

The effectiveness of small enterprise cost-sharing and cooperative grant incentive schemes in South Africa

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DECLARATION

By submitting this research report electronically, I, Timothy Olaniyi Aluko, declare that the entirety of the work contained therein is my own, original work, that I am the owner of the copyright thereof (unless to the extent explicitly otherwise stated) and that I have not previously in its entirety or part submitted it for obtaining any qualification.

Timothy Olaniyi Aluko

Date: December 2018

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ABSTRACT

Over the years, policymakers and governments in both developed and developing countries have initiated a variety of enterprise support and incentive funding programmes with the view of assisting small and co-operative enterprises that face many constraints, particularly lack of access to capital. However, some of the funding programmes have effectively attracted no scrutiny since they started operation. This study sought to address this omission by measuring the effectiveness of the Black Business Supplier Development Programme (BBSDP) and the Co-operative Incentive Scheme (CIS) in South Africa during the 2011/12 to the 2016/17 financial years.

A variety of literature theoretically and empirically supports programme performance; however, the literature is silent on the methods of measuring the effectiveness of grant funding programmes, with most of the research focus placed on firms and non-profit organisations.

The main aim of the study was to utilise quantitative methods to measure the performance and effectiveness of two grant funding programmes, namely the CIS and the BBSDP. The study adopted a descriptive analysis approach. The approach focused on five perspectives that were related to each other and to the overall objectives of the BBSDP and the CIS. The five perspectives were human capital acquisition and development, effective internal controls, financial sustainability, operational efficiency and competitiveness, and development impact. All five interrelated perspectives were analysed with the aim of establishing evaluation criteria for their level of effectiveness. The theoretical concepts enunciated for each perspective of effectiveness measurement were translated into key performance indicators (elements), and each of them was grouped by topic.

For each perspective, the programme effectiveness was ranked using five predetermined criteria: 5) very effective; 4) effective; 3) fairly effective; 2) partially effective; and 1) ineffective. All five criteria carried equal weight with the percentages related to each criterion being normalised, standardised and added up to produce a single score. The BBSDP and the CIS were evaluated over the financial period 2011/12 to 2016/17.

The empirical evidence from the results shows strong support for the five effectiveness perspective evaluated and applied to the study. The evidence suggests that the operational efficiency and competitiveness perspective of the two programmes encourages programme management to become more proactive in its strategic operational mandate. The results also

indicate that operational efficiency and competitiveness has the most significant effectiveness strategy of all five perspectives included in the measurement model.

Keywords: effectiveness, BBSDP, CIS, small and co-operative enterprises, perspectives, beneficiaries

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- d. Co-operative grant incentive scheme in South Africa - evaluation method and processes
- e. Financial sustainability of state incentivised scheme in South Africa - The case of CIS
- f. State-funded scheme in South Africa - A comparative analyses

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LIST OF ABBREVIATIONS AND ACRONYMS

AIS	Automotive Investment Scheme
BBSDP	Black Business Supplier Development Programme
CIS	Co-operative Incentive Scheme
COSO	Committee of Sponsoring Organizations
CSBFP	Canada Small Business Financing Program
CSLGP	The California State Loan Guarantee Program
DBSA	Development Bank of South Africa
DSBD	Department of Small Business Development
DTI	Department of Trade and Industry
ESVCLP	early stage venture capital limited partnerships
EU	European Union
GDP	gross domestic product
ICA	International Co-operative Alliance
ISP	Incubation Support Programme
ILO	International Labour Organization
KPIs	key performance indicators
MTSF	Medium-Term Strategic Framework
NDP	National Development Plan
NGP	New Growth Path
NIBUS	National Informal Business Upliftment Strategy
NPOs	non-profit organisations
OECD	Organisation for Economic Co-operation and Development
SEFA	Small Enterprise Finance Agency
SEIF	Shared Economic Infrastructure Facility
SMEs	small and medium enterprises
SONA	State of the Nation Address
TCFSBP	Textile, Clothing and Footwear Small Business Programme
UK	United Kingdom
USA	United States of America
WCEFS	Working Capital and Enterprise Finance Scheme

CHAPTER 1: INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Many existing and new small and co-operative enterprises experience difficulties in accessing capital to expand their business or to start a new one (Chandler, 2012; Glisovic & Martinez, 2012; Xiang & Worthington, 2013; Okeyo, Gathungu & Obonyo, 2014). Government grant funding programmes can be a valuable way to obtain the required capital that small and co-operative enterprises need. According to the World Bank (2010; 2011), small and medium enterprises (SMEs)¹ play a crucial role in alleviating poverty, redressing inequality, creating employment and contributing to the gross domestic product (GDP) of a nation. In a developing economy such as South Africa, SMEs form part of socioeconomic and employment policy and the consensus among policymakers, researchers, economists and business experts is that SMEs are drivers of economic growth (Bradshaw, 2002; Beck, Demirguc-Kunt, & Levine, 2007; Rootman & Kruger, 2010). The dynamic role of SMEs casts them as engines through which the economic development objectives of developing countries can be achieved.

A review of the literature shows that the solution to social and economic challenges facing many of the developing countries lies in the initiative to develop SMEs (Okeyo *et al.*, 2014; Craig, Jackson & Thomson, 2007; Rootman & Kruger, 2010). This standpoint is corroborated by the by the International Labour Organization's (ILO) World Labour Report (International Labour Organization, 2018), which states that, based on the current global unemployment scenario, most jobs in the near future will be created by SMEs. Furthermore, according to Mamman, Eldridge and Branine (2007), SMEs, by nature, constituted the most valuable and alternative vehicle for self-sustaining industrial development.

¹ In this study, the term 'small and medium enterprises' (SMEs) referred to micro-, small and medium enterprises. However, it is important to note that this study did not make a distinction between SMEs, co-operative enterprises and microenterprises. In South Africa, SMEs generally have from 10 to 250 workers and carry out their operations in an organised, formal way. Co-operative enterprises have five or more members while microenterprises generally have fewer than ten employees; many are self-employed owners with an additional one or two employees.

Since the beginning of the new millennium, there has been observable renewed and increased focus on developing innovative financing options for SMEs such as grant funding incentives, cost-sharing grants, revolving loan funds and venture capital. The field of SME finance has been transformed. Governments around the world have had to be innovative in pursuit of their economic development agendas through the establishment of various forms of support programmes for SMEs. In the United States of America (USA) and the European Union (EU), for instance, government-supported programmes for SMEs have a strong long-term effect on investment (Barbour, 2005). The rapid rise in innovative development finance instruments hinges on the widely recognised theoretical and empirical studies and acknowledges the role that SMEs play in equitable and inclusive socioeconomic development and job creation (Bradshaw, 2002; Beck *et al.*, 2007; Rootman & Kruger, 2010; Hansen & Kalambokidis, 2010; Bartik & Erickcek, 2014).

The literature shows that despite their enormous potential for contributing to the economy, SMEs continue to face certain operational constraints that threaten their survival and sustainability (Hansen & Kalambokidis, 2010; Mazanai & Fatoki, 2011; Bartik & Erickcek, 2014). Some of these constraints are a lack of access to finance, inability to exploit economies of scale in production, weak management structures and abilities, lack of access to new technologies, lack of market penetration, and lack of proper accounting and record keeping. In some cases, SMEs also suffer from tough compliance and bureaucratic restrictions, high tax rates and a poor investment climate (Ferreira, Strydom, & Nieuwenhuizen, 2010; Mazanai & Fatoki, 2011). Because of these constraints, many SMEs remain small, lack production capacity and are unable to penetrate the market. Some are not able to export, some face high transaction costs and some experience business failure within a short time of starting operations (López-Acevedo & Tan, 2010).

1.2 PROBLEM STATEMENT

According to Craig *et al.* (2007), small enterprises are the basis of an economic strategy for many developed and developing countries. This is true for South Africa as a developing country grappling with the triple problems of poverty, inequality and unemployment, which according to Statistics South Africa (2017) stood at 50, 0.63 (Gini coefficient) and 27.7 percent respectively. Though the government has responded and intervened in several proactive ways, the effectiveness of some of the interventions in addressing these challenges still attracts criticism.

The evidence also strongly shows that in developing countries, financial support programmes such as grants have not been effective because of the fundamental weaknesses in the way those businesses operate while fiscal support only responds to market failure and governments' domestic economic development programmes (Wells, Allen & Morisset, 2001).

In South Africa, the use of grant funding programmes has been very popular but controversial. The argument is that such programmes do not always translate into positive economic decisions based on programme-targeted goals. Therefore, it is sometimes not clear whether the overall benefits outweigh the costs of establishing such funding programmes. Despite the controversy, countries around the world still offer some form of grant funding programmes to meet some of their domestic economic challenges (Mazanai & Fatoki, 2011; Xiang & Worthington, 2013).

In South Africa it has, therefore, become important to put monitoring and evaluation frameworks in place to assess the performance of these programmes against pre-determined objectives and targets. In addition to evaluating the performance of these programmes and understanding how firms and beneficiaries are funded, we need to understand key areas of public policy and how government finance relates to economic development (Seidman, 2005). A solid monitoring and evaluation of the operation of government funding programmes must be combined with the performance of beneficiary firms and how these could inform the broader economic development goals of South Africa going forward.

Despite the growth and delivery of funding programmes, limited academic research has been done on structured government intervention programmes, both generally and around the evaluation of funding programmes in the micro-business and SME sectors. Given this gap in the academic literature, this study aimed to explore the effectiveness of the Black Business Supplier Development Programme (BBSDP) and the Co-operative Incentive Scheme (CIS) by drawing on academic discourse.

Two critical issues were taken into consideration for the choice of the BBSDP and the CIS for this study. Firstly, the question was whether the programmes were characteristic of economic inclusiveness, easy access, equal opportunity and equal participation pertaining to a previously disadvantaged population of South Africa. Secondly, the issue of radical economic transformation is a topic of great interest at the moment in South Africa. Economic inequality, poverty and social exclusion are complex phenomena in South Africa that cannot be resolved without government support for SMEs, especially among the black population. Therefore, the question was whether the two programmes could be used as a public structure to deliver public

services through the grant funding mechanism or in a similar manner. This could mean that government would redirect resources from one area to another to deliver services to the people and to be held accountable. However, other government intervention programmes have been given support in South Africa with a mandate not necessarily to support the development of small and co-operative enterprises according to their financing structures and targeted groups. Therefore, the study focused on the BBSDP and the CIS funding programmes because of their aims and objectives of targeting SMEs rather than other enterprises.

A clear research agenda was identified to further improve the effectiveness of government intervention programmes for SMEs. Increased research and empirical evidence will help to further strengthen the case for SME support and the effectiveness of grant funding programmes such as the BBSDP and the CIS. Moreover, research on the overall performance and effectiveness of the two programmes through the Balance Scorecard Model would be helpful for the overall advocacy for SME intervention and support programmes. This model utilises the human capital acquisition and development, financial sustainability, effective internal controls (internal business processes), operational efficiency, competitiveness, and development impact.

The results of this study will provide input into future policy and legislative development by elected parliamentary representatives. The model will provide a basis for accurately assessing and reporting the impact of fiscal grant-funded programmes by the executive authority to oversight committees of the legislature. The results will also be of critical importance to experts, practitioners and academics in the field of finance, economics and business in the course of planning, structuring, funding and implementation of micro-, small- and medium enterprises in South Africa, the Southern African Development Community and the African continent at large. In reality, the actual beneficiaries of the research results will be the communities where government grant-funded projects are implemented in that going forward they will be in a position to benchmark their proposals in the IDPs against the measured impact of government grant-funded projects in their areas using the model developed in this study.

This research makes a valuable contribution to the wider debate on programme evaluation, but much more remains to be done. Future research should address the impact of providing intervention support programme for SMEs and the optimal roles of the contributing effects of intervention programmes on SME development. The study hopes that it would serve as an inspiration and motivation to others to undertake further research. Also, it would help to further

improve the design, structure and implementation of future programmes and thereby increase the financial and social sustainability of SME funding programmes in South Africa and beyond.

1.3 RESEARCH QUESTIONS

Against this background, the three main research questions that this study sought to answer were:

- a. How do we measure the effectiveness of grant funding programmes in South Africa?
- b. In what context do grant funding programmes perform and meet their objectives?
- c. How accurately did the grant funding programmes report on their performance against the pre-determined objectives and goals.

1.4 RESEARCH OBJECTIVE

The objectives of this research were to investigate:

- a. a performance measurement framework to improve the effectiveness of grant funding programmes in South Africa;
- b. the perceived measures of human capital acquisition and development of grant funding programmes;
- c. the perceived measures of effective internal controls of grant funding programmes;
- d. the perceived measures of operational competitiveness of grant funding programmes;
- e. the perceived measures of financial sustainability of grant funding programmes; and
- f. the perceived measures of development impact of grant funding programmes.

1.5 RESEARCH CONTRIBUTION AND SIGNIFICANCE OF THE STUDY

The significance of this study is established in terms of its potential contribution to the fundamental understanding of the theoretical, conceptual and methodological effectiveness of grant funding programmes, in addition to the development of a framework for measuring such effectiveness. The study acknowledges the existence of various government grant funding programmes aimed at promoting the growth and development of SMEs and co-operatives but has also observed that little is known about the nature and extent to which these programmes are meeting their objectives.

On the empirical side, this study contributes to the current debate on the measurement of grant funding programme effectiveness in South Africa. This is a deviation from previous research by Kaplan and Norton (1992; 1996) that focused mainly on the effectiveness of funding programmes for firms and non-profit organisations (NPOs). The fact that there is a direct link between perceptions of effectiveness and the objectives of the existing grant

programmes forms another empirical contribution worth pursuing. The inclusion of effectiveness KPIs in the investigation of grant funding programmes in South Africa, distinguishes this study from the mainstream performance measurement with more focus on firms and NPOs. The government and developing country context (South Africa) of the study is yet another empirical value of this study.

This study will assist development finance institutions, donors and government who support grant funding programmes in taking stock of the progress made. It will also shed more light on and inform the BBSDP and CIS administrators about the progress made to date as far as these programmes are concerned. The evaluation results will be used to inform and guide the planning, implementation and monitoring of publicly funded programmes by various stakeholders, such as national, provincial and local government departments, the private sector, development agencies, business associations, and cabinet and parliament members in South Africa.

The ultimate benefit of the evaluation will be derived by the various stakeholders who want to know whether funding programmes are meeting their objectives and those who seek to understand the impact and value of the programmes. This study is useful in assessing strategic alignment and coordination amongst policymakers, academics, researchers and government departments.

In addition, the study will shed light on the alignment of economic cluster activities and will assist in the reviewing of financial provisions and the development of customised indicators to enhance reporting on the relevant outcomes of similar programmes going forward. The evaluation results will also be used to inform the preparation of logical frameworks to act as inputs into the processes of the programme and assist in the development of public-private partnerships.

1.6 ASSUMPTIONS OF THE STUDY

Two questions arose in connection with the assumptions of this study. The first was whether the BBSDP and the CIS administrators were sufficiently equipped and prepared and had the institutional capacity (for example the legal framework, logical strategic framework, governance framework, effective internal controls, monitoring and evaluation systems, and a clearly mapped value chain) and technical skills needed to implement these grant funding programmes in South Africa. Secondly, there had to be statutory and strategic policy documents to guide the institutionalisation of the programme processes, systems and procedures within and among the programme management, the programme administrations

and the beneficiary firms. Hence, in the absence of sound supporting legal and governance documents spelling out programme key strategic objectives, KPIs, targets and key initiatives, the study conducted a content analysis of the annual reports of the programmes and other existing operational reports to determine the high-level development goals of the programmes.

The assumptions regarding the BBSDP and CIS grant funding programmes' effectiveness were also grounded in the requirements of national policy documents, including the National Development Plan 2030 (NDP), the New Growth Path (NGP), the National Economic Development Policy as introduced in 2010 by the Minister of Economic Development, and the 2011 State of the Nation Address (SONA) by President Jacob Zuma of South Africa. In this regard, the focus of the perspectives for measuring the effectiveness of each of the programmes was derived based on the strategic national priorities of human capital acquisition and development, financial sustainability, effective internal controls, operational efficiency and competitiveness, and development impact.

The KPIs and targets developed under each perspective were sourced from national and international best practice of similar institutions from developing countries in Latin America, Asia and the rest of Africa. The aim of the BBSDP and the CIS is to make grants available in the form of capital to SMEs and co-operative enterprises in order to decrease disparities between firms that have benefited compared to firms that have not benefited from the programmes. A further aim is for the BBSDP and the CIS to meet additional capital needs to improve national socioeconomic conditions, thereby reducing the rate of SME failure in South Africa.

This study was intended to clarify the effectiveness of the two grant funding programmes by reflecting on the existing capacity, weaknesses and utilisation of current structures within the programme policies and initiatives. The objectives were the development of an effective measurement framework and KPIs for facilitating a broader understanding of programme effectiveness, under the five perspectives and identifying the critical success factors for achieving programme objectives in view of what was not already being achieved. Moreover, a monitoring and evaluation strategy needed to be deployed in areas where lower achievement had been recorded, closing those revealing gaps due to the lack of a feedback process that should have been addressed through strategic action plans. The BBSDP and CIS grant funding programmes are meant to be efficient, effective, equitable and accountable.

1.7 BRIEF OVERVIEW OF THE BLACK BUSINESS SUPPLIER DEVELOPMENT PROGRAMME AND THE CO-OPERATIVE INCENTIVE SCHEME

Grant funding is an alternative form of funding for SMEs (Barbour, 2005), and this always comes with guidelines that the SMEs must adhere to in the course of doing business. The objective of such initiatives is to improve the business operations of SMEs and also to serve as a tool to boost investment and economic development. In South Africa, government has invested a significant amount of resources in grant funding programmes with a view to translate the goals of such programmes into positive developmental realities, including employment creation to reduce poverty and inequality.

The BBSDP and the CIS were established in 2002 and 2005 respectively under the administration of the Department of Trade and Industry (DTI). In May 2014, both programmes were reassigned to a newly created department, the Department of Small Business Development [DSBD] (2017). The BBSDP and CIS grants do not accrue interest and are not repayable by beneficiaries; however, strict rules apply. For example, enterprises must be formally registered, operating for a year or more, provide proof of audited financial statements and proof of tax clearance, with black ownership of fifty plus one percent majority in the company. The BBSDP and the CIS were implemented in terms of the South African government policy of Broad-Based Black Economic Empowerment,² job creation, redressing inequality and socioeconomic development. Both the BBSDP and the CIS grants were established in accordance with the South African government's NDP. The NDP policies are aimed at prioritising the South African economic development agenda rather than simply allocating extra funds to a government department or agency. Grant application approvals are subject to the outcome of the adjudication committee's approval processes in the case of the BBSDP and the administrative approval processes of the CIS, while disbursement of approved grants is subject to the availability of fiscally allocated funds.

Table 1.1 below summarises the BBSDP and the CIS's comparative initiatives to include the year of establishment and performance between the 2011/2012 and 2016/2017 financial years

² Broad-Based Black Economic Empowerment is a specific government policy to advance economic transformation and enhance the economic participation of black people in the South African economy.

under study. The table also provides background information on participating sectors, total amount approved and disbursed for the same period under study.

Table 1.1: Comparative summary of BBSDP and CIS initiatives and performance – 2011/2012-2016/2017 financial years

	BBSDP	CIS
Year established	2002	2005
Grant ratio arrangements	50:50 ratio for tools and machinery and 80:20 ratio for business development.	100%
Grant repayment schedule	Grants are not repayable, and no interest is accrued.	Grants are not repayable, and no interest is accrued.
Application turnaround time	Not provided	Not provided
Firms' operating status criteria	Must have been in operation for at least a year.	New or existing co-operatives can apply.
Shareholders' status	50 + 1 black majority	50 + 1 black majority
Qualified amount per each grant application	Up to R1 million	Up to R350 000
Total fiscal allocation	R1.3 billion	R430 million
Total approved amount	R1.8 billion	R394 million
Total disbursed amount	R1.4 billion	R398 million
Total number of beneficiaries	4 739	1 406
Total number of jobs facilitated	100 127	8 768
Total amount approved per sector :		
Agriculture	R49 million	R275 million
Manufacturing	R226 million	R72 million
Construction	R864 million	n/a
Services	R442 million	R46 million
Wholesale and retail	R213 million	n/a
Information technology	n/a	n/a
Mining	R33 million	n/a
Transport	R72 million	n/a
Total amount approved per province:		
Gauteng	R774 million	R84 million
Western Cape	R163 million	R18 million
Eastern Cape	R249 million	R90 million
Northern Cape	R22 million	R14 million
Free State	R41 million	R10 million
Mpumalanga	R121 million	R26 million
North West	R81 million	R43 million
KwaZulu-Natal	R361 million	R36 million
Limpopo	R243 million	R92 million

Source: BBSDP and CIS datasets (compiled by author).

The BBSDP and the CIS focus on areas where the programmes can make the biggest impact in conjunction with other funding programmes for economic development in line with the Medium-Term Strategic Framework (MTSF) 2014-2019 following the adoption of the NDP in September 2012. The objectives of the grant programmes were consolidated based on the following four priorities for the purpose of this study:

- a. Priority 1 – Improvement of operational efficiency and competitiveness: The aim is to assist enterprises to take better advantage of the opportunities afforded by the grant funding programmes. This will assist enterprises in the rural and semi-urban areas of South Africa, specifically those run by black women, persons with disabilities and young entrepreneurs, to diversify and participate in the mainstream economy of South Africa.
- b. Priority 2 – Creation of conditions conducive to financial sustainability and growth: The aim is to support SMEs to be financially viable and to grow their businesses for effective market entry. The aim is also to complement current affirmative procurement and outsourcing initiatives in all sectors for resource efficiency amongst all enterprises.
- c. Priority 3 – Enterprise development and employment creation: The aim is to create employment in South Africa. The aim is also to contribute to small business survival where businesses find it difficult to access economic opportunities, either as employees or as self-employed individuals.
- d. Priority 4 – Improvement of access to working capital: The aim is to support small businesses to access additional working capital and to improve their productivity and growth. The aim also is to provide limited financial assistance through grants in rural areas for development of successful economies for individual enterprises.

A common evaluation framework is needed to facilitate measurement and comparability of performance the BBSDP and the CIS grant funding programmes in terms of mandate, objectives and performance against predetermined targets aligned to national priorities. Such a framework should include the following:

- a. a conceptual model outlining pathways through which the grant funding programme is expected to affect the socioeconomic development of South Africa, especially in rural areas;
- b. a list of standard indicators of inputs, processes, outputs, outcomes and impact, with clear measurement plans; and
- c. guidelines for the design of the evaluation criteria in a compatible way with performance and effectiveness.

It should be noted that not much progress has been made in this area of research.

According to Yawson, Amoa-Awua, Sutherland, Smith and Noamesi (2006), programme success is defined as gains in intervention coverage under real economic conditions, when implementation tends to be less intense and effective. As a result, programme benchmarks through strategic implementation designs are needed because researchers cannot control when, where, how quickly, and on what scale programmes will be implemented by governments, donor agencies and NPOs.

This study aimed to investigate the performance and effectiveness of the BBSDP and the CIS in South Africa. In the context of this study, “effectiveness” means the extent to which small enterprise cost-sharing and co-operative grant incentive schemes achieved their objectives. The measures for effectiveness in this study were categorised into five key performance areas, namely human capital acquisition and development, financial sustainability, effective internal controls, grant operational efficiency and competitiveness, and development impact of the grant funding programmes.

This study recognised the view that there might be a fundamental weakness in the measurement of the effectiveness of grant funding programmes in the development of small and co-operative enterprises in South Africa. Moreover, the study clearly demonstrated how governments and financial donors took a position. The position was on the basis of theory or evidence that should, in itself, provide an important cautionary note, especially in the context of the debate over reforming the international economic architecture (Stiglitz, 2000). The fact that some of these programmes have not been evaluated is increasingly putting pressure on governments and donors and undertaking such an evaluation of the effectiveness of the BBSDP and the CIS through this study is worthwhile.

1.8 OUTLINE OF THE DISSERTATION

This dissertation is presented in eight chapters, as shown in Figure 1.1.

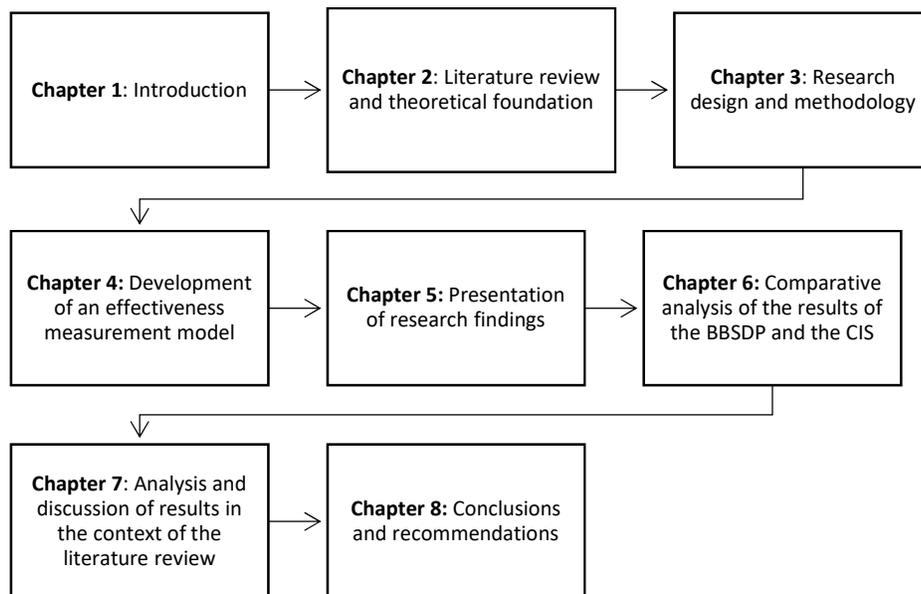


Figure 1.1: Outline of the study

1.9 SUMMARY OF THE CHAPTER

This chapter provided a detailed and comprehensive background to the study. The problem statement, research questions, objective and significance of the study were presented. The research contribution and assumptions of the study were also discussed and a summary of the background and overview of the BBDP and the CIS grant funding programmes in South Africa were attended to while the scope and the perceived contribution of the study to the body of knowledge has been explained.

The next chapter provides the literature review and the theoretical and conceptual framework for this study by examining the balanced scorecard concept of performance measurement and effectiveness.

CHAPTER 2: LITERATURE REVIEW AND THEORETICAL AND CONCEPTUAL FRAMEWORK

2.1 INTRODUCTION

This chapter presents the literature review with its theoretical background and conceptual framework for the study. The chapter reviews relevant and important empirical work, including the literature that seeks to guide and give context to the questions raised in the study.

The literature review starts with an analysis of various empirical studies on grant funding programmes – domestically and globally. This takes place against the backdrop of fundamental strengths and weaknesses in the area of measurement *vis-à-vis* the development of and support for small and co-operative enterprises. The review includes the conceptualisation and definition of the term “effectiveness” and the establishment of the importance thereof through frameworks that exemplify how this is related to the measurement of grant funding programmes in South Africa. The review is followed by theories of effectiveness in the field of performance measurement and the conceptual framework forming the final part of the chapter.

2.2 LITERATURE REVIEW

2.2.1 What is a grant funding programme?

A grant funding programme is subsidised financial support for a target audience with the purpose of improving their current financial situation and serves as an alternative to debt financing (Barbour, 2005). The fundamental premise of grant funding is to serve as a tool to boost investment in and economic growth of enterprises that are impacted by capital rationing (Kransdorff, 2010; Ferreira *et al.*, 2010). Moreover, grants can be described as an alternative means of addressing the lack of access to capital usually experienced by small businesses (Laffont & Martimort, 2001; Barbour, 2005; Kransdorff, 2010; Ferreira *et al.*, 2010). A grant is also a motivating factor that yields results by drawing resources away from one source to more productive areas (Kransdorff, 2010). Grants furthermore are improved alternative investments for a country to attract foreign direct investment by boosting the number of resources that are annually allocated to social expenditure in order improve economic growth (Kransdorff, 2010).

2.2.2 Why are grant funding programmes needed?

The central purpose of a grant funding programmes is to serve as an instrument to assist enterprises that are impacted by capital rationing and lack of access to capital either to grow

their business or to start a new one (Barbour, 2005; Kransdorff, 2010). Likewise, grant funding programmes are required as an alternative means to solve the problem of market failure (Laffont & Martimort, 2001; Barbour, 2005; Kransdorff, 2010). In a developing country such as South Africa, the fundamental principle that underpins programme funding is that it stimulates and encourages additional investment, thus contributing to much-needed economic growth (Kransdorff, 2010).

The South African government's grant funding programmes were established to address economic challenges among previously disadvantaged black, small and co-operative enterprises with limited or no access to formal financial services due to the apartheid system of government. Furthermore, the programmes were designed to encourage enterprises to diversify their businesses and participate in the mainstream economy of South Africa.

A study conducted by Mazanai and Fatoki (2011) showed that most targeted groups for grant funding programmes were not aware of the existence of such programmes. Those who were aware, though, made use of the programmes to improve their access to finance. This implies that extensive awareness of grant funding programmes in South Africa can be effective in improving access to finance of the targeted group (Mazanai & Fatoki, 2011).

Xiang and Worthington (2013) concluded from their study that in a developed country such as Australia, financial assistance programmes for small business were developed by government as a policy strategy through the use of direct assistance, such as tax benefits, grants, trade assistance and subsidies. The policy strategy also includes the provision of training and business support instead of merely handing out cash or cash grants to beneficiaries. The strategy model also targets trained individuals who are able to utilise their self-acquired skill to improve their existing business or to start a new one (Xiang & Worthington, 2013).

2.2.3 What are the key features of grant funding programmes in South Africa?

Grant funding programmes cover a range of support services that are primarily targeting small and co-operative enterprises in South Africa (see Table 2.2). Support services fall into three categories: Firstly, there are financing and incentive programmes that include a range of financial incentives to promote investment, financial grants, micro- and concessionary loans for working capital and acquisition of business assets, and co-operative grant funding. Secondly, there are business development services that include consulting services in the form of business compliance, business registration and regulatory requirement assistance, staff training by programme executors, technology upgrading, business branding, provision of market products and assistance with export promotion. Lastly, there are research and development assistance programmes to stimulate development and the introduction of new

products and the promotion of investments in the manufacturing, mining, agricultural, construction, transport, wholesale, retail, and services sectors.

2.2.4 What are the problems and challenges that accompany grant funding programmes?

In developed countries such as the USA and the EU, grants have a strong effect on investment (Barbour, 2005). In developing countries such as South Africa, the majority of grant funding programmes suffer from some form of implementation deficiency (see Barbour, 2005). For example, the application and approval process is cumbersome and administratively demanding to the extent that targeted beneficiaries often do not even bother trying to access grant funding (Mazanai & Fatoki, 2011). Bribe seeking and corruption are additional problems associated with incentive programmes in South Africa (Barbour, 2005). Sometimes, officials who are responsible for the application process and the allocation of incentive resources might be bought off by unqualified beneficiaries or politically well-connected individuals both within and outside the programme. For example, in 2005, the former head of the SME Development Programme in South Africa was relieved of his position because of diversion of funds and mismanagement, and the programme was suspended thereafter (Barbour, 2005). History also strongly indicates that in developing countries, grants have not been effective because of fundamental weaknesses in the way that businesses are being operated, while fiscal grants only respond to market failure and governments' domestic economic development programmes (Wells *et al.*, 2001).

In South Africa, the use of grant funding programmes has been very popular but controversial. The argument is that such programmes in some instances do not really translate into positive economic decisions based on programme-targeted goals. Therefore, it is sometimes not clear whether the overall benefits outweigh the costs of establishing such funding programmes. Despite the controversy, countries around the world still offer some form of grant funding programme to meet some of their domestic economic challenges (Mazanai & Fatoki, 2011; Xiang & Worthington, 2013).

Inadequate allocation of grant funding for programmes and inappropriate distribution of the funds affect programme efficiency. For example, funding programmes established for political reasons lead to programme distortion and inefficiency. There should be a trade-off between resources and efficiency. The access choices are distorted by qualifying beneficiaries who are prioritised against the targeted group (Barbour, 2005). Various government intervention programmes have been operating in South Africa over the last ten years; however, due to the lack of evidence-based research, the study could not determine the full cohort of problems and challenges that are associated with grant funding programmes in South Africa.

The processes and procedures through which grant funding programmes are established and implemented are crucial in determining their success and effectiveness. Grant funding programmes need to be transparent, easy to access and comprehensible. This would justify the strategic purpose of the programmes and the response of individual participants towards the delivery and achievement of targeted goals. Below is a summary of various government intervention programmes in South Africa with their aims, objectives, targeted beneficiaries and criteria for enterprises.

Table 2.2: Summary of some of South Africa's SME programmes

Name of SME programme	Aims and objectives	Targeted beneficiaries	Criteria for qualification
BBSDP	Cost-sharing incentive programme of R800 000 for tools, machinery and equipment on a 50/50 cost-sharing basis. R200 000 for business development services on an 80:20 cost-sharing basis.	Majority-black-owned enterprises.	Enterprises with a turnover of R250 000 to R35 million per year. The enterprise must have been operating and trading for at least one year.
CIS	Co-operative enterprises in SA to acquire competitive business development services. Maximum grant offered to one co-operative enterprise up to R350 000.	Emerging co-operatives owned by historically disadvantaged individuals. Rural and semi-urban based with more focus on women, youth and people with disabilities.	Incorporated and registered SA co-operative enterprises according to Co-operatives Act No 14 of 2005 as amended, Act No 6 of 2013. Operating or will operate in the emerging sector. Adhere to co-operative principles.
Industrial-development-related incentives	Tax-exempt incentive grant paid over three years for each offshore job created and maintained. Twenty percent bonus for more than 400 but less than 800 off-shore jobs paid once-off in the year in which the bonus level is reached. Thirty percent bonus for more than 800 offshore jobs paid once-off in the year in which the bonus level is reached.	SA-registered entity with or without offshore operation.	Eligibility is determined by the DTI. Applicant include starting a new project or expanding the existing project and must have created 50 new jobs in SA in alignment with Business Process Services
Capital Projects Feasibility Programme	Fifty-five percent of the total cost of the feasibility study for projects in Africa and 50% for projects outside Africa. From R100 000 to R5 million.	Registered SA enterprises.	Registered SA enterprises.
Manufacturing Investment Programme	Investors in new and expanding projects in the SA manufacturing sector.	Local and foreign-owned manufacturers who wish to establish a new production facility in SA.	Entity planning to expand or upgrade an existing facility or production in the clothing and textile industry.

Foreign investment grants	To compensate foreign investors that qualify for costs incurred in moving qualifying new machinery and equipment but excluding vehicles from overseas to SA.	Foreign investors.	Manufacturing Investment Programme-approved foreign investors.
Tourism Support Programme	Reimbursable cash grant. Supports the development of tourism enterprises and stimulates job creation across SA.	Accommodation, passenger and transport services, tour operators, and cultural, recreational and entertainment services.	Investors in new and expanding projects in the SA tourism industry. Grants of 15% to 30% of the investment assets cost for expansion or new project.
Production Incentive	Aimed at structurally changing the clothing, textile, footwear, leather processing and leather goods manufacturing industries by providing funding assistance to invest in competitiveness improvement interventions.	Clothing and textile manufacturers, cut, make and trim operators, footwear manufacturers, leather goods manufacturers and leather processors.	Existing clothing, textile and leather processing industry.
Film and TV Incentive	Aimed at foreign film and TV production entities that are willing to shoot on location in SA. SA film and TV production is involved in co-production, and local film producers are assisted in the production of local content.	Foreign film and TV production entities that are willing to shoot on location in SA. SA Film and TV production is involved in co-production, and local film producers are assisted in the production of local content. Fifteen percent of Qualifying South African Production Expenditure; the rebate is capped at R20 million.	Incorporated entity in SA under a special purpose vehicle solely for film production and TV projects. Foreign-owned entity with Qualifying South African Production Expenditure of R12 million and above, provided that at least 50% of the principal photography schedule must be in SA for a minimum of four weeks.
Tax Allowance Incentive (21i TAI)	Designed to support greenfield ³ as well as brownfield ⁴ investments.	Targets greenfield projects and upgrades those that are located within an Industrial development zones.	Support for both capital investment and training and also for investment in manufacturing assets to improve productivity and training of personnel and skills.
Automotive Investment Scheme	An incentive designed to grow and develop the automotive sector through investment in new and/or replacement models and components that will increase plant production volumes, sustain employment and/or strengthen the automotive value chain.	Provides for a taxable cash grant of 20% of the value of qualifying investment in productive assets, as approved by the DTI. An additional taxable cash grant of 5% to 10% may be made available for projects that significantly contribute to the development of the automotive sector.	Light motor vehicle manufacturers that have achieved, or can demonstrate that they will achieve, a minimum of R50 000 annual units per plant, within a period of three years or component or deemed component manufactures that are part of the original equipment manufacturer supply chain and will achieve at least 25% of the total entity turnover or R10 million by the end of the first full year of commercial production as part of a light motor vehicle manufacturing supply chain locally and/or internationally.

³ Greenfield investments - new industrial projects that utilise only new and unused manufacturing assets

⁴ Brownfield investments - expansions or upgrades of existing industrial projects.

