest rates paid to borrowers[3]. Due to interest rate changes, SMEs were deterred from taking on the task of expanding and increasing productivity, resulting in the shutdown of operations due to their large financial commitments. This endorsed saving cultural norms within South African SMEs and lower interest rates to stimulate growth amongst all industries, which would include SMEs. Loan re-payment plans, on the other hand, are the conditions agreed upon between the borrower as well as the lender regarding how to efficiently maintain the loan and when instalments are payable (Sawaya and Bhero, 2017). Re-payment refers to the total loans that are paid on time as agreed upon in the contract, and evaluation is dependent on the loan arrears (Imbuga, 2014). A concerning tendency may be seen in the loan recovery efficiency rate amongst small firms. According to studies conducted by the South African Micro-Finance Apex Fund (SAMAF) and the National Empowerment Fund (NEF), default rates rising to 35% have been documented (Timm, 2011). Hence is it relevant to investigate the loan re-payment plans, interest on loans and sustainability of small and medium enterprises in South Africa.

Notwithstanding the importance of SMEs' loan re-payment plans and the interest levied on such loans, quite a few studies have been conducted in South Africa to study how these businesses handle their loan re-payment plans. The high incidence of failure of small businesses in South Africa has necessitated research on the influence of interest on loans and loan re-payment plans on SMEs' sustainability. As a result, the purpose of this paper is to fill the information vacuum for smaller businesses and to provide fresh information on how to handle interest on loans and loan re-payment plans for SMEs. This article aimed at investigates the link across loan re-payment plans, interest rates and the sustainability of small- and medium-sized enterprises in South Africa. As a result, the given null hypotheses will be evaluated in this research

H_{01}: Loan re-payment plans does not affect sustainability of small and medium enterprises in South Africa.

H_{02}: Interest on loans does not affect sustainability of small and medium enterprises in South Africa.

Interest on Loans and SME Sustainability

An interest rate serves as a proxy for both the cost of taking out a loan and the return one receives from putting one's money in a bank (Brei, Borio and Gambacorta, 2020). It is calculated as a percentage of the overall sum of money that was either saved or borrowed. Murage (2021) examined how interest rates affected the financial performance of SMEs in Kenya's slum areas. Data was obtained from 120 SMEs in Mathare Sub-six County's districts. Semi-structured surveys

[3]http://www.treasury.gov.za/documents/national%20budget/2022/review/Chapter%207.pdf.

were used to obtain data. Descriptive and analytical statistics were used to analyse the data. Results indicated that Low-interest rates impact SMEs' willingness to apply for these loans. Owing to reasonable interest rates, the respondents' firms were able to pay off their mobile loans without difficulty, which improved their performance. This helped to alleviate poverty in urban informal settlements by improving access to financial services, which is one of the World Bank's priorities. There are also additional ramifications since it may help residents of disadvantaged urban areas to diversify their income. According to Kambura and Mwenda (2021), interest rates are crucial since they regulate the flow of money in circulation. Rising interest rates reduce inflation but also cause a recession. Additionally, reduced interest rates promote economic growth, yet they may contribute to inflation. Whenever interest rates go up, consumers are less likely to obtain bank loans since it is more stressful to repay them, and the number of purchases of real assets falls (Sawaya and Bhero, 2017).

The effects of a lower interest rate on the economy are mostly positive for customers. Micro-finance groups frequently fund small loans. These financial organizations normally provide an interest rate on loans that allows small businesses to access loans easily and within a reasonable period, giving them enough opportunity to repay the debt (Yang, Gu and Yang, 2021). For a vast segment of South African society, accessibility to loans and lending institutions has been a big issue (Aryeetey, 2015). The issue is particularly acute amongst the poor, particularly in rural regions, where the proportion of individuals have little or no access to mainstream financial products owing to a shortage of collateral. The majority of South Africans are unbanked / under-banked due to a dearth of physical accessibility to banking facilities, as well as the financial sector's undesirability to this vast segment of society (Chitimira, 2020).