Sector-specific Assistance Scheme	A reimbursable 80:20 cost-sharing grant offering financial support to export councils, joint action groups and industry associations. Funding of NPOs. Travel and accommodation, transport of samples and marketing materials, and exhibition costs. Maximum allocation per project is R1.5 million.	Finding new export markets and promoting participation by black SMMEs, women, youth and people with disabilities in the economy.	NPOs in sectors and subsectors of the industry prioritised by the DTI, in respect of (i) generic funding and (ii) project funding, provided that the purpose of the organisation and/or its proposed project conforms to the objectives of Trade and Investment SA (a division of the DTI) and the DTI's export strategy.
Export Marketing and Investment Assistance	To promote SA manufacturers and SA export trade houses representing at least three SMMEs or businesses owned by previously disadvantaged individuals. The scheme bears the costs for rental or exhibition space, stand building, services, freight forwarding and travel but will exercise discretion on the market and sector.	Individual exhibitions participation. Primary market research and foreign direct investment.	SA commissions agents representing at least three SMMEs/ Historically disadvantaged individual owned businesses. SA export councils, industry associations and joint action groups representing at least five SA entities.
Women economic empowerment incentives	To accelerate women's economic empowerment by providing more affordable, useable and responsive finance. Also, to promote SA culture and heritage with a focus on designing and crafting products for both the local and international markets.	Targets formally registered enterprises, 60% of which is owned and/or managed by women. The enterprises must have been existing and operating for two or more years and must fall within a loan range of R30 000 to R2 million.	SA women with skills and expertise, such as Isivande Women's Fund.
Trade, export and investment incentives	A cost-sharing cash grant for projects to improve critical infrastructure in SA. A cash grant from a minimum of 10% to a maximum of 30% capped at R30 million for the development cost for qualifying infrastructure.	Private investors/companies and municipalities.	The grant covers critical investment in infrastructure and/or investment would not operate optimally.

Source: DTI (2014) (compiled by author).

2.3 THE INCREASING IMPORTANCE OF SMALL AND MEDIUM ENTERPRISES

According to the OECD (2018), SMEs play a key role in national economies around the world, generating employment and value added in nearly all countries. In developing economies, SMEs form part of social and employment policy and the consensus among policymakers, researchers, economists and business experts is that SMEs are drivers of economic growth (Bradshaw, 2002; Beck *et al.*, 2007; Rootman & Kruger, 2010). In the OECD area, SMEs are the predominant form of enterprise, accounting for approximately 99 percent of all firms. In emerging economies, SMEs contribute up to 45 percent of total employment and 33 percent of GDP (OECD, 2018). Moreover, the World Bank also estimates that 600 million workers will enter the global workforce over the next 15 years, mainly in Asia and Sub-Saharan Africa and four out of five new jobs are expected to be generated by SMEs (Ndiaye, Razak, Nagayev, & Ng, 2018). This dynamic role of small enterprises thus characterises them as a driving

force/driver through which the economic development objectives of developing countries can be achieved.

A review of the literature shows that the solution to the social and economic challenges facing many of the developing countries lies in the initiative to develop SMEs (Craig *et al.*, 2007; Rootman & Kruger, 2010 Okeyo *et al.*, 2014). This viewpoint is corroborated by the World Employment and Social Outlook Trends Report (International Labour Organization [ILO], 2018). Furthermore, considering the global unemployment scenario, most jobs in the not-too-distant future will be created by SMEs (Mamman *et al.*, 2007). SMEs, by their nature, constitute the most valuable and sustainable vehicle for self-sustaining industrial development (Hansen & Kalambokidis, 2010; Bartik & Erickcek, 2014).

In South Africa, SMEs are defined with reference to the number of employees or to the turnover bands or a combination of both, as prescribed in the National Small Business Act, No. 102 of 1996. Section 1 of the Act, as amended by the National Small Business Amendment Acts of 2003 and 2004, officially defines a small business as

a separate and distinct business entity, including co-operative enterprises and non-governmental organisations, managed by one owner or more, which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy mentioned in Column I of the Schedule (Republic of South Africa, 2004:3).

Small businesses are further categorised (see Table 2.3 below) by the Act into distinct groups, namely survivalist, micro, very small, small and medium. According to the Act, a small enterprise is one that has fewer than 50 employees. In South Africa, SMEs make up 91 percent of formalised businesses, provide employment to about 60 percent of the labour force and the total economic output of SMEs accounts for roughly 34% of GDP (Banking Association South Africa, 2017).

Table 2.3: Classification of small business turnover and employee boundaries in South Africa

Sector or subsector in accordance with the standard industrial classification	Size of class	Total full-time equivalent of paid employees	Total turnover	Total gross asset value (fixed property excluded)
Agriculture	Medium	100	R5 m	R5 m
	Small	50	R3 m	R3 m
	Very small	10	R0.50 m	R0.50 m
	Micro	5	R0.20 m	R0.10 m
Mining and quarrying	Medium	200	R39 m	R23 m
	Small	50	R10 m	R6 m
	Very small	20	R4 m	R2 m
	Micro	5	R0.20 m	R0.10 m
Manufacturing	Medium	200	R51 m	R19 m
	Small	50	R13 m	R5 m
	Very small	20	R5 m	R2 m
	Micro	5	R0.20 m	R0.10 m
Electricity, gas and water	Medium	200	R51 m	R19 m
	Small	50	R13 m	R5 m
	Very small	20	R5.10 m	R1.90 m
	Micro	5	R0.20 m	R0.10 m
Construction	Medium	200	R26 m	R5 m
	Small	50	R6 m	R1 m
	Very small	20	R3 m	R0.50 m
	Micro	5	R0.20 m	R0.10 m
Retail and motor trade and repair services	Medium	200	R39 m	R6 m
	Small	50	R19 m	R3 m
	Very small	20	R4 m	R0.60 m
	Micro	5	R0.20 m	R0.10 m
Wholesale trade, commercial agents and allied services	Medium	200	R64 m	R10 m
	Small	50	R32 m	R5 m
	Very small	20	R6 m	R0.60 m
	Micro	5	R0.20 m	R0.10 m
Catering, accommodation and other trade	Medium	200	R13 m	R3 m
	Small	50	R6 m	R1 m
	Very small	20	R5.10 m	R1.90 m
	Micro	5	R0.20 m	R0.10 m
Transport, storage and communications	Medium	200	R26 m	R6 m
	Small	50	R13 m	R3 m
	Very small	20	R3 m	R0.60 m
	Micro	5	R0.20 m	R0.10 m
Finance and business services	Medium	200	R26 m	R5 m
	Small	50	R13 m	R3 m
	Very small	20	R3 m	R0.50 m
	Micro	5	R0.20 m	R0.10 m
Community, social and personal services	Medium	200	R13 m	R6 m
	Small	50	R6 m	R3 m
	Very small	20	R1 m	R0.60 m
	Micro	5	R0.20 m	R0.10 m

Source: Banking Association South Africa (2017).

In response to the challenge of finance faced by SMEs, a number of programmes and resources have been committed to addressing the aspect. For instance, globally nearly US\$19

billion has been directed towards supporting SMEs in the form of various business development support programmes by the World Bank, including over US\$7 billion sourced from other investors over the last ten years (World Bank, 2015). However, what remains to be seen is the effectiveness of such programmes in improving the efficiency and sustainability of SMEs.

Against the backdrop of stagnation in turnover and employment growth experienced by SMEs in South Africa, the Black Business Supplier Development Programme (BBSDP) and the Co-operative Incentive Scheme (CIS) were introduced by the Department of Trade and Industry (DTI) during 2002 and 2005 respectively and have been under administration by the Department of Small Business Development (DSBD) since 2014. The BBSDP and the CIS were implemented to address the constraints faced by black-owned SMEs as a result of not being able to access additional capital from the traditional financial institutions while, at the same time, broadening the activities of the eligible SMEs for assistance through the funding support of the programmes.

2.4 THE CONTINUED VALUE OF COOPERATIVE ENTERPRISES

Internationally the concept of co-operative enterprises is understood to mean an enterprise jointly owned and representatively controlled by two or more persons who voluntarily come together to form an association to meet their common socioeconomic and cultural needs and aspirations (Levin, 2003). Co-operative enterprises also play an important role in the socioeconomic growth and development of many societies around the world. For example, co-operatives have significantly contributed to the world's economic growth and development as compared to other forms of business over the last five decades (International Co-operative Alliance [ICA], 2011). The world's largest co-operative enterprises have aggregate revenues of US\$1.6 trillion, which are comparable to the GDP of the world's ninth largest economy according to the Global 300 Report (ICA, 2011). Agriculture/forestry is a leading sector of global co-operatives and the success factors for co-operative enterprises are the existence of an organised institutional network and active and vibrant co-operative movements with the aim of aiding the development of co-operatives in the economy. According to the ICA, international co-operative movements represent over 1 billion people from 2.6 million co-operatives worldwide, which is equivalent to the population of about ten countries around the world (ILO-COOP, 2014).

In the 19th century, South Africa started a movement with Afrikaner nationalist-organised agricultural and consumer co-operatives. In 2001, the South African Cabinet mandated the development and promotion of co-operatives to ensure that co-operatives were given

recognition and were allowed to flourish in all sectors of the economy. The DTI was tasked with the responsibility to play a leadership role in promoting co-operative enterprises and coordinating all efforts concerning the development of co-operatives in South Africa. This also applied to the implementation of the South African Government's Integrated Strategy on the Development and Promotion of Co-operatives for all stakeholders at the national, provincial and local levels. The strategic aim was to promote co-operatives and to unleash their potential through developing income-generating activities, ensuring decent and sustainable employment, reducing poverty, developing human resource capacities and knowledge, strengthening competitiveness and sustainability, increasing savings and investment, and improving social and economic well-being (DTI, 2014).

In South Africa, a co-operative is defined as "an autonomous association of natural persons united voluntarily to meet their common economic and social needs through a jointly owned and democratically controlled enterprise organised and operated under the co-operative principle" (Republic of South Africa, 2013:4). The business strategy targets both existing and emerging co-operatives, covering the following market segments: survivalist, micro- and small to medium co-operatives. The South African government used the co-operative enterprise idea as an avenue to promote co-operatives as organisations that could help to enhance the development of small-scale farmers in rural areas and encourage them to participate in the mainstream South African economy. Furthermore, in the last two decades, co-operative enterprises have played an essential role in the development of South Africa's economy, particularly in the agricultural sector (Van der Walt, 2005; Ortmann & King, 2007). However, co-operative enterprises still have a high failure rate in South Africa.

2.5 THE ECONOMICS OF SMALL AND MEDIUM ENTERPRISE CREDIT MARKETS

The justification for any government intervention programme for SMEs is the general recognition of market failure by the private sector to allocate capital appropriately and efficiently (Craig, Jackson & Thompson., 2008). This market failure has resulted in either too much or too little allocation of capital in certain sectors of the economy (Kransdorff, 2010).

The credit market imperfections that resulted in credit rationing for SMEs because of their risky nature (Stiglitz, 2000), compared to big enterprises, have led to the establishment of government intervention programmes. The objectives of each programme are to reduce credit rationing in the market and to improve access to credit for SMEs. In their study, Craig et al. (2008) found a slightly significant correlation between a government intervention credit guarantee scheme operated within a local market in the USA and capital growth of SMEs. The

study further showed that a relationship existed between intervention programmes and the distribution of resources.

Apparently, government policies and restrictions on capital markets in developing countries increase the level of credit demand among small enterprises from other sources, both formal and informal, in order to sustain their business (Snow & Buss, 2001; Gitman, 2003). The likelihood that formal financial institutions could meet the demand for credit by small enterprises is a challenge because small enterprises lack collateral, which might make it difficult for financial institutions to recover their investment. Even more so, the transaction cost of granting credit to small enterprises is too high with excessive risk. Financial institutions prefer to grant credit to big businesses that they perceive to have low risks that will come with better economic performance and returns on investment (Snow & Buss, 2001; Kransdorff, 2010).

In many developing countries, such as South Africa, some financial institutions, co-operatives, government agencies and private credit providers are moving away from serving small enterprises. It must be noted that these agencies have different capacities and motivations for serving small enterprises because each of these agencies has its own specific target group within the small enterprise landscape. As a result, in an economically depressed area, a small enterprise will be at a disadvantage in competing for credit because it is harder to attract skilled labour and there is often a lack of infrastructure to move small enterprise products closer to the market.

2.6 INFORMATION ASYMMETRIES AND UNCERTAINTY

Over the years, there has been consensus in the literature about the fact that informational asymmetries generate credit constraints (Stiglitz & Weiss, 1981; Stiglitz, 2000; Beck, Demirgüç-Kunt & Maksimovic, 2005). The failure of private lending institutions to allocate credit efficiently within the small enterprise credit market may indeed be because of fundamental information problems (Stiglitz & Weiss, 1981).

Credit market operators have less information to evaluate the risk for small enterprises, but government agencies spend fewer resources, or sometimes none at all, on gathering and analysing information about their clients. Lenders rely on instructions from guarantors and sometimes on collateral with the intention of closing the financing gap for small enterprises without compromising the interest of the lender shareholders (Thorne & Du Toit, 2009).

Information asymmetry, as explained by Stiglitz and Weiss (1981), leads to credit rationing by credit providers due to agency problems in the credit market. Agency problems imply that

officials of financial institutions, who represent the interest of their shareholders, must protect shareholders' interests when providing credit to borrowers without compromising their decision (Mazanai & Fatoki, 2011). Information asymmetry is common where the lenders have little information about the borrowers' risks and expected returns on the proposed investment while the borrowers are in a position to know the expected returns and risk of their projects. Hence, because of the lack of information, lenders may decide not to grant credit. This is the great reason why government intervention programmes bring about closing of the credit gap for small enterprises.

2.7 START-UP AND NEW ENTERPRISES

Start-ups and new enterprises face many obstacles in developing countries, including access to capital, which remains by far the most cited obstacle in the literatures (Kimando, Sakwa & Njogu, 2012; Blowfield & Dolan, 2014). Some of the small enterprises that are operational today are either self-financed or financed by family and friends, and these types of finances are not sufficient to meet the operational and investment needs to grow their businesses (Blowfield & Dolan, 2014). Moreover, capital markets are often very risk averse and, therefore, are not willing to finance new or start-up enterprises. In developing countries, the equity market is very weak and one of the arguments in favour of government funding programmes for small enterprises is that some small enterprises are relatively new with little or no credit history, lenders are hesitant to grant them credit (Craig *et al.*, 2008). Lenders prefer to use the current and existing credit history records mechanism as a means of risk evaluation for new enterprises (Kimando *et al.*, 2012). Therefore, funding programmes support small enterprise development at the critical stage of the first few years of operation (Mazanai & Fatoki, 2011). Funding programmes are meant to help new enterprises to overcome entry barriers in the credit market, which are monopolised by the traditional financial institutions and to bring about competition and enjoy lower prices in a well-justified economic environment.

2.8 LACK OF CAPITAL

The global financial system has had a major unfavourable effect on the ability of small enterprises to access credit. One of the daunting tasks confronting small businesses today is access to finance. In reports by the World Bank Group, it was estimated that there was a financing gap of US\$2.1-2.6 trillion for small enterprises in Africa and Asia. The reports further estimated that in developing countries, over 365-445 million enterprises both in the formal and informal sectors did not have access to financial services in the form of loans, credit and other financial services (World Bank, 2018).

In South Africa, there has been criticism that financial institutions (banks) do not help small enterprises, especially black-owned businesses, with finance (Nieman & Nieuwenhuizen, 2009). Access to finance by small enterprise from traditional financial institutions is difficult, which has resulted in a high rate of small enterprise failure (Nieman & Nieuwenhuizen, 2009). This has created a great concern for policymakers and government in South Africa (Ferreira *et al.*, 2010). In addition, this has undermined the development of small enterprises, thereby creating a challenge for the government in meeting its target of creating employment, reducing poverty and reducing income inequality (Mago & Toro, 2013). Most of the small businesses that are in operation today are either self-financed or financed by friends and family, and these forms of finance are not sufficient to meet the operational and investment needs of small enterprises (Nieman & Nieuwenhuizen, 2009).

2.9 INTERNATIONAL MODELS OF THE EFFECT OF GRANT FUNDING PROGRAMMES ON SMALL ENTERPRISE DEVELOPMENT

Globally, governments are coming up with different types of intervention programmes such as grant incentive schemes, loan guarantee schemes and credit in the form of micro loans, subsidies and tax reduction mechanisms to promote small enterprise development (Craig *et al.*, 2007). Several empirical studies have shown that government credit intervention programmes are effective in relaxing credit constraints for start-ups and existing small enterprises in developing countries.

Government funding programmes such as SENCE⁵, PROCHILE⁶ and FONDEF⁷ in Chile, PROMPYME⁸ and CITE⁹ in Peru, FOMIPYME¹⁰ in Colombia and Mexico and the World Bank's programme in Sri Lanka are examples of funding programmes that promote small enterprise development. These programmes are meant to promote greater access to credit and to reduce the capital constraints that small enterprises face, thereby improving their productivity

⁵ Servicio Nacional de Capacitacion y Empleo (National Training and Employment Service) was established to support small enterprise suppliers and development, technology and in-service training.

⁶ Programa de Promocion de Exportaciones (Export Promotion Programme).

⁷ Fondo de Fomento al Desarrollo Cientifico y Tecnologico (Science and Technology Development Fund).

⁸ Comision de Promocion de la Pequena y Micro Empresa (Micro and Small Enterprise Promotion Commission) supports business development services and public procurement.

⁹ Centro de Innovacion Tecnologica (Technical Innovation Centre) supports small enterprises in the area of technology development.

¹⁰ Fondo Colombiano de Modernizacion y Desarrollo Tecnologico de las Micro, Pequeñas y Medianas Empresas (Fund for the Modernisation and Technological Development of Micro, Small and Medium-sized Firms) was initiated by the Colombian government in 2001 to promote small enterprise training and business services, including supplier development, export, promotion and technology.

(Aivazian, Mazumdar & Santor, 2003; López-Acevedo & Tan, 2010). In India and Latin America, governments also support SMEs to promote economic development (Richard, 2008; Hall & Maffioli, 2008). According to Aivazian *et al.* (2003), López-Acevedo and Tan (2010) and the Richard Reports (Richard, 2008), government funding programmes have made significant contributions towards enterprise growth in terms of employment generation, higher sales, profitability, and increases in export and investment. However, at country level, enterprise performance varies due to individual programme targets, goals, implementation criteria and country background as each country's programmes have to operate according to the rules that govern the establishment of such funding programmes.

In some developed economies such as the USA, Canada, the UK, Australia and Japan, the growth of small enterprises is commensurate with the level of resources used to develop small businesses. The CSLGP in the USA (Bradshaw, 2002), the CSBFP in Canada (Chandler, 2012), the WCEFS in the UK (Richard, 2008) and the ESVCLP and the TCFSBP in Australia (Xiang & Worthington, 2013) are examples of government funding programmes for SMEs. Riding and Haines (2001) and Riding, Madill and Haines (2006), using a firm-level survey study conducted in Canada, found that beneficiaries of the programmes were far better off and had improved their performance significantly after gaining access to credit guarantee schemes. Furthermore, through comparison of two government support programmes referred to as 'Working Capital and Enterprise Finance Programmes for Small Business Enterprises' in the UK, the Richard Reports (Richard, 2008) concluded that the programmes were able to deliver on its targeted goals.

Cowan, Drexler and Yañez (2015), Craig *et al.* (2007; 2008) and Hancock, Peek and Wilcox (2008) provided some valuable insights into the effectiveness of credit guarantee schemes and concluded that these schemes did promote small enterprises. Bartik and Erickcek (2014) and Craig *et al.* (2007; 2008) asserted that business incentive programmes stimulate job creation considerably, more than devoting a similar amount of resources to general subsidies such as business tax cuts. This was also the view of Luger and Bae (2005); these authors reached a conclusion on how much taxpayers' costs were reduced by tax incentives with a likely positive impact on employment generation.

In Minnesota, USA, Hansen and Kalambokidis (2010) found that small enterprise intervention programmes promoted economic development and a significant improvement was noticed in the number of employment opportunities created during the early years of the programme's operation. In Canada, small enterprise incentive schemes caused an increase in the economic growth of programme participants (Chandler, 2012). Using a comparative analysis of data to measure the effectiveness of the California state loan guarantee programme on employment

as far back as late 2000, Bradshaw (2002) found that there was a significant improvement in the number of jobs created through the programme in the USA. In addition, as early as 1992, a study by Felsenstein (1992) used cost-per-job indices and cost-benefit analyses to establish how many jobs had been created as a result of a revolving loan and a grant disbursement scheme in Israel for a duration of three years from 1986 to 1989. The study concluded that there was a significant increase in the number of jobs created as a result of access of small enterprises to both schemes. Bach (2009) evaluated a French small enterprise loan programme tagged CODEVI¹¹ using firm-level data. The study found a significant improvement in enterprises that had access to the funding programme. However, a study by López-Acevedo and Tan, (2010) found that many enterprises were not aware of the existence of the programme, coupled with the concentration of businesses in one geographical location; the effects of the programme will take few years to be revealed.

Regarding economic development, in separate studies conducted by Calcagno and Thompson (2004) and Gurley-Calvez, Gilbert, Harper, Marples and Daly (2009) estimated the effects of state economic incentives where businesses were subsidised by state resources as a result of reduction in manufacturing sector productivity. The studies concluded that state incentives grew the domestic economy. Furthermore, Bacheller (2000) believed that the effective use of state business assistance programmes improved the competitiveness of businesses and offered greater “reach” of economic development.

In Brazil, for example, one of the public credit programmes referred to as BNDES¹² with intermediated support for small enterprises provided access to credit for acquisition of assets (machinery and equipment). According to Machado and Parreiras (2013), the programme accounted for 20 percent of all credit demand in the domestic economy of Brazil and contributed an average of five percent to GDP in the year of operation. The BNDES credit programme offered a line of credit to participants in small amounts through preapproved cards to purchase locally manufactured goods, industrial inputs and services. Machado and Parreiras (2013) concluded that the BNDES significantly contributed to economic growth by providing programme participants with access to credit.

¹¹ CODEVI is referred to as COMptes pour le DEveloppement Industriel.

¹² BNDES is a line of credit operated by the Brazilian Development Bank (BNDES) with a primary target and supports micro, small and medium-sized companies on the evolution of registered employment in the beneficiary companies.

In sub-Saharan African countries, government support for small enterprises has improved in the last decade through the provision of various government intervention and incentive programmes (Glisovic & Martinez, 2012). However, most sub-Saharan African countries are still experiencing slow progress in their overall economic development. This might be attributed to the fact that there is greater focus on bigger businesses that operate formally than on smaller, often informal ones (Glisovic & Martinez, 2012). Recent development has seen increasing involvement of NPOs and financial institutions in the development of small enterprises, especially at a rural level.

Although substantial efforts have been made by the South African government to assist small and co-operative enterprises by improving access to capital, the level of enterprise development in South Africa is still very low while the failure rate seems to be extremely high (Ferreira *et al.*, 2010). This may be ascribed to the fact that many entrepreneurs are not capable of managing their businesses or that the majority of enterprises are not aware of the current effort being put in place through government support programmes that could assist their businesses to upgrade to the required sustainability level. In addition, government-funded programmes will make it easier for credit institutions such as banks and service providers to make available credit to enterprises because of their risk exposure as perceived by traditional financial institutions.

In South Africa, the performance of various government-funded programmes has improved post 1994 (Rogerson, 2004; Nieman & Nieuwenhuizen, 2009; Ferreira *et al.*, 2010; Mazanai & Fatoki, 2011; Tsoabisi, 2012; Mago & Toro, 2013). In terms of resources, a great deal has been invested; however, explicit contributions with the aim of improving enterprise sustainability and access to credit were not consistent and sufficient. Perhaps this was due to non-availability of sufficient research, or if there was any, it may not have been accessible in the public domain.

It is important to evaluate the BBSDP and the CIS to assess their performance and the challenges that they encounter to ensure that they continue to contribute towards the national priorities of the South African government. In addition to having a better understanding of these challenges, there is a need to investigate the two grant funding programmes with the aim of improving SME access to capital, thereby contributing to the South African national economic development agenda.

The above discussion has pointed towards the existing gap in the literature and has shown how scholars have not been able to explore and investigate the current grant funding programmes vis-à-vis their contributions to economic development in South Africa. This

approach may give policymakers, government and small business operators a starting point in terms of understanding the contributions of grant funding programmes such as the BBSDP and the CIS and to establish whether both have met their set goals.

2.10 INTERNATIONAL MODELS OF THE EFFECT OF GRANT FUNDING PROGRAMMES ON CO-OPERATIVE ENTERPRISE DEVELOPMENT

Globally, co-operatives have a long and successful tradition and have proven to be a success story by contributing to the socioeconomic development of the world in general. The literature shows that countries that have achieved economic growth have a vibrant and a dynamic co-operative sector. For example, in Canada Quebec's province, the *Plan d'Action gouvernemental en économie sociale*, which is a social economy action plan targeting enterprise development between 2015 and 2020, anticipates a total investment of more than C\$100 million to support social economy enterprises (ILO-COOP, 2014). The aim is to create or maintain 30 000 jobs and to generate a total investment of over C\$500 million by 2020. Revenue from all business units of the 31 community-owned co-operatives was C\$164 million in 2008, an increase of 12 percent from 2007. Co-operative enterprises created employment and paid C\$22 million in wages during the years under review in Canada while C\$8.1 million was paid as dividends to the members of the co-operatives. Within the same period, C\$4 million was spent on new and existing infrastructure, which included retail stores, hotels, warehouses and other fixed assets (ILO-COOP, 2009). It is estimated that the survival rate of co-operatives in Canada after a five-year period is 64 percent, compared to 36 percent for private firms, but after ten years, the survival rate of co-operatives is 46 percent, compared to 20 percent for private firms (Murray, 2011).

In Costa Rica, co-operatives operating in many sectors of the economy, are recognised through the legal framework of the country with a high level of government and public support (ILO-COOP, 2014) and are fully integrated under the Costa Rican NDP. For example, according to ILO-COOP (2014), the Fair Trade Foundation describes how 391 small-scale farmers founded Coopeagri in 1962. It now has over 8 000 members and employs over 700 temporary and permanent workers. Its impact is much broader, though; it reaches 35 000 farmers, farm workers and family members. In Kenya, co-operative enterprises control more than 70 percent of the coffee and dairy markets while 95 percent of the Kenyan cotton market is controlled by co-operative enterprises (ICA, 2006). Moreover, one in every five Kenyans is a member of a co-operative enterprise and over 20 million Kenyans directly or indirectly derive their livelihood from co-operative enterprises (ICA, 2008). In New Zealand, co-operatives are responsible for 95 percent of the dairy market and dairy exports. Furthermore, 70 percent of the meat market and 50 percent of the farm supply market are controlled by co-operative

enterprises. In Malaysia, 24 percent of the population are members of co-operative enterprise while the co-operative movement represents two million workers in Spain and 45 percent of residents receive their electricity through co-operative enterprises in Bangladesh (ICA, 2006).

In South Africa, a study conducted by Van der Walt (2005) showed that 65 percent of the co-operative enterprises surveyed were not operating and close to 60 percent experienced a decrease in their turnover. A study conducted by Godfrey, Muswema, Strydom, Mamafa, & Mapako (2015) corroborated that of Van der Walt (2005) and concluded that co-operative enterprises remained vulnerable and weak, with a 92 percent mortality rate, despite the low barriers to entry and the significant opportunities that exist. The literature also states that lack of access to credit, poor management, conflict, and lack of skill among co-operative members are the major reasons for the high failure rate of co-operative enterprises. However, in a study conducted in the Osun State of Nigeria, Adekunle and Henson (2007) observed that micro-entrepreneurs who belonged to co-operative enterprises such as the “Co-operative Thrift and Credit Societies” had a better personal agency approach regarding access to financing than those micro-entrepreneurs who were not members.

In the literature, the financing model of the co-operative enterprise is shown to be efficient and to have contributed to the world’s economic growth. However, the model also has its shortcomings. For example, co-operative enterprises often create tension within a group and can lead to the voluntary withdrawal of a member as a result of the member’s damaged social capital (Giné & Karlan, 2009). Members who ride on the backs of others also contributed to higher failure rates of co-operative enterprises as the loan or grant repayment arrangement is sometimes unbearable, leading to high rates of default among members. Moreover, a study conducted by Mknelly and Kevane (2002) observed a credit co-operative programme designed for women in Burkina Faso that showed negative results for the impact of a co-operative enterprise approach. This was because of the high expectations in the mutual trust among enterprise members and collective beliefs among credit institutions. The study concluded, however, that programme implementation needed to be more consistent, follow proper procedures for recovering debts and mitigate against allocating funds to nonperforming members. In both studies conducted by Kallon (1990) and Kiggundu (2002) it was found that one of the long-lasting, major obstacles confronting co-operative enterprises in developing countries was the issue of financial resources, that is, the availability of capital to start or to expand a business venture.

2.11 THEORETICAL FRAMEWORK

In the context of this study, “effectiveness” means the extent to which small enterprise cost-sharing and co-operative incentive programmes stimulate additional productive investment. The measures for effectiveness include firm growth and profitability, return on assets, return on investment and business sustainability (Drucker, 1963).

The fundamental premise underpinning the establishment of the BBSDP and the CIS in South Africa is that, firstly, there is a need for additional investment to foster more rapid economic growth in South Africa and, secondly, incentive programmes can be effective in stimulating public investment in communities where economic activity is stagnant (DTI, 2007).

For both programmes (BBSDP and CIS), the key issue is that investment productivity is at least as important as the quantity of investment in determining growth. Even if grant incentives do stimulate investment, their net impact on growth could be adverse if the incentives reduce productivity. The effectiveness of a firm, especially SMEs, is deemed to be enhanced through factors related to access to both financial and nonfinancial services (Musara & Fatoki, 2010). Consequently, firms require resources to manage these factors, taking into account those fundamental frameworks that guided the establishment of incentive programmes. In the following sections, various theoretical models are presented that support various intervention programmes through government support.

2.11.1 Resource-based theory

According to the resource-based theory, the performance of firms is determined by not only the resources that they possess but also how these resources are utilised (Kor & Mahoney, 2004). The resource-based theory suggests that firms should seek alternative uses of resources that have not been discovered yet. This leads to a heterogeneous usage of the firm’s resources and makes a firm exceptional in resource accessibility, hence differentiating a firm from its competitors. For example, access to resources contributes to a firm’s competitive advantage and makes the firm potentially more valuable in terms of maximising its productivity level. Barney (1991) argues that resource heterogeneity is the most basic condition of the resource-based theory. The idea is that at least some resource components and capabilities that underlay production are heterogeneous across firms. Based on this heterogeneity, it is necessary to note that the resource-based theory is necessary but may not be sufficient for a sustainable development advantage. For example, a firm could have heterogeneous assets that may not be aligned with other conditions suggested by the resource-based theory, thus leading to the production of only a short-term development advantage.

2.11.2 Resource-dependence theory

The basic argument of the resource-dependence theory is that firms depend on each other for resources. Therefore, it is to be noted that suppliers of resources sometimes select a resource's beneficiary based on the organisation's primary preference rather than based on a priority distribution of resources. This might be due to rationalisation of capital competitiveness experienced by smaller firms. However, with government intervention funding programmes, this barrier could be addressed where political objectives and resource dependence are directly linked (Pfeffer & Salancik, 1978).

It is argued by Pfeffer and Salancik (1978) that under the resource-dependence theory, the ability of firms to access resources is constrained by their dependence on external factors such as capital market competitiveness and transaction costs. However, intervention programmes through government agencies for small firms may influence their performance objectives in this context. Under this theory, funding sources (such as government funding and grants that firms can access) are perceived to be a valuable basis for improving a firm's performance. Therefore, under the resource-dependence theory, capital resources are important to a firm's success.

2.11.3 Evidence-based theory

The evidence-based theory states that intervention programmes should be tested through a monitoring and evaluation approach. The aim is to test the model of a programme or the causal model underlying the outcomes of an intervention programme (Donaldson & Gooler, 2003); that is, the aim is not only to assess programme outcomes but also to consider whether these outcomes are achieved through the mechanisms put in place under the model of the programme (Donaldson & Gooler, 2003). This is at the heart of monitoring and evaluation when the outcomes of a programme are compared with the objectives of that programme. Under these circumstances, performance outcomes are tested against evidence-based policy.

The evidence-based theory provides stakeholders with the tools that can be used to verify and improve the quality, effectiveness and efficiency of an intervention or incentive programme at various stages of implementation. Policy implications are considered both in terms of programme effectiveness and the potential optimal balance between types of intervention programmes. The theory focuses more on the outcomes of a programme than on its implementation process. It still requires a theoretically grounded analysis of the process and causal mechanism alongside the evaluation of outcomes and, in empirical terms, a mixed-methods evaluation methodology combining a qualitative examination of processes and decisions with a more quantitative assessment of outcomes.

2.11.4 Theory of change

The theory of change is a method used during the planning, implementation and evaluation of intervention programmes that aims to promote social change. The theory defines the process of change by mapping out the causal linkages during programme initiation and focuses on short-, medium- and long-term outcomes.

One key advantage of the theory of change approach is that it can accommodate different views of the change process and provides a mechanism for dialogue among different stakeholder groups: implementers often use it in a reflective manner to support programme planning and design, evaluators use it to establish the basis for logical frameworks or intervention models and researchers use it for introducing elements of socio-political theory. Clearly, establishing a theory of change can provide a solid basis for measurement by setting out what will change, how this change is expected to occur (the causal linkages) and the assumptions and other contextual factors that will influence the eventual result. However, the theory of change does have its limitations, such as the difficulty of gathering evidence to validate the theory.

2.11.5 Economic development theory

According to Seidman (2005:5), “Economic development is a process of creating and utilising physical, human, financial, and social assets to generate improved and broadly shared economic wellbeing and quality of life for a society.” Finance has a key role to play as an input process that generates the desired outcomes of employment creation and increased incomes and quality of life (Seidman, 2005).

Economic development, therefore, is about using the resources of the state to spearhead the process of improving a society and increasing its economic activity. Under the theory of economic development, there is a need for new investment, innovation and redistribution of resources, which undoubtedly would affect domestic economic activities. Governments around the world have been innovative in economic development by creating new investments and redistributing resources through programmes that could help to restructure their economies (Seidman, 2005). Schumpeter (1934 in 2008) believes that economic development is not only a means of reducing poverty but also an alternative to redistributing resources within an economy. Schumpeter’s argument is that there is a need to transfer the “surplus” wealth, or income, of the better-off directly to the poor, particularly in unequal societies such as developing countries.

This approach has become very popular in the last decade, particularly in middle-income countries with relatively large quantities of resources and income concentrated in the hands

of a few private individuals. As a result, governments created new programmes to help restructure their economies. Many governments used intervention and incentive programmes such as grants, revolving funds and credit guarantee schemes to advance their economic development agendas. This can be seen in South Africa where the government has invested a great deal of resources in economic development programmes with the expectation of translating the goals of such programmes into positive developmental realities. For example, the growth of small enterprises could lead to employment creation, thus reducing poverty and income inequality.

The first step in defining any programme model is the specification of programme objectives (Donaldson & Gooler, 2003), which in the case of the BBSDP and the CIS relates to improving the contribution made by SMEs to South Africa's economic development agendas. More specifically, the BBSDP and the CIS are part of the government's attempts to build an enterprising society in which SMEs of all kinds thrive and achieve their potential, with (i) an increase in the number of black people who view participating in the main stream of South African economy as a viable option; (ii) an improvement in the overall productivity of small firms; and (iii) more enterprises in disadvantaged communities (DTI, 2007). The second major element of any programme theory is the definition of the process model through which the programme objectives are envisaged to occur (Lipsey, 1993). For example, in the case of the BBSDP and the CIS, this would be the process through which both funding programmes influence a firm's performance based on the type of funding assistance received by each individual firm.

2.11.6 Theoretical underpinning for the study

The previous sections detailed key theoretical approaches that described grant funding programme performance and measurement. Furthermore, the section showed that there was no agreement on any one theory being the central point for studying grant funding programme effectiveness. However, a number of relevant conclusions can be drawn, and issues can be identified from the review of these theories.

As the main objective of this research was to measure the effectiveness of grant funding programmes in South Africa, it was important to apply theories that were relevant to the South African situation. The review of the funding programme theories therefore serves to provide a conceptual approach based on economic development and to provide a better understanding of the effectiveness of publicly funded programmes for small and co-operative enterprises. It is also important to understand the mechanisms for economic development as it involves using resources of the state to spearhead the process of improving the lives of citizens through

diversification, thus bringing about new investment that undoubtedly will affect economic activities.

2.12 CONCEPTUAL FRAMEWORK

The theory selected for this study was the theory of economic development by Schumpeter (1934 in 2008). With this theory, measuring the effectiveness of the BBSDP and the CIS grant funding programmes was required so that all essential factors affecting the success of the programmes could be brought into focus.

In South Africa, the BBSDP and the CIS potentially provide a means of delivering funding intervention that particularly suits the capital needs of SMEs. In spite of the growth and delivery of funding programmes, limited academic research has been done on structured government intervention programmes, both generally and around the evaluation of funding programmes in the micro-business and SME sector. Given this gap in the academic literature, this study aimed to explore the effectiveness of the BBSDP and the CIS by drawing on academic discourse. Specifically, this study proposed an adaptation to a model for evaluating economic development-based programmes and applied this interpretative framework to the BBSDP and the CIS, which are aimed at small and co-operative enterprise development. The adaptation provided a possible framework for grounding the evaluation of the BBSDP and the CIS and making explicit the theoretical and pedagogical basis of much of the literature to date. In this study, framework and model are used interchangeably, and are defined as a scientific approach to new knowledge building and theory validation.

In addition to evaluating the performance of these programmes and understanding how firms and beneficiaries are funded, we need to understand key areas of public policy and how government finance relates to economic development (Seidman, 2005). A solid monitoring and evaluation of the operation of government funding programmes must be combined with the performance of beneficiary firms and how these could affect the broader economic development goals of South Africa.

However, what may be considered strong performance for one industry or organisation can be deemed weak performance for another. Therefore, different growth indicators were selected due to their generalisability across several and various sectors. The indicator variables to measure the effectiveness of the BBSDP and the CIS were divided into economic and social indicators. This study focused primarily on economic development while social development indicators complemented the socioeconomic factor. The performance measures for economic indicators were SME sales growth, return on investment, return on equity, profitability margin growth and asset to capital formation ratio. Furthermore, indicators such

as a firm's number of operating years, the gender of the business owner, the business sector, demographic details, location and the level of each firm's satisfaction with the programmes were collected to determine whether they affected the performance outcomes. The following terms were used interchangeably in the study: growth, performance and business profitability.

2.13 THE CONCEPT OF EFFECTIVENESS

In the context of this study, "effectiveness" means the extent to which a grant funding programme delivered on its mandate and objectives in order to stimulate government investment. Effectiveness measures the extent to which the BBSDP and the CIS grant funding programmes' objectives were achieved, or are expected to be achieved, considering their comparative importance.

Effectiveness, according to OECD/DAC criteria, focuses on assessing whether the intended results of the development intervention were achieved (Chianca, 2008). Effectiveness aims to measure the extent to which the objectives of the development intervention are being achieved, whether at output, outcome or impact levels (Chianca, 2008; Kusters, 2011). Similarly, in Figure 2.1 below the Development Bank of Southern Africa (DBSA) illustrate this concept accordingly. Effectiveness refers to a fundamental term used in measuring and evaluating the performance of public and private institutions (Mouzas, 2006). According to Mandl, Dierx, & Ilzkovitz (2008), the level of effectiveness of public institutions' support programmes shows the relationship among the inputs, the outputs and the outcomes. Simply put, effectiveness is a process of productivity designed to attain certain set goals (Asmild, Paradi & Reese 2007; Mihaiu, Opreana, & Cristescu 2010; Roghanian, Rasli, & Gheysari 2012). Georgiadis, Politis and Papaioannou (2014) highlighted the fact that effectiveness represents the process through which service inputs are transformed into produced outputs. For example, the relationship between service inputs and consumed services is referred to as operational effectiveness while the relationship between produced services and consumed services can be referred to as service effectiveness (Georgiadis *et al.*, 2014).

Also, as far back as the early sixties, Drucker (1963) described effectiveness as an indicator produced by the ratio of results obtained between programme input and programme output to achieve certain objectives. According to Mouzas (2006), effectiveness assists institutions to improve their own strategies for sustainable growth through set objectives. Hence, effectiveness is linked to institutions' access to resources aimed at achieving innovation and differentiation. Effectiveness, therefore, makes a connection between input and output (see Mouzas, 2006; Roghanian *et al.*, 2012; Asmild *et al.*, 2007).

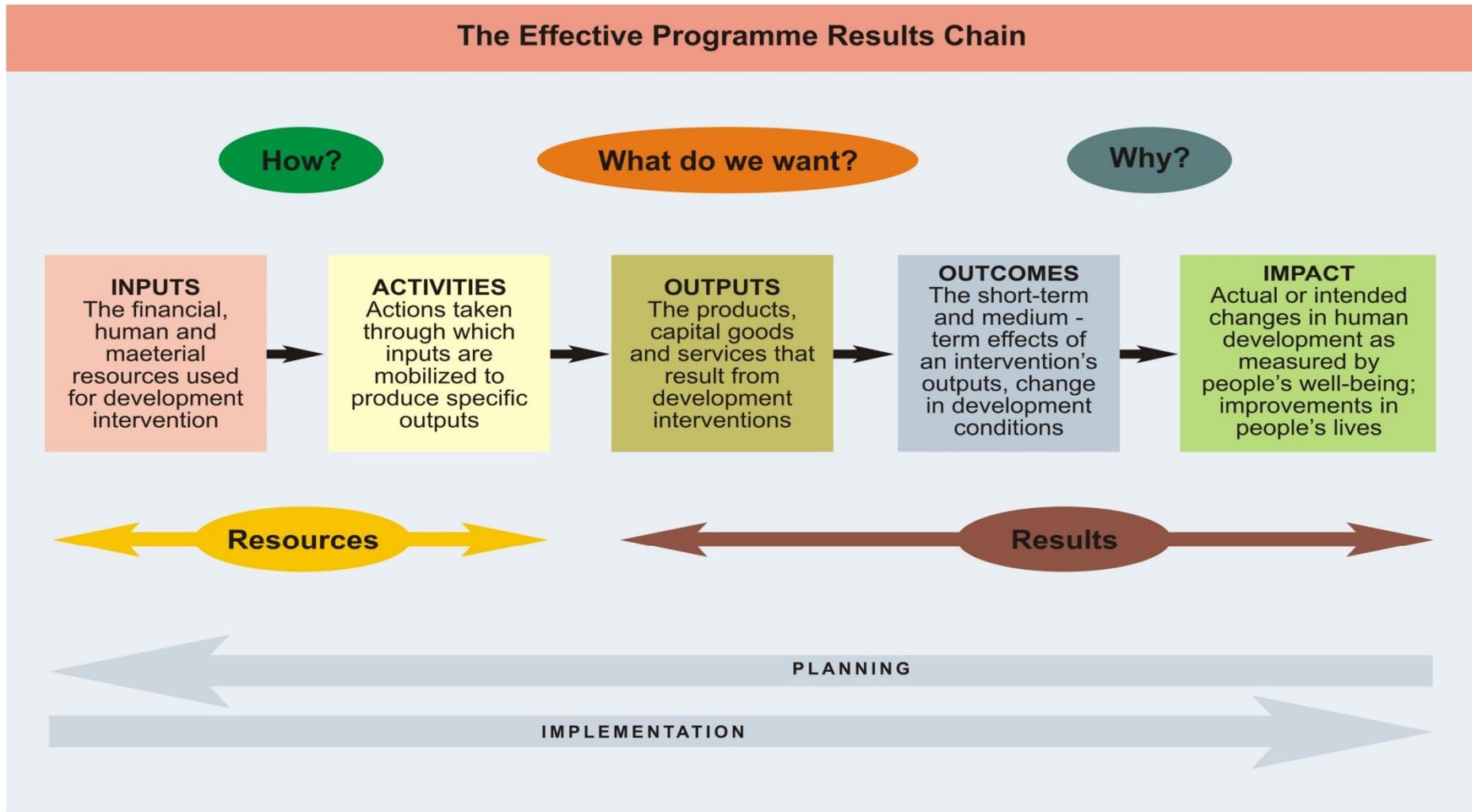


Figure 2.1: The effectiveness programme results chain

Source: adapted from Development Bank of Southern Africa [DBSA] (2018).

Evaluating the effectiveness of the BBSDP and the CIS grant funding involves understanding how the programmes contributed to the desired outcome in relation to its output and whether the programmes were appropriately designed in relation to the expected results, what the success factors were, what the weight of external factors was, and who the beneficiaries of the programmes were. The process contributed to institutional learning through the researcher's understanding of what worked under which conditions.

As far as this study is concerned, measuring the effectiveness of the BBSDP and CIS is to know to what extent the objectives of the programmes are being achieved, whether at output, outcome or impact levels. However, due to the difficulty of measuring effectiveness at impact level and the availability of data, the focus of this study was on evaluating the BBSDP and CIS on outputs and outcomes only. Assessing the effectiveness of an intervention at output level requires examining the extent to which the project/programme activities have taken place and produced the expected outputs.

Assessing the effectiveness of the BBSDP and the CIS grant funding programmes at outcome and impact levels required a two-step approach, which included measuring the extent to which the objectives have been achieved and assessing the extent to which the changes can be attributed to the development intervention or to external factors (Chianca, 2008; Morra Imas & Rist, 2009; Kusters, 2011).

The fundamental premise underpinning the establishment of grant funding programmes in South Africa is that, firstly, there is a need for additional investment. This is to foster more rapid economic growth. Furthermore, the study assessed how grant funding programmes could serve as a mechanism for stimulating public investment in communities where economic activities were stagnant (DTI, 2007). The effectiveness of grant funding programmes is deemed to enhance the factors that relate to access to financial and nonfinancial services, taking into account those fundamental frameworks that guided the establishment of each programme. Conceptually, resources (funds and human capital) are used to perform activities and create outputs. The activities and outputs reach target users (beneficiaries). As a result, the target beneficiaries behave differently and immediate outcomes occur.

In this study, evaluating the two programmes, need to achieve a maximum level of objectivity and impartiality where a statement of facts needs to be methodically and clearly distinguished from assessments. It is important that different perspectives are taken into account, as well as strengths and weaknesses. Results, conclusions and recommendations of the study need to be supported by evidence and must be comprehensible. The outcomes are therefore:

- To improve programme efficiency and operational effectiveness;
- To establish programme financial sustainability
- To establish strong institutional and effective internal controls
- To improve entrepreneurship development and employment impact

The effectiveness of the following outputs will be measured by:

- Human capital acquisition and development (input)
- Financial sustainability (more sustainable services)
- Effective internal controls (more effective internal control services)
- Operational efficiency and competitiveness (more effective and competitive operational services)
- Development impact (more effective performance in terms of outputs and outcomes).

Measurable KPI indicators will be introduced to measure the effectiveness of each of the outputs under each of the five measurable perspectives as listed above and these are discussed in detail in chapter four of the study.

2.14 THE BALANCED SCORECARD AND PERFORMANCE

The balanced scorecard was introduced as a management-based system to assist organisations to translate their visions and strategies into action (Kaplan & Norton, 1992; 1996). The balanced scorecard assists organisations to formulate their strategy, monitoring and evaluation management system for the purpose of reaching their goals and objectives (Beatham, Anumba, Thorp, & Hedges, 2004; Niven, 2008). According to Niven, the balanced scorecard provides a balance between operating and economic performance, and financial and customer outcomes. Under the balanced scorecard framework, Kaplan and Norton (1992; 1996) proposed four perspectives for an organisation, namely financial, customers, innovation and learning, and internal processes.

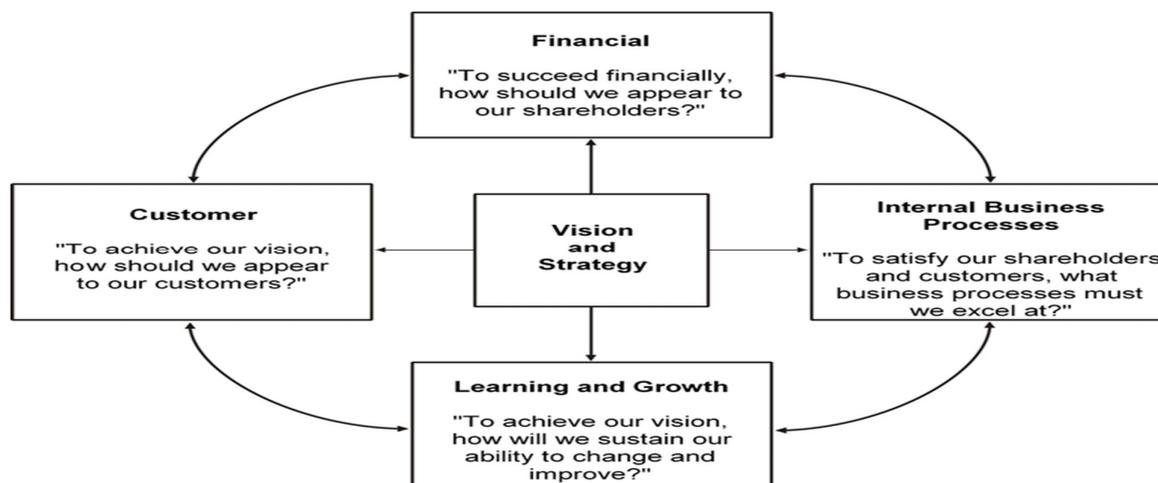


Figure 2.2: The current balanced scorecard

Source: Adapted from Kaplan and Norton (1996).

According to Kagioglou, Cooper and Aouad (2001), the balanced scorecard provides key indicators for each perspective to assist in measuring and evaluating a comparison between organisational performance and strategic goals rather than measuring organisations' financial performance. The starting point of any performance measurement framework as far as the balanced scorecard is concerned is to be clearly stated in the programme strategy statement (Kaplan & Norton, 1996).

The balanced scorecard framework is well accepted globally and is frequently used both in public and private institutions as a tool for performance measurement (Yang, Yeung, Chan, Chiang, & Chan, 2010). Although the balanced scorecard does have some major limitations in target setting, it can be used in combination with a consolidated metric method of performance (Tsolas, 2011). The challenge with the balanced scorecard is that it is time-consuming, expensive, difficult to implement and requires individuals who have vast knowledge of how to implement the framework. For example, Neely and Bourne (2000) looked at balanced scorecard implementation initiatives and found that these failed in most organisations due to difficulties during the implementation phases, especially if the frameworks were poorly designed. This challenge applies to all four perspectives of the balanced scorecard. This argument of poor implementation of current balance scorecard is ongoing, especially when perspectives such as those proposed in this study are not taken into consideration, as well as the application of the five perspectives, for example human capital acquisition and development, financial sustainability, effective internal controls, and operational efficiency and competitiveness, and development impact for programmes such as grant funding for small and co-operative enterprises (Tsolas, 2011).

2.15 EFFECTIVENESS PERSPECTIVE AND APPROACH

An influential model to guide funding programmes and enhance programme performance is the balanced scorecard model developed by Kaplan and Norton (1996). With this model, balancing the measurement system is required so that all essential perspectives affecting programme success are brought into focus (Kaplan & Norton, 1996). Although the balanced scorecard has gained popularity in research and industry lately, this has not been without some contestation (Bassioni, Price, & Hassan, 2004). The majority of balanced scorecard implementation initiatives in firms have failed and the perspectives of the balanced scorecard have been considered as insufficient (Neely & Bourne, 2000). The balanced scorecard model provides a general framework for measurement, but when it comes to the practical implementation of the strategy, the model does not state what the strategy should be or what should be measured. For example, the model only suggests that its perspectives should be considered as cornerstones of the measurement system (Salminen, 2005).

2.15.1 Human capital acquisition and development approach

Implementing the balanced scorecard on human capital acquisition and development in the assessment of public grant funding programmes such as the BBSDP and the CIS will not only strengthen their strategic mandate but will also improve the performance of programme employees. According to Eisenstat (1996), human capital acquisition and development contributes significantly to the organisation's performance and effectiveness. Human capital acquisition and development entails the formation of skills with a focus on employee training, the creation of interpersonal relations and the development of social competencies (Lin, Zhang, & Koubek, 2004). Human capital acquisition and development "exhibits a curvilinear (U-shaped) effect and the leveraging of human capital a positive effect on performance and moderates the relationship between strategy and firm performance, thereby supporting a resource-strategy contingency fit" (Hitt, Bierman, Shimizu, & Kochhar, 2001:1). Employees contribute to the performance and effectiveness of organisations' operational efficiency, internal business processes and development and even more so to their own growth through the acquisition of skills. Acquiring skills could be achieved through regular training, capacity building and individual development plans. These processes must be systematically integrated into the organisation's overall strategic operation. This will guarantee effective performance of organisations and commitment to the organisational strategy, which will lead to employees' developing improved systems for internal organisational processes (Kaplan & Norton, 2007).

According to Van der Woerd and Van den Brink (2004), human capital acquisition and development is about motivating employees towards achieving the organisational mandate,

either through a synergy-driven approach (aimed at a win-win for all three aspects of people, profit and planet) or through a mission-driven (stakeholder needs) approach. Boudreau and Ramstad (2005) and Wilkinson, Hill and Gollan (2001) believed that it is crucial for organisations to engage in strategic human resource management to assist in achieving their sustainability mandate. This view also corroborates the opinion expressed by Vickers (2005) that for an organisation to be sustainable as part of the strategic mandate, human capital must be adequately developed and managed in a way that can influence the organisation's overall performance.

Human capital acquisition and development plays an essential role in the organisation by stimulating new ideas and innovation through knowledge acquisition and engagement with the implementation of internal business processes (Wilkinson *et al.*, 2001). Highly developed human capital has an excellent ability to improve performance, which reduces risk impact and promotes personal development plans and staff engagement in an organisation (Wilkinson *et al.*, 2001; Jabbour & Santos, 2008). Jabbour and Santos (2008) also asserted that companies with outstanding human capital acquisition and development have an exceptional ability to improve their organisational performance. When operational activity processes are consistent with sustainability principles, with a focus on continuous human capital development, the organisation will manage to reduce resource depletion and waste and by implication increase productivity (Jabbour & Santos, 2008).

2.15.2 Financial sustainability approach

Financial sustainability is a goal that all organisations strive for. Hypothetically, financial sustainability covers administrative costs and prioritises activities in agreement with the objective of the organisation (Bañon-Gomis, Guillén Parra, Hoffman, & McNulty, 2011). According to Wren and Storey (2002), the size of a firm plays a significant role in its financial sustainability and operational self-reliance. Operational self-reliance refers to the firm's ability to cover its operational costs regardless of the sources of operating revenue. According to Kinde (2012), firms are financially sustainable when they are able to generate their own income including cost of servicing and financing operational costs.

The percentage of organisations that achieve financial sustainability remains very low (Yawson *et al.*, 2006; Iwu, Kapondoro, Twum-Darko, & Tengeh, 2015). This is often due to organisations' lack of innovation and commitment. Organisations that are not attaining a profit margin that exceeds market conditions generally needs to have a donor-dependent vision in order to be financially sustainable (Kinde, 2012). Firms need to have a thorough understanding of the type of financial management policy that could attract a sustainable allocation of financial resources. According to Iwu *et al.* (2015), the study of financial sustainability is quite

problematic, simply because it cannot be generalised. The measurement of financial criteria involves a range of methods such as the use of financial measurements and approved disbursed amount against available funds.

Financial sustainability and effectiveness are embedded in the profitability of organisations (Herman & Renz, 2008). Consequently, financial sustainability implies that a loss-making firm with poor financial performance will not be classified as financially sustainable (Kinde, 2012).

2.15.3 Effective internal controls approach

Internal controls, as defined by the Committee of Sponsoring Organizations (COSO) (1992; 2004), are “processes” designed to provide reasonable assurance regarding the achievement of objectives in effectiveness and efficiency operations, reliability and compliance. The COSO further described internal controls as a relevant business process that regulates institutions’ objectives. Internal control design is based on risk assessment to detect and prevent the occurrence of well-known risks that affect relevant business processes and, most importantly, to control for the ways in which business processes are being executed (COSO, 1992; 2004).

Hochberg, Sapienza and Vissing-Jørgensen (2009) described internal controls as a means of providing for reliability in financial reporting for more effective internal controls whereby firms are required to comply with stricter internal control regulations. This approach is meant to assist firms in assessing the overall effect of internal control regulation without relying on their own materiality and weaknesses that are affected by the non-regulation and regulation requirements (Hochberg *et al.*, 2009).

According to Oh, Choi, Jeong and Pae (2014), the different levels of internal control effectiveness around the issue of regulation and quality depend more on the enforcement of internal control guidelines than on the adoption of regulations. The results of the study further indicate that the accounting information quality of less strictly regulated firms deteriorated when there was no significant change in the quality of information of a firm.

Lenard, Petruska, Alam and Yu (2016) used firm-level data to evaluate firms’ performance between 2004 and 2010; the results of the study show a positive relationship between firms’ reporting of internal control weaknesses and real activities manipulation. However, firms that manipulated financial reporting to beat earning benchmarks in one year experienced lower performance in the subsequent year and reported internal control weaknesses. Overall, the study findings suggested that firms are prone to using real activities manipulation as a form of boosting their operational activities. Of course, this will have implications for audit quality as evaluators need to gain a better understanding of the real operational activities of the firm.

Additionally, the effectiveness of a company's internal control systems needs to be documented in any financial reporting. This involves an ongoing process rather than a static, one-off reporting (Tysiac, 2012).

2.15.4 Operational efficiency and competitiveness approach

Competitiveness cannot be defined by a single measure (Patlán-Pérez & Lara, 2011). According to Phambuka-Nsimbi (2008) and Groznik and Maslaric (2010), operational competitiveness is defined as the intention of a firm to design, produce and market its products by offering better quality products compared to those offered by competitors. Patlán-Pérez and Lara (2011) believed that competitiveness is the ability of a firm to improve on delivery and increase market share to maximise the potential for attaining a high level of profitability while competing with others. Competitiveness is a strategy that repositions a firm along the profitability threshold (Patlán-Pérez & Lara, 2011). The position along this threshold is by no means constant as a firm consistently strives to enhance its competitive position. A firm is competitive when it is consistently able to deliver better value goods and services compared to competitors. Hence, competitiveness will be of no importance if there is no measurement structure that could validate effectiveness with respect to identifying different components that contribute to the overall operational competitiveness (Patlán-Pérez & Lara, 2011; Phambuka-Nsimbi, 2008; Groznik & Maslaric, 2010).

A firm is said to be competitive if it delivers quality goods and services with a cost benefit effect when compared to competitors, taking into account variables such as quality, time and investment (Feurer & Chaharbaghi, 1994). This corroborates Kaplan and Norton's (1996) opinion that customers are only concerned about turnaround time on delivery of better quality products or services. Patlán-Pérez and Lara (2011), however, concluded in their study that competitiveness was synonymous with performance, expressed in terms of firm output in the long term and the ability of a firm to meet all stakeholders' expectations.

Ambastha and Momaya (2004) described operational competitiveness as a process of change in a multidimensional activity to address the challenges curtailing the performance of process that integrates change within the context of time and strategic planning. Competitiveness also means the economic strength of a firm compared with other firms (Chao-Hung & Li-Chang, 2010), especially where new ideas, innovations and improvement of processes move freely across geographical borders (Kaplan & Norton, 1996; Chao-Hung & Li-Chang, 2010).

Liu, Grant, McKinnon and Feng (2010) investigated the contribution of operational competitiveness to firm performance using a survey of 13 firms with a focus on resource-based perspectives. The findings show that all 13 firms' constructs were critical to

competitiveness through time cycle, quality of service, operations and relationship management.

Parkan (1994) viewed operational competitiveness as an input process whereby resources are transformed into outputs. Moreover, resource level and output value are processes of operational competitiveness where cost of production is measured according to consumption level (Parkan Lam, & Hang, 1997). Using a nonparametric model, Parkan (1994) developed a procedure to test the operational competitiveness of a production output. The test results showed that managerial perspectives topped the priority target of unstructured application because of the level of transparency and robustness of the competitive strategy that was put in place by the firms.

Ajitabh and Momaya (2003) concurred with Patlán-Pérez and Lara (2011) that competitiveness refers to the ability of a firm to compete with another firm, taking into consideration operating environment, price and value. For example, in India, the lack of understanding of the competitiveness concept by selected manufacturing firms was the root causes of non-implementation of the competitiveness idea (Ajitabh & Momaya, 2003; Patlán-Pérez & Lara, 2011). Using non-experimental cross-sectional survey data on firms in Mexico, Patlán-Pérez and Lara (2011) identified human resources performance as a factor that influenced competitiveness. The survey concluded that the ability to attract and maintain resources through attraction and retaining of human capital and development of innovation drives the competitive advantage.

2.15.5 Development impact approach

Development impact is a performance-based model that is used to measure public and private sector development programme activities. Development impact is an assessment of input versus outcomes, whether direct or indirect. The proper analysis of development impact requires a counterfactual outcome, namely whether there would have been some better outcome in the absence of intervention (Sousa & Voss, 2008). According to Krishnan and Ulrich (2001) and Olson, Walker, Ruekerf and Bonnerd (2001), development impact should be dependent on development characteristics. Empirical evidence supporting this argument remains inconclusive (Ahmad, Mallick, & Schroeder, 2012). However, according to Sousa and Voss (2008), development impact has become more popular and it will be of significant importance to find out how development impact procedures worked.

Parry, Song, De Weerd-Nederhof and Visscher (2009) described development impact as a process of integration that consists of a key determinant for development speed such as performance and profitability. Empirical evidence of the relationship between development

impact and outcome measures is contradictory sometimes (Langerak, Hultink, & Griffin, 2008) as it indicates, for example, output and profitability. The outcome and impact of these two measurements of the development model might affect the overall effectiveness of the programme or firm performance, though this remains open for discussion. Few empirical studies that have attempted to generalise these findings have focused solely on development impact, which is seen as a key determinant of growth success (Ledwith & O'Dwyer 2009). The determinants of growth success is categorised as profitability, output and performance (Gerwin & Barrowman, 2002; Mallick & Schroeder, 2005; Ledwith & O'Dwyer, 2009).

In this study, the researcher described the impact of grant funding programme development as consisting of a key determinant of development speed of success such as human capital and firm performance. The outcome and impact of this measurement of development impact might also affect the overall effectiveness performance of a grant programme. Few empirical studies that have attempted to generalise their findings have focused solely on development impact, which is seen as a key determinant of growth success, and one of the many determinants of growth success is human capital output (Mallick & Schroeder, 2005; Ledwith & O'Dwyer, 2009). The impact of such measurements of development impact might affect the overall effectiveness of grant programmes or firm performance, though this is still open for more debate.

2.16 MEASURING THE EFFECTIVENESS OF GRANT FUNDING PROGRAMMES

Effectiveness measurement is a topic of great interest in public intervention programme literature. Drucker (1963, in Keh *et al.*, 2006) defined effectiveness measurement as institutions' ability to advance pre-set goals and objectives. Measuring the effectiveness of a grant funding programme can be divided into two components, namely financial and non-financial. In a case study conducted by Iwu *et al.* (2015), financial measurement took place through basic financial accounting and analysis while nonfinancial measurement criteria included nonfinancial accounting processes and methods. Some indicators for financial measurement included, for example, approved and disbursed amount (spread by geographical location, gender, sector and business activities) and disbursement to fiscal allocation. The measurement of nonfinancial measures involved a range of methods that depended on various key indicators. The key indicators included programme turnaround time, conversion rate (application to approval and approval to disbursement), number of approvals/projects, and so on. It is important, therefore for each programme that needs to be evaluated to design its own methodological approaches as part of the strategic implementation plan and collection of feedback for the evaluation of programme effectiveness (Iwu *et al.*, 2015).

Effectiveness provides decision and policymaker feedback on the impact of deliberate activities. This affects critical issues such as the allocation of scarce resources and whether to continue with the current strategy or to come up with a new one. Effectiveness represents the process through which service inputs are transformed into produced outputs (Georgiadis *et al.*, 2014). Effectiveness shows the relationship between the inputs, the outputs and the outcomes (Mandl *et al.*, 2008) and also the relationship between service inputs and consumed services based on the relationship between produced services and consumed services (Georgiadis *et al.*, 2014).

The aim of this study was to construct a comparative methodological indicator model that could be applied to two grant funding programmes in South Africa. Both private and public institutions are seeking objective measurement tools that will enable them to compare the effectiveness of funding programmes in South Africa without any bias and to make recommendations.

In the South African context, little effort has been directed at evaluating whether there are differences between grant funding programme performance, its determining factors and the “best practice” levels of effectiveness. Moreover, there is little or no direct pressure from the public to force ineffective grant programmes to improve their performance through linking grant funding programmes to economic development. Efforts at compiling and applying indices of effectiveness indicators are fraught with challenges. This was also the conclusion of Iwu *et al.* (2015) in their recent study on the determinants of sustainability and organisational effectiveness in NPOs.

Some of the challenges identified are inherent in measuring the effectiveness of NPO financial indicators. Almost all the key indices contained in the financial indicators have variables that limit the ability to evaluate those that are most important or to combine all indicators into a more measurable composite. The need to focus on data that seem not to hinder an indicator’s ability to give unbiased and unambiguous results typically will drive the application of average financial ratio values. Hence, some KPI variables included in measuring the effectiveness of grant funding programmes may have differing interpretations.

At the time of conducting this research, there was no formal methodological underpinning for measuring the effectiveness of grant funding programmes in South Africa. Therefore, this study presented a new framework for effectiveness measurement from both a practical and a theoretical point of view. The first step was to focus on effects-based principles and fundamental measurement concepts, which were combined into a general and an independent effectiveness measurement approach. This was achieved by defining

effectiveness measurement as the difference or conceptual distance between a given structure procedure and another reference structure procedure (for example the desired end procedure).

At this point, the researcher developed structure attribute measures such that they yielded a structure procedure gap characterised as a functioning gap that could be assessed over time, yielding a generalised and self-evident definition of effectiveness measurement. The effectiveness measurement framework was then extended to mitigate the influence of measurement error and uncertainty by employing Norton and Kaplan's balanced scorecard techniques. Moreover, the pragmatic focus of this approach was illustrated by measuring the effectiveness of a South African cost-sharing and a co-operative grant programme whose aims and objectives were to provide additional capital for small and co-operative enterprises.

2.17 SUMMARY OF THE CHAPTER

The reviewed literature has established that the desired impacts of grant and credit funding programmes all focus on three main outcomes: employment, enterprise growth and productivity (economic growth). The study also found that access to grant funding programmes by small enterprises had a significant and robust positive impact on employment and economic growth in most cases. Additionally, Australia, USA, Canada, EU, UK, Japan and Latin American case studies showed significant evidence that funding programmes increased the volumes of export products among exporting enterprises. Furthermore, it is also suggested that giving credit to small enterprises boosts domestic investments, increases productivity, creates employment and helps exporters to maintain and increase their operations. Such programmes will contribute to economic growth if they are properly coordinated and managed.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 INTRODUCTION

The way in which research is conducted may be understood in terms of the research philosophy adopted, the research strategy used and the research instruments employed in the pursuit of the research objectives and the quest for the solution to a problem. The purpose of this chapter is to discuss the research philosophy and to elaborate on the research strategy, including the methods applied and the instruments developed and utilised in the pursuit of the research goals.

3.2 RESEARCH PHILOSOPHY

Research philosophy relates to the development of knowledge in a particular field and contains important assumptions about the way in which researchers view the world (Mugenda, 2008). These assumptions reinforce the research strategy and the methods chosen as part of the strategy. Philosophy is concerned with views about how the world works. Academic studies usually are driven by an epistemic imperative or the need to create knowledge (Michael, 2010). Epistemology was derived from *episteme*, a Greek word that means “knowledge” or “how we come to know”. According to Bhattacharjee (2012), epistemology refers to the assumption that the best way to study the world is to use either an objective or a subjective approach to study social reality. The study of social reality contains different philosophies of research approaches. Bryman and Bell (2007) explained that epistemology is categorised as descriptive when one can describe a philosophical position that can be discerned in research. This study intended to describe the effectiveness of the performance of two grant funding programmes, namely the BBSDP and the CIS. Essentially, there are three epistemological positions: positivism, realism and interpretivism (Bryman & Bell, 2007).

3.3 POSITIVISM/QUANTITATIVE APPROACH

The term “positivism” originated from the French philosopher August Conte (1798-1857). He tried to combine rationalism and empiricism in a new doctrine called positivism. He put forward the notion that theory and observation had a circular dependence on each other: theories might be created via reasoning and they were only authentic if they could be verified through observation (Michael, 2010). Positivism advocates the use of the natural sciences in studying social reality and beyond. Positivists believe in the possibility of observing and describing reality from an objective viewpoint in that they observe the world in some neutral and objective way, discover general relationships and universal laws, derive theories and test them (Michael,

2010). They contend that phenomena should be isolated and that observations should be repeatable. This often involves manipulation of reality with variations in a single independent variable to identify regularities and to form relationships among some of the constituent elements of the social world (Bhattacharjee, 2012).

3.3.1 Realism and interpretivism/phenomenology/qualitative approach

According to Gray (2013), realism is the belief that the natural and social sciences can and should start with the collection of data, clarification and verification of data and the view that there is an external reality to which scientists direct their attention. Interpretivism is in opposition to realism. The term subsumes the views of writers who have been critical about applications of a scientific model and are influenced by different intellectual traditions (Michael, 2010). Interpretivists believe that reality can be understood fully through subjective interpretation of and intervention in reality. The study of phenomena in their natural environment is key to interpretivism, together with the acknowledgment that scientists cannot avoid affecting the phenomena that they study.

The antipositivists rejected positivism by equating it with quantitative research methods such as experiments and surveys without any explicit philosophical commitments while antipositivism employed qualitative methods such as unstructured interviews and participant observation (Bhattacharjee, 2012). Cohen, Manion and Morrison (2007) additionally posited that positivism cannot be applied to the study of human behaviour in which the complexity of human nature and the elusive and intangible quality of social phenomena contrast strikingly with the order and regularity of the natural world.

Antipositivism emphasises the fact that social actions must be studied through interpretive means based upon an understanding of the meaning and purpose that individuals attach to their personal actions (Bhattacharjee, 2012). Positivism, however, criticises the qualitative approach, citing that contexts, situations, events, conditions and interactions cannot be replicated to any extent nor can generalisations be made with any confidence to a wider context than the one studied (Gray, 2013). Furthermore, because of the subjective nature of qualitative data and its origin in single contexts, it is difficult to apply conventional standards of reliability and validity and much time is required for data collection, analysis and interpretation (Tichapondwa, 2013). Lampard and Pole (2015) argued for a best-of-both-worlds approach and suggested that the qualitative and quantitative approaches should be combined.

In view of the above, the study subscribed to a pragmatic paradigm in which observations could be made objectively in a neutral way, general relationships and common laws could be

determined and theories that could be tested could be derived (quantitative) while subjective interpretations were adopted in studying human behaviour, for which it was difficult to use positivism (qualitative approach). A mixed paradigm is an attractive philosophy for integrating perspectives and offers the best framework to address and provide tentative answers to one's research questions (Creswell, 2014). This paradigm provided the study with an opportunity to objectively analyse the KPIs in measuring the performance of the two funding programmes under study.

3.4 JUSTIFICATION FOR USING A PRAGMATIC PARADIGM

Phenomenology provides background information on context and subjects, acts as a source of hypotheses, aids scale construction, and facilitates quantitative research. Quantitative research helps with the choice of subjects and also facilitates a qualitative investigation (Bhattacharjee, 2012). Quantitative research is efficient at discovering structural features of social life while qualitative studies are usually stronger on processing aspects. A qualitative study can be used to explain the factors underlying broad relationships. Thus, quantitative research will help to establish relationships among variables while qualitative research will assist in exploring the reasons for those relationships (Creswell, 2014).

3.5 RESEARCH DESIGN

Denzin and Lincoln (2011) have called research designs "strategies of inquiry". Research design is defined as types of inquiry within qualitative, quantitative and mixed-methods approaches that provide specific direction for procedures in a research design (Creswell, 2014). Cooper and Schindler (2011) stated that a research design helps the researcher to allocate limited resources by ensuring that appropriate methodology is used. A research design is thus a plan that serves as a guide on how the research study will be conducted. It is a blueprint for the collection, measurement and analysis of data that functions as a road map that guides the research process (Kumar, 2011).

Research design may include casual-comparative research, correlational research, explanatory research, descriptive research and exploratory research. The main aim of the current research was to utilise quantitative methods and the pragmatic paradigm mentioned to measure the performance and effectiveness of two grant funding programmes (CIS and BBSDP). The five key performance perspectives, namely human capital acquisition and development, effective internal controls, financial sustainability, operational efficiency and competitiveness, and development impact applied in the study. The research study adopted a descriptive analysis approach.

3.5.1 Evaluation approach structure

The five interrelated framework perspectives were analysed to establish the evaluation criteria for the level of effectiveness. The theoretical concepts enunciated for each perspective of effectiveness measure were translated into KPIs (elements), and each of them was grouped by topic.



Figure 3.1: Evaluation approach structure

3.5.2 Key performance indicators

The aim in the development of a performance measurement framework is to improve on the current effectiveness model. One influential model that currently guides programme performance measurement and enhances programme performance is the balanced scorecard model (Kaplan & Norton, 1992). With this model, balancing the measurement framework is required so that all essential perspectives affecting programme success are brought into focus (Kaplan & Norton, 1996). However, the model developed for the current study was intended to provide a general framework for measuring and implementing the BBSDP and the CIS and to suggest the perspectives that should be considered as cornerstones of measuring the programme effectiveness.

The researcher used the structure discussed in the theoretical analysis as approach and developed KPIs around the balanced scorecard for measuring BBSDP and CIS effectiveness. The approach focused on five perspectives that were related to each other and the overall objective of the BBSDP and the CIS. The study also considered the overall objective of the BBSDP and the CIS and performed an analysis to ascertain whether or not they were consolidated. This was achieved through the review of existing programme profiles, policies and operations.

3.5.3 Key methodological and evaluation approaches for the Black Business Supplier Development Programme (BBSDP) and the Co-operative Incentive Scheme (CIS) design

This section provides a brief discussion on the methodological and evaluation approaches, which formed the basis for the five perspectives utilised in this study. Each of the perspectives was articulated based on the BBSDP and CIS mandates and objectives by introducing various

important performance indicators that measured the effectiveness of grant funding programmes in South Africa. The core objective of the evaluation approaches was to determine performance against the predetermined programme mandates through a specific research objective, research methods, perspective indicators, scorecard inputs and expected research outcomes.