Nyumba *et al.* (2015) conducted research in Lurambi Sub-County, Kenya, to determine the impact of loan interest rates on the performance of small- and medium-sized businesses. All micro-enterprises in Lurambi Sub-County were included in the survey, and a representative sample of 365 SME owners or managers were chosen as responders. The data collected for this research was obtained using surveys. The study found that Excessive loan rates have a statistically significant detrimental influence on the performance of SMEs in Lurambi Sub-County, Kenya. The results do not definitively show whether bank interest policies have a detrimental or positive impact on performance, but they do suggest that interest rates be cut in order to assist SMEs in achieving strong financial performance.

Sawaya and Bhero (2017) conducted research in Mozambique on the effect of interest rates on SMEs' development. Despite excessive interest rates making loans to SMEs extremely costly, the study observed that high interest rates are not the primary hindrance to SME development. A total of 485 SMEs were sampled from a population of SMEs in Maputo city, which represented Mozambique overall. The research discovered that the majority of SMEs that received financial assistance did not view exorbitant interest rates to be a significant tripping barrier. Rather, the emphasis on collateral as well as the nation's whole support structure system were at fault for SMEs' delayed growth and sustainability. Substantial assistance from all areas of the economy should be directed to SMEs in a well-organized as well as proactive way, according to the study.

Malede (2014) found a positive but negligible link between lending interest rates and bank lending. The research looked at how loan interest rates influenced the effectiveness and efficiency of SMEs. Adeyele (2018) explored the parameters for appraising SME borrowers in Ghana. The goal of the research was to glean an understanding of the judgment process utilized by lenders when approving loans for small businesses. Selected bank branch managers from banking institutions, village banks, and savings and loan businesses were given questionnaires. The findings revealed that when loan managers are making a decision on whether to accept a SME loan application, the intentional intention of the loan, repayment of previous loans, repayment terms, type of business interaction, loan size comparative to size of the business, and secured debt accessibility are the top criteria on their list. Mnang'at *et al.* (2016) investigated the impact of a risk-free interest rate on micro firms in West Pokot County's Makutano Township. The study used a survey research philosophy to choose micro businesses in West Pokot County, with a sample population of 118 respondents. The research surveyed 5 micro firms in West Pokot County, each with 10 small and medium enterprise managers and 108 workers. The data was evaluated using both qualitative and quantitative approaches, and the research included surveys and a structured interview to acquire pertinent information. According to the findings, there was a substantial link between risk free rates as well as business success.

Odhiambo (2019) sought to assess if interest rates have an impact on SMEs' demand for credit in Kenya, as well as whether interest rates have an impact on SMEs' loan repayments. The research focused on Kenya's 43 banks and the many industries that fall under the SME umbrella. According to the findings, high interest rates do not always affect loan demand. High lending rates, it was discovered, were not a big worry for SMEs. Even with an annual interest rate of 21.75 percent in 2011, SMEs had a strong demand for loans, according to this report, and had a larger demand for credit with an annual interest rate of 18.1 percent. Those that are prepared to pay excessive interest rates are generally considered to be higher-risk borrowers, as they are ready to borrow at high interest rates although they believe that their chances of paying off the loan are slim. As a result, the research concluded that interest rate fluctuations had a serious influence on SMEs' repayment capabilities.

Loan Re-Payment Plans and SMEs' Sustainability

In the formal financial system, lending institutions utilize their customers' deposits, while lending institutions in the informal economy mostly provide their own cash to advance money to borrowers (Sawaya and Bhero, 2017). In any situation, the transactions should result in a return of financial capital. When this does not occur, borrowers will profit at the cost of lenders, which would lead to financial loss and a reduction in financial intermediaries. Increases in interest rates, according to Chen, Cheng, Gong and Li (2020), lead to unfavourable loan shortlisting, which has an impact on loan payback due to security checks, incentives and compliance issues. Lenders' reluctance to evaluate the level of risk contained in initiatives applied in terms of lines of credit is the source of the screening issue. According to empirical research, Asia has a greater loan payback rate than Africa. Four successful rural finance organizations in Asia have documented loan payback rates ranging from 80 to 98 percent.

Makundi (2015) performed research on the implications of loan payments on CRDB Bank Plc's SMEs' operational efficiency in Tanzania. This study employed a cross-sectional research approach. The findings suggested that individual or lenders' socio-economic and demographic characteristics, credit length and high interest rates impact SMEs' repayment ability, resulting in SMEs failing to pay back the loans and eventually going bankrupt. The findings also revealed that banks develop tight loan extension processes to reduce loan defaults and enhance the likelihood that loans are utilized as specified in the forms. Ojay (2020) conducted research to ascertain the impact of customizable loan repayments on the corporate productivity of SMEs in Nairobi County, Kenya. A descriptive research approach was used for this study. Secondary data, both quantitative and qualitative, were employed in this investigation. The secondary sources of information were acquired over a 5-year period from the KPMG Top 100 SMEs survey in Kenya (2009-2013). Descriptive analysis was used to study quantitative data, and content analysis was used to analyse qualitative data. According to the study's results, flexible payment plans have a favourable impact on SMEs' profitability since they allow them to repay their loans in a flexible manner that does not result in asset seizure. The research shows that flexible payment plans have a substantial beneficial link with the overall efficiency of SMEs in Nairobi County, Kenya.

Theoretical Framework

The Loanable Funds Theory was used in the investigation (LFT). Knut Wicksell (1898), a Swedish economist, came up with this neo-classical idea. He stated that market dynamics such as demand, and availability of loanable money affect the interest rate. Loanable funds are monies that can be borrowed, such as savings or bank loans. Dis-saving, stockpiling, and investing, as per the theory, generate demand for loanable money. The demand for loanable money rises when interest rates are low but falls when interest rates are excessive. Cash reserves, dis-hoarding, lack of investment and provision of credit all contribute to the availability of loanable money. When interest rates are excessive, the quantity of loanable money expands, and when rates are very low, the supply of loanable funds shrinks. The supply and demand funds, according to Ikeora and Andabai (2017), affect interest rates. The idea is crucial to the research since it implies that the loanable funds market has two players: lenders and consumers. Banking institutions that provide bank loans to borrowers, who are the proprietors of Small- and Medium-Sized businesses, are referred to as lenders. As a result, these two actors have an impact on current interest rates.

It is vital to emphasize that the theory only considers a few of the elements that could influence the demand for and availability of loanable money, but it does not equate saving with investment. Many SMEs acquire loans for a variety of reasons; therefore, it is hard to ascertain whether the owners want bank loans solely for investment. Figure 1 illustrates the relationship between independent factors such as interest on loans and loan repayment options and the sustainability of small- and medium-sized enterprises (dependent variable).

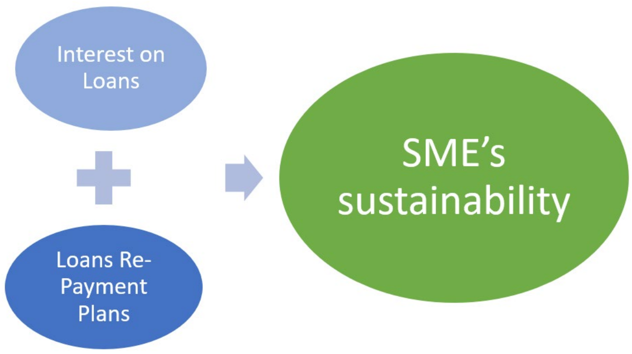

Figure 1: Conceptual framework indicating the relationship interest on loans and loan repayment options and the sustainability of small- and medium-sized enterprises (Authors' design 2022)