Main research objective
To examine the effectiveness of small and medium enterprise (SME) cost sharing and co-operative incentive funding programmes in South Africa over the financial period 2011/12 to 2016/17

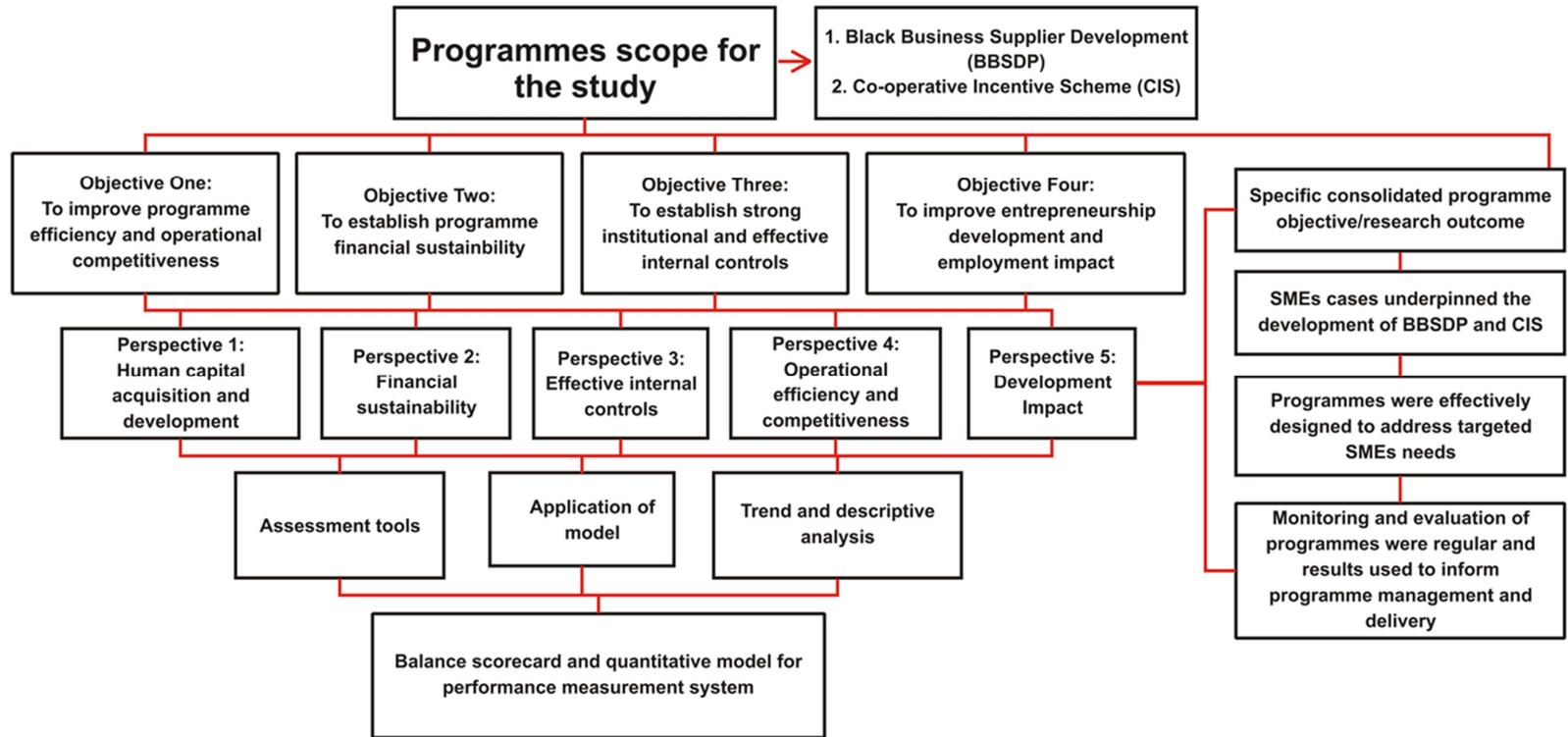


Figure. 3.2: Research evaluation approach and design

Source: Author.

The five perspectives considered for measuring the effectiveness of the BBSDP and the CIS were human capital acquisition and development, financial sustainability, effective internal controls, operational efficiency and competitiveness, and development impact. A key question was attached to each perspective to raise awareness and to foster a sense of responsibility towards programme effectiveness. The aim of the new performance measurement was to be consistent with Kaplan and Norton's (1992; 1996) balanced scorecard by consolidating the financial perspective with other perspectives such as human capital acquisition and development, internal business processes, operational efficiency and competitiveness, and development impact. These perspectives would assist the BBSDP and the CIS to quickly identify delivery areas that were not functioning and whether there might be a need to improve on the current structure for quick decision making with better productivity outcome.

Five or more KPIs were developed for each of the five perspectives. Each KPI was evaluated along the following effectiveness scale for the period under study: A five-point evaluation scale was set to determine effectiveness levels namely; 5) very effective; 4) effective; 3) fairly effective; 2) partially effective; and 1) ineffective. The lowest effectiveness level implied that the overall performance level for the period under study was very low while the highest effectiveness level implied that the performance for the period under study was optimal. This meant that management processes were in line with the aims and objectives of the programmes. The KPIs and targets developed under each perspective were sourced from national and international best practice of similar institutions from developing countries in Latin America, Asia and the rest of Africa. The aim of the BBSDP and the CIS is to make grants available in the form of capital to SMEs and cooperative enterprises in order to decrease disparities between firms that have benefited compared to firms that have not benefited from the programmes. A further aim is for the BBSDP and the CIS to meet additional capital needs to improve national socioeconomic conditions, thereby reducing the rate of SMEs failure in South Africa.

3.5.4 Benchmarking and scoring of key performance indicators

A benchmarking and scoring structure was used as set target for the KPIs. Between five and eight KPIs were allocated for each perspective as related to the activities of the two programmes (CIS and BBDP). The benchmark assessed whether their effectiveness variables meant that population ranks differed. The benchmark was used to check the mean difference in data compared to very similar programmes in South Africa, such as the Small Enterprise Finance

Agency (SEFA)¹³ and Land Bank¹⁴ for the period from the 2011/2012 to the 2016/2017 financial years. Other similar programme benchmarks in developed countries include the Danish Growth Houses,¹⁵ the Dutch Growth Accelerator Programme (the Growth Accelerator Programme Growth Model) and England's Growth Accelerator,¹⁶ and Sweden's National Incubator Program.¹⁷ In developing countries, there are Chile's Seed Capital Programme¹⁸ and Brazil's Inovar Venture Capital Programme¹⁹ (Organisation for Economic Co-operation and development [OECD], 2013). A score of one to six applied to each measurement formula. One was characterised as below performance or not effective and six as the highest level of effectiveness, using the similar programmes listed benchmarking and that of an internally benchmarking target by the BBSDP and the CIS programmes.

3.5.5 Rating scale

The selection of a rating scale for assessment is of critical importance. A large body of research is available on this subject. The majority of assessment and rating scale surveys in South Africa have either been applied inappropriately or lack appropriate rating techniques. A six-point rating scale was used for measuring the overall effectiveness of the BBSDP and the CIS for the period under study to determine the degree of effectiveness and to allow for the probing of reasons for a low rating through dimension analysis (refer to assessment tool functionalities in Tables 4.12 to 4.21). In a situation where a KPI performed beyond the highest level of effectiveness, a score of six was allocated to complement for such performances. The latter approach proved to be useful for developing action implementation plans and performance measurement against strategic goals and objectives. For each perspective; namely human capital acquisition and development,

¹³ SEFA is a South African financing agency that provides financial products and services to qualifying SMEs and co-operatives.

¹⁴ Land Bank is a specialist agricultural bank guided by a government mandate to provide financial services to commercial farming and agri-business.

¹⁵ This programme according to the OECD (2013[Page number.]) focuses on the "firm's advisors (similar to that of BBSDP) working with the entrepreneur to identify the types and providers of support which can best support growth. Its mission was defined as the creation of growth in new and small and medium-sized enterprises (SMEs)."

¹⁶ The Growth Accelerator Programme is intended to address the issues accelerating growth among SMEs with significant growth potential.

¹⁷ The programme targets leading incubators and offers them performance-based funding. To obtain performance-based funding from SUMMIT, the incubator must also have co-financing (at least 50%).

¹⁸ The programme is designed to promote the development of dynamic start-up enterprises with high growth potential (dynamic entrepreneurship).

¹⁹ The Inovar project is an initiative planned and funded by the Brazilian government's Agency for Innovation and the Multilateral Investment Fund together with the Inter-American Development Bank, through an international cooperation agreement with the aim of fostering innovation and innovative companies and projects.

effective internal controls, financial sustainability, operational efficiency and competitiveness, and development impact, the programme effectiveness was ranked using a five-point predetermined scale: 5) very effective; 4) effective; 3) fairly effective; 2) partially effective; and 1) ineffective. All five criteria carried equal weight: the percentages related to each criterion were normalised, standardised and added up to produce a single score. The total score determined the performance of the BBSDP and the CIS. The rankings were drawn up through the average/percentages weight score awarded to each KPI or element of each objective component of the new model, as discussed in the next chapter.

3.6 DESCRIPTIVE ANALYSIS

A descriptive analysis approach was adopted in the study to describe specific behaviours as they appeared in the environment. According to Mugenda (2008), the purpose of descriptive research is to determine and report things the way that they exist, enabling the identification of the present conditions and pointing out the present needs and immediate status of a phenomenon. The descriptive study intended to produce statistical information about how the grant programmes were operating, with the objective of ascertaining the level of efficiency in the way that they were managed. The statistics were used to describe their performance such that a comparison could be made between the two programmes and between each programme and the benchmark. Bijpai (2011) stated that the results from descriptive studies are often used in the formulation of important principles of knowledge and can serve as a direct source of valuable information, which can assist policymakers in planning and solving problems that may be preventing funding programmes from operating as efficiently as expected and in improving efficiency. After data collection, descriptive studies involve measurement, classification, analysis, comparison and interpretation of data.

In light of the above, a descriptive analysis would help in establishing the current performance and efficiency of the CIS and the BBSDP in delivering their mandates. Adopting a descriptive analysis approach was justified because of the following:

- This type of study offers a direct source of valuable information concerning human behaviour and assists in planning and solving problems regarding various aspects (Bijpai, 2011).
- The flexibility of the approach enables the researcher to use both qualitative and quantitative research methods and it provides the opportunity for considering different aspects of the problem under study (Kothari, 2009).

3.7 RESEARCH STRATEGY

In selecting a research strategy, the nature of the perceived connection between theory and research implied by the research question, as well as the epistemological consideration, will be influential as the quantitative and qualitative research strategies differ greatly in each respect (Bhattacharjee, 2012; Lampard & Pole 2015). The positivist paradigm uses survey studies while interviews, focus groups, case studies, action research and ethnography are phenomenological research strategies. A study that uses a combined paradigm can develop a strategy by combining the strategies from the two paradigms. The current study was quantitative (positivist) and involved a multiple case study strategy.

3.7.1 Multiple case study

The case study method “explores a real-life, contemporary bounded system (a case) or multiple bounded systems (cases) over time, through detailed, in-depth data collection involving multiple sources of information and reports a case description and case themes” (Creswell, 2014:97). According to Gerring (2004), a case study is an intensive study aimed at generalising over several units, with the focus on a specific unit. It is a method that is suited to defining cases for easier understanding. According to Thomas (2011), a case study is an analysis of systems studied with a wide-ranging view whereby either one or several methods are used. Baxter and Jack (2008) explained that the case study method provides scientists with the tools to study this wide-ranging view within their specific contexts. A multiple case study approach is used when the researcher wishes to understand the differences and similarities among cases (Gustafsson, 2017). Multiple case studies would thus help in analysing the effectiveness of the two grant programmes by comparing them against each other and against the set benchmarks.

3.7.2 Purposive sampling

According to Kerlinger (1986), purposive sampling is characterised by a deliberate effort to obtain representative samples through the inclusion of groups or typical areas in a sample. This involves obtaining representative data by selecting a viable sampling technique for obtaining information from a very specific group of objects that the researcher thinks would be appropriate for the study. The purposive sampling technique was appropriate for this research because the sample chosen was dependent on the availability of information and was tied to the research objective.

3.7.3 Data preparation and sample size

The raw data extracted from the BBSDP and CIS databases was sorted in an MS Excel file over the financial period 2011/2012 to 2016/2017. A total of 494 firms were chosen under the CIS from the nine provinces across seven sectors namely; agriculture, construction, manufacturing, mining, transport, wholesale and retail and services sectors. The sample size for the BBSDP was 1 196 firms, also from the nine provinces and across the same sectors.

3.8 SECONDARY DATA

Secondary data is a set of data collected for a purpose other than the objective of the research. The data collected served to identify performance indices and other control variables such as the size of the firms, growth, leverage and financial strength and to establish the survival rate of the firms and grant operational efficiency. The study was based purely on secondary data, collected from the financial reports or statements for those firms that fell under the BBSDP and the CIS. The financial statements of each firm provided valuable information that assisted in the evaluation and analysis of the effectiveness of each grant programme using the selected KPIs. The study settled for secondary data because this saved time and resources due to readily available information.

3.9 QUALITATIVE DATA COLLECTION THROUGH FIELD NOTES

A written account of what the researcher sees, hears, experiences and thinks about during scheduled meetings with the officials of the BBSDP and the CIS grant funding programmes is referred to as field notes (Greeff, 2005). Apart from the beneficiary dataset obtained from the BBSDP and CIS databases, the researcher took some notes during a visit to the DSBD offices. The field notes included descriptions of the process of each programme by which beneficiaries made their grant applications, how long it took for a grant to be approved, the conditions of each approval, rejections, if any, and any other process conditions attached to grant disbursements. Although both BBSDP and CIS approval criteria had been set, the researcher also took notes of programme awareness within small businesses operating in South Africa and of other terms for qualifying before a grant could be approved.

It should be noted that the field notes taken by the researcher, coupled with several meetings held with officials of the two programmes, facilitated a better understanding of the BBSDP and CIS operations. The researcher was also able to gain an in-depth understanding of the grant funding programmes and grant beneficiaries, providing insight into their activities. The field notes

were to provide the researcher with an opportunity for reflection on the whole investigation process, and the notes were taken during and after each conversation with officials of the BBSDP and the CIS to avoid forgetting important issues raised and comments made during the discussions while they were still fresh in the researcher's memory.

3.10 REFLECTIVE JOURNALS

The purpose of keeping a reflective journal during the research process was to minimise the bias or influence of the researcher to an acceptable level. Reflective journals assisted the researcher to be aware of any arranged meetings and appointments made with BBSDP and CIS officials. According to Murck and Breuer (2003), reflective journals are a method of keeping inquiry and materials sources by researchers, their assumptions, adoptions, experiences and activities during the research process. According to Ortlipp (2008), there is no conclusion yet on the level and type of influence that is acceptable for a researcher and that that needs to be controlled and accounted for accordingly. Reflective journals also assisted the researcher to become aware of any mistakes and errors that had been made during each conversation and meeting with the BBSDP and CIS officials (see Boden, Kenway, & Epstein, 2005) and to guard against these in the follow-up meetings.

3.11 DATA PROCESSING AND ANALYSIS

The data collected were cleaned, sorted by means of Excel and coded using numbers. Data analysis can be referred to as the process of compiling, modelling and extracting raw data for the purpose of obtaining meaningful information that can be applied in the formulation of conclusions and predictions and for support in decision making.

3.12 TREND ANALYSIS

A trend analysis was carried out using annual data of the BBSDP and the CIS from the 2011/2012 to the 2016/2017 financial years. Trend analysis statistics are most often used as a mathematical technique to examine the historical tendency of data to predict the future movement of the same item, such as monthly, quarterly and yearly figures (Hirsch, Slack, & Smith, 1982). This serves to detect and track variances within data correlation among associated variables or factors. Trend analysis also assists in determining and projecting a historical and future pattern of data.

3.13 APPLICATION OF THE ASSESSMENT MODEL

The application of the assessment tool gave a summary of the degree of effectiveness on a scale for each KPI of the model. The results of the study will be highlighted in chapter five of the study where a score of one to six was calculated for each KPI of the five perspectives to give a weighted score against the threshold of five. Where a KPI was rated over and above performance level and a score of six was allocated, this rating also contributed to the weighted score of a perspective and will be shown in some of the charts of the analytical results in chapter five of this study. Comparative analysis was also carried out to compare the two programmes (CIS and BBDP), utilising benchmarks to assess the degree to which their performance against key objectives and performance indicators differed.

3.14 LIMITATIONS OF THE STUDY

The study used purposive sampling, whereby the sample chosen was based on the easy accessibility of information. Not all firms were thus included in the study, and the sample studied may not have been a true reflection of the whole population. Secondly, data collection is provided for and limited to one source as far as this study is concerned. Thirdly, the fewer number of studies in this area are not readily accessible and available. This situation also made it difficult to capture the full range of critical sources that could have informed and understanding of the true state of knowledge within the SMEs sector and grant funding programmes in South Africa.

3.15 ETHICAL CONSIDERATIONS AND ASPECTS

Research ethics refers to custom or character and connotes a social code that conveys moral integrity and consistent values. Ethics is concerned with what is wrong and what is right when conducting research. Regardless of research designs, sampling techniques and choice of methods, all studies are subject to ethical considerations (Gratton & Jones, 2010). The researcher applied for and obtained approval from the Stellenbosch University's Research Ethics Committee to proceed with the study.

3.16 CONFIDENTIALITY OF INFORMATION AND ANONYMITY

The ethical issues inherent in this study included confidentiality of information and anonymity of participating firms, and these issues were addressed. The right to privacy and confidentiality of information obtained was guaranteed and data collected was treated in the strictest confidence and stored on a password-protected computer; only the researcher had access to the data.

3.17 ANONYMITY

The researcher ensured that the firms participating in the research remained anonymous. The issues of confidentiality and anonymity are closely connected; anonymity is protected when the subject's identity cannot be linked with personal responses. This was achieved by not including any names of firms that participated in the study.

3.18 SUMMARY OF THE CHAPTER

The chapter outlined the research philosophy and positivism and quantitative approach used in the study. The research design that includes the evaluation approach structure, key performance indicators, key methodological and evaluation approach, benchmarking and scoring of key performance indicators and the rating scale applied in the study were mentioned in the chapter. Research strategies methods, the source of data and application of the assessment model tool applied in the study were also discussed in the chapter. The chapter also explained how the data was analysed. The next chapter focuses on data presentation, analysis and interpretation as guided by this chapter and also on the development of the analytical and quantification model for the research.

CHAPTER 4: DEVELOPMENT OF A PROGRAMME EFFECTIVENESS AND EFFICIENCY MEASUREMENT MODEL

4.1 INTRODUCTION

This chapter presents the effectiveness and efficiency measurement model and framework for the BBSDP and the CIS developed for the study. The idea of programme effectiveness measurement was based on the fact that since the BBSDP and the CIS started operations, no detailed assessment had been conducted to empirically test whether the BBSDP and the CIS were delivering on their mandates and objectives. As a result, there was no indication at institutional or beneficiary level whether the programmes had achieved their predetermined targets or contributed to socioeconomic development in South Africa.

There is a correlation between human capital acquisition and development, financial sustainability, effective internal controls, operational efficiency and competitiveness, and development impact. This chapter presents the development of a practical measurement model and tool to assess and benchmark the effectiveness and efficiency of the BBSDP and the CIS in order to improve their performance and delivery.

Little effort has been directed at evaluating the possible differences between BBSDP and CIS grant funding programme performance, the determining factors and the “best practice” levels of effectiveness. Little or no direct pressure has also been applied by the public to force ineffective grant programmes to improve on their performance to contribute more effectively to economic development in the country.

There are major challenges in identifying and applying measures of efficiency and development effectiveness. Efficiency measurement provides decision-makers and policymakers with feedback on the impact of planned activities. Effectiveness represents the process through which service inputs are transformed into produced outputs (Georgiadis *et al.*, 2014). Effectiveness shows the relationship among inputs, outputs and outcomes (Mandl *et al.*, 2008). The relationship between service inputs and consumed services is also based on the relationship between produced services and consumed services (Georgiadis *et al.*, 2014). The relationship would also affect critical issues such as allocation of scarce resources and whether to continue with the current strategy or come up with a new plan.

This chapter sheds more light on the methodology underpinning the measuring of the effectiveness of grant funding programmes in South Africa. The chapter presents a new model for measuring programme effectiveness and efficiency from both a practical and a theoretical perspective. The focus of the chapter is on effects-based principles and fundamental measurement concepts that are combined into general and independent effectiveness and efficiency measurement approaches such as human capital acquisition and development, financial sustainability, effective internal controls, operational efficiency and competitiveness, and development impact.

4.2 APPROACH TO THE BLACK BUSINESS SUPPLIER DEVELOPMENT PROGRAMME AND CO-OPERATIVE INCENTIVE SCHEME'S EFFECTIVENESS AND KEY PERFORMANCE INDICATORS MEASUREMENT

The Black Business Supplier Development Programme (BBSDP) and the Co-operative Incentive Scheme (CIS) datasets and investment reports indicated the concerns of stakeholders and policymakers in terms of the programmes' effectiveness and efficiency in delivering development impact in an environment of broad-based public reform. These concerns need to be addressed concurrently with government perceptions regarding the lack of evidence regarding the uptake and impact of the two grant funding programmes. There are thus questions about the effectiveness and efficiency of the programmes and their performance on the one hand and the availability of effective monitoring and evaluation systems on the other hand.

The established perception of programme performance requires reliable or leading indicators to prove development impact via a credible performance measurement framework. Consequently, for both programmes to overcome the lack of available evidence, an effectiveness model is required to measure and report performance in a balanced manner. This classification would account for institutional commitment and effectiveness outcomes that provide the most unequivocal evidence of what the likely efficiency and effectiveness outcomes are. Accomplishing this would require developing an effective measurement structure that is very clear and meaningful and accounts for performances that have a direct effect on the programmes and the stakeholders' concerns.

Therefore, this study developed an effectiveness measurement model for the BBSDP and the CIS in order to pursue output and outcome assessment through a variety of perspectives rather than through impact assessment alone. The focus was on effectiveness and efficiency components such as human capital acquisition and development, financial sustainability, effective internal controls, operational efficiency and competitiveness, and development impact.

4.3 ANALYSIS OF PROGRAMME EFFECTIVENESS AND EFFICIENCY

The investigation conducted on BBSDP and CIS effectiveness and efficiency was based on Norton and Kaplan's (1992; 1996) theory and methodology, which uses four perspectives. In this study, five perspectives were developed that provided a basis for assessing the effectiveness and efficiency of both programmes. The approach of the study was to first understand the national priorities and how the mandate of each of the programmes was linked to the national priorities. This was followed by cascading of the mandates into five perspectives of the programme with distinct key strategic objectives, key indicators and related performance targets, and key initiatives. In this regard, the study tried to avoid overestimation of the programme outputs by focusing on KPIs that were appropriate and measurable within the available dataset.

The general perceptions of the current strengths of the programme performance indicators are categorised and summarised as follows:

- a. Programme awareness and spread: Network facilitators²⁰ reaching out to beneficiary enterprises, a group funding approach for a co-operative company, beneficiary referrals and small business development support.
- b. Network facilitators (advisory intermediaries between beneficiaries and grant administrators): Coordination of application processes and access to the programme.
- c. Funding: Annual fiscal allocation and support from government.
- d. System: Relatively easy access to the application process with the assistance of network facilitators for enterprises operating in rural areas.

The general perceptions of the current weaknesses of the programme performance indicators are categorised as follows:

- a. Human resources: Shortage of staff and lack of coordinated communication among staff.
- b. Structures: Extension/external linkages in some areas, lack of coordination, lack of grant focus.
- c. Access to the programme: Lengthy application, adjudication and approval process, and overbearing bureaucracy.
- d. Conversion period: Relatively inconsistent with the approval and disbursement period.

²⁰ Accredited network facilitators are referred to as advisory intermediaries. The network facilitators are trained explicitly by the DSBD across South Africa to rectify administrative lapses of BBSDP application processes and to improve on the turnaround time of every application received.

- e. Internal controls/audit opinion: Non-availability of effective internal control system and annual audit reports not released.
- f. Network facilitator: Visible, but not certain at what effectiveness level and success rate.
- g. Adjudication committee: Rate at which schedule is achieved concerning some meetings and targeted approvals not clear.
- h. Research: No research conducted, lack of effective monitoring and evaluation, weak linkages between programme administrator and beneficiaries, feedback process very weak or non-existent.
- i. Cost-sharing guarantee: Required contribution for each approved application a challenge for BBSDP (challenging to raise required contribution).

Certain general crosscutting programme aspects were identified during the study. The study identified weaknesses within the programme systems in terms of the waiting period for each application to be processed, approved and disbursed. This gap is not consistent with similar funding programmes in South Africa. The study also found a lack of coordination between operating staff and the system. Network facilitator interaction was noted (in the case of the BBSDP), but in a number of instances, they were in conflict with each other rather than supportive of each other during application processing. The adjudication committee performance concerning how many applications were approved during each adjudication meeting and whether these approval processes were adequately documented, were also assessed.

A target for each key indicator was determined and recorded. This judgment was based on similar programmes in South Africa, including the Small Enterprise Finance Agency (SEFA) and Land Bank. Their 2015/2016 financial report was partially adopted as a benchmark for this study.

The researcher also observed that the programme monitoring and evaluation was very weak and practically non-existent. There was no follow-up on grant utilisation after disbursement to the beneficiary. The researcher, therefore, is of the opinion that the absence of a strategic monitoring and evaluation system might impede the continuous effective performance measurement and reporting for the BBSDP and CIS grant programmes. Hence, figure 4.1 below attempts to provide an overview on the new effectiveness and efficiency framework developed and applied in this study.

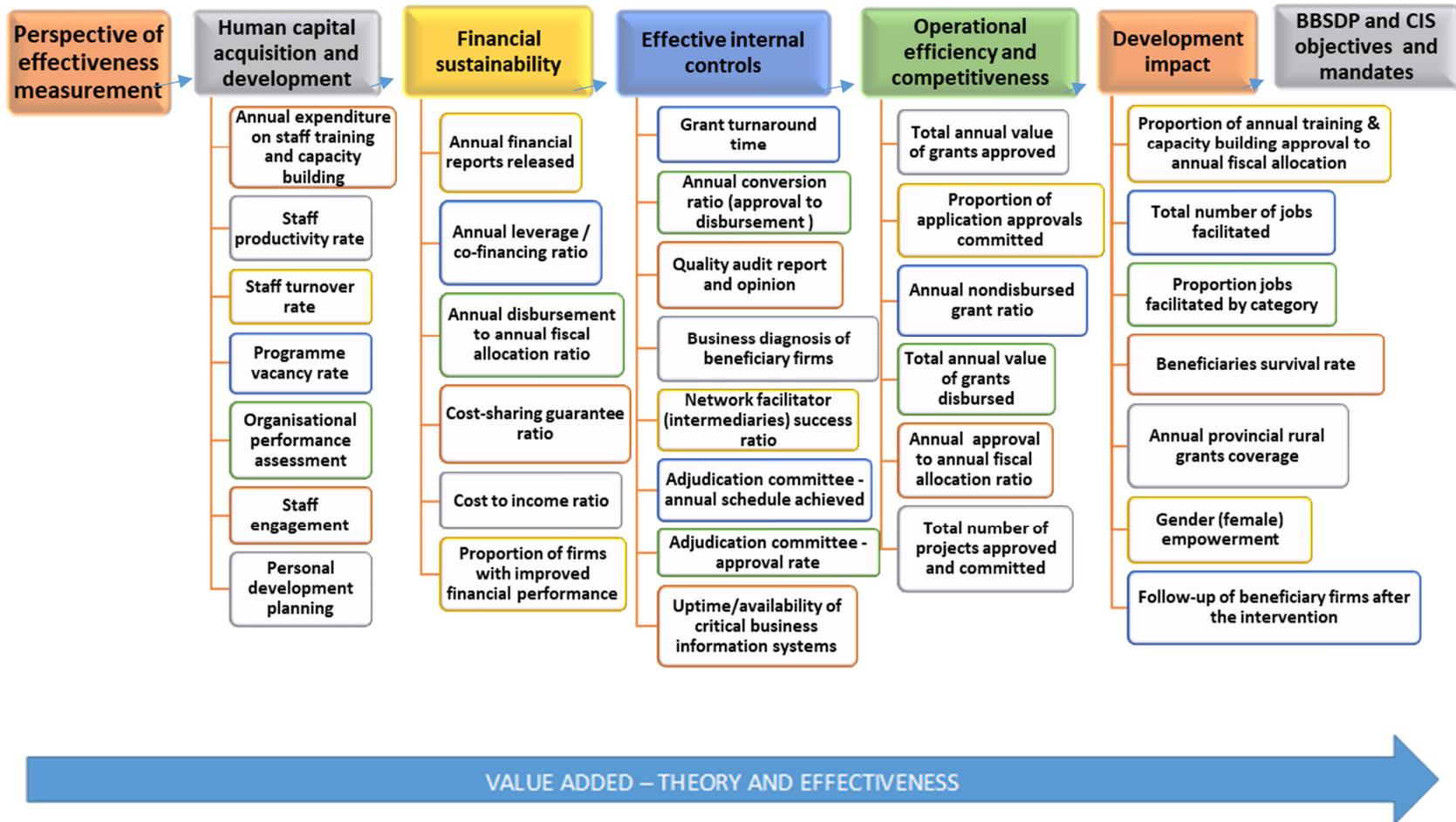


Figure 4.1: The new effectiveness and efficiency measurement framework

Source: Author.

4.4 EVALUATION PRINCIPLES AND PERSPECTIVES

In this study, the researcher proposed a new effectiveness measurement framework as an extension of the balanced scorecard model of Kaplan and Norton (1992), with the addition of the human capital acquisition and development, financial sustainability, effective internal controls, operational efficiency and competitiveness, and development impact perspectives that could be tailored to grant funding programmes' measurement needs.

Each of the five perspectives or components equally contributed to the effectiveness and efficiency model developed. The interrelationship of the framework strengthened the role of each single perspective. Each perspective was linked to a set of six to eight KPIs. Each KPI was assigned a score from one to five based on its performance against the target or benchmark. Each score showed a result and outcome that progressively reflected the level of performance of the two programmes: 5) very effective; 4) effective; 3) fairly effective; 2) partially effective; and 1) ineffective.



Figure 4.2: Proposed balanced scorecard model and perspectives

Source: Author.

The analysis was based on five perspectives, each comprised of several elements extracted from the available dataset and programme goals and integrated into the framework presented in Figure 4.1 above.

4.4.1 Perspective 1: Human capital acquisition and development

The organisation begins by setting a goal regarding the effectiveness of its human capital acquisition and development to establish a productive culture. Human capital acquisition and development is the basis of and one of the most significant influences of the five perspectives of the balanced scorecard model. This study saw human capital acquisition and development as relevant for the measurement of the efficiency and effectiveness of the BBSDP and the CIS, particularly as an input in alignment with the other perspectives of effective internal controls, operational efficiency and competitiveness, financial sustainability and development impact.

Under human capital acquisition and development, KPIs such as annual expenditure on staff training and capacity building, staff productivity rate, staff turnover rate, programme vacancy rate, organisational performance assessment, staff engagement, and personal development planning were developed. The KPIs helped to identify factors within the balanced scorecard perspectives against which targets were set to determine the performance of the BBSDP and the CIS.

It is essential that the programmes engage strategic human resource management that will assist in achieving their sustainability and development impact mandates. For these mandates to be achieved, employees are required to lead by undertaking initiatives to realise improvements in an organisation's operational and internal business processes. Most importantly, there is a need to emphasise the selection of appropriate measures that will lead to a more detailed understanding of the human capital acquisition and development perspective of the model, which acts as the main driver of the remaining perspectives of the balanced scorecard developed for this study.

Tables 4.1 and 4.2 below illustrate the KPIs, the relevant measurement formulae, the target/benchmark and the key initiatives engaged to drive the outcome of the model results that were applied to test whether the performance against each of the model perspectives was effective or not.

Table 4.1: BBSDP Perspective 1

Human Capital Acquisition and Development			
Key Performance Indicators	Formula/Measurement	Target/Benchmark	Key initiatives engaged to drive achievement of the target
Annual expenditure on staff training and capacity building	Annual expenditure on staff training as % of payroll	5%	Allocation of budget towards staff training and capacity building
Staff productivity rate	Total annual programme disbursed amount / total annual number of employee (on a scale of 5)	Scale level 4	Determining workforce efficiency within a reporting period
Staff turnover rate	Annual number of employee who left the organisation / average annual number of employee	7%*	Focus on employees remuneration, good packages and working conditions
Programme vacancy rate	Annual number of vacancies / total organisational staff complement	10%	Effective organisational skill attraction and retention strategy
Organisational performance assessment	Annual programme performance rating (on a scale of 5)	Scale level 3	implementation of the performance management system
Staff engagement	The level of staff engagement (on a scale of 5)	Scale level 3	Conduct an annual staff engagement survey
Personal development planning	% of personal development plans achieved	60%	Design and execution of personal development plans

Note: * Small Enterprise Finance Agency (SEFA) benchmark for 2015/2016 financial year and OECD (2013) adopted.

Table 4.2: CIS Perspective 1

Human Capital Acquisition and Development			
Key Performance Indicators	Formula/Measurement	Target/Benchmark	Key initiatives engaged to drive achievement of the target
Annual expenditure on staff training and capacity building	Annual expenditure on staff training as % of payroll	5%	Allocation of budget towards staff training and capacity building
Staff productivity rate	Total annual programme disbursed amount / total annual number of employee (on a scale of 5)	Scale level 4	Determining workforce efficiency within a reporting period
Staff turnover rate	Annual number of employee who left the organisation / average annual number of employee	7%*	Focus on employee remuneration, good packages and working conditions
Programme vacancy rate	Annual number of vacancies / total organisational staff complement	10%	Effective organisational skill attraction and retention strategy
Organisational performance assessment	Annual programme performance rating (on a scale of 5)	Scale level 3	implementation of the performance management system
Staff engagement	The level of staff engagement (on a scale of 5)	Scale level 3	Conduct an annual staff engagement survey
Personal development planning	% of personal development plans achieved	60%	Design and execution of personal development plans

Note: * Small Enterprise Finance Agency (SEFA) benchmark for 2015/2016 financial year and OECD (2013) adopted.

4.4.2 Perspective 2: Financial sustainability

Considering the financial sustainability perspective from the view of the internal business operations, it is evident that management and utilisation of financial resources are of critical importance for programme effectiveness and efficiency. The researcher's view is that the programme first has to be financially sustainable to achieve the intended development impact. Consequently, the major focus of financial sustainability was the total value of the amount approved and disbursed versus the annual fiscal allocation received from government. In this regard, the framework attempted to measure the gap between the resources allocated and the resources that reached the targeted beneficiaries in addition to assessing the sustainable allocation of financial resources to the programmes. To achieve this objective, it was of crucial importance to emphasise the need for financial procedures, resource accountability, transparency and efficient mechanisms that would provide feedback to stakeholders. Therefore, a tool for useful feedback on how allocated government resources are disbursed was taken into account under the financial sustainability perspective.

Under financial sustainability, KPIs such as annual financial reports released, annual leverage/co-financing ratio, annual disbursement to annual fiscal allocation ratio, cost-sharing guarantee ratio, cost to income ratio, and proportion of firms with improved financial performance were developed. The KPIs helped to identify factors within the balanced scorecard perspectives against which targets were set to determine the performance of the BBDP and the CIS.

Tables 4.3 and 4.4 below illustrate the KPIs, the relevant measurement formulas, the target/benchmark and the key initiatives engaged to drive the outcome of the model results that were applied to test whether the performance against each of the model perspectives was effective or not.

Table 4.3: BBSDP Perspective 2

Financial Sustainability			
Key Performance Indicators	Formula/Measurement	Target/Benchmark	Key initiatives engaged to drive achievement of the target
Annual financial reports released	Number of annual reports released/total number of years of operation	Scale level 5	Annual audit report for the programme is required, mandated and must be adopted.
Annual leverage / co-financing ratio	Proportion of annual contributions / total grants approved	50%	Financial guarantee ratio contribution requirements are reviewed and developed.
Annual disbursement to annual fiscal allocation ratio	Annual disbursement / annual fiscal allocation	80%**	Approval from previous year contributed to high disbursement in current year
Cost-sharing guarantee ratio	Value of annual approved grants with upfront guarantee : total value of annual grants approved	100%	Cost-sharing policy ratio should be reviewed and redesigned.
Cost to income ratio	Cost of programme operation / annual fiscal allocation received	40%	Annual operational cost of annual amount approved or disbursed
Proportion of firms with improved financial performance	Number of firms with improved financial performance per year / total number of firms funded per year * 100	40%*	The business mentoring policy should form part of the programme capacity building strategy for the beneficiary. Effective monitoring and evaluation procedures should be adopted

Note: * Small Enterprise Finance Agency (SEFA) benchmark for 2015/2016 financial year and OECD (2013) adopted.

** Land Bank of South Africa benchmark for 2015/2016 financial year and OECD (2013) report adopted.

Table 4.4: CIS Perspective 2

Financial Sustainability			
Key Performance Indicators	Formula/Measurement	Target/Benchmark	Key initiatives engaged to drive achievement of the target
Annual financial reports released	Number of annual reports released/total number of years of operation	Scale level 5	Availability of annual audit report for the programme is required, mandated and must be adopted.
Annual leverage / co-financing ratio	Proportion of annual contributions / total grants approved	50%	Financial guarantee ratio contribution requirements are reviewed and developed.
Annual disbursement to annual fiscal allocation ratio	Annual disbursement / Annual fiscal allocation	80%**	Approval from previous year contributed to high disbursement in current year
Cost to income ratio	Cost of programme operation / annual fiscal allocation received	40%	Annual operational cost of annual amount approved or disbursed
Proportion of firms with improved financial performance	Number of firms with improved financial performance per year / total number of firms funded per year * 100	40%*	The business mentoring policy should form part of the programme capacity building strategy for the beneficiary. Effective monitoring and evaluation procedures should be adopted

Note: * Small Enterprise Finance Agency (SEFA) benchmark for 2015/2016 financial year and OECD (2013) adopted.

** Land Bank of South Africa benchmark for 2015/2016 financial year and OECD (2013) report adopted.

4.4.3 Perspective 3: Effective internal controls

The effective internal control perspective formed the basis of determining how controls were viewed and rated by management and shareholders. Effective internal controls were aimed at improving the internal processes of the programmes and to create value within the current system. The intention was to link the beneficiaries with the programmes' internal activities through streamlining systems, processes, policies and procedures, and the key objectives of the programmes.