Methodology

A quantitative research methodology was paired with the positivist paradigm. Approximately 700 SMEs, according to the Durban Chamber of Commerce, have licences (Msomi, Olarewaju and Ngcobo, 2021). The sample size in this study was explained using the Cochran formula. According to Hoaglin (2016), the Conhran formula suggests that a target group is either unknown or overly large. The target audience was 700 SMEs in Durban, KwaZulu-Natal (Msomi and Olarewaju, 2021b). A total of 132 SMEs were sampled for this study. Consequently, a non-probability (purposive) sampling approach was found to be the most effective sampling strategy to apply when a population's characteristics are unknown. Firstly, an email was sent to every prospective participant listed on the Durban Chamber of Commerce and Industry's (DCCI) database, asking them to sign up. To acquire information on the investigation of loan re-payment plans, interest on loans, and the sustainability of small- and medium-sized enterprises in South Africa, SMEs functioning within the Central Business area of Durban, KwaZulu-Natal, South Africa, were surveyed. A total of 103 surveys were sent out and received in the retail, manufacturing, agricultural and construction sectors. For this study, the overall response rate was divided into categories and examined.

To guarantee the reliability and validity of the data that was collected, the questionnaires were sent to academicians and researchers. In addition, the Cronbach's Alpha test was carried out to evaluate the survey's level of consistency. For all the variables, the computed average of the Cronbach's alpha coefficient for the questions that were asked in the questionnaires was 0.707. Consequently, all the responses provided in the questionnaires were judged to be reliable and consistent. This is due to the average Cronbach's alpha coefficient being equal to or greater than 0.70, which is a good estimation of the internal reliability and consistency (Lesschaeve and Bruwer, 2010).

The Statistical Package for the Social Sciences (SPSS) version 25.0 was utilized to analyse on the data that was gathered. To establish the degree of dispute and concurrence of the respondent's perspectives on the loan re-payment plans, interest on loans and sustainability of small and medium enterprises, a descriptive analysis was carried out and provided in the form of numbers and percentages.

Results and Discussion

Demographic information analysis

This section analyses demographics, such as sexual identity, age bracket, marital status, education level, nature of SME, staff strength, job experience, years in business, and source of funding, as the demographic information from people surveyed. The frequencies and percentages are used to provide the descriptive statistical analysis of the demographic data.

Table 1: Demographic information of SMEs and percentage distribution

Item	Description	Frequency	Percent
Operational sector	Retail sector	58	56%
	Construction	12	12%
	Agriculture	10	10%
	Manufacturing	23	22%
Business age	1-2 years	71	69%
	2-3 years	15	15%
	3-4 years	10	10%
	More than 5 years	07	07%
Number of years of experience in running this business	1-5 years	70	68%
	06-10 years	27	26%
	11-20 years	05	05%
	More than 21 years	01	01%
Source of funding	Bank loan	18	17%
	Personal funding's	51	50%
	Government grants	09	09%
	Family/friends	25	24%

According to the table above, survey participants were questioned about the nature of their SMEs. The data analysis showed that 58 (58 percent) were in the Retail sector, 12 (12 percent) were in the Construction sector, 10 (10 percent) were in the Agricultural sector, and 23 (22 percent) were in the Manufacturing sector. The remaining 1 (0.3 percent) was in 'other sectors. Participants in the study were requested to specify the age of their respective businesses. According to the findings of the analysis, 71 (69 percent) of the respondents had 1-3 years; 15 (15 percent) had 2-3 years; 10 (10 percent) had 3-4 years and 17 (7 percent) had more than 5 years.

The individuals who participated in the survey were questioned about the length of time they had spent managing this enterprise. According to the findings of the analysis, 70 (69 percent) of the respondents had 1-5 years of experience; 27 (26 percent) had 6-10 years; 5 (5 percent of respondents) had 11-20 years; and 1 (1percent of respondents) had more than 21 years of experience. Participants in the poll were prompted to identify their respective sources of financial support. The data analysis showed that 18 (17 percent) had funding from bank loans; 51 (50 percent) used personal funds; 9 (9 percent) used funds from government grants; and 25 (24 percent) accessed funds from family and friends.

Interest on loans and the SMEs' sustainability

Research Question One was formulated to establish the relationship between Interest on loans and the SMEs' sustainability. The outcome of the Pearson's correlation coefficient is presented in Table 2 below:

Table 2: Correlation between Interest on loans and SMEs' sustainability

Construct A	Construct B	Pearson's correlation I	p-value
Interest on loans	SMEs' sustainability	0.559**	<.0005

The results of the Pearson's correlation coefficient illustrated in Table 2 establish a statistically substantial positive relationship between Interest on loans and the SMEs' sustainability ($r = 0.559$, $P < 0.0005$). The positive correlation indicates a relationship between construct A and construct B. These results concur with those of Kirikiru (2021), whereby the study revealed a direct relationship between interest rates and the sustainability of SMEs. The under-performance of SMEs would be exacerbated by a rise in lending interest rates. This is because exorbitant lending rates deter SMEs from seeking loans from financial entities because the repayment of that kind of loans might effectively eliminate all the profits generated by their businesses. As a result, the company is unable to expand. Therefore, majority of SMEs fail within three years of operation.

Similarly, Makundi (2015) observed that the interest rates on loans to small and medium enterprises are extraordinarily expensive, and the payback terms are far too low. It is extremely challenging for SMEs to engage in progression or advancement initiatives because of this. Moreover, most SMEs are unaware of the contractual terms, as well as the percentages imposed on loans. Furthermore, Adeyele (2018) concluded that the lending rate is amongst the most important predictors of financial institutions' lending behaviour in Nigeria, and that lending rate was required to lower the borrowing costs to stimulate greater financing for growth in the economy. On the other hand, Nyumba *et al.*'s (2015) results contradict by concluding that there exists a statistically significant negative effect of interest rate on the performance of SMEs in Lurambi Sub-County, Kenya.

A regression analysis was further conducted to establish the level of influence between the two constructs. The result of the linear regression is showcased in Table 3:

Table 3: Linear regression

Variables in the equation	B	Beta	t	p-value	R^2	F	df	p-value
Constant	16.599		7.067	<.0005	.312	68.979	1; 152	<.0005
Interest on loans	.566	.559	8.305	<.0005				

a. DV – SMEs' sustainability
b. Predictor – Interest on loans

The results of the regression analysis summarized in Table 3 indicate the R^2 value of 0.312, which suggests that Interest on loans accounts for 31.2% of the variance in SMEs' sustainability. The R^2 value indicates how much of the total variation of the dependent variable (SMEs' sustainability) can be explained by the independent variable (Interest on loans). In this case, there is a significant linear relationship between Interest on loans and SMEs' sustainability, with $F(1;152) = 68.979$; $P < 0.0005$. $P < 0.0005$ is less than 0.05 and indicates that the independent variable (Interest on loans) significantly predicts the dependent variable (SMEs' sustainability), with $B = 0, 559$; $P < 0.0005$. The researchers discovered that, in addition to the imposed interest, there are various loan transaction fees that drive up the cost of borrowing. According to the survey, banking institutions impose exorbitant interest on loans. Moreover, the cost of obtaining credit is quite high. In addition, as per the research, most finance managers were unsatisfied with the cost of borrowing and the level of interest charged by banking institutions. Most SMEs, on the other hand, have little choice but to take expensive loans from banking institutions. Furthermore, owing to exorbitant interest rates, several SMEs consider it difficult to pay the loans they have taken out. The survey also indicated that SMEs are classified as high-risk borrowers, which is why banking institutions demand such hefty fees.

Loan re-paying plans and SMEs' sustainability

The Pearson correlation coefficient was employed to determine the effects of Loan re-paying plans on the SMEs' sustainability. Table 4 showcases the outcome of the Pearson's correlation coefficient conducted to determine the relationship between the two variables.

Table 4: Correlation between Loan re-paying plans and SMEs' sustainability

Construct A	Construct B	Pearson's correlation I	p -value
Loan re-paying plans	SMEs' sustainability	0.324**	<.0005

The results of the Pearson's correlation coefficient illustrated in Table 4 establish a statistically significant relationship between Loan re-paying plans and SMEs' sustainability ($r = 0.324$, $P < 0.0005$. This positive correlation indicates a direct relationship between the two constructs. This result is in line with those of Halake (2021), who observed that the positive correlation indicates a direct relationship between Loan re-paying plans and SMEs' viability. Akinyi's (2014) study concludes that there exists a significant positive relationship between flexible paying plans and the financial performance of SMEs based in Nairobi County, Kenya. In addition, Bach, Le and Bui (2021) were also in agreement by confirming that giving SMEs more flexible loan re-payment options affords them the opportunity to repay loans without collapsing the business. However, in Canada, Porter's (2019) findings contradicts the findings of most research, as Porter's findings suggest that Loan re-paying plans and SMEs' sustainability have a negative relationship.