The focus of the effective internal control perspective was to establish whether the BBSDP and the CIS had put systems, policies and procedures in place that enabled the programmes to address the needs and expectations of the stakeholders as and when required. This would enable management and staff to answer the question, what is the application, approval and disbursement processes and mechanisms that are in place and how do they perform? Indicators of effective performance systems proposed included turnaround time, application conversion rate, quality of the audit opinion, network facilitator success rate, adjudication committee (annual schedule achieved,) approval rate and availability of critical business information systems as a basis of effective internal control measurements that would integrate a variety of useful measures. This approach was developed to improve the current and existing systems and ultimately support grant utilisation in a way that would add value to BBSDP and CIS effectiveness.

Tables 4.5 and 4.6 below illustrate the KPIs, the relevant measurement formulae, the target/benchmark and the key initiatives engaged to drive the outcome of the model results that were applied to test whether the performance against each of the model perspectives was effective or not.

Table 4.5: BBSDP Perspective 3

Effective Internal Controls			
Key Performance Indicators	Formula/Measurement	Target/Benchmark	Key initiatives engaged to drive achievement of the target
Grant turnaround time	Total number of days for grant applications to be processed, approved and disbursed	50 days*	Fifty days maximum to process an application otherwise review and update the current systems of application, processes
Annual conversion ratio (approval to disbursement)	Total value of annual grants disbursed / total value of annual grants approved	70%*	An internal effective and efficient contract agreement preparation and implementation system developed.
Quality of audit opinion	Quality of annual audit opinion	Clean audit (Scale level 6)	Specific programme audit is required and should form part of design and implementation structure.
Business diagnosis of beneficiary firms	Assessment of beneficiary firms business strengths and weaknesses	Scale of 5	Beneficiary firms' business diagnosis should be formal, and outcome should influence grant approval
Network facilitator (NF) (intermediaries) success ratio	Total number of applications approved / number of applications appraised per year	75%**	Most firms that were appraised are disqualified over their inability to provide their financial contribution guarantees. The government needs to consider the percentage reduction of firms' contribution, as required and treat this on a case-by-case basis.
Adjudication committee - annual schedule achieved	Number of meetings held / number of meetings scheduled per year	12 meetings (99.9%)*	All meetings held should be recorded including notes taken during each meeting. Going forward, recording system to be streamlined
Adjudication committee - approval rate	Number of applications approved / total number of applications considered by the committee per year	99.9%*	The uncompleted application is referred back to network facilitator. Programme managers should provide regular training for network facilitator on government priority and programme mandate and goals.
Uptime/availability of critical business information systems	Systems availability (email, grant administration system, accounting software)	Scale level 5	Good systems administration in place for efficiency

Note: * Small Enterprise Finance Agency (SEFA) benchmark for 2015/2016 financial year adopted. ** OECD (2013)

Table 4.6: CIS Perspective 3

Effective Internal Controls			
Key Performance Indicators	Formula/Measurement	Target/Benchmark	Key initiatives engaged to drive achievement of the target
Grant turnaround time	Total number of days for grant applications to be processed, approved and disbursed	50 days*	Fifty days maximum to process an application otherwise, review and update the current systems of application processes
Annual conversion ratio (approval to disbursement)	Total value of annual grants disbursed / total value of annual grants approved	70%*	An internal effective and efficient contract agreement preparation and implementation system developed.
Organisational controls / audit opinion	Quality of annual audit opinion	Clean audit	Specific programme audit is required and should form part of design and implementation structure.
Business diagnosis of beneficiary firms	Assessment of beneficiary firms business strengths and weaknesses	Applied	Beneficiary firms business diagnosis be formal, and outcome should influence grant approval
Uptime/availability of critical business information systems	Systems availability (email, grant administration system, accounting software)	99.9%*	Good systems administration in place for efficiency

Note: * Small Enterprise Finance Agency (SEFA) benchmark for 2015/2016 financial year and OECD (2013) adopted.

4.4.4 Perspective 4: Operational efficiency and competitiveness

This perspective looked at the programmes' operational efficiency and the competitive performance required to deliver on stakeholder needs and expectations. The perspective was to ensure that management understood stakeholder priorities and quantified their needs. The researcher identified the extent to which the programmes were able to address the annual stakeholder needs through the total annual value of grants approved and disbursed among genders, sectors and locations. The researcher also reported on the proportion of approvals granted and approvals committed, the non-disbursed yearly grant ratio, the total annual value of grants disbursed, the annual approval to annual fiscal allocation ratio, the total number of projects approved, and approvals committed for disbursement. All these elements were related to the strengths and weaknesses of the programmes and their capacity to deliver on the priorities and needs of the beneficiaries. The objective was highlighted based on the intention to determine the effectiveness of the BBSDP and the CIS at programme level.

Tables 4.7 and 4.8 below illustrate the KPIs, the relevant measurement formulas, the target/benchmark and the key initiatives engaged to drive the outcome of the model results that were applied to test whether the performance against each of the model perspectives was effective or not.

Table 4.7: BBSDP Perspective 4

Operational Efficiency and Competitiveness			
Key Performance Indicators	Formula/Measurement	Target/Benchmark	Key initiatives engaged to drive achievement of the target
Total annual value of grants approved	Total annual value of grant approved / total annual value of fiscal allocation *100.	R268 million**** (100%)	Pre-applications assessment and appraisal by NF contributed to approval rate
Proportion of application approvals committed	Total number of committed contracts signed / total number of application approvals per year.	90%	A delay in allocation of approved application and noncompliance with contract agreements affect committed contracts
Annual nondisbursed grant ratio	Annual nondisbursed grant / annual approved grant *100	10%	An internal effective and efficient disbursement preparation and implementation system.
Total annual value of grants disbursed	The proportion ratio of annual grant disbursed compared to nondisbursed grant *100	****100%	Prompt disbursement and payment of suppliers invoices are developed are implemented.
Annual approval to annual fiscal allocation ratio	Total annual approvals / total annual fiscal allocations	100%*	Uncompleted application, adjudicated committee approval rate and B-BBEE factors influence number of applications approved.
Total number of projects approved and committed	% of annual number of projects approved against target of 720 projects set annually	****100%	The enterprise must meet programme arrangement of 80:20 basis contributions or 50:50 basis contribution and comply with programme approval specification processes.

Note: * Small Enterprise Finance Agency (SEFA) benchmark for 2015/2016 financial year adopted.

**** Programme set target for 2017 financial year adopted

Table 4.8: CIS Perspective 4

Operational Efficiency and Competitiveness			
Key Performance Indicators	Formula/Measurement	Target/Benchmark	Key initiatives engaged to drive achievement of the target
Total annual value of grants approved	Total annual value of grant approved / total annual value of fiscal allocation *100.	R75 million**** (100%)	Pre-applications assessment and appraisal by NF contributed to approval rate
Proportion of application approvals committed	Total number of committed contracts signed / total number of application approvals per year.	90%	A delayed in allocation of approved application and noncompliance to contract agreements affects committed contracts
Annual nondisbursed grant ratio	Annual non-disbursed grant / Annual approved grant *100	10%	An internal effective and efficient disbursement preparation and implementation systems.
Total annual value of grants disbursed	The proportion ratio of annual grant disbursed compared to nondisbursed grant *100	**** 100%	Prompt disbursement and payment of suppliers invoices are developed are implemented.
Annual approval to annual fiscal allocation ratio	Total annual approvals / total annual fiscal allocations	100%*	Uncompleted application, adjudicated committee approval rate and B-BBEE factors influence number of applications approved.
Total number of projects approved and committed	% of annual number of projects approved against target of 360 project set annually	****100%	The enterprise must meet programme arrangement of 80:20 basis contributions or 50:50 basis contribution and comply with programme approval specification processes.

Note: * Small Enterprise Finance Agency (SEFA) benchmark for 2015/2016 financial year adopted.

**** Programme set target for 2017 financial year adopted

4.4.5 Perspective 5: Development impact

This perspective presented measures that reflected performance in terms of the outputs and outcomes of the activities of the BBSDP and the CIS. The programmes are aimed at implementing government's national priorities of increasing access and participation through economic inclusion by empowering previously disadvantaged individuals and communities. This process contributes to programme design and fosters the development of small and co-operative enterprises by promoting access to South African grant funding programme support initiatives.

The development impact objective shed more light on the present situation and reflected on some new developments in connection with the effectiveness of the programme design, processes and implementation. Since their inception in 2002 and 2005 respectively, the BBSDP and the CIS have not undergone any scientific investigation to establish their development impact in terms of their performance against predetermined objectives and targets. Such an investigation will assist management in planning and achieving a reasonable balance between programme performance and stakeholder expectations. Only then will it be possible to create effective programme systems that maintain and recreate accomplishments within input and output processes.

Under development impact, KPIs such as proportion of annual training and capacity building approval to annual fiscal allocation, total number of jobs facilitated, proportion of jobs facilitated by category, beneficiaries' survival rate, annual provincial rural grants coverage, gender (female) empowerment, and follow-up of beneficiary firms after intervention were developed. The KPIs helped to identify factors within the balanced scorecard perspectives against which targets were set to determine the performance of the BBSDP and the CIS.

Table 4.9 and 4.10 below illustrate the KPIs, the relevant measurement formulas, the target/benchmark and the key initiatives engaged to drive the outcome of the model results that were applied to test whether the performance against each of the model perspectives was effective or not.

Table 4.9: BBSDP Perspective 5

Development Impact			
Key Performance Indicators	Formula/Measurement	Target/Benchmark	Key initiatives engaged to drive achievement of the target
Proportion of annual training & capacity building approval to annual fiscal allocation	Value of annual training or capacity building approved / total annual fiscal allocation * 100	30%	Sensitisation on the importance of investing in training and capacity building which is mostly neglected by the programme beneficiaries.
Total number of jobs facilitated	Total number of jobs facilitated by the programmes per year compared to programme target	15 000**** (100%)	Programme review and implementation with a focus on productive sectors such as manufacturing and agricultural sectors will facilitate new jobs.
Proportion of jobs facilitated by category	Total number of new, temporary and sustained Jobs created per year / total number of jobs created * 100	40% of total jobs classified as new Jobs	Programme beneficiaries abandoned their application mandate post disbursement. Most beneficiaries might have converted acquired assets into cash.
Beneficiaries survival rate	Number of beneficiary firms in operation post disbursement annually / total number of beneficiary disbursed per year	20%***	The majority of the beneficiaries have operating status according to CIPC database. However, at the level of verification, more than 98% of beneficiary recorded zero turnovers.
Annual provincial grants coverage	Annual number or value of grants approved by province / total annual grants approved across South Africa per year	Rural (45%)***	Marketing and creating awareness programme on the benefit and importance of the grant funding in the rural areas
Gender empowerment	Total annual grants for female beneficiaries approved or disbursed / total number of grants approved or disbursed per year	45%*	Marketing and creating awareness programme on the benefit and importance of the grant funding among women entrepreneurs.
Follow-up of beneficiary firms after the intervention	Monitoring and evaluation	Scale level 5	Monitoring and evaluation are critical to programme effectiveness. The lack of M & E will have a negative impact on programme strategies and efficiency.

Note: * Small Enterprise Finance Agency (SEFA) benchmark for 2015/2016 financial year adopted.

** Land Bank of South Africa benchmark for 2015/2016 financial year report adopted.

*** OECD (2013) report adopted

**** Programme set target for 2017 financial year end adopted

Table 4.10: CIS Perspective 5

Development Impact			
Key Performance Indicators	Formula/Measurement	Target/Benchmark	Key initiatives engaged to drive achievement of the target
Proportion of annual training & capacity building approval to annual fiscal allocation	Value of annual training or capacity building / total annual fiscal allocation * 100	30%	Sensitisation on the importance of investing in training and capacity building which mostly neglected by the programme beneficiaries.
Total number of Jobs facilitated	Total number of jobs facilitated by the programmes per year compared to programme target	15000**** (100%)	Programme review and implementation with a focus on productive sectors such as manufacturing and agricultural sectors will facilitate new jobs.
Proportionate job facilitated by category	Total number of new, temporary and sustained Jobs created per year / total number of jobs created * 100	40% of total jobs be classified as new Jobs	Programme beneficiaries abandoned there application mandate post disbursement. Most beneficiaries might have converted acquired assets into cash.
Beneficiaries survival rate	Number of beneficiary firm in operation post disbursement annually / total number of beneficiary disbursed per year	20%***	Although, the majority of the beneficiaries has operating status according to CIPC database. However, at the level of verification, more than 98% of beneficiary recorded zero turnovers.
Annual provincial rural grants coverage	Annual number or value of grants approved by province / total annual grants approved across South Africa per year	Rural (45%)***	Marketing and creating awareness programme on the benefit and importance of the grant funding in the rural areas
Gender empowerment	Total annual grants for female beneficiary approved or disbursed / total number of grants approved or disbursed per year	45%*	Marketing and creating awareness programme on the benefit and importance of the grant funding among women entrepreneur.
Follow-up of beneficiary firms after the intervention	Monitoring and evaluation	Scale level 5	Monitoring and evaluation are critical to programme effectiveness. The lack of M & E will attract a negative impact on programme strategies and efficiency.

Note: * Small Enterprise Finance Agency (SEFA) benchmark for 2015/2016 financial year adopted.

** Land Bank of South Africa benchmark for 2015/2016 financial year report adopted.

*** OECD (2013) report adopted

**** Programme set target for 2017 financial year end adopted

Each element of the perspectives had the same importance and contributed to the effectiveness model; therefore, all elements were equally weighted in the model developed, as shown in Figures 4.3 to 4.12.

4.5 DEVELOPMENT OF KEY PERFORMANCE MEASUREMENT INDICATORS AND MODEL

There is an apparent mismatch in South Africa between the level of grant funding allocated by government and the developmental return realised from the implementation of inclusive growth programmes such as the BBSDP and the CIS. This trend has informed the need to develop new forms of broad-based economic participation programme implementation strategies and processes. The aim is to enhance socioeconomic development impact, on the one hand, and the real capacities of the programmes to achieve those goals on the other hand.

One influential model to guide grant funding programme implementation and to enhance programme effectiveness and efficiency is the balanced scorecard model (Kaplan & Norton, 1992). Application of the model requires balancing the measurement framework so that all essential perspectives affecting programme performance and success are brought into focus (Kaplan & Norton, 1996). The balanced scorecard has gained popularity in research and in the private sector; however, this was not without controversy (Bassioni *et al.*, 2004). For example, the majority of balanced scorecard implementation initiatives in enterprises have failed while the perspectives of the balanced scorecard have been considered insufficient (Neely & Bourne, 2000). The model gives a general framework for measurement and for implementing a strategy in practice. However, the model does not indicate what the approach should be or what should be measured.

Therefore, this study used the structure based on the development framework and analysis and developed a performance measurement model around the balanced scorecard (Kaplan & Norton, 1992). This approach focused on five perspectives related to each other and to the overall objectives of the programmes. In addition, the study considered as essential the objectives of the BBSDP and the CIS to establish whether or not all five perspectives were jointly associated. The consideration was achieved through the review of existing programme goals and objectives, profiles, policies, annual operational activities and business reports.

The five perspectives considered under the effectiveness model were human capital acquisition and development, financial sustainability, effective internal controls, efficiency and operational

competitiveness, and development impact. The key initiatives were engaged to drive achievement of each target of the perspective, following which a selection list or scoring guide was applied. This was attached to each perspective to determine whether there was any variation and to foster a sense of responsibility towards programme effectiveness.

4.6 THE EFFECTIVENESS MEASUREMENT MODEL APPROACH BASED ON CLEAR ASSUMPTIONS AND METHODOLOGY

The balanced scorecard model requires targets to be set against each KPI with a view of assessing the performance of the programme against each of these targets to enable measurement and rating of the programme effectiveness. The new effectiveness measurement model design was based on clear programme policies and procedures and focused on BBSDP and CIS objectives, processes and implementation plans. A structured grouping of elements in each perspective described the characteristics of the effectiveness model. Each perspective was divided into five or more elements that were evaluated according to the following effectiveness scale:

Table 4.11: Effectiveness scale

Level 5	Level 4	Level 3	Level 2	Level 1
Very effective	Effective	Fairly effective	Partially effective	Ineffective
5–6	4–4.9	3–3.9	2–2.9	1–1.9
Objectives and processes are integrated into the management and implementation process.	Practices and policies are properly put into use and supervised on a regular basis.	Necessary business processes are carried out to aid proper effectiveness culture and communication, but not all procedures have fully been implemented.	Inappropriate application of programme policy and processes.	Deficient performance of each of the components and all its elements.

Source: Compiled by the author.

This effectiveness scale summarises the performance of the BBSDP and the CIS, bearing in mind the KPIs of all five perspectives. An evaluation criterion was set for each of the five levels of the scale. Very effective implies the highest level of programme effectiveness and ineffective the lowest level of programme effectiveness. The following subsections analyse the specifications per effectiveness level, taking into consideration their importance and contributions.

4.6.1 Effectiveness Level 5: Very effective

According to Ciorciari and Blattner (2008) and Mihaiu *et al.* (2010), very effective is the highest efficiency level, which implies that the performance of the BBSDP and the CIS is optimal; each programme's design, objectives, policies and procedures are integrated into the management process. This level addressed and was entrenched in the day-to-day running of programme and management operations and was used as a critical value driver supporting decision making. The pursuit of opportunities and effectiveness is proactively identified and monitored through KPIs and predictive effective analytical processes and used for all major performance areas. There is also an alignment between the BBSDP and the CIS and their objectives whereby top management ensures that business effectiveness and goals are seriously considered and understood by employees at all levels (Serpella, Ferrada, Howard & Rubio *et al.*, 2014) and that risks fall within their risk limits. Moreover, there is a comprehensive effectiveness plan with both qualitative and quantitative measures for incident analysis, risk assessment and response (Serpella *et al.*, 2014).

4.6.2 Effectiveness Level 4: Effective

This level shows that programme practices and policies are put adequately into use and are supervised on a regular basis (Ciorciari & Blattner, 2008). It means that business processes are being refined and that programme monitoring and control activities are carried out with consistent feedback for improvement (Mihaiu *et al.*, 2010). Operations are carried out, observed, verified and regularly improved upon. At this level, effectiveness is fully implemented across the business and consistently applied and used in decision-making processes (Hillson, 2002). The author also indicates that in view of the improved practices of effective level, the risk level is generally natural where upper management uses risk information in decision making and proactive effectiveness is encouraged and rewarded. Effectiveness at this level is measured, evaluated and fed back into continuous improvement, which implies a proactive approach to managing risks.

4.6.3 Effectiveness Level 3: Fairly effective

According to Ciorciari and Blattner (2008), this level indicates that the programme performance, practices and policies are standardised and documented while the underlying business processes are carried out to aid a proper effectiveness culture and communication. It is to be noted that at this level, the BBSDP and CIS policy frameworks cover and are applied to most business units, and formal programme processes are incorporated into a quality delivery system with effective allocation and management of fiscally allocated resources as budgeted at all levels.

This level represents better or improved effectiveness. Although efficient operations with good communication and accountability exist throughout the business, not all procedures have been fully implemented. It implies that the organisation is expected to have an in-house core of expertise, formally trained in the necessary programme effectiveness skills and the development and use of specific processes and monitoring and evaluation control tools. Most of the organisation's effectiveness fails at this level.

4.6.4 Effectiveness Level 2: Partially effective

This level of effectiveness is characterised by the inappropriate application of programme policies and processes. No effective communication is carried out either by the programme administrators or the beneficiaries. This level shows inconsistency with the implementation procedure of the programme policies and resources and qualitative risk analysis identified (Hillson, 2002). Moreover, the effectiveness structure in place might have been defined but lacks effectiveness across the programme, caused by poor orientation on the part of the programme administrators and a poor communication culture. At this level, there is institutional awareness of the importance of effective internal controls and some formal processes that are in place, but there is a lack of consistency across each business unit, representing a limited standardisation of effective programme processes.

4.6.5 Effectiveness Level 1: Ineffective

This refers to an ineffective and a very poor performance level and reflects the lowest level of BBSDP and CIS performance. This level is associated with deficient performance of each of the components and all its elements in the measurement model, which translates into management's disregard of risk awareness. It also means that there is lack of process and structural follow-up on programme policies and procedures, and a reluctance on the part of programme administrators to change their approach.

This level also means that no documented programme processes and policies are in place and that the institution merely attempts to manage its risks within the available capacity and the existing approach. This level requires massive efforts from the internal business processes and personnel to develop a structure to realise programme effectiveness. However, an improvement in this level might result in the programmes being rated or categorised as Level 2 (Ciorciari & Blattner, 2008).

4.7 EVALUATION AND EFFECTIVENESS ASSESSMENT TOOL FUNCTIONALITIES

The assessment tool for the measurement of effectiveness level was made possible through the evaluation of elements of the measurement framework, namely the following five perspectives:

human capital acquisition and development, financial sustainability, effective internal controls, operational efficiency and competitiveness and, development impact. Tables 4.12 to 4.21 illustrate the evaluation and effectiveness assessment tool's functionality in more detail.

Table 4.12: Model 1: BBDP - Human capital acquisition and development

No	Indicator	Key initiatives engaged to drive achievement of the target	Source of information		Weight	Selection list/scoring guide
			Primary source	Secondary source		
1	Annual expenditure on staff training and capacity building	Annual expenditure on staff training as percentage of payroll	BBDP dataset	Discussion with programme manager and field officials	14.29%	100% fiscal allocation approved, a score of 6 Between 80% and 99% approved, a score of 5 Between 60% and 80% approved, a score of 4 Between 40% and 60% approved, a score of 3 Between 20% and 40% approved, a score of 2 Equal to or less than 20% approved, a score of 1
2	Staff productivity rate	Total annual programme disbursed amount/total annual number of employees	BBDP dataset	Discussion with programme manager and field officials	14.29%	If staff productivity rate is equal to or above 100%, a score of 5 If staff productivity rate is between 70% and 99%, a score of 4 If staff productivity rate is between 60% and 69%, a score of 3 If staff productivity rate is between 50% and 69%, a score of 2 If staff productivity rate is less than 50%, a score of 1
3	Staff turnover rate	Annual number of employees who left the organisation/average annual number of employees	BBDP dataset	Discussion with programme manager and field officials	14.29%	If staff turnover rate is 7% or less, a score of 5 If staff turnover rate is between 8% and 15%, a score of 4 If staff turnover rate is between 16% and 20%, a score of 3 If staff turnover rate is between 21% and 25%, a score of 2 If staff turnover rate is above 25%, a score of 1
4	Programme vacancy rate	Annual number of vacancies/total organisational staff complement	BBDP dataset	Discussion with programme manager and field officials	14.29%	If vacancy rate is 10% or less, a score of 5 If vacancy rate is between 11% and 15%, a score of 4 If vacancy rate is between 16% and 20%, a score of 3 If vacancy rate is between 21% and 25%, a score of 2 If vacancy rate is above 25%, a score of 1
5	Organisational performance assessment	Annual programme performance rating (on a five-point scale)	BBDP dataset	Discussion with programme manager and field officials	14.29%	If programme performance exceeds expectations annually, a score of 5 If programme performs optimally annually, a score of 4 If programme performance meets expectations annually, a score of 3 If programme performs fairly well annually, a score of 2 If programme does not perform well annually, a score of 1
6	Staff engagement	Level of staff engagement (on a five-point scale)	BBDP dataset	Discussion with programme manager and field officials	14.29%	If programme staff engagement is above standard, a score of 5 If programme staff engagement is within set standard, a score of 4 If programme staff engagement is on standard, a score of 3 If programme staff engagement is fairly standard, a score of 2 If programme staff engagement is below standard, a score of 1
7	Personal development planning	Percentage of personal development plans achieved	BBDP dataset	Discussion with programme manager and field officials	14.29%	If over 60% of personal development plans achieved, a score of 6 Between 60% and 50% achieved, a score of 5 Between 50% and 40% achieved, a score of 4 Between 40% and 30% achieved, a score of 3 Between 30% and 20% achieved, a score of 2 Between 0% and 20% achieved, a score of 1
Total					100%	
Weighted score (BBDP objectives framework)						

Table 4.13: Model 2: CIS - Human capital acquisition and development

No	Indicator	Key initiatives engaged to drive achievement of the target	Source of information		Weight	Selection list/scoring guide
			Primary Source	Secondary source		
1	Annual expenditure on staff training and capacity building	Annual expenditure on staff training as percentage of payroll	CIS dataset	Discussion with programme manager and field officials	14.29%	100% fiscal allocation approved, a score of 6 Between 80% and 99% approved, a score of 5 Between 60% and 80% approved, score of 4 Between 40% and 60% approved, a score of 3 Between 20% and 40% approved, a score of 2 Equal to or less than 20% approved, a score of 1
2	Staff productivity rate	Total annual programme disbursed amount/total annual number of employees	CIS dataset	Discussion with programme manager and field officials	14.29%	If staff productivity rate is equal to or above 100%, a score of 5 If staff productivity rate is between 70% and 99%, a score of 4 If staff productivity rate is between 60% and 69%, a score of 3 If staff productivity rate is between 50% and 69%, a score of 2 If staff productivity rate is less than 50%, a score of 1
3	Staff turnover rate	Annual number of employees who left the organisation/average annual number of employees	CIS dataset	Discussion with programme manager and field officials	14.29%	If staff turnover rate is 7% or less, a score of 5 If staff turnover rate is between 8% and 15%, a score of 4 If staff turnover rate is between 16% and 20%, a score of 3 If staff turnover rate is between 21% and 25%, a score of 2 If staff turnover rate is above 25%, a score of 1
4	Programme vacancy rate	Annual number of vacancies/total organisational staff complement	CIS dataset	Discussion with programme manager and field officials	14.29%	If vacancy rate is 10% or less, a score of 5 If vacancy rate is between 11% and 15%, a score of 4 If vacancy rate is between 16% and 20%, a score of 3 If vacancy rate is between 21% and 25%, a score of 2 If vacancy rate is above 25%, a score of 1
5	Organisational performance assessment	Annual programme performance rating (on a five-point scale)	CIS dataset	Discussion with programme manager and field officials	14.29%	If programme performance exceeds expectations annually, a score of 5 If programme performance is optimal annually, a score of 4 If programme performance meets expectations annually, a score of 3 If programme performs fairly well annually, a score of 2 If programme does not perform well annually, a score of 1
6	Staff engagement	Level of staff engagement (on a five-point scale)	CIS dataset	Discussion with programme manager and field officials	14.29%	If programme staff engagement is above standard, a score of 5 If programme staff engagement is within set standard, a score of 4 If programme staff engagement is on standard, a score of 3 If programme staff engagement is fairly standard, a score of 2 If programme staff engagement is below standard, a score of 1
7	Personal development planning	Percentage of personal development plans achieved	CIS dataset	Discussion with programme manager and field officials	14.29%	If over 60% of personal development plans achieved, a score of 6 Between 60% and 50% achieved, a score of 5 Between 50% and 40% achieved, a score of 4 Between 40% and 30% achieved, a score of 3 Between 30% and 20% achieved, a score of 2 Between 0% and 20% achieved, a score of 1
Total					100%	
Weighted score (CIS objectives framework)						

Table 4.14: Model 3: BBDP - Financial sustainability

No	Indicator	Key initiatives engaged to drive achievement of the target	Source of information		Weight	Selection list/scoring guide
			Primary source	Secondary source		
1	Annual financial reports released	Number of annual reports released/total number of years of operation. Number of financial reports released from 2011/12 to 2016/17 financial years under review.	BBDP dataset	Discussion with programme manager and field officials	16.67%	Reports are released annually, a score of 5 Reports are released once in two years, a score of 4 Reports are released once in three years, a score of 4 Reports are released once in four years, a score of 3 Reports are released once in five years, a score of 2 No reports are released, a score of 1
2	Annual leverage/cofinancing ratio	Proportion of beneficiary contributions towards approved amount/total grants approved	BBDP dataset	Discussion with programme manager and field officials	16.67%	If more than 100% applied, a score of 6 80% and 100% applied, a score of 5 60% and 80% applied, a score of 4 40% and 60% applied, a score of 3 20% and 40% applied, a score of 2 20% or less applied, a score of 1
3	Annual disbursement to annual fiscal allocation ratio	Annual disbursement/annual fiscal allocation. National Treasury allocates funds for grant annually through DSBD.	BBDP dataset	Discussion with programme manager and field officials	16.67%	Disbursement equal to or above 90% of annual allocation, a score of 6 Between 80% and 90%, a score of 5 Between 60% and 80%, a score of 4 Between 40% and 60%, a score of 3 20% and 40%, a score of 2 20% or less, a score of 1
4	Cost-sharing guarantee ratio	Value of annual approved grants with upfront guarantee: total value of annual grants approved	BBDP dataset	Discussion with programme manager and field officials	16.67%	Cost sharing is 50% of amount approved, a score of 6 Between 40% and 50%, a score of 5 Between 30% and 40%, a score of 4 Between 20% and 30%, a score of 3 Between 10% and 20%, a score of 2 Less than or equal to 10%, a score of 1
5	Cost to income ratio	Cost of programme operation/annual fiscal allocation received	BBDP dataset	Discussion with programme manager and field officials	16.67%	If cost to income is less than 40% applied, a score of 6 40% applied, a score of 5 above 40% but equal to 50% applied, a score of 4 50% and 60% applied, a score of 3 60% and 70% applied, a score of 2 70% or more applied, a score of 1
6	Proportion of firms with improved financial performance	Number of firms with improved financial performance per year/total number of firms funded per year *100.	BBDP and CIPC datasets	Discussion with programme manager and field officials	16.67%	40% of firms with turnover of R1 million or more, a score of 6 30% and 40% of firms, a score of 5 20% and 30% of firms, a score of 4 10% and 20% of firms, a score of 3 5% and 10% of firms, a score of 2 Less than or equal to 5% of firms, a score of 1
Total					100%	
Weighted score (BBDP objectives framework)						

Table 4.15: Model 4: CIS - Financial sustainability

No	Indicator	Key initiatives engaged to drive achievement of the target	Source of information		Weight	Selection list/scoring guide
			Primary source	Secondary source		
1	Annual financial reports released	Number of annual reports released/total number of years of operation. Number of financial reports released from 2011/12 to 2016/17 financial years under review.	CIS Data set	Discussion with programme manager and field officials	20%	Reports are released annually, a score of 5 Reports are released once in two years, a score of 4 Reports are released once in three years, a score of 3 Reports are released once in four years, a score of 2 Reports are released once in five years, a score of 1 No reports are released, a score of 1
2	Annual leverage/cofinancing ratio	Proportion of annual contributions/total grants approved	CIS dataset	Discussion with programme manager and field officials	20%	If more than 100% applied, a score of 6 Between 80% and 100% applied, a score of 5 Between 60% and 80% applied, a score of 4 Between 40% % and 40% applied, a score of 2 20% or less applied, a score of 1
3	Annual disbursement to annual fiscal allocation ratio	Annual disbursement/annual fiscal allocation. National Treasury allocates funds for grant annually through CIS.	CIS dataset	Discussion with programme manager and field officials	20%	Disbursement is equal to or above 90% of annual allocation, a score of 6 Between 80% and 90%, a score of 5 Between 60% and 80%, a score of 4 Between 40% and 60%, a score of 3 Between 20% and 40%, a score of 2 20% or less, a score of 1
4	Cost to income ratio	Cost of programme operation/annual fiscal allocation received	CIS dataset	Discussion with programme manager and field officials	20%	If cost to income is less than 40% applied, a score of 6 40% applied, a score of 5 Above 40% but equal to 50% applied, a score of 4 Between 50% and 60% applied, a score of 3 Between 60% and 70% applied, a score of 2 70% or more applied, a score of 1
5	Proportion of firms with improved financial performance	Number of firms with improved financial performance per year/total number of firms funded per year *100	CIS dataset	Discussion with programme manager and field officials	20%	40% of firms with turnover of R1 million or more, a score of 6 Between 30% and 40% of firms, a score of 5 Between 20% and 30% of firms, a score of 4 Between 10% and 20% of firms, a score of 3 Between 5% and 10% of firms, a score of 2 Less than or equal to 5% of firms, a score of 1
Total					100%	
Weighted score (CIS Objectives Framework)						

Table 4.16: Model 5: BBDP - Effective internal controls

No	Indicator	Key initiatives engaged to drive achievement of the target	Source of information		Weight	Selection list/scoring guide
			Primary source	Secondary source		
1	Grant turnaround time	How many days for grant applications to be processed, approved and disbursed? Each application is submitted through a network facilitator. Each application is diagnosed and reviewed, and then forwarded to the BBDP for evaluation, adjudication and approval.	BBDP dataset	Discussion with programme manager and field officials	12.5%	Less than 50 days, a score of 6 Between 50 and 80 days, a score of 5 Between 81 and 120 days, a score of 4 Between 121 and 150 days, a score of 3 Between 151 and 180 days, a score of 2 More than 180 days, a score of 1
2	Annual conversion ratio (approved to disbursed)	Total value of annual grants disbursed/total value of annual grants approved. Period of converting approval to disbursement.	BBDP dataset	Discussion with programme manager and field officials	12.5%	Between 80% and 100% of approval is disbursed, a score of 6 Between 70% and 80%, a score of 5 Between 50% and 60%, a score of 4 Between 40% and 50%, a score of 3 Between 30% and 20%, a score of 2 Less than 20%, a score of 1
3	Quality audit report and opinion	Quality of annual audit report and opinion (clean, unqualified, qualified, disclaimer, adverse and no audit). Annual audit report and outcome will indicate the level of financial compliance with fiscal allocation and disbursement of resources.	BBDP dataset	Discussion with programme manager and field officials	12.5%	Clean audit, a score of 6 Unqualified audit, a score of 5 Qualified audit, a score of 4 Adverse audit, a score of 3 Disclaimer audit, a score of 2 No audit, a score of 1
4	Business diagnosis of beneficiary firms	Assessment of beneficiary firms' business strengths and weaknesses.	BBDP dataset	Discussion with programme manager and field officials	12.5%	Full formal business diagnosis of beneficiary firms, a score of 5 Partial business diagnosis of beneficiary firms, a score of 4 Fairly business diagnosis of beneficiary firms, a score of 3 Informal business diagnosis of beneficiary firms, a score of 2 No formal business diagnosis of beneficiary firms, a score of 1
5	Network facilitator (intermediaries) success ratio	Total number of applications approved/number of applications appraised per year *100.	BBDP dataset	Discussion with programme manager and field officials	12.5%	If success ratio is 100%, a score of 6 Between 80% and 99%, a score of 5 Between 60% and 80%, a score of 4 Between 40% and 60%, a score of 3 Between 20% and 40%, a score of 2 Between 0% and 20%, a score of 1
6	Adjudication committee - annual schedule achieved	Number of the meetings held per year/number of meetings scheduled per year. Twelve meetings to be held annually compared to how many meetings scheduled and arranged.	BBDP dataset	Discussion with programme manager and field officials	12.5%	More than 12 meetings scheduled and achieved, a score of 6 12 scheduled but 12 achieved, a score of 5 12 scheduled but 10 achieved, a score of 4 12 scheduled but 8 achieved, a score of 3 12 scheduled but 6 achieved, a score of 2 12 scheduled but 4 and less achieved, a score of 1
7	Adjudication committee - approval rate	Number of applications approved/total number of applications considered during each of the adjudication committee meetings per year. How many applications were evaluated per business, and how many of these applications were approved during each of the adjudication committee meetings held?	BBDP dataset	Discussion with programme manager and field officials	12.5%	100% approval rate, a score of 6 Between 80% and 99%, a score of 5 Between 60% and 80%, a score of 4 Between 40% and 60%, a score of 3 Between 20% and 40%, a score of 2 Between 0% and 20% or less, a score of 1
8	Uptime/availability of critical business information systems	Systems availability (email, grant administration system and accounting software). Programme verification of the availability of standard and up-to-date infrastructure for quick and timeous delivery of services.	BBDP dataset	Discussion with programme manager and field officials	12.5%	System available and fully implemented, a score of 6 Strongly available, a score of 5 Moderately available, a score of 4 Fairly available, a score of 3 Fairly unavailable, a score of 2 Not available, a score of 1
Total					100%	
Weighted score (BBDP objectives framework)						

Table 4.17: Model 6: CIS - Effective internal controls

No	Indicator	Key initiatives engaged to drive achievement of the target	Source of information		Weight	Selection list/scoring guide
			Primary source	Secondary source		
1	Grant turnaround time	Average period from grant application to grant approval (days/months). Applications are submitted directly by individual co-operatives. No online applications - all applications are to be submitted manually.	CIS dataset	Discussion with programme manager and field officials	20%	Less than 50 days, a score of 6 Between 50 and 80 days, a score of 5 Between 80 and 120 days, a score of 4 Between 120 and 150 days, a score of 3 Between 150 and 180 days, a score of 2 More than 180 days, a score of 1
2	Annual conversion ratio (approval to disbursement)	Total value of annual grants disbursed/total value of annual grants approved. Period of converting approval to disbursement.	CIS dataset	Discussion with programme manager and field officials	20%	Above 100%, a score of 6 Between 75% and 100%, a score of 5 Between 50% and 75%, a score of 4 Between 25 % and 50%, a score of 3 Between 0% and 25%, a score of 2 No conversion, a score of 1
3	Business diagnosis of beneficiary firms	Assessment of beneficiary firms' business strengths and weaknesses.	CIS dataset	Discussion with programme manager and field officials	20%	Full formal business diagnosis of beneficiary firms, a score of 5 Partial business diagnosis of beneficiary firms, a score of 4 Fairly business diagnosis of beneficiary firms, a score of 3 Informal business diagnosis of beneficiary firms, a score of 2 No formal business diagnosis of beneficiary firms, a score of 1
4	Quality audit opinion	Quality of annual audit opinion. Annual audit report and outcome will indicate level of financial compliance with fiscal allocation and disbursement of resources.	CIS dataset	Discussion with programme manager and field officials	20%	Clean audit, a score of 6 Unqualified audit, a score of 5 Qualified audit, a score of 4 Adverse audit, a score of 3 Disclaimer audit, a score of 2 No audit, a score of 1
5	Uptime/availability of critical business information systems	Systems availability (email, grant administration system and accounting software). Availability of standard and up-to-date infrastructure for quick and timeous delivery of services.	CIS dataset	Discussion with programme manager and field officials	20%	System available and fully implemented, a score of 6 Strongly available, a score of 5 Moderately available, a score of 4 Fairly available, a score of 3 Fairly unavailable, a score of 2 Not available, a score of 1
Total					100%	
Weighted score (CIS objectives framework)						

Table 4.18: Model 7: BBSDP - Operational efficiency and competitiveness

No	Indicator	Key initiatives engaged to drive achievement of the target	Source of information		Weight	Selection list/scoring guide
			Primary source	Secondary source		
1	Total annual value of grants approved	Total annual value of grants approved/total annual value of fiscal allocation *100	BBSDP dataset	Discussion with programme manager and field officials	16.7%	100% fiscal allocation approved, a score of 6 Between 80% and 99% approved, a score of 5 Between 60% and 80% approved, a score of 4 Between 40% and 60% approved, a score of 3 Between 20% and 40% approved, a score of 2 20% and less approved, a score of 1
2	Proportion of approved applications committed	Total number of committed contracts signed/total number of application approvals per year. Proportion of committed contracts from approval.	BBSDP dataset	Discussion with programme manager and field officials	16.7%	Over 100% applications approved & committed, a score of 6 100% applications approved & committed, a score of 5 Between 75% and 99% applications approved & committed, a score of 4 Between 50% and 75% applications approved & committed, a score of 3 Between 25% and 50% applications approved & committed, a score of 2 Between 0% and 25% applications approved & committed, a score of 1
3	Annual nondisbursed grant ratio	Annual nondisbursed grants/annual approved grants. Proportion of nondisbursed grants compared to committed and disbursed grants annually from 2011/12 to 2016/17 financial years under review.	BBSDP dataset	Discussion with programme manager and field officials	16.7%	Between 0% and 2% of committed 10% not disbursed, a score of 5 4% of committed 10% not disbursed, a score of 4 6% of committed 10% not disbursed, a score of 3 8% of committed 10% not disbursed, a score of 2 10% of committed 10% not disbursed, a score of 1
4	Total annual value of grants disbursed	Proportion of annual grants disbursed compared to nondisbursed grants	BBSDP dataset	Discussion with programme manager and field officials	16.7%	20% or less of amount approved disbursed, a score of 1 Between 20% and 40% disbursed, a score of 2 Between 40% and 60% disbursed, a score of 3 Between 60% and 80% disbursed, a score of 4 Between 80% and 100% disbursed, a score of 5
5	Annual approval to annual fiscal allocation ratio	Ratio of annual approval to annual fiscal allocation	BBSDP dataset	Discussion with programme manager and field officials	16.7%	100% and more fiscal allocation approved, a score of 6 Between 80% and 100% approved, a score of 5 Between 60% and 80% approved, a score of 4 Between 40% and 60% approved, a score of 3 Between 20% and 40% approved, a score of 2 Between 0% and 20% approved, a score of 1
6	Total number of projects approved	Percentage of annual number of projects approved against annual project target	BBSDP dataset	Discussion with programme manager and field officials	16.7%	Over 100% projects approved, a score of 6 Between 80% and 100% projects approved, a score of 5 Between 60% and 80% projects approved, a score of 4 Between 40% and 60% projects approved, a score of 3 Between 20% and 40% projects approved, a score of 2 Between 0% and 20% projects approved, a score of 1
Total					100%	
Weighted score (BBSDP objectives framework)						

Table 4.19: Model 8: CIS - Operational efficiency and competitiveness

No	Indicator	Key initiatives engaged to drive achievement of the target	Source of information		Weight	Selection list/scoring guide
			Primary source	Secondary source		
1	Total annual value of grants approved	Total annual value of grants approved (by gender, sector, activities and province per year). Annual total grants approved from 2011/12 to 2016/17 financial years under review.	CIS dataset	Discussion with programme manager and field officials	16.7%	100% fiscal allocation approved, a score of 6 Between 80% and 99% approved, a score of 5 Between 60% and 80% approved, a score of 4 Between 40% and 60% approved, a score of 3 Between 20% and 40% approved, a score of 2 20% and less approved, a score of 1
2	Proportion of application approvals committed	Number of commitment contracts signed (by gender, sector, activities and province per year)/total number of application approvals per year. Proportion of committed contracts from approval.	CIS dataset	Discussion with programme manager and field officials	16.7%	Over 100% applications approved & committed, a score of 6 100% applications approved & committed, a score of 5 Between 75% and 99% applications approved & committed, a score of 4 Between 50% and 75% applications approved & committed, a score of 3 Between 25% and 50% applications approved & committed, a score of 2 Between 0% and 25% applications approved & committed, a score of 1
3	Annual nondisbursed grant ratio	Annual nondisbursed grants/annual approved grants. Proportion of nondisbursed grants compared to committed and disbursed grants annually from 2011/12 to 2016/17 financial years under review.	CIS dataset	Discussion with programme manager and field officials	16.7%	Between 0% and 2% of committed 10% not disbursed, a score of 5 4% of committed 10% not disbursed, a score of 4 6% of committed 10% not disbursed, a score of 3 8% of committed 10% not disbursed, a score of 2 10% of committed 10% not disbursed, a score of 1
4	Total annual value of grants disbursed	Proportion of disbursed grants compared to nondisbursed grants annually from 2011/12 to 2016/17 financial years under review. Disbursed amounts may not be consistent with approved amounts over time.	CIS dataset	Discussion with programme manager and field officials	16.7%	20% or less of amount approved disbursed, a score of 1 Between 20% and 40% disbursed, a score of 2 Between 40% and 60% disbursed, a score of 3 Between 60% and 80% disbursed, a score of 4 Between 80% and 100% disbursed, a score of 5
5	Annual approval to annual fiscal allocation ratio	Annual approval to annual fiscal allocation may reflect some difference due to overlapping of approvals and disbursements into the current financial year. Sometimes less or more than fiscal allocation.	CIS dataset	Discussion with programme manager and field officials	16.7%	100% and more fiscal allocation approved, a score of 6 Between 80% and 100% approved, a score of 5 Between 60% and 80% approved, a score of 4 Between 40% and 60% approved, a score of 3 Between 20% and 40% approved, a score of 2 Between 0% and 20% approved, a score of 1
6	Total number of projects approved	Annual number of projects approved (gender, sector, province and activities). Total number of approved applications for economic sector/types of projects. Three hundred and sixty projects are the annual target.	CIS dataset	Discussion with programme manager and field officials	16.7%	Over 100% projects approved, a score of 6 Between 80% and 100% projects approved, a score of 5 Between 60% and 80% projects approved, a score of 4 Between 40% and 60% projects approved, a score of 3 Between 20% and 40% projects approved, a score of 2 Between 0% and 20% projects approved, a score of 1
Total					100%	
Weighted score (CIS Objectives Framework)						

Table 4.20: Model 9: BBSDP - Development impact

No	Indicator	Key initiatives engaged to drive achievement of the target	Source of information		Weight	Selection list/scoring guide
			Primary source	Secondary source		
1	Proportion of annual training and capacity building approval to annual fiscal allocation	Annual value of grant amount committed toward training or capacity building/total annual fiscal allocation *100. Average percentage of grant amount allocated to training and capacity building from annual fiscal allocation.	BBSDP dataset	Discussion with programme manager and field officials	14.29%	30% or more approved for capacity building, a score of 6 Between 25% and 30%, a score of 5 Between 20% and 25%, a score of 4 Between 15% and 20%, a score of 3 Between 10% and 15%, a score of 2 Less than or equal to 10%, a score of 1
2	Total number of jobs facilitated	Total number of jobs facilitated by programme per year. Grant funding programme established as a mechanism for job creation.	BBSDP dataset	Discussion with programme manager and field officials	14.29%	100% of targeted jobs created, a score of 6 Between 80% and 100%, a score of 5 Between 60% and 80%, a score of 4 Between 40% and 60%, a score of 3 Between 20% and 40%, a score of 2 Less than or equal to 20%, a score of 1
3	Proportion of jobs facilitated by category	Number of new, temporary and sustained jobs facilitated per year/total number of jobs facilitated *100. Categories of jobs facilitated: temporary, sustained and new.	BBSDP dataset	Discussion with programme manager and field officials	14.29%	Equal to or more than 45% of jobs created are new, a score of 6 Between 35% and 45%, a score of 5 Between 25% and 35%, a score of 4 Between 15% and 25%, a score of 3 Between 5% and 15%, a score of 2 Less than or equal to 5%, a score of 1
4	Beneficiaries survival rate	Number of beneficiary firms in operation post disbursement annually/total number of beneficiary disbursements per year. Number of firms in operation post disbursement from 2011/12 to 2016/17 financial years.	BBSDP and CIPC datasets	Discussion with programme manager and field officials	14.29%	100% of firms that received grant still in operation, a score of 6 80% of firms, a score of 5 60% of firms, a score of 4 40% of firms, a score of 3 20% of firms, a score of 2 Less than 20% of firms, a score of 1
5	Annual provincial rural grants coverage	Annual value of grants approved/total annual grants approved per province. Nine provinces categorised into rural, peri-urban and urban. Programme expected to reach more rural areas than others.	BBSDP dataset	Discussion with programme manager and field officials	14.29%	Rural coverage of approved grant is 45%, a score of 6 Between 35% and 45%, a score of 5 Between 25% and 35%, a score of 4 Between 15% and 25%, a score of 3 Between 5% and 15%, a score of 2 Less than or equal to 5%, a score of 1
6	Gender (female) empowerment	Gender analysis in terms of national and approval coverage. More women participation in the programme needs to be encouraged.	BBSDP dataset	Discussion with programme manager and field officials	14.29%	45% or more grants approved for women, a score of 6 Between 35% and 45%, a score of 5 Between 25% and 35%, a score of 4 Between 15% and 25%, a score of 3 Between 5% and 15%, a score of 2 Less than or equal to 5%, a score of 1
7	Follow-up of beneficiary firms after intervention	Availability of monitoring and evaluation after intervention	BBSDP dataset	Discussion with programme manager and field officials	14.29%	If M&E is done at least once a year, a score of 6 If M&E is partially done at least once every two years, a score of 5 If M&E is done at least once every three years, a score of 4 If M&E is done informally at least once every year, a score of 3 If M&E is not done within two years, a score of 2 If M&E is not done at all within two or three years, a score of 1
Total					100%	
Weighted score (BBSDP objectives framework)						

Table 4.21: Model 10: CIS - Development impact

No	Indicator	Key initiatives engaged to drive achievement of the target	Source of information		Weight	Selection list/scoring guide
			Primary source	Secondary source		
1	Proportion of annual training and capacity building approval to annual fiscal allocation	Value of annual training or capacity building/total annual fiscal allocation *100. Average percentage of grant amount allocated to training and capacity building from annual fiscal allocation.	CIS dataset	Discussion with programme manager and field officials	14.29%	30% or more approved for capacity building, a score of 6 Between 25% and 30%, a score of 5 Between 20% and 25%, a score of 4 Between 15% and 20%, a score of 3 Between 10% and 15%, a score of 2 Less than or equal to 10%, a score of 1
2	Total number of jobs facilitated	Total number of jobs facilitated by programme per year. Grant funding programme created as a mechanism for job creation.	CIS dataset	Discussion with programme manager and field officials	14.29%	100% of targeted jobs created, a score of 6 Between 80% and 100%, a score of 5 Between 60% and 80%, a score of 4 Between 40% and 60%, a score of 3 Between 20% and 40%, a score of 2 Less than or equal to 20%, a score of 1
3	Proportion of jobs facilitated by category	Number of new, temporary and sustained jobs facilitated per year/total number of jobs facilitated *100. Categories of jobs facilitated: temporary, sustained and new.	CIS dataset	Discussion with programme manager and field officials	14.29%	Equal to or more than 45% of jobs created are new, a score of 6 Between 35% and 45%, a score of 5 Between 25% and 35%, a score of 4 Between 15% and 25%, a score of 3 Between 5% and 15%, a score of 2 Less than or equal to 5%, a score of 1
4	Beneficiaries survival rate	Number of beneficiary firms in operation post disbursement annually/total number of beneficiary disbursements per year. Number of firms in operation post disbursement from 2011/12 to 2016/17 financial years.	CIS dataset	Discussion with programme manager and field officials	14.29%	100% of firms that received grant still in operation, a score of 6 80% of firms, a score of 5 60% of firms, a score of 4 40% of firms, a score of 3 20% of firms, a score of 2 Less than 20% of firms, a score of 1
5	Annual provincial rural grants coverage	Annual number or value of grants approved per province/total annual grants approved across South Africa per year. Provincial spread across nine provinces of South Africa. This is categorised into rural, peri-urban and urban. Programme expected to reach more rural areas than others.	CIS dataset	Discussion with programme manager and field officials	14.29%	Rural coverage of approved grant is 45%, a score of 6 Between 35% and 45%, a score of 5 Between 25% and 35%, a score of 4 Between 15% and 25%, a score of 3 Between 5% and 15%, a score of 2 Less than or equal to 5%, a score of 1
6	Gender (female) empowerment	Gender analysis in term of national and approval coverage. More women participation in the programme needs to be encouraged.	CIS dataset	Discussion with programme manager and field officials	14.29%	45% or more grants approved for women, a score of 6 Between 35% and 45%, a score of 5 Between 25% and 35%, a score of 4 Between 15% and 25%, a score of 3 Between 5% and 15%, a score of 2 Less than or equal to 5%, a score of 1
7	Follow-up of beneficiary firms after intervention	Availability of monitoring and evaluation after intervention.	CIS dataset	Discussion with programme manager and field officials	14.29%	If M&E is done at least once a year, a score of 6 If M&E is partially done at least once every two years, a score of 5 If M&E is done at least once every three years, a score of 4 If M&E is done informally at least once every year, a score of 3 If M&E is not done within two years, a score of 2 If M&E is not done at all within two or three years, a score of 1
Total					100%	
Weighted score (CIS objectives framework)						

The effectiveness tool allows for evaluation and assessment of the BBSDP and CIS effectiveness and efficiency level as highlights in the current effectiveness gaps of the study. The effectiveness tool is the solution that will help the programmes and institutions to assess and implement:

- a. a performance measurement framework to improve the effectiveness and efficiency of grant funding programmes in South Africa;
- b. the perceived measures of human capital acquisition and development of grant funding programmes;
- c. the perceived measures of effective internal controls of grant funding programmes;
- d. the perceived measures of operational efficiency and competitiveness of grant funding programmes;
- e. the perceived measures of financial sustainability of grant funding programmes; and
- f. the perceived measures of the development impact of grant funding programmes.

The evaluation approach used in this study can also be used as a benchmark for assessing different public finance programmes for comparable appraisal and performance.

4.8 SUMMARY OF THE CHAPTER

This chapter clarified the current programme capacity, issues, opportunities and threats, which reflect the existing capacity, weaknesses, and utilisation of structures within the programmes. The chapter also presented the framework objectives and indicators for facilitating a broader understanding of programme effectiveness and efficiency to bring together the core measurement performance of the programmes. The next chapter discusses the results and analysis outcomes of the model and other techniques discussed in Chapter 3 in detail.

CHAPTER 5: RESULTS AND ANALYSIS OF DATA

5.1 INTRODUCTION

This chapter presents the results, analytical processes and data management in generating empirical evidence by applying the model presented in Chapter 4. The chapter presents an analysis that addresses the research objectives of the study, relating to the effectiveness of the two grant funding programmes under study. The programmes are meant to offer an additional investment that fosters more rapid economic growth and also to stimulate public investment in communities, especially in less developed and stagnant areas, in terms of promoting local economic development. The chapter is divided into three sections. The first section presents the results of the BBSDP in terms of the data analysis and performance assessment through application of the model. The second section presents the same results for the CIS. The third section presents a comparison between the performance of the BBSDP and the CIS.

5.2 CASE 1: BLACK BUSINESS SUPPLIER DEVELOPMENT PROGRAMME

The BBSDP was established in 2002. It started operations as a pilot scheme in 2002 under the sponsorship of the World Bank and supervision of the DTI. The programme was relaunched in 2010 and modified so that it could serve more black enterprises. The BBSDP provides funding to enterprises that are not well represented and have trouble accessing capital to start a new business or to expand an existing one. The focus of the programme is to promote economic participation among communities who are marginalised and historically disadvantaged in South Africa.

The programme has the mandate to provide grants to a maximum of R1 million to an enterprise that meets application requirements. The grant amount is approved on a cost-sharing basis at a ratio of 50:50 for enterprises intending to acquire assets such as tools, equipment and machinery. An 80:20 ratio applies to enterprises seeking grants for business development, corporate branding, management, marketing, productivity and the use of modern technology (e.g. production, sales and accounting software). The programme is funded by the National Treasury of South Africa and administered by the Department of Small Business Development (DSBD).

For an enterprise to qualify for BBSDP funding, it must have been operating for a period of one year or more with a 51 percent black majority shareholding. The enterprise must also have a valid tax clearance certificate at the point of application and submit annual financial statements and proof that the enterprise would be able to contribute its part of the cost-sharing

arrangement. BBSDP funding approval is subject to the availability of allocated funds from the National Treasury.

The BBSDP programme application processes are facilitated through an accredited network facilitator appointed by the DSBD to assess the status of the firms that apply through a diagnostic procedure. The network facilitators are trained explicitly by the DSBD across South Africa to assist programme applicants to overcome administrative lapses of the BBSDP application processes and to improve on the turnaround time of every application received. The network facilitators are required to facilitate participant applications. The aim is to encourage more black businesses to participate in the programme as part of the BBSDP's expansion initiative. The network facilitators assist individual applicants in document preparation and financial modelling and prepare all required documents for submission to the adjudication committee for approval. The process is aimed at minimising rejection of the application. Each network facilitator is remunerated for each approved application by the DSBD to a maximum amount of R21 000.

5.2.1 Results of Black Business Supplier Development Programme trend analysis

The BBSDP programme is resourced annually through the National Treasury of South Africa. Total fiscal allocation received from the 2011/2012 to the 2016/2017 financial years under study amounted to R1.277 billion. The fiscal allocation is broken down in Figure 5.1 below. The highest allocation received was R300 million in the 2014/2015 financial year, exceeding the 2013/2014 allocation of R291 million by R9 million. R268 million was allocated for the 2016/17 and R225 million for the 2015/2016 financial years. The financial years with the lowest fiscal allocations were 2011/2012, with R88 million, followed by 2012/2013, with R105 million. Fiscal allocations are paid out as grants to approved beneficiaries following applications adjudicated by the adjudication committee. A letter of approval is issued to a beneficiary firm thereafter in preparation for the final stage of the project implementation cycle.

5.2.1.1 Programme resources and appraisal statistics

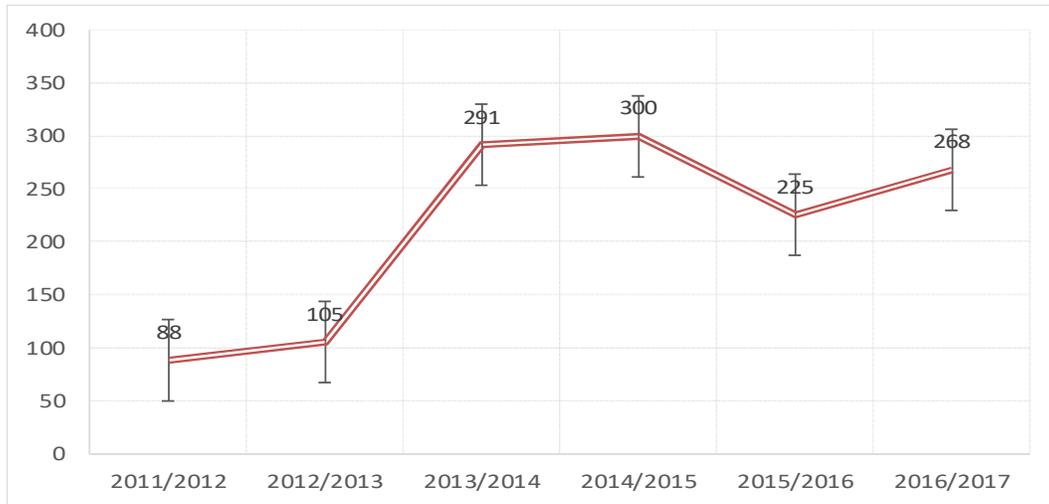


Figure 5.1: BBSDP: Fiscal allocation (R million)

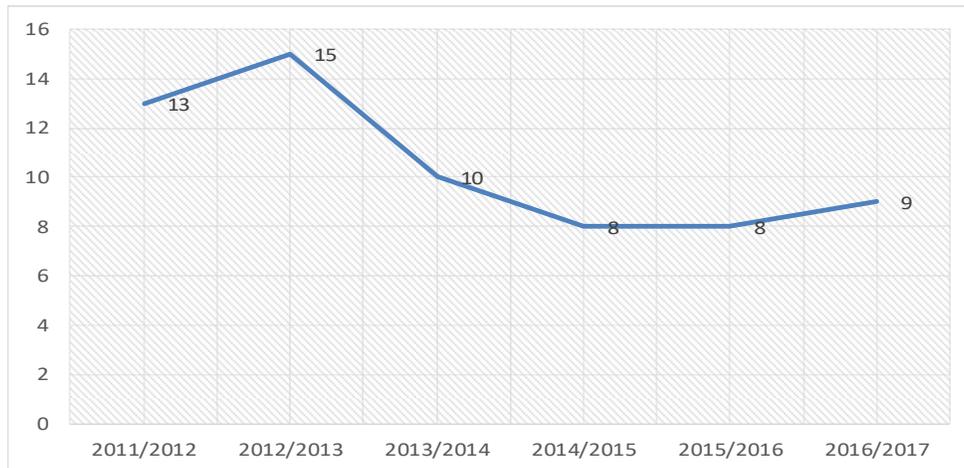


Figure 5.2: Number of meetings held

Figure 5.2 shows the number of meetings held annually for the six years under study. Fiscal allocation that resulted in project approval in a given year was distributed in the following year due to a delay in the internal administrative processes. The application processes turnaround is dealt with under the model application evaluation assessment.

5.2.1.2 Programme approval statistics

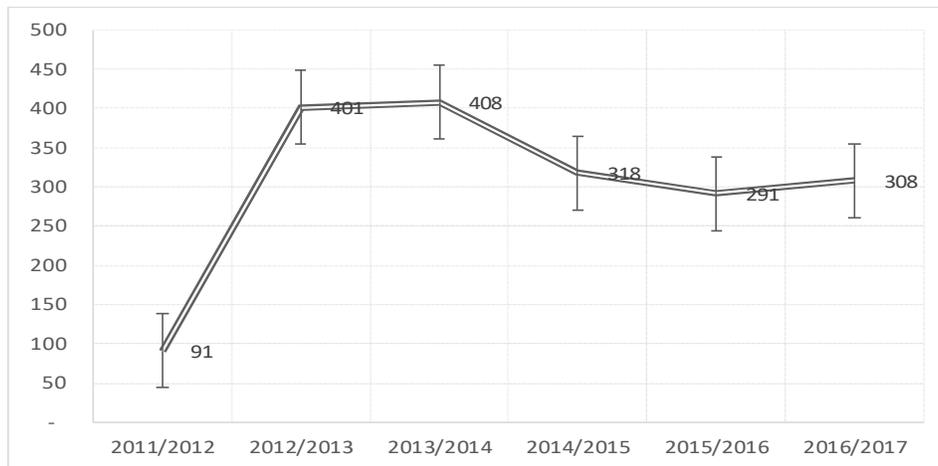


Figure 5.3: BBSDP: Approvals (R million)

Annual approvals of the BBSDP programme entailed R91 million for the 2011/2012 financial year as shown in Figure 5.3 above. This amount increased by 227 percent to R401 million in 2012/2013 and by 223 percent to R408 million in the 2013/2014 financial year. However, the approved amount declined to R318 in the 2014/2015 financial year and further declined to R291 but rose again to R308 million in the 2015/2016 and 2016/2017 financial years respectively.

Factors that were responsible for the huge differences in fiscal allocation and approved amount were threefold: Firstly, high volumes of applications were received, processed, adjudicated and approved within the financial years under study. Secondly, the level of programme awareness was significantly positive. Thirdly, the participation of network facilitators and the involvement of programme officials in the application process could be a contributing factor to the high volume of applications received within the same periods.

5.2.1.3 Programme beneficiaries, spread and amount statistics



Figure 5.4: BBSDP: Beneficiaries

The total number of BBSDP-supported beneficiaries from the 2011/2012 to the 2016/2017 financial years stood at 4 739. These beneficiaries accounted for R1.8 billion approved for the same periods and cut across the nine provinces of South Africa, as shown in Figure 5.5 below, while the sectors that benefited from the grant are indicated in Figure 5.6.

The beneficiary numbers show that 1 212 were approved during the 2012/2013 financial year, followed by 1 073 for the 2013/2014 financial. However, the 2014/2015, 2015/2016 and 2016/2017 financial years had only 783, 684 and 681 approvals respectively, and the lowest approved number of beneficiaries was for the 2011/2012 financial year with 306 approvals.

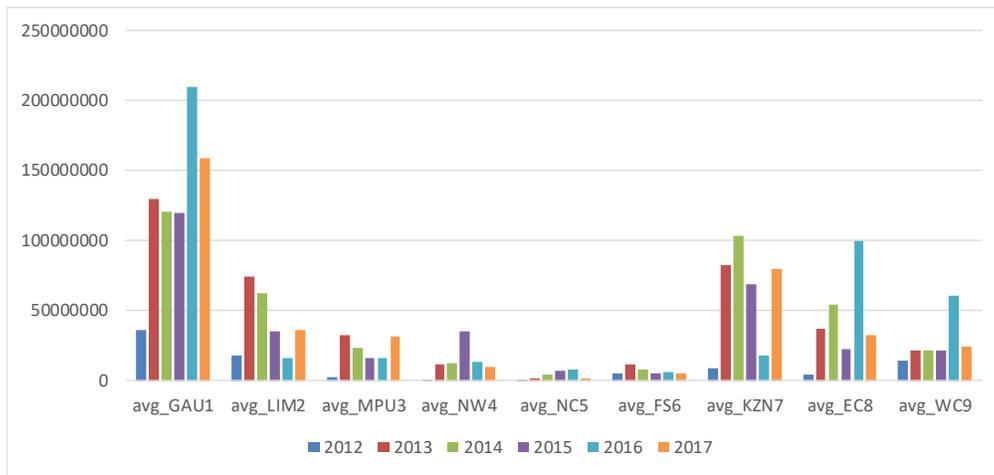


Figure 5.5: BBSDP: Provincial spread (R million)

According to Figure 5.5 above, Gauteng (GAU) recorded the highest number of approvals (38%) for the period under study, followed by KwaZulu-Natal (KZN) with 18 percent. The Eastern Cape (EC) and Limpopo (LIM) had 12 percent each. The provinces with the lowest approval rates were the Free State (FS) with two percent and the Northern Cape (NC) with one percent. Gauteng consistently maintained its position as the province with the highest number of approvals during the six years under review.

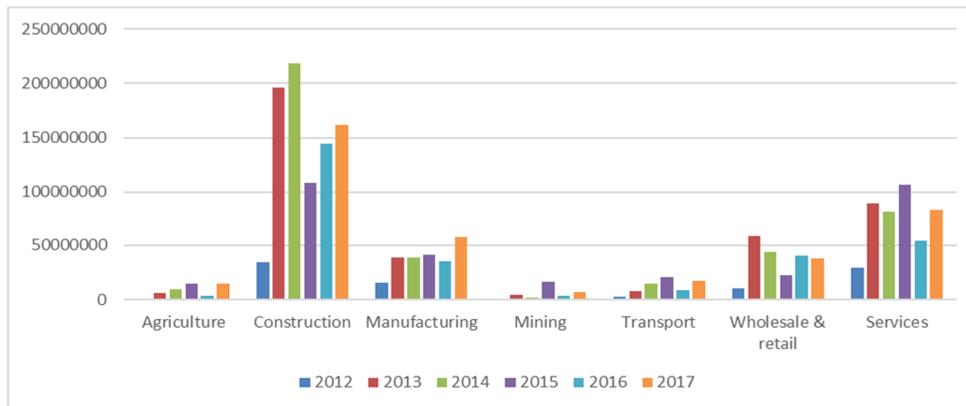


Figure 5.6: BBSDP: Sectoral spread (R million)

Furthermore, Figure 5.6 above shows that the construction sector recorded the highest number of approved amounts, followed by the services, manufacturing, and wholesale and retail sector. Transport, agriculture and mining had the lowest approved amounts during the financial year of 2011/2012 and 2016/2017 under study.

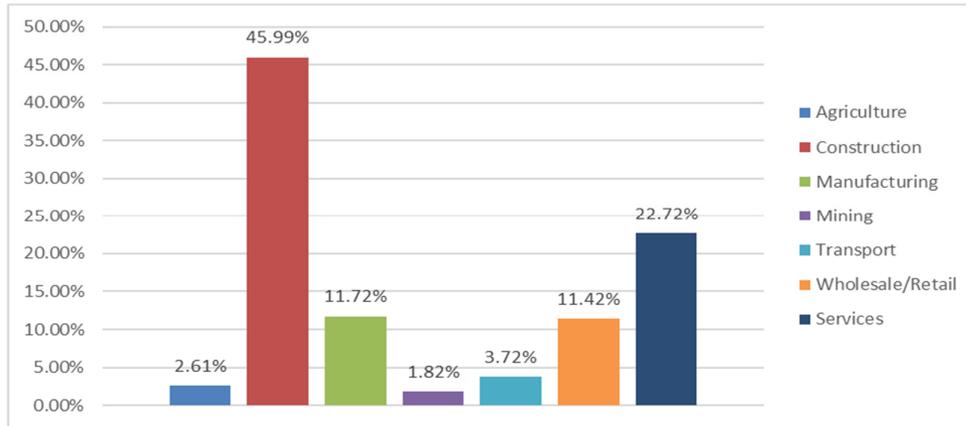


Figure 5.7: BBSDP: Percentage analysis of approved amount per sector

Figure 5.7 shows that in the financial years from 2011/2012 to 2016/2017, the construction sector accounted for the highest number of grants awarded at 46 percent, followed by the services sector (23 percent). The wholesale and retail sector recorded (11percent), while manufacturing stood at (12 percent). The sectors with the lowest approved amounts were mining, agriculture and transport recorded 1.8, 2.6 and 3.7 percent respectively.

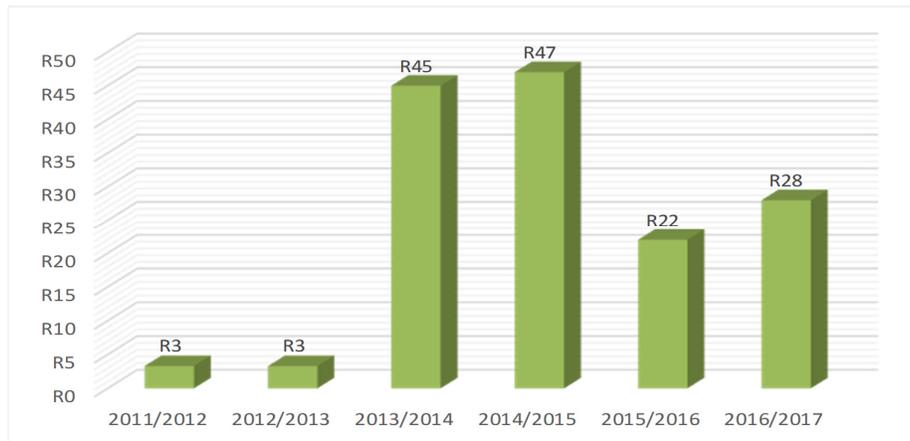


Figure 5.8: BBSDP: Committed amount (R million)

The total contributed amount committed by beneficiary firms for the period under study equalled R148 million and is analysed in Figure 5.9 above. However, according to BBSDP programme policy there are two ratio bases of cost sharing, the 80:20 ratio basis for business development and the 50:50 ratio basis for asset acquisition projects. Figure 5.8 above shows that the programme policy was not consistently followed. The highest committed amount of

R47 million was recorded during the 2014/2015 financial year whereas the amount approved for the same period was R318 million (see Figure 5.3 above). The two amounts show that there was no correlation between amount approved and amount committed, taking into account the two sharing ratios. A similar occurrence was also noticed in each of the remaining financial years (refer to Figure 5.8 above). The huge difference between approved and committed amounts and what might be the factors responsible for the difference could be revealed when measuring the effectiveness of the developed model.

5.2.1.4 Disbursement and project implementation statistics

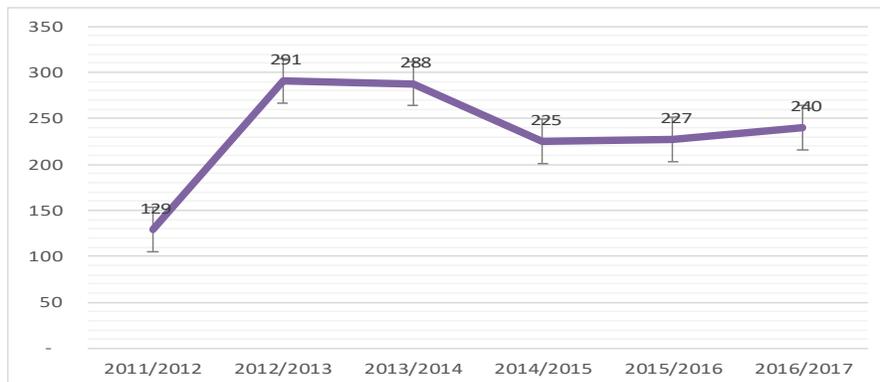


Figure 5.9: BBSDP: Disbursements (R million)

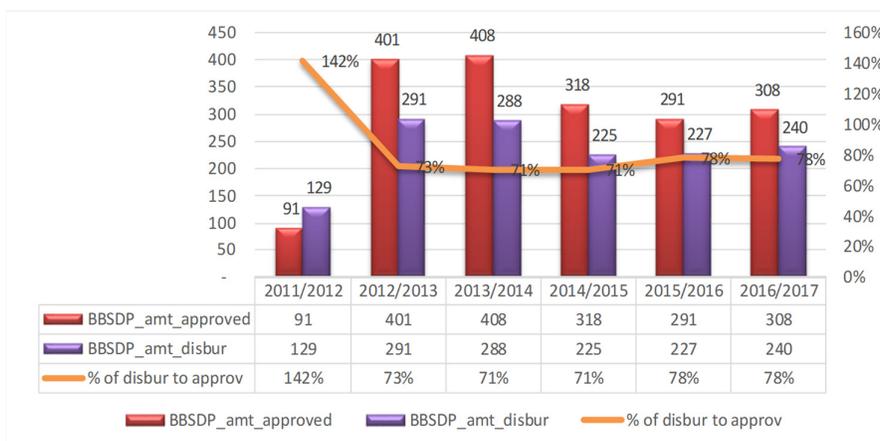


Figure 5.10: BBSDP: Percentage of disbursed amount against approved amount

Figure 5.10 above shows that 142 percent of the BBSDP-approved amount was disbursed during the 2011/2012 financial year. The disbursed amount of R291 million exceeded the approved amount of R91 million for same year. The huge difference was the result of some transactions that had been carried over from the previous year into and recorded in the following year. During the 2015/2016 and 2016/2017 financial years, 78 percent of the approved amount was disbursed, as shown in Figures 5.9 and 5.10 above, and 71 percent and 73 percent of the approved amount was disbursed during the 2013/2014 and 2014/2015 financial years respectively.

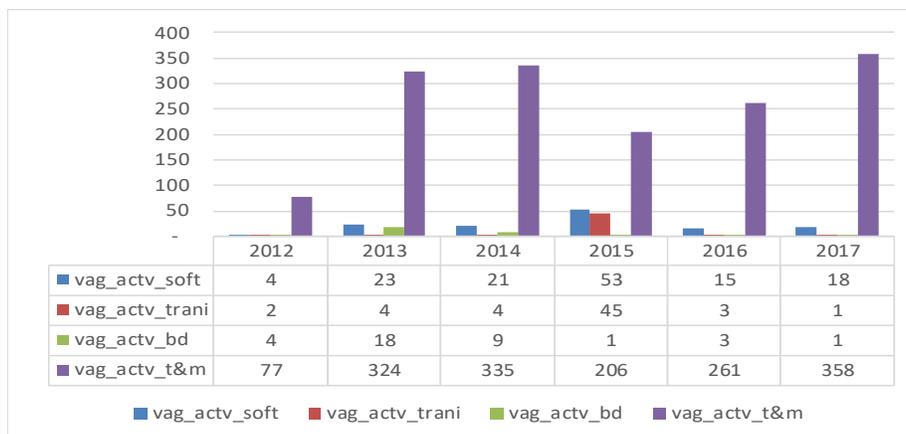


Figure 5.11: BBSDP: Approved amount per activity (R million)

Figure 5.11 shows that 87 percent of the approved amount was allocated for tools and machinery from the 2011/2012 to the 2016/2017 financial years while seven percent of approved grants were meant to procure software and similar products. Business development and promotional materials received three percent of the approved amount. Training and business capacity building received the lowest percentage of the approved amount, namely two percent.