A regression analysis was further conducted to establish the level of influence between the two constructs. The result of the linear regression is showcased in Table 5:

Table 5: Linear regression

Variables in the equation	B	Beta	t	p-value	R^2	F	df	p-value
Constant	43.563		14.839	<.0005	.105	17.806	1; 152	<.0005
Loan re-paying plans	.026	.324	4.220	<.0005				

a. DV – SMEs' sustainability
b. Predictor – Loan re-paying plans

The results of the regression analysis summarized in the table above indicate the R^2 value of .105 which suggests that Loan re-paying plans accounts for 10.5% of the variance in SMEs' sustainability. The R^2 value indicates how much of the total variation the dependent variable (SMEs' sustainability) can be explained by the independent variable (Loan re-paying plans). In this case, there is a significant linear relationship between Loan re-paying plans and SMEs' sustainability, with $F (1.152) = 17.806$; $P < 0.0005$. Moreover, $P < 0.0005$ is less than the independent variable (operational efficiency), with $B = 0.324$, $P < 0.0005$. The research reported that the loan evaluation procedure requires a long time in banking institutions. The survey also found that banking institutions provide adequate loan payback times. Furthermore, the survey found that most SMEs consistently return their loans on time, with some of them finding it simple to repay their loans owing to advantageous repayment conditions. Furthermore, the research discovered that loan repayment schedules are relatively long, thus loans are not examined on a frequent basis. Furthermore, the research discovered that the process of assessing loan repayment schedules is quite difficult. In addition, several financial managers were unaware that loan repayment arrangements had been reviewed.

Conclusion and Recommendations

The analysis demonstrated that loan interest has a positive relationship with Interest on loans and SMEs' sustainability ($r = 0.559$, $P < 0.0005$) and a statistically significant relationship with Loan re-paying plans and SMEs' sustainability ($r = 0.324$, $P < 0.0005$). There is a positive relationship between loan re-payment plans, interest on loans, and the sustainability of small- and medium-sized enterprises in South Africa.

Based on the findings, the following recommendations were made to stakeholders:

Banks

- Financial institutions should always examine loan repayment schedules for SMEs as necessary to minimize loan defaults by SMEs.
- financial institutions should design a flexible loan repayment plan for SMEs that considers the nation's economic realities.
- loan repayment plans have a considerable beneficial effect on the sustainability of SMEs in South Africa.
- Banks must reduce loan interest rates as well as processing fees, which may be done through process automation, such as the use of online applications.
- Banks can form an innovative fund to accommodate small enterprises, where write-offs are not viewed as an economic loss but rather as an element of corporate social investment.
- Interest rates in banks should be changed to be more "consumer-friendly." This would encourage SMEs to borrow money to make investments and increase their effectiveness and productivity. Moreover, this will pave the way for job growth, relieving the country's severe unemployment problem.

Government

- Through official and informal entrepreneurship education, the government should encourage SMEs to seek and obtain loans from commercial banks, allowing them to improve their management competencies, accounting skills and general creditworthiness.
- The government must evaluate how the National Credit Act impacts loan distributions to small businesses.
- The government should grant tax benefits to small businesses that pay their loans on time in order to create a culture of loan payback.
- Bank-government cooperation in programs can be utilized to address black enterprises' viability and the problem of collateral or assurances in credit applications and advancements.
- The government must re-establish and impose the requirement that banks allocate a minimum amount of credit to SMEs.

The study suggests additional research into other variables impacting the sustainability of SMEs in South Africa. As a result, further research should be undertaken on the variables impacting the financial performance of SMEs in order to assess performance in terms of return on assets, return on investment, return on equity, and profit margin, amongst other things.

References

Adeyele, J. S. 2018. Financial institutions' criteria and mechanisms in financing small and medium enterprises in Plateau state, Nigeria. *Ekonomski horizonti*, 20(2): 109-125.

Akinyi, S. I. 2014. The effect of bank financing on the financial performance of small and medium-sized enterprises in Nairobi County. Doctoral dissertation, The University of Nairobi.

Aryeetey, E. 2015. The informal economy, economic growth, and poverty in Sub-Saharan Africa. In: McKay, A. D. and Thorbecke, E. eds. *Economic Growth and Poverty Reduction in Sub-Saharan Africa: Current and Emerging Issues*. Oxford: Oxford University Press, 159-194.

Bach, T., Le, T. and Bui, Y. 2021. Informal short-term borrowings and small and medium enterprises' performance in a credit crunch: evidence from Vietnam. *The Journal of Development Studies*, 57(8): 1321-1335.

Brei, M., Borio, C. and Gambacorta, L. 2020. Bank intermediation activity in a low-interest-rate environment. *Economic Notes*, 49(2): e12164.

Bushe, B. 2019. The causes and impact of business failure among small to micro and medium enterprises in South Africa. *Africa's Public Service Delivery and Performance Review*, 7(1): 1-26.

Chen, J., Cheng, Z., Gong, K. and Li, J. 2020. Riding out the Covid-19 storm: How government policies affect SMEs in China. Available: https://ssrn.com/abstract=3660232 (Accessed 24 January 2022).

Chitimira, H. 2020. Overview analysis of policy and related measures for the promotion of financial inclusion for the poor and low-income earners in South Africa. *Euro Economica*, 39(3): 150-161.

Halake, A. H. 2021. Relationship between Islamic financing instruments and financial performance of commercial banks in Isiolo County Kenya. Doctoral Dissertation, Kenya Methodist University.

Hoaglin, D. C. 2016. Misunderstandings about Q and 'Cochran's Q test' in meta-analysis. *Statistics in medicine*, 35(4): 485-495.

Ikeora, J. J. and Andabai, P. W. 2017. Bank credit and agricultural sector growth in Nigeria, 1990-2014: A vector error correction mechanism (VECM) investigation. *African Journal of Education, Science and Technology*, 3(3): 130-138.

Imbuga, B. M. 2014. An assessment of the effect of inflation on loan repayment among commercial banks in Kenya. Doctoral dissertation, University of Nairobi.

Kambura, S. and Mwenda, B. 2021. Influence of collateral requirements on performance of micro and small enterprises business in Isiolo North Sub-County. *Journal of Finance and Accounting*, 1(1): 9-17.

Khan, B. 2020. Microfinance banks and its impacts on small and medium scale enterprises in Nigeria. *World Scientific News*, 141: 115-131.

Kirikiru, J. M. 2021. Selected financial factors influencing financial performance of small and medium enterprises in Kenya. Doctoral dissertation, Egerton University.

Kirikiru, J. M. and Kalui, F. M. 2021. Effect of access to credit on financial performance of small and medium enterprises in Kenya. *International Journal of Business Management and Finance*, 3(1): 73-113.

Lesschaeve, I. and Bruwer, J., 2010. The importance of consumer involvement and implications for new product development. In: Jaeger, S. R. and MacFie, H. eds. *Consumer-Driven Innovation in Food and Personal Care Products*. Cambridge: Woodhead Publishing, 386-423.

Makundi, L. 2015. *Effects of loan repayment on SMEs business performance in Tanzania: A case of CRDB bank plc; Morogoro branch.* Doctoral dissertation, Mzumbe University.

Malede, M. 2014. Determinants of commercial banks' lending: Evidence from Ethiopian commercial banks. *European Journal of Business and Management*, 6(20): 109-117.

Mashingaidze, M., Phiri, M. and Bomani, M. 2021. The influence of strategy formulation practices on the perceived financial performance of small and medium enterprises: The Zimbabwean experience. *The Southern African Journal of Entrepreneurship and Small Business Management*, 13(1): 1- 11.