5.2.1.5 Programme development impact statistics

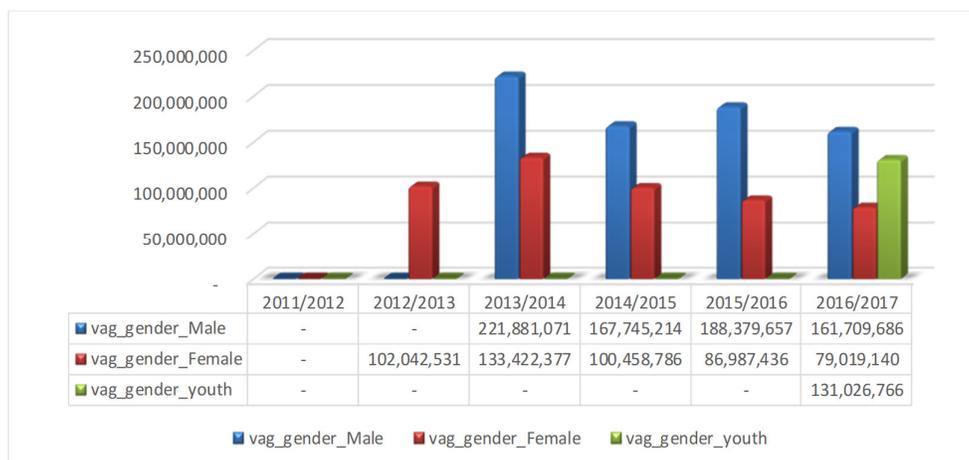


Figure 5.12: BBSDP: Gender distribution (R million)

Figure 5.12 above shows that 54 percent of women benefited from the BBSDP programme during the six financial years under study for an approved amount of R501 million. The programme exceeded the threshold target of 45 percent set for the programme. In the 2011/2012, 2012/2013 and 2016/2017 financial years, women also received more grants than men and youth.

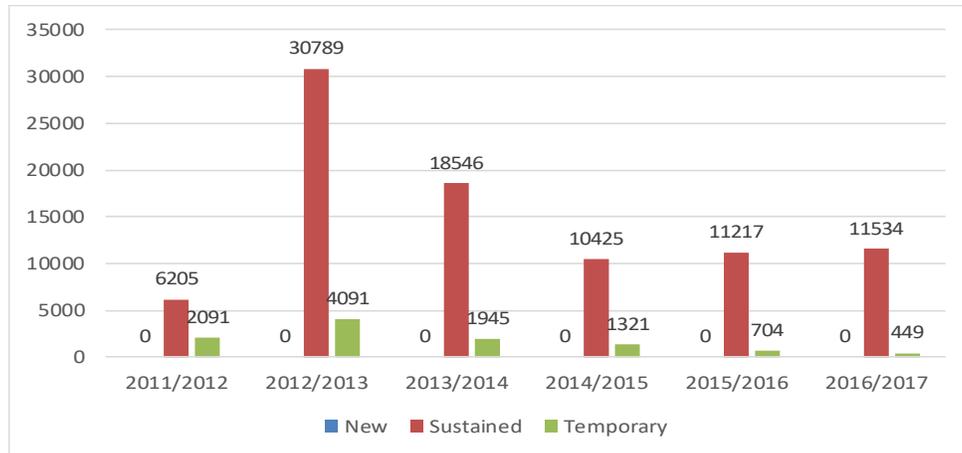


Figure 5.13: BBSDP: Jobs facilitated

The annual number of jobs facilitated during the six years under study is shown in Figure 5.13 above. The 2012/2013 financial year facilitated the highest number of sustained jobs of 30 789. The number of temporary jobs facilitated was 4 091. In 2011/2012, 2 091 temporary jobs were created compared to 6 205 sustained ones. The number increased to 18 546 sustained jobs and 1 945 temporary jobs in 2013/2014, 10 425 sustained jobs and 1 321 temporary jobs in 2014/2015, 11 217 sustained jobs and 704 temporary jobs in 2015/2016 and 11 534 sustained jobs and 449 temporary jobs in 2016/2017.

5.2.2 Results of effectiveness measurement model

The application of the assessment tool gave a summary of the degree of effectiveness on a scale for each KPI of the model. A score of one to five was calculated for each KPI of the five assessment perspectives to give a weighted score against the threshold of five. Where a KPI was rated over and above performance level and a score of six was allocated, this rating also contributed to the weighted score of a perspective, as shown in figure 5.15 to figure 5.19 below.

Table 5.1: Degree of effectiveness scale for BBSDP

Level 5	Level 4	Level 3	Level 2	Level 1
Very effective	Effective	Fairly effective	Partially effective	Ineffective
5 - 6	4 - 4.9	3 - 3.9	2 - 2.9	1 - 1.9

The scores of the level of effectiveness for each perspective were first calculated and determined per year, and then the average scores for the KPIs were derived for each perspective during the six financial years under study. The total and average scores for each of the perspectives over the six financial years are presented in Figure 5.14. Table 5.2 indicates total and average scores. The structure and scoring rationale for all the indicators in each of the five perspectives of the assessment tool is presented in Table 5.2.

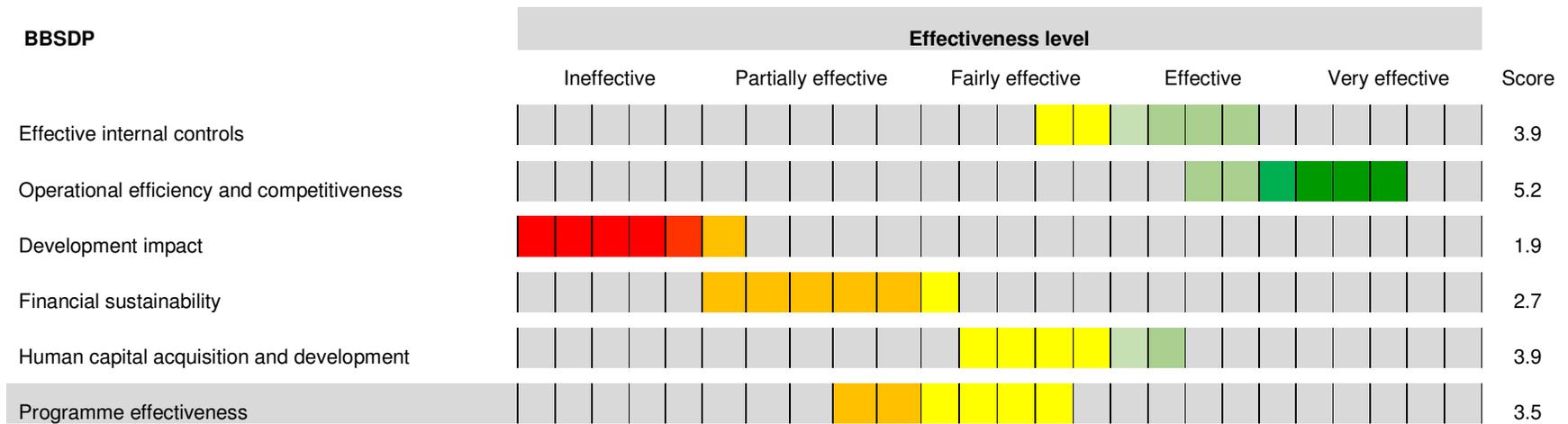


Figure 5.14: Effectiveness level

Table 5.2: BBSDP perspective scores

	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	Average
Effective internal controls	4.0	3.9	4.4	3.6	3.9	3.8	3.9
Operational efficiency and competitiveness	4.3	5.3	5.2	5.7	5.3	5.2	5.2
Development impact	1.9	1.9	2.0	2.1	2.4	2.1	1.9
Financial sustainability	2.3	2.7	2.7	2.7	2.5	2.5	2.7
Human capital acquisition and development	4.3	3.9	3.7	3.9	3.9	3.7	3.9
Total score	16.8	17.6	17.9	18.0	18.0	17.3	17.6
Annual average effectiveness score	3.4	3.5	3.6	3.6	3.6	3.5	3.5

The level of BBSDP programme effectiveness, as measured by the different perspectives of human acquisition and development, financial sustainability, effective internal controls, operational efficiency and competitiveness, and development impact, are demonstrated in Figure 5.14. The results showed that operational efficiency and competitiveness had the highest average score (5.2), followed by effective internal controls and human capital acquisition and development (3.9 each). Financial sustainability had the lowest score (1.9).

The total average scores for the six financial years under study, as presented in Table 5.2 above, confirm that the BBSDP registered the highest effectiveness scores of 3.5 during the financial years 2013/2014, 2014/2015 and 2015/2016 respectively. The structure and scoring rationale for all the indicators in each of the five perspectives for assessment were also presented in the results. Moreover, the scores for all five perspectives under each KPI were aggregated from one to five. The annual performance trend of all KPIs from 2011/2012 to 2016/2017 was also calculated, as shown in Table 5.2 above.

The analytical performance model results for the BBSDP effectiveness score chart for the KPIs for the six financial years under study are presented in Figures 5.15 to 5.19 below.

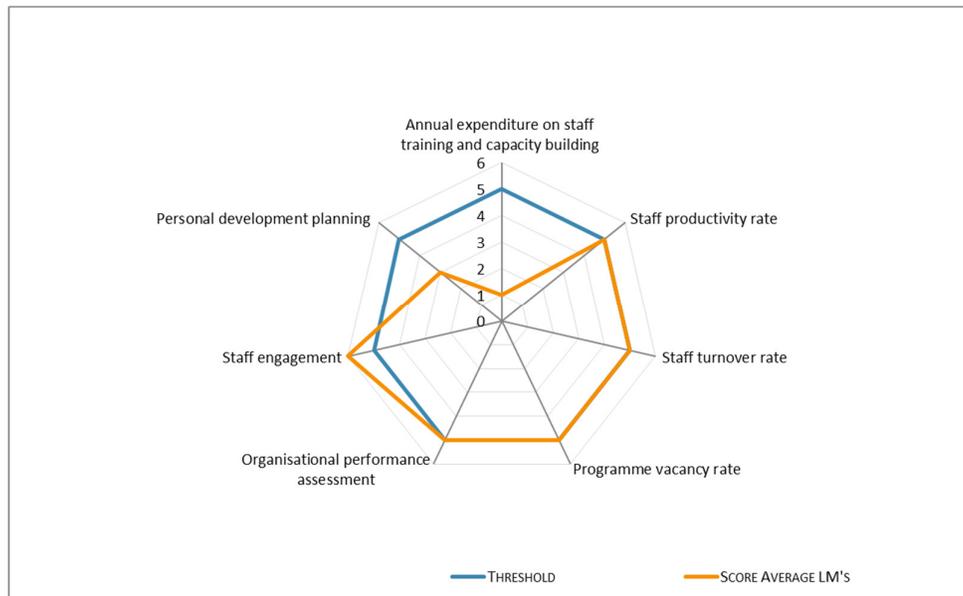


Figure 5.15: BBSDP perspective 1. Measuring human capital acquisition and development performance against threshold or target

Figure 5.15 above shows that staff engagement exceeded the target or benchmark set in the model. The result indicates that the KPI was very effective during the six financial years under study. This was followed by staff productivity, staff turnover rate, programme vacancy rate and organisational performance assessment, which all reached the target, as shown in Figure 5.15

above. Staff turnover rate, programme vacancy rate and organisational performance assessment also reached the set target of effectiveness on the human capital acquisition and development perspective. In summary, the analysis of the results revealed that staff engagement exceeded the target while KPIs such as staff productivity rate, staff turnover rate, programme vacancy rate and organisational performance assessment were effective in terms of reaching the target of the model. However, KPIs such as annual expenditure on staff training and capacity building and personal development plans did not reach their target of effectiveness because no or few resources were earmarked for this and staff was also not engaged in individual development.

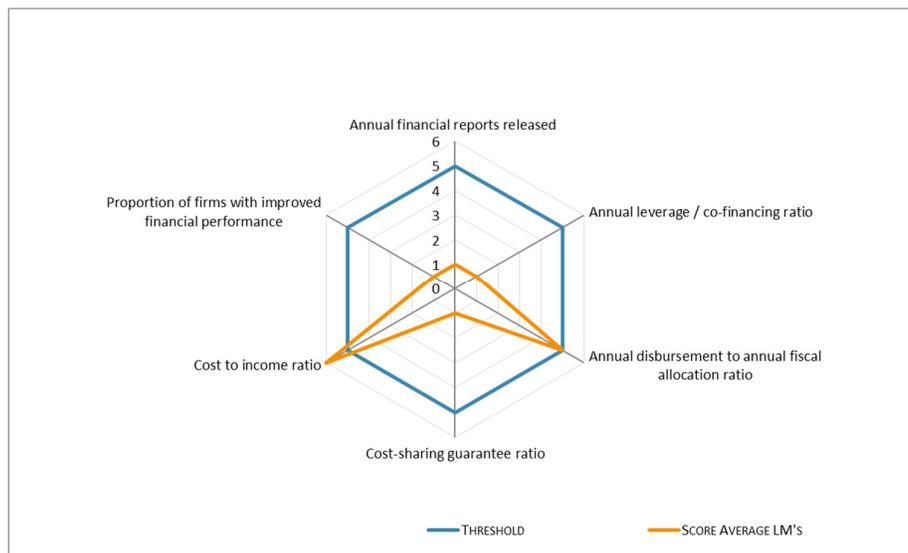


Figure 5.16: BBSDP perspective 2. Measuring financial sustainability performance against threshold or target

The second objective of the study was to test the effectiveness of the programmes using an assessment perspective of financial sustainability as a KPI. Figure 5.16 above shows that the cost to income ratio exceeded the target of the model for the BBSDP whereas the annual disbursement to annual fiscal allocation ratio achieved the target. The other KPIs, namely annual financial reports released, annual leverage/co-financing ratio, cost-sharing guarantee ratio and proportion of firms with improved financial performance, however, did not reach the target and, therefore, contributed poorly to the overall level of effectiveness of financial sustainability. Contributing factors to the adverse results were that no annual financial statement and reports were released during the financial years under study, beneficiaries were not compelled to provide their part of the cost-sharing commitment, and in some cases, the commitment policy was ignored and the focus was more on full disbursement of annual allocation than on returning fiscal allocation to the National Treasury. More so, applications for

business development with cost sharing on an 80:20 ratio basis received more approvals than those on a 50:50 ratio basis.

As shown in Figure 5.16 above, the model also assessed the effectiveness of the programmes by analysing the proportion of firms with improved financial performance after benefiting from the grants. The results indicated that only eight percent of firms benefiting from the BBSDP had improved in terms of their financial position. This indicates that the majority of firms benefiting from the programme are not surviving or improving their financial viability. This can be the result of a lack of business ideas or inexperience in managing the facilities.

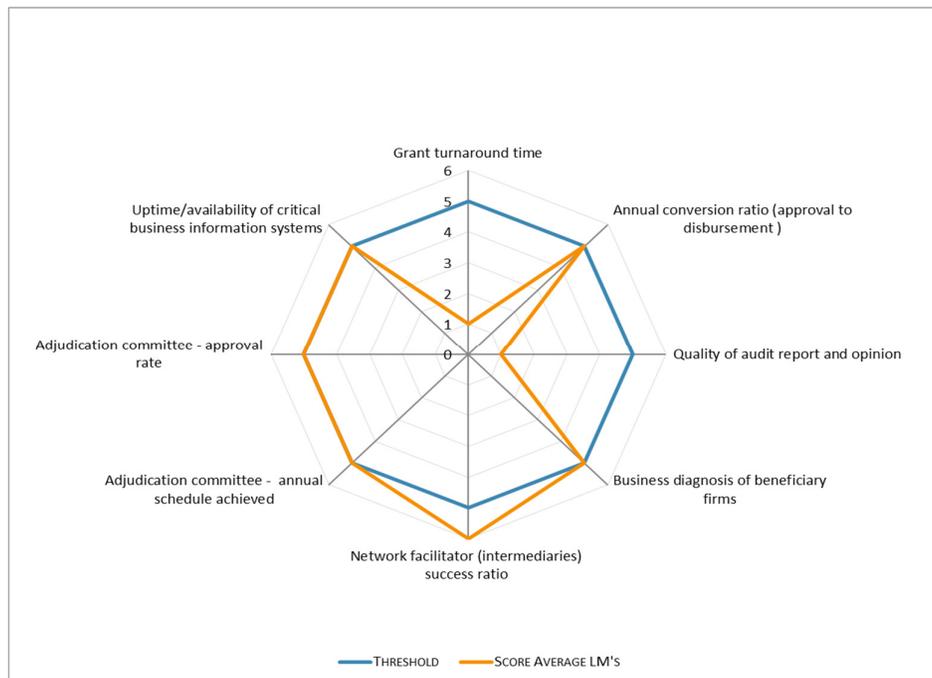


Figure 5.17: BBSDP objective 3. Measuring effective internal controls performance against threshold or target

As indicated in Figure 5.17, the BBSDP achieved the target of effectiveness regarding the KPIs of uptime/availability of critical business information systems, adjudication committee approval rate, adjudication committee annual schedule achieved, annual conversion ratio (approval to disbursement) and business diagnosis of beneficiary firms. However, other KPIs, namely quality of audit report and opinion and grant turnaround time, did not reach the target and performed ineffectively. The network facilitator KPI exceeded the target by contributing significantly to the effective internal controls perspective of the model because first, the network facilitators went through programme internal processes training and had to display a good work ethic before they could be accredited to facilitate on behalf of the DSBD. The

second factor is the R21 000 payment for each application handled by the facilitator, processed and approved under the BBSDP programme.

Also, as indicated in Figure 5.17, it could also be concluded that the BBSDP had a very long grant turnaround time, which means that its internal control systems are not effective and efficient. For example, the BBSDP is taking longer than the time set as benchmark in approving grants, showing inefficiency in decision making and the grant approval process. There is thus a need for improvement of the internal controls in the programme.

Regarding the annual conversion ratio, the BBSDP achieved the target, meaning that a significant proportion of funds approved were available for disbursement. However, problems existed where disbursed funds were equal to or more than the approved amount. The reasons that can explain the differences include, but are not limited to the following:

- Weak or no audit checks exist as to whether policies and procedures are being followed while committing or disbursing funds.
- No policies are in place to make it impossible to disburse funds without following the disbursement schedule.
- Funds may also be disbursed because of the influence of network facilitators among the programme officials and the intended beneficiary firms.
- Programme policy may also be overridden or partially set aside for the purpose of receiving unofficial benefits from the programme directly or indirectly by the programme officials, network facilitators or beneficiary firms.

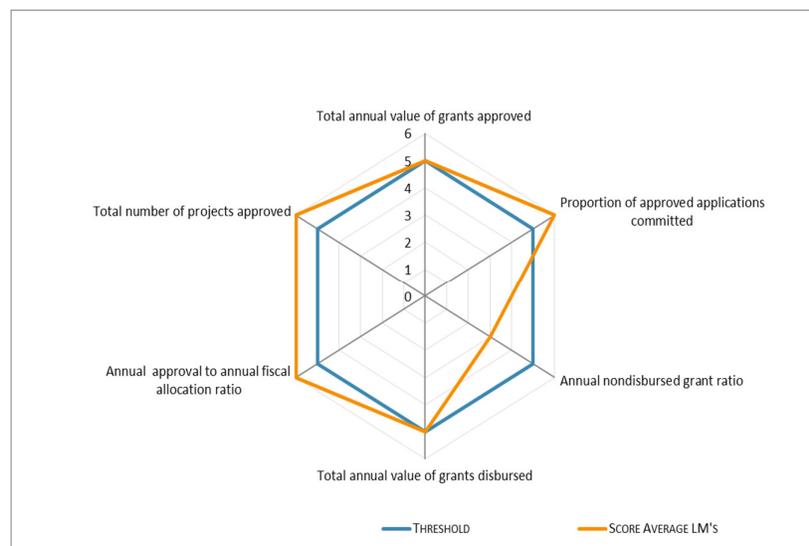


Figure 5.18: BBSDP objective 4. Measuring operational efficiency and competitiveness performance against threshold or target

Figure 5.18 shows that the operational efficiency and competitiveness perspective contributed significantly to the effectiveness of the BBSDP. KPIs such as total number of projects approved, annual approval to annual fiscal allocation ratio and proportion of approved applications to total number of applications committed all exceeded the target of the model. Two of the KPIs, total annual value of grants disbursed and total annual value of grants approved, just achieved their target. Annual non-disbursed grant ratio did not reach the target of the model. The reasons for non-achievable targets are a lack of resources, incomplete procedural requirements and overextended turnaround time concerning approval and conversion processes.

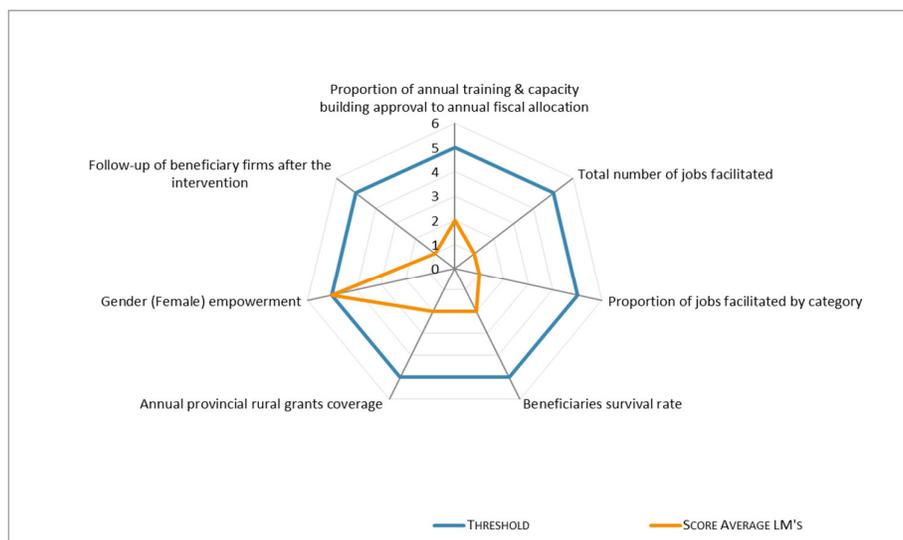


Figure 5.19: BBSDP perspective 5. Measuring development impact performance against threshold or target

The last objective had seven KPIs that aimed at establishing the development impact of the BBSDP. The proportion of annual training or capacity building approval to total fiscal allocation in Figure 5.19 shows that the KPI did not meet the target of the model. Only four percent of the annual fiscal allocation was approved for training and capacity building out of the total approved amount under the BBSDP programme. The proportion is small and investment in training and capacity building cannot be overemphasised as it is the backbone of the sustainable development and survival of small enterprises.

The total number of jobs facilitated, proportion of jobs facilitated by category, beneficiary survival rate, provincial coverage of rural grants and follow-up of beneficiary firms post-disbursement also did not reach the target. The major factor that could be responsible for the ineffective outcome of some of the KPIs is the lack or absence of monitoring and evaluation in the programme.

However, women empowerment achieved the effectiveness target of the model and scored five out of five with a 54 percent achieved target against the benchmark of 45 percent. This clearly shows that the programme supports and acknowledges the role that women can play in modern business and it compares well to global trends that now call for gender equity and women's emancipation. It also indicates great participation of women in the programme.

This section of the chapter presented an analysis of the data on programme performance for the 2011/2012 to 2016/2017 financial years under study. The analysis included programme resources and appraisal statistics, programme approval statistics, programme beneficiaries, spread and amount statistics, disbursement and project implementation statistics, and programme development impact statistics. The analytical performance model results for the BBSDP score chart for the KPIs for all five perspectives of the model were also presented in the section.

Figures 5.15 to 5.19 also presented the analysis of the effectiveness of the five perspectives used in this study for the BBSDP. The results revealed that operational efficiency and competitiveness reached the target of very effective with the highest score of 5.2. This was followed by human capital acquisition and development, which scored 3.9 (fairly effective) out of 5. Development impact recorded the lowest score of 1.9 (ineffective) while effective internal controls and financial sustainability achieved fairly effectiveness and partial effectiveness results with scores of 3.9 and 2.7 respectively.

The next section of the chapter details the results for the CIS as for the BBSDP, also focusing on programme trend statistical analysis and the results of the effectiveness measurement of the developed model.

5.3 CASE 2: CO-OPERATIVE INCENTIVE SCHEME

The CIS is aimed at improving the viability and competitiveness of co-operative enterprises by lowering their cost of doing business. The CIS was established in 2005 and provides 100 percent grants for registered primary co-operatives (a primary co-operative consists of five or more members). The scheme is funded through the National Treasury and administered by the DSBD, with a focus on Broad-Based Black Economic Empowerment and historically disadvantaged communities to enable them to operate within the mainstream economy and generate income for their members.

The grant scheme provides 100 percent grants to the amount of R350 000 for co-operative enterprises, which may be accessed in one application or in a number of applications,

depending on what suits the individual co-operative (DTI, 2014). The CIS had a total of 1 365 co-operative enterprise beneficiaries during the 2016/2017 financial year.

5.3.1 Results of Co-operative Incentive Scheme trend analysis

5.3.1.1 Programme resources and appraisal statistics

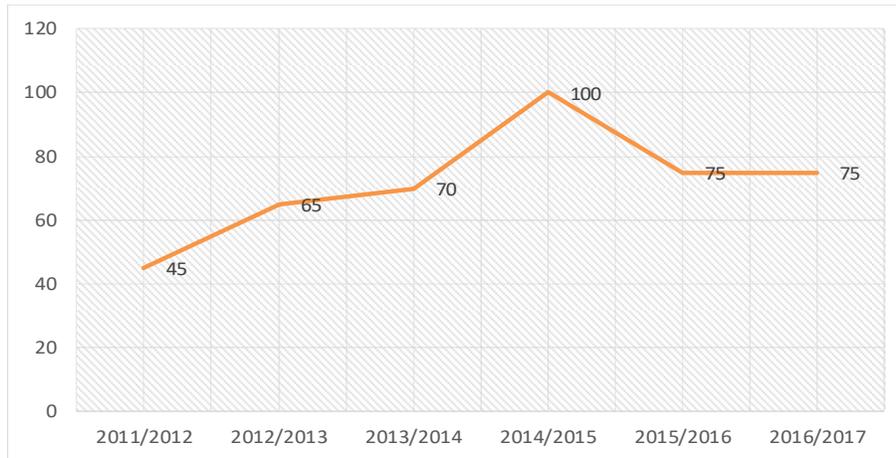


Figure 5.20: CIS: Fiscal allocation (R million)

For the CIS, Figure 5.20 above shows that the total fiscal allocation received for the programme was R430 million from the 2011/2012 to the 2016/2017 financial years under study. The CIS is also resourced annually by the National Treasury, which is included in the annual budget of the DSB. The highest fiscal allocation received during the six years under study was R100 million in the 2014/2015 financial year. However, in the following financial year of 2015/2016, the allocation decreased by 25 percent to R75 million, the same as for 2016/2017. The smallest allocation of R45 million was made in the 2011/2012 financial year, and this rose to R65 million in the 2012/2013 and R70 million in the 2013/2014 financial years.

5.3.1.2 Programme approval statistics

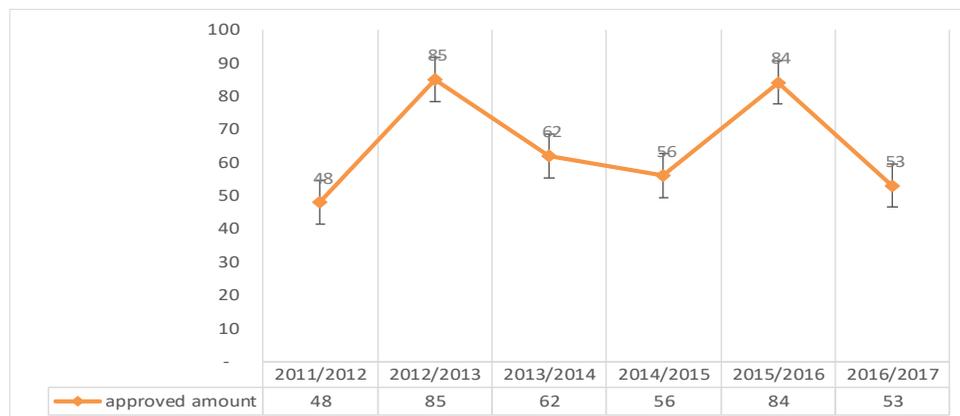


Figure 5.21: CIS Approved amount (R million)

Figure 5.21 above shows that R388 million was the total amount approved under the CIS from the 2011/2012 to the 2016/2017 financial years. The R85 million approved for the 2012/2013 financial year represented the highest amount approved during the six-year period under study. The approved amount decreased to R84 million in 2015/2016, which was the second highest in the period under study. The amount also declined by 26 percent to R62 million for 2013/2014 and further declined by ten percent to R56 million for 2014/2015. However, the approved amount increased again to R53 million during 2016/2017 while 2011/2012 recorded the smallest approved amount of R48 million.

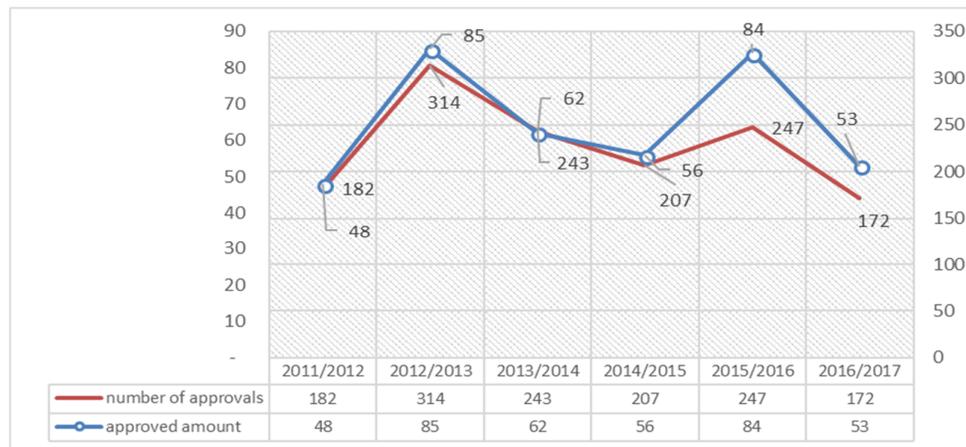


Figure 5.22: CIS: Total approved (R million) versus number of approved per year

Figure 5.22 shows that from the 2011/2012 to the 2016/2017 financial years, 1 365 co-operative enterprises or beneficiaries were approved under the CIS, for a total of R388 million. The financial year that recorded the highest number of beneficiaries was 2012/2013 with 314 co-operative enterprises approved for R85 million. In the 2015/2016 financial year, 247 co-operative enterprises were approved for R84 million. The 2016/2017 financial year had the least beneficiaries, namely 172 approvals for R53 million, and 2011/2012 was the financial year with the lowest approved amount of R47 million for 182 beneficiaries. In the 2014/2015 financial year, 207 beneficiaries were approved for R56 million.

5.3.1.3 Programme beneficiaries and spread statistics



Figure 5.23: CIS: Provincial spread of approved amount (R million)

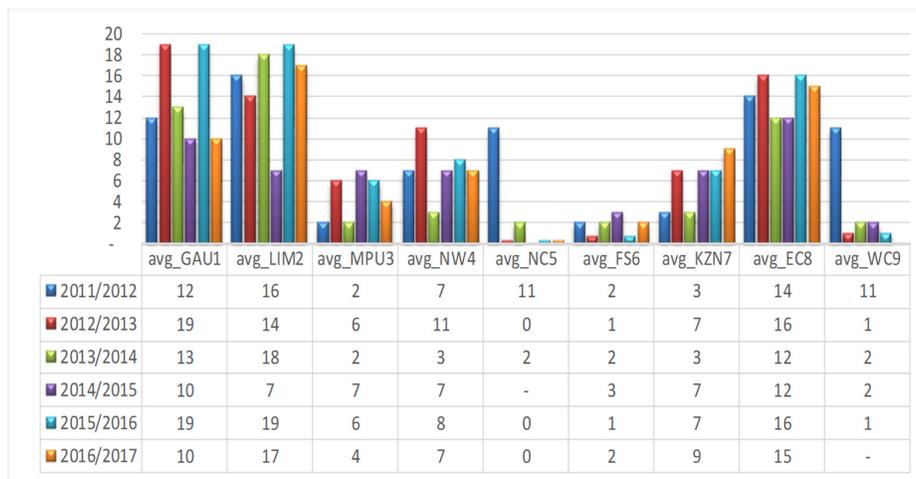


Figure 5.24: CIS: Provincial spread based on approval

Figures 5.23 and 5.24 above show the provincial spread of the CIS beneficiaries among the nine provinces of South African. Limpopo recorded the highest number of approvals of R91 million. This was followed by the Eastern Cape with R85 million. Gauteng had approvals of R83 million, which was 20 percent of the total approved amounts. The province that received the least was the Free State, with R10 million, and this was followed by the Northern Cape with R14 million, the Western Cape with R17 million, Mpumalanga with R27 million, Kwa-Zulu-Natal with R36 million and North West with R43 million of the total approved amount of R406 million.

Figures 5.23 and 5.24 also show that the Northern Cape, Free State and Western Cape had the lowest approved amounts and beneficiaries consistently for the six years under study.

Probably, more co-operative enterprises may have failed to qualify for the grant because of the set requirements for the grant.

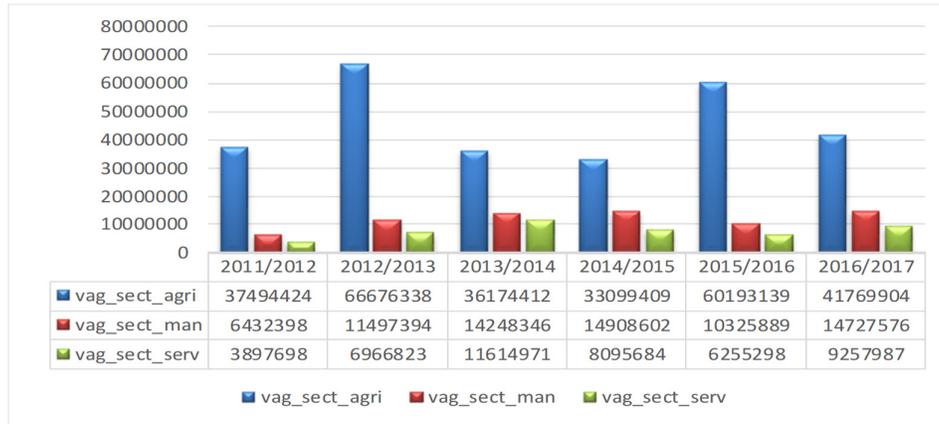


Figure 5.25: CIS: Sectoral spread based on approval

Figure 5.25 above shows that the agricultural sector consistently led in terms of CIS approvals for the six financial years under study. The agricultural sector was followed by the manufacturing sector, also with a consistent spread, while the services sector recorded the lowest number of beneficiaries.

5.2.1.4 Disbursements statistics

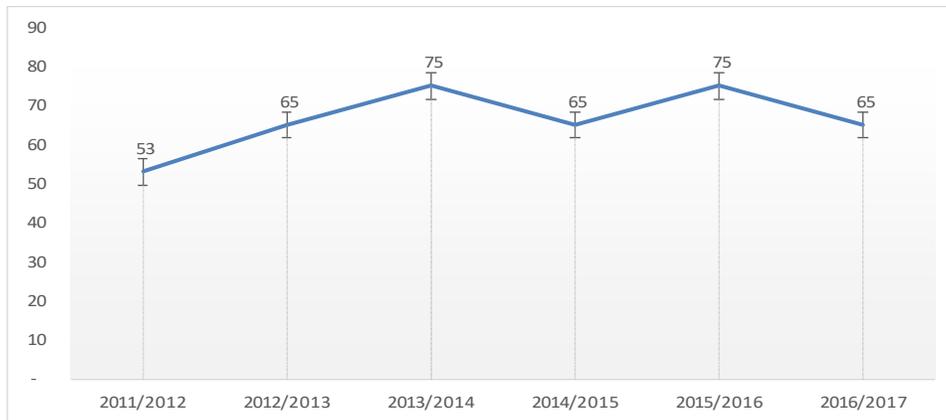


Figure 5.26: CIS: Disbursements (R million)



Figure 5.27: Approved and disbursed amount

Figure 5.27 shows that 123 percent of the CIS-approved amount was disbursed during the 2016/2017 financial year. The disbursed amount of R65 million exceeded the approved amount of R53 million for the same year. The difference in the approved and disbursed amount implies that some approvals were carried over from the previous year and disbursed in the following financial year, based on the available CIS dataset. The same level of approvals and disbursements was also noticed for the 2011/2012, 2013/2014 and 2014/2015 financial years. However, this trend was reversed during the 2012/2013 and 2015/2016 financial years to 76 percent and 89 percent respectively of the disbursed amount against the approved amount.

5.2.1.5 Programme development impact statistics

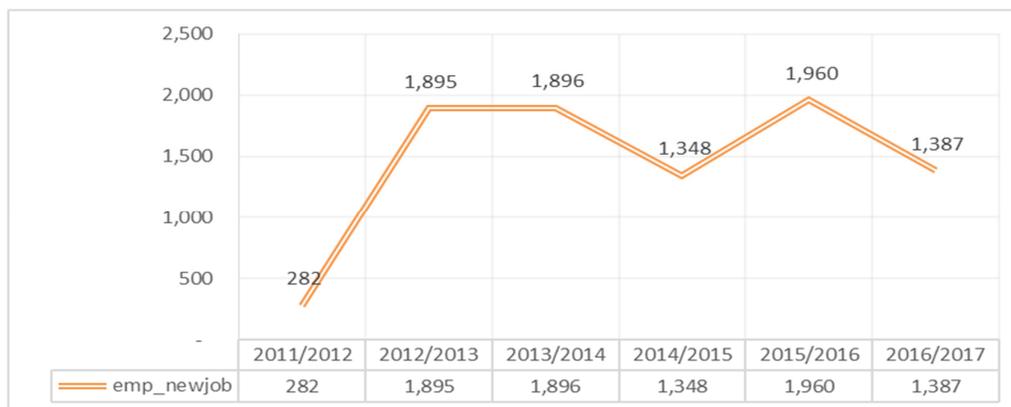


Figure 5.28: CIS: New jobs facilitated

Figure 5.28 shows that the CIS facilitated the highest number of jobs (1 960) in the 2016/2017 financial year. The number of jobs facilitated significantly rose to 1 895 and 1 896 during the 2012/2013 and 2013/2014 financial years respectively. This was followed by 2016/2017 with 1 387 jobs facilitated and 2014/2015 with 1 348 jobs facilitated while the lowest number of jobs facilitated was 282 in the 2011/2012 financial year.

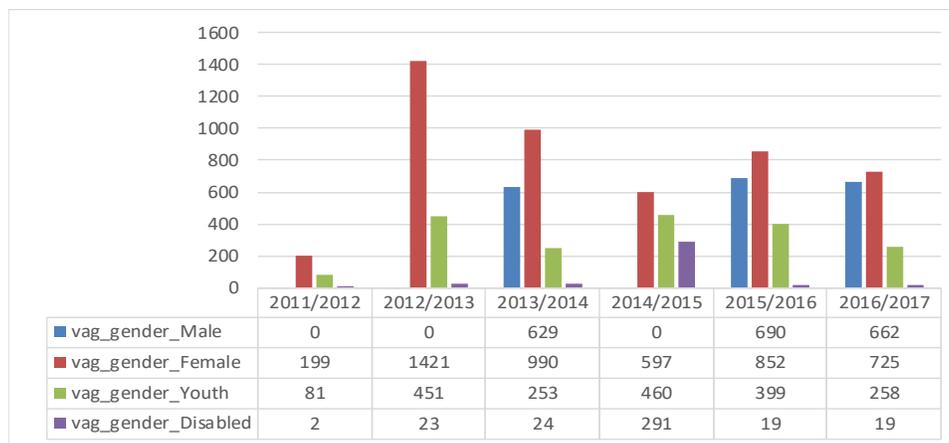


Figure 5.29: CIS: Gender empowerment per number of approvals

Figure 5.29 shows that co-operative enterprises with women owners consistently received the highest approvals of the CIS grant in the financial years under review. For example, during the 2012/2013 financial year, a total number of 1 421 co-operative enterprises belonging to women were approved, followed by 990 for the 2013/2014 and 852 for the 2015/2016 financial years).

5.3.2 Results of effectiveness measurement model

Like the results of the effectiveness measurement model for the BBSDP, the application of the assessment tool to the CIS gave a summary of the degree of effectiveness on a scale for each KPI of the model. A value of one to five was calculated for each KPI of the perspectives to provide a weighted score against the threshold of five. Where a KPI was rated over and above performance level and a score of six was allocated, this rating also contributed to the weighted score of a perspective, as shown in Figure 5.31 to Figure 5.35 below.

Table 5.3: Degree of effectiveness scale for CIS

Level 5	Level 4	Level 3	Level 2	Level 1
Very effective	Effective	Fairly effective	Partially effective	Ineffective
5 - 6	4-4.9	3-3.9	2-2.9	1-1.9

The scores of the level of effectiveness for each perspective were first calculated and determined per year, and then the average scores for the KPIs were derived for each perspective during the six financial years under study. The total and average scores for each of the perspectives over the six financial years under study are presented in Figure 5.30. Table 5.4 indicates total and average scores. The structure and scoring rationale for all the indicators in each of the five perspectives of the assessment tool is presented in Table 5.4.

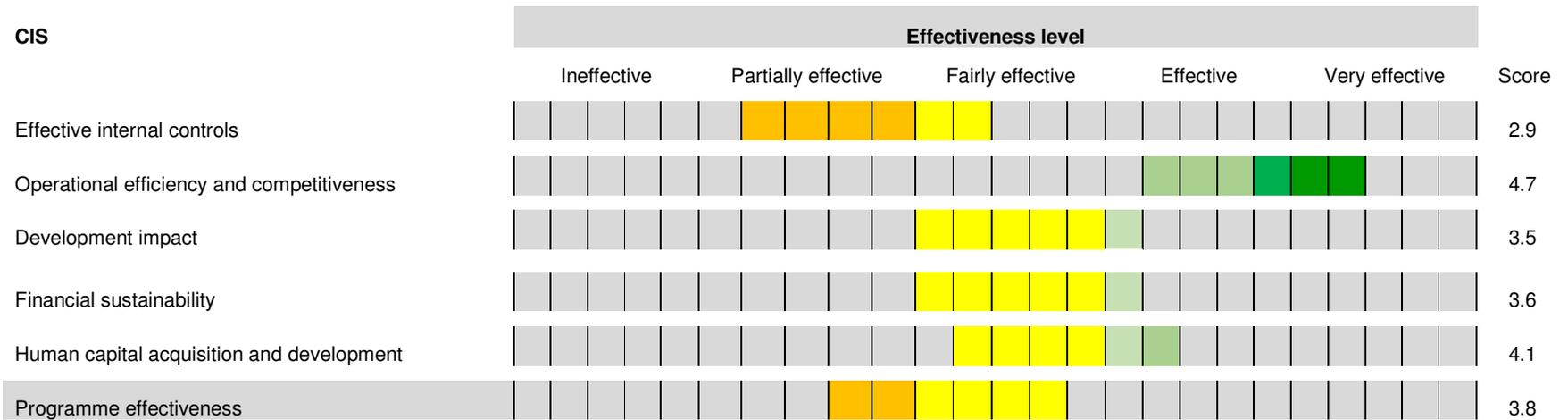


Figure 5.30: Effectiveness level

Table 5.4: CIS programme perspective scores

	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	Average
Effective internal controls	2.80	2.80	3.00	2.80	3.20	3.00	2.93
Operational efficiency and competitiveness	4.67	4.67	4.67	4.67	4.67	4.67	4.67
Development impact	3.43	3.29	3.43	3.57	3.57	3.57	3.48
Financial sustainability	3.60	3.60	3.60	3.60	3.60	3.60	3.60
Human capital acquisition and development	4.29	4.43	4.29	4.00	4.00	3.71	4.12
Total score	18.78	18.78	18.98	18.64	19.04	18.55	18.80
Annual average effectiveness score	3.8	3.8	3.8	3.7	3.8	3.7	3.8

The level of CIS programme effectiveness, as measured by the different perspectives of human acquisition and development, financial sustainability, effective internal controls, operational efficiency and competitiveness, and development impact, are demonstrated in Figure 5.30 above. The total scores for the six financial years under study are presented in Table 5.4 above. The structure and scoring rationale for all the KPIs in each of the five perspectives for assessment were also presented in the results. The scores for all five perspectives under each KPI were aggregated from one to five. The annual performance trend of all KPIs for the financial years 2011/12 to 2016/17 was also calculated as shown in Table 5.4 above.

Figure 5.30 and Table 5.4 show that effective internal controls were partially effective with an average score of 2.9. However, operational efficiency and competitiveness achieved an effectiveness score of 4.7. Development impact (3.5), financial sustainability (3.6) and human capital acquisition and development (4.1) did not meet the target of effectiveness but were fairly effective in terms of their performance. Overall, the CIS level of effectiveness scores show that the programme was fairly effective in the financial years under study.

The analytical performance model results for the CIS effectiveness score chart for the KPIs for the six financial years under study are presented in Figures 5.31 to 5.35 below.



Figure 5.31: CIS perspective 1. Measuring human capital acquisition and development performance against threshold or target

Human capital acquisition and development was measured using seven KPIs. Figure 5.31 shows that annual expenditure on staff training and capacity building and staff productivity

rate did not reach the effectiveness target of the model. However, organisational performance assessment, staff engagement, personal development planning, staff turnover rate and programme vacancy rate all achieved the effectiveness target.

Figure 5.31 shows the overall scores of the KPIs of the human capital acquisition and development perspective. The factors responsible for ineffectiveness are that the turnaround time of the programme processes of approval to conversion generally exceeded the effectiveness target, skilled staff were not deployed into the programme, and staff training and capacity development were not prioritised.

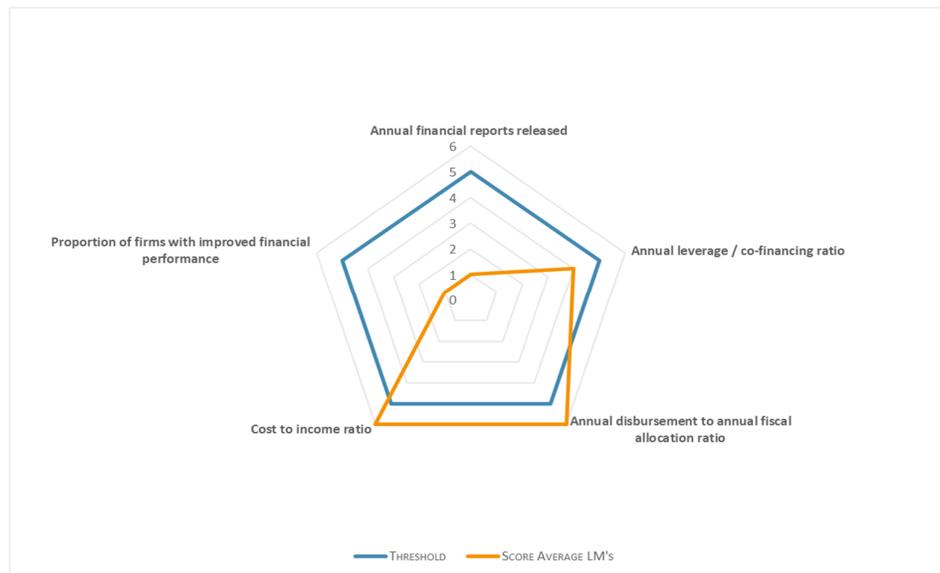


Figure 5.32: CIS perspective 2. Measuring financial sustainability performance against threshold or target

The second objective of the study was to test the effectiveness of the programme using financial sustainability as a key objective. Cost to income ratio and annual disbursement to annual fiscal allocation exceeded the target of the model. KPIs such as annual financial reports released and proportion of firms with improved financial performance, however, did not reach the target and were, therefore, not effective. The annual leverage/co-financing ratio was very close to reaching the target set and therefore fairly effective. Referring to Table 5.4 above, one sees that the overall total scores of the financial sustainability perspective reached 3.6 against the threshold of 5 of the model.

Figure 5.32 shows that only 16 percent of firms under the CIS programme showed improvement in terms of their financial sustainability after benefiting from the grants. This indicates that the majority of firms benefiting from this programme are not surviving or

improving their financial viability. This can be the result of a lack of sound business ideas and inexperience in managing the facilities.

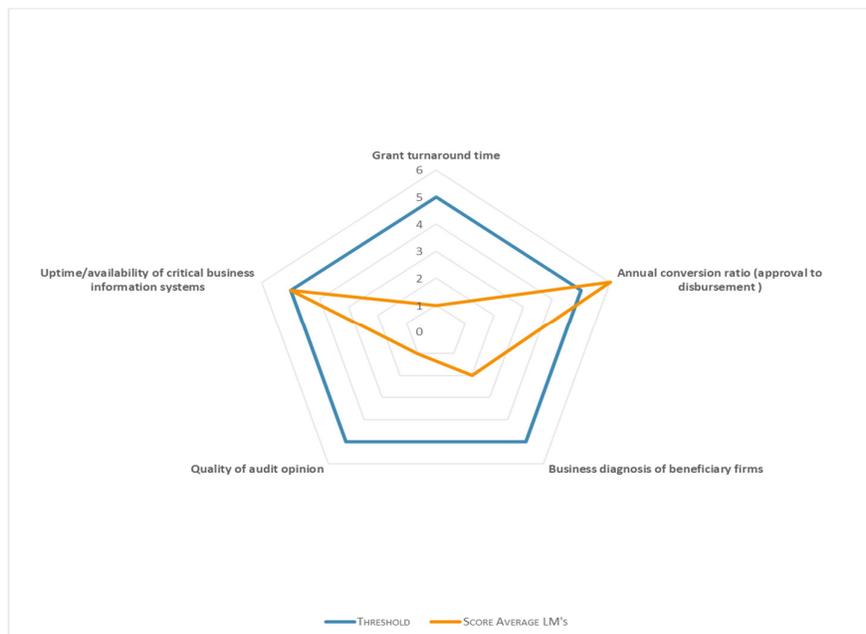


Figure 5.33: CIS perspective 3. Measuring effective internal controls performance against threshold or target

Table 5.4 above shows that on average, the effective internal controls perspective scored three out of five on the model scoring scale. Technically, the score was driven by the annual conversion ratio that exceeded the target of five. Uptime/availability of critical business information systems KPIs also achieved the target of five. However, KPIs such as grant turnaround time and quality of audit opinion scored one while business diagnosis of beneficiary firms scored two. This implies that the CIS is taking longer than the time set in the benchmark in approving grants, showing inefficiency in decision making and the grant approval process. There is thus a need for improvement in the internal controls of the CIS. Regarding annual conversion ratio, the CIS showed a significant positive difference from the benchmark, which means that more funds are disbursed than approved. It indicates internal control deficiencies when disbursed funds are more than approved funds. Like for the BBSDP, the reasons that can explain the differences may include but are not limited to the following;

- Weak or no audit checks exist as to whether policies and procedures are being followed while committing or disbursing funds.
- No policies are in place to make it impossible to disburse funds without following the disbursement schedule.

- Funds may also be disbursed because of the influence of network facilitators among the programme officials and the intended beneficiary firms.
- Programme policy may also be overridden or partially set aside for the purpose of receiving unofficial benefits from the programme directly or indirectly by the programme officials, network facilitator or beneficiary firms.

It can also be easily concluded that the CIS has a very long grant turnaround time, which means that its internal control systems are not effective and efficient. The weakness in the internal control systems is further shown by the greater variation in or the dispersion of the mean from the observed number of days for both schemes.

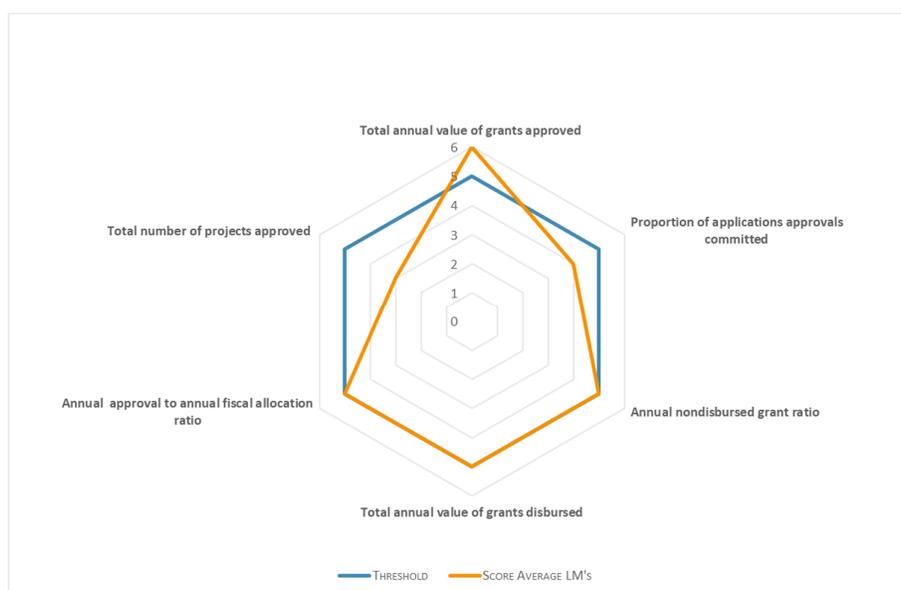


Figure 5.34: CIS perspective 4. Measuring operational efficiency and competitiveness performance against threshold or target

Figure 5.34 shows that the operational efficiency and competitiveness objective of the CIS has six KPIs. The total annual value of the grants approved exceeded the model benchmark score. KPIs such as annual approval to annual fiscal allocation ratio, total annual value of grants disbursed and annual non-disbursed grant ratio achieved the target. The total number of projects approved achieved a score of three out of five, while the proportion of approvals committed did not achieve the target.

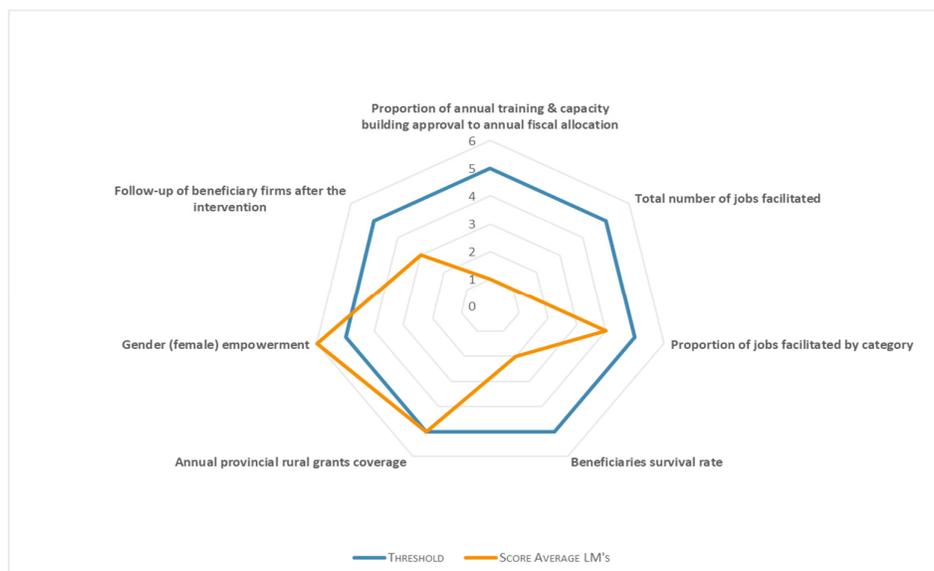


Figure 5.35: CIS perspective 5. Measuring development impact performance against threshold or target

The last objective had seven KPIs that aimed at establishing the development impact of the CIS. Figure 5.35 shows that annual training and capacity building per total fiscal allocation, total number of jobs facilitated, proportion of jobs facilitated by category, beneficiary survival rate, follow-up of beneficiary firms post disbursement and beneficiary survival rate did not reach the target. The major factor that could be responsible for the ineffectiveness of these KPIs is the lack or absence of monitoring and evaluation in the programme.

However, annual provincial rural grants coverage reached the target, while women empowerment exceeded the target. This clearly shows that the programme supports and acknowledges the role that women can play in modern business, and it goes well with global trends that now call for gender equity and women's emancipation. It also indicates great participation of women in the CIS.

With regard to beneficiary survival rate, the results for the CIS were the same as for the BBSDP. This is disturbing as most of the firms under the programme are not in a position to sustain their business and carry on with their operations after grant disbursement because there are no post-disbursement monitoring and evaluation of the programme.

Figures 5.31 to 5.35 summarised the results and data analysed for the CIS for the six financial years under study. Analysis of the five perspectives revealed that operational efficiency and competitiveness reached the target of effectiveness with the highest score of 4.7. This was followed by human capital acquisition and development that scored 4.1 (fairly effective).

Effective internal controls recorded the lowest score of 2.9 (ineffective), while development impact and financial sustainability achieved partial effectiveness with scores of 3.5 and 3.6 respectively.

5.4 CHAPTER SUMMARY

In this chapter, the results and data analysis for the BBSDP and the CIS from the programmes' historical data and application of the measurement model were presented. The presentation of the results was divided into two sections. The first section presented trend analysis statistics about the two programmes, and the second section presented the analysed results of the model. The results were analysed on a case-by-case basis for each programme. The next chapter presents a comparative analysis of the results of the BBSDP and the CIS.

CHAPTER 6:

COMPARATIVE ANALYSIS OF THE RESULTS OF THE BLACK BUSINESS SUPPLIER DEVELOPMENT PROGRAMME AND THE CO-OPERATIVE INCENTIVE SCHEME

6.1 INTRODUCTION

This chapter presents a comparative analysis of the BBSDP and the CIS results and the outcomes of the application of the model in terms of the effectiveness of the two programmes. A comparative analysis was used to measure the relationships between two variables or incidents over a reporting period. In the context of this study, a comparative analysis was used to identify the competitiveness of results from the trend analysis and application of the model of the BBSDP and the CIS as presented in Chapter 5 of this dissertation.

6.2 OVERVIEW OF THE TWO PROGRAMMES

The BBSDP and the CIS are South African government grant funding programmes meant to support small and co-operative enterprises respectively. The enterprises must be black-owned, or black individuals must have a majority shareholding in the enterprise. In South Africa, Section 1 of the National Small Business Act of 1996, as amended by the National Small Business Amendment Acts of 2003 and 2004, a small business is officially defined as “a separate and distinct business entity, including nongovernmental organisations, managed by one owner or more”. A co-operative enterprise is defined as “an autonomous association of natural persons united voluntarily to meet their common economic and social needs through a jointly owned and democratically controlled enterprise organised and operated under the co-operative principle” (Republic of South Africa, 2013:4).

In 2002, the BBSDP was established as a cost-sharing programme with the aim of providing grants in the form of capital to the amount of R1 million for small enterprises with a majority black shareholding. The cost-sharing guarantee is based on a 50:50 ratio for enterprises to acquire assets such as tools, equipment and machinery. An 80:20 ratio also applies to enterprises seeking grants for business development, corporate branding, management, marketing, productivity and the use of modern technology (e.g. production, sales and accounting software). The CIS attempts to improve the viability and competitiveness of co-operative enterprises in South Africa. The scheme was established in 2005 to provide 100 percent grants to the amount of R350 000 for registered primary co-operative enterprises (these consist of five or more members). The mandate of the two programmes is to promote

black entrepreneurs who are presumed to be disadvantaged and do not have access to formal financial and nonfinancial services, especially in the rural areas of South Africa. Both BBSDP and CIS grants are not repayable, and no interest is accrued. However, applicants' enterprises must have been in operation for at least one year or more for a BBSDP grant, while for a CIS grant, co-operatives can be new or existing.

6.3 PROGRAMME TREND STATISTICS

The trend analysis of the two programmes shows that R1.3 billion was allocated to the BBSDP from the 2011/2012 to the 2016/2017 financial years compared to R430 million allocated to the CIS for the same period. The BBSDP disbursements were R1.4 billion compared to R398 million for the CIS. The over-disbursed amount for the BBSDP implies that book approval was carried over from a previous year's approval to the following year.

In the period under study, the BBSDP recorded 4 739 approvals while the CIS recorded 1 406 approvals. The provincial spread of the approvals showed that Gauteng was the greatest beneficiary of the approved amount for the BBSDP, followed by KwaZulu-Natal and the Eastern Cape. The province that benefited the least from the BBSDP was the Northern Cape. Similarly, the highest approved and disbursed amounts for the CIS were for beneficiaries in the Eastern Cape, followed by Limpopo and Gauteng. The province that received the least from the CIS was the Free State. From the sectoral perspective, the construction sector received the highest amount of approvals of R864 million for the BBSDP programme, but under the CIS, the agricultural sector had the highest amount of approvals of R275 million. However, no amount was approved for the construction sector under the CIS while agriculture received the least approved amount of R49 million under the BBSDP.

The total number of jobs facilitated by the BBSDP was 100 127 compared to 8 768 jobs facilitated by the CIS. The number of jobs facilitated by both programmes included new, temporary and some sustained jobs. Fifty-four percent of the approved beneficiaries under the BBSDP were women, and 56 percent benefited under the CIS programme.

It took an average of 318 days for the BBSDP to finalise and approve an application compared to an average of 345 days for the CIS. Approval depended on the officials assigned to process an application and whether the application was delayed if uncompleted or if all required documentation did not accompany the application, causing it to be referred back to the applicant.

6.4 RESULTS OF EFFECTIVENESS MEASUREMENT MODEL

6.4.1 Human capital acquisition and development: A comparative analysis of model results

Concerning human capital acquisition and development, the BBSDP and the CIS results showed that annual expenditure on staff training, capacity building and personal development planning did not reach the set target. However, staff engagement, staff turnover rate, programme vacancy rate and organisational performance assessment reached the target. Although staff productivity rate achieved the target under the CIS, under the BBSDP, it did not reach the mark. The average effectiveness scores for the two programmes showed that a score of 3.9 out of 5 (see Figure 5.14) was achieved under the BBSDP (i.e. partially effective) while under the CIS, the average effectiveness score was 4.1 out of 5 (see Figure 5.30), which means the perspective was fairly effective.

6.4.2 Financial sustainability: A comparative analysis of model results

The second perspective of the developed measurement model was financial sustainability. Figures 5.16 and 5.32 of the BBSDP and the CIS respectively revealed that the cost to income ratio and the annual disbursement to annual fiscal allocation ratio exceeded the target for both programmes. KPIs such as annual financial reports released, annual leverage/co-financing ratio and proportion of firms with improved financial performance, however, did not reach the target for the two programmes. This indicates that the majority of the firms benefiting from both programmes are not surviving or improving their financial viability. This can be the result of a lack of sound business ideas, including inexperience in managing the enterprises.

6.4.3 Effective internal controls: A comparative analysis of model results

The third objective of the developed measurement model was effective internal controls. The results from the application of the developed model showed that the two grant programmes had a very long grant turnaround time. For example, it took on average 345 days for a grant application to be approved under the CIS and 318 days under the BBSDP. Therefore, one can conclude that the internal control systems of the two programmes were not effective or efficient. KPIs such as annual conversion ratio and uptime/availability of critical business information systems reached the target under the two programmes. However, the quality audit report and opinion failed to achieve the target for both programmes. Business diagnosis of beneficiary firms reached the target under the BBSDP but not the CIS. Overall, this implies that there is a need for improvement in the effectiveness of the internal controls for the two programmes.

6.4.4 Operational efficiency and competitiveness: A comparative analysis of model results

For the operational efficiency and competitiveness perspective, KPIs such as total number of projects approved exceeded the target under the BBSDP but did not reach the target under the CIS. Under the CIS, total annual value of grants approved exceeded the target, but under the BBSDP, it achieved the target. Under the BBSDP, the proportion of approved applications committed exceeded the target while under the CIS, it did not reach the target. Annual approval to annual fiscal allocation under the BBSDP also exceeded the target, but under the CIS, it only achieved the target. The annual non-disbursed grant ratio reached the target under the CIS but did not under the BBSDP. Finally, total annual value of grants disbursed achieved the target for both programmes.

6.4.5 Development impact: A comparative analysis of model results

The last objective of the model applied was development impact. The objective had seven KPIs that aimed to establish the development impact of the two programmes. Gender empowerment exceeded the target under the CIS, while under the BBSDP, gender empowerment reaching the target. Annual provincial (rural) grants coverage reached the target under the CIS but did not under the BBSDP. Both programmes facilitated a low number of jobs; the total and proportionate number of jobs facilitated by category for the two programmes did not achieve the target. The value of the amount spent on annual training or capacity building against the total fiscal allocation also failed to reach the target set for both programmes. Similarly, beneficiary survival rate did not also reach the target for the two programmes. The BBSDP and the CIS are in no way contributing to the sustainability and survival of the grant beneficiaries, and it might require in-depth analysis to devise ways of turning them around in order to achieve this objective. The results for the two programmes showed that the BBSDP was ineffective and the CIS fairly effective. Their performance was thus very similar, which is disturbing as most of the firms under the programmes are not in a position to sustain their business and carry on with their operations after grant disbursement. Regarding the development impact objective, both the BBSDP and the CIS, therefore, did not achieve the targeted level of effectiveness and efficiency, implying that the programmes' post-disbursement monitoring and evaluation strategies are not adequate for ensuring better performance and better reporting.

6.5 SUMMARY OF THE CHAPTER

This chapter presented an overview of a cost-sharing (BBSDP) and a co-operative grant (CIS) funding programme in South Africa. The comparative analysis included a programme

overview, trend analysis statistics and the results from the applied measurement model for the study, which covered the six-year period from the 2011/2012 to the 2016/2017 financial years. In the next chapter, the discussion of results is undertaken with reference to the literature review.

CHAPTER 7: DISCUSSION OF RESULTS

7.1 INTRODUCTION

This chapter presents a discussion of the results and a data analysis in the context of the literature review performed in Chapter 2, in addition to showing the relevance and significance of the trends observed from the application and analysis of the five perspectives of the effectiveness measurement model developed in this study. The chapter also discusses, in the context of the literature review, the degree of effectiveness of the BBSDP and the CIS and the trend analysis of the two grant funding programmes. Lastly, the chapter presents a comparative examination of the two programmes in terms of the five perspectives of the measurement model.

7.2 DEGREE OF EFFECTIVENESS OF THE BLACK BUSINESS SUPPLIER DEVELOPMENT PROGRAMME AND THE CO-OPERATIVE INCENTIVE SCHEME

The degree of effectiveness of the BBSDP and the CIS was measured on a scale of five effectiveness levels. The levels of the effectiveness scale were 1) very effective; 2) effective; 3) fairly effective; 4) partially effective; and 5) ineffective. This effectiveness scale summarised the performance of the BBSDP and the CIS based on the results obtained from the KPIs of all five perspectives of the measurement model. Between six and eight KPIs were applied and measured under each of the five perspectives while the results regarding effectiveness were based on the levels of the effectiveness scale.

The empirical evidence gathered during the study provided an opportunity to confirm or reject ideas from the literature, which formed the basis of the creation of the five perspectives, by allowing the evaluation of the degree of effectiveness of the two programmes analysed in the study. The measurement model that was developed and applied in this study was based on existing literature by Kaplan and Norton (1992; 1996). The Kaplan and Norton perspective revealed that there was insufficient research on determining the general effectiveness and efficiency of public funding programmes. Therefore, this study represents an extension of prior studies that focused on the evaluation of funding programmes with limited KPIs through financial and nonfinancial processes. Consequently, the study applied five different perspectives that covered both financial and nonfinancial objectives that had not been considered in previous studies. In circumstances where such perspectives did not reach the required level of effectiveness, a programme was regarded as significantly underperforming.

This is consistent with the view of Kaplan and Norton (1996), who stated that the lowest performing perspective will contribute little to the strategic objectives and mandates of any assessed organisation. Empirical evidence suggests that the effectiveness of the five perspectives applied in the study should not spontaneously be equated with the view of Kaplan and Norton (1996). Empirical evidence also suggests that the performance of the BBSDP and the CIS was fairly effective, enough to conclude that the perceived effect is reasonable, perhaps from where conclusions could be drawn. The level of effectiveness considered showed the interaction of the five objectives. Balancing the evaluation structure is required so that all perspectives affecting programme effectiveness are brought into focus (Kaplan & Norton, 1998).

7.3 BLACK BUSINESS SUPPLIER DEVELOPMENT PROGRAMME TREND ANALYSIS

A trend analysis is the use of monthly, quarterly and yearly figures to examine the historical tendency of data in order to predict the future movement of the same item (Hirsch *et al.*, 1982). A trend analysis is performed in order to detect and track variances of a data among associated variables or factors. A trend analysis also assists in determining and projecting a historical and future pattern of data. Meaningful interpretation of the results of these analyses depends on the data collection process (Hirsch *et al.*, 1982).

In a developed country such as Australia, government financial assistance programmes for small businesses are developed as a policy strategy through the use of direct assistance, such as tax benefits, grants, trade assistance and subsidised loans (Xiang & Worthington, 2013). The BBSDP is a South African government intervention programme that assists black enterprises that cannot access capital from traditional financial institutions to either start a new business or to expand the existing one. Craig *et al.* (2008) stated that government intervention programmes for SMEs indicate the general recognition of a failure by the private sector to allocate capital appropriately and efficiently. This market failure has either resulted in too much or too little allocation of capital in certain sectors of the economy (Kransdorff, 2010). This is also the view of Stiglitz (2000), who thought that the credit market imperfections that resulted in credit rationing for SMEs, because of their risky nature compared to big enterprises, have led to the establishment of government intervention programmes. The objectives of these programmes are to reduce credit rationing in the market and to improve access to credit for SMEs. This type of programme, according to Kransdorff (2010), serves as an alternative means of solving the problem of a lack of capital usually experienced by SMEs.

In South Africa, the BBSDP grant amounts are allocated on a cost-sharing basis of a 50:50 ratio for asset acquisition projects and an 80:20 ratio for business development. Enterprises must have been operating for a year or more. Advisory intermediaries (network facilitators) are engaged in the application processes of the programme and are remunerated up to an amount of R21 000 per application. The BBSDP is funded annually through the National Treasury of South Africa. BBSDP beneficiaries are paid in the form of grants, just like in the case of grant incentive schemes, loan guarantee schemes, and subsidy mechanisms (Craig *et al.*, 2007) after their application has been successfully adjudicated by an adjudicating committee that usually meets once a month during the financial year.

The results from the trend analysis show that the annual approved amount was consistently higher than the annual fiscal allocation. The high volumes of applications received and processed are a result of public awareness of the programme. The annual approved amount that is higher than the annual fiscal allocation, therefore, exposes lapses in the management of the programme's internal controls in general but also dysfunctionality in terms of the project portfolio management system in particular. The results indicate that there is no coordination among programme appraisal, adjudication and disbursements officials. This might lead to manipulation of the programme application processes for private benefit. For example, in 2005, the former head of the SME Development Programme in South Africa was fired because of financial irregularities and the programme was suspended thereafter (Barbour, 2005).

The level of programme awareness resulted in many enterprises participating in the programme and in a significant value and number of approvals. The involvement of network facilitators also greatly influenced the volume of applications received. The results also show that SMEs in urban provinces (see Figure 5.5) benefited more from the programme compared to their peers in rural provinces. However, this result is not consistent with that obtained by Bach (2009) during the evaluation of a French small enterprise loan programme tagged CODEVI. Bach used firm-level data that found that many enterprises were not aware of the existence of the programme, coupled with the concentration of businesses in one geographical location.

In South Africa, there has been criticism that financial institutions (banks) do not help small enterprises, especially black-owned businesses, with finance (Nieman & Nieuwenhuizen, 2009). Access to finance by small enterprises from traditional financial institutions is difficult, which has resulted in the high rate of small enterprise failure (Nieman & Nieuwenhuizen, 2009). In addition, this has undermined the development of small enterprises, thereby creating a challenge for the government in meeting its target of creating employment, reducing poverty

and reducing income inequality (Mago & Toro, 2013). Most of the small businesses that are in operation today are either self-financed or financed by friends and family, and these forms of finance are not enough to meet the operational and investment needs of small enterprises (Nieman & Nieuwenhuizen, 2009).

Under the BBSDP programme, the construction sector was the greatest beneficiary of grants approved, followed by the services sector (see figures 5.6 and 5.7). The agricultural and mining sectors recorded the lowest approval rate. However, the BBSDP is not meant to specifically target a particular sector for its operations.

The empirical results also revealed that the BBSDP's policy on cost sharing was not followed. The contributed amount committed amounts by beneficiaries were very low compared to what had been disbursed based on the total approved and disbursed amounts. Therefore, no correlation between amount approved and contributed amount committed by beneficiaries during the six-year period under study was determined, due to the programme's implementation deficiencies (Barbour, 2005; Mazanai & Fatoki, 2011).

Nonetheless, in South Africa, the performance of various government-funded programmes has been improved post-1994 (Rogerson, 2004; Mazanai & Fatoki, 2011; Nieman & Nieuwenhuizen, 2009; Ferreira *et al.*, 2010; Tsoabisi, 2012; Mago & Toro, 2013). In terms of resources, a great deal has been invested with intended performance outcomes to translate into goals of such programmes. However, the explicit contributions with the aim of improving enterprise sustainability and access to credit are not consistent and sufficient. Perhaps this is due to non-availability or insufficient research, or if there is any, it is not accessible in the public domain.

7.4 CO-OPERATIVE INCENTIVE SCHEME TREND ANALYSIS

The CIS programme was established in 2005 to provide 100 percent grants for co-operative enterprises in South Africa. The CIS is funded through the National Treasury on an annual basis and grants are disbursed to co-operatives that meet all the application criteria of the programme. The co-operative enterprise can be a new or an existing one.

Several empirical studies have shown that government credit intervention programmes are effective in relaxing credit constraints for start-ups and existing small enterprises in developing countries. In developed and developing countries, governments are coming up with different types of intervention programmes such as grant incentive schemes, loan guarantee schemes and subsidy mechanisms to promote enterprise development (Craig *et al.*, 2007). Riding and

Haines (2001) and Riding, Madill and Haines (2006), using a firm-level survey study conducted in Canada, found that beneficiaries of the government intervention programmes were far better off and had improved their performance significantly after gaining access to credit guarantee schemes. Furthermore, through comparison of two government support programmes referred to as “Working Capital and Enterprise Finance Programmes for Small Business Enterprises” in the UK, Richard (2008) concluded that the programmes was able to deliver on its targeted goals.

The results from the trend analysis of this study show that the total approved amount was consistent with fiscal allocation during the six years under study. Similar to the BBSDP, the CIS is more active in urban and semi-urban provinces than in rural provinces. A reason for this might be that the majority of co-operatives in the rural provinces could not withstand the bureaucratic process required to access the grant (Mazanai & Fatoki, 2011).

In South Africa, 65 percent of the co-operative enterprises surveyed by Van der Walt (2005) were not operating and close to 60 percent experienced a decrease in their turnover a few years after registration. A study conducted by Godfrey *et al.* (2015) corroborated the results of Van der Walt’s (2005) study and concluded that co-operative enterprises remained vulnerable and weak, with a 92 percent mortality rate. The literature also states that lack of access to credit, poor management, conflict and lack of skill among co-operative members were the major reasons for the high failure rate of co-operative enterprises. However, in a study conducted in the Osun State of Nigeria by Adekunle and Henson (2007), they observed that micro-entrepreneurs that belonged to a co-operative enterprise such as the “Co-operative Thrift and Credit Societies” had a better personal agency approach regarding access to financing than those micro-entrepreneurs who were not members.

The trend results also show that the majority of the CIS beneficiaries operated