Mnang'at, S. A., Namusonge, G. S. and Oteki, E. B. 2016. The effects of interest rate on financial performance of micro enterprises: A case study of Makutano Township in West Pokot County. Available: http://hdl.handle.net/123456789/4653. (Accessed 24 January 2022).

Msomi, T. and Olarewaju, O. 2021a. Evaluation of access to finance, market, and viability of small and medium-sized enterprises in South Africa. *Problems and Perspectives in Management*, 19(1): 281-289.

Msomi, T. S., Olarewaju, O. M. and Ngcobo, X. 2021. Sustaining South African small and medium-sized enterprises through monetary access and Literacy in the COVID-19 ERA. *Folia Oeconomica Stetinensia*, 21(2): 7–75.

Msomi, T. S. and Olarewaju, O. M. 2021b. Effect of budgeting and financial awareness on sustainability of small and medium enterprises in South Africa during the COVID-19 era. *The Journal of Accounting and Management,* 3(11): 61-75.

Murage, M. 2021. Financial inclusion and poverty alleviation in Kenya: Effects of mobile loan interest rates on the financial performance of SMEs in urban informal settlements. *Science Mundi*, 1(1): 96-104.

Mutezo, A. 2013. Credit rationing and risk management for SMEs: The way forward for South Africa. *Corporate Ownership and Control*, 10(2): 153-163.

Nyumba, E. O., Muganda, M., Musiega, D. and Masinde, S. W. 2015. Loan interest rate and performance of small and medium enterprises in Kenya. *International Journal of Management Research and Reviews*, 5(10): 695-712.

Odhiambo, F. 2019. Effect of interest rate capping on performance of commercial banks in Kenya. Doctoral dissertation, United States International University-Africa.

Ojay, S. A. 2020. The influence of interest rate capping and measures adopted by the commercial banks in Nairobi County in order to curb its impact on their performance. Doctoral dissertation, United States International University-Africa.

Onyonyi, A. O. 2018. Effect of competitive strategies on growth of small and medium enterprises in Kenya funded by Women Enterprise Fund. Doctoral dissertation, JKUAT-COHRED.

Peprah, C. 2016. Challenges SMEs face in acquiring loans from banks: A comparative study between Finland and Ghana. Degree thesis, Centria University of Applied Sciences.

Porter, A. J. 2019. Lending a hand: An exploration of Toronto's values-based Lenders, and the role of relationships in SME lending. Doctoral dissertation, Massachusetts Institute of Technology.

Saidah, M. A. 2020. Keberkesanan pembayaran semula pembiayaan dana usahawan Perbadanan Kemajuan Negeri Kedah (PKNK). Doctoral dissertation, Universiti Utara Malaysia.

Sawaya, A. and Bhero, S. 2017. Are interest rates a deterrent to SMEs growth in Mozambique. *European Journal of Business and Management*, 9(29): 33-41.

Timm, S. 2011. How South Africa can boost support to small businesses: Lessons from Brazil and India. January. Available: http://www.tips.org.za/files/india_brazil_2011_edit_s_timm.pdf (Accessed 02 January 2022).

Wicksell, K., 1898. *Geldzins und Güterpreise: eine Studie über die den Tauschwert des Geldes bestimmenden Ursachen*. Available. https://books.google.co.za/books?id=aatxAAAAIAAJ&ots=57w04crxUj&dq=Knut%20Wicksell%20(1898)%2C%20&lr&pg=PA1#v=onepage&q=Knut%20Wicksell%20(1898),&f=false (Accessed 02 January 2022).

Yang, X., Gu, X. and Yang, X. 2021. Firm age and loan financing with patents as collateral of Chinese startups: the roles of innovations and experience. *Economics of Innovation and New Technology*, 1-27.

Zide, O. and Jokonya, O. 2022. Factors affecting the adoption of Data Management as a Service (DMaaS) in Small and Medium Enterprises (SMEs). *Procedia Computer Science*, 196: 340-347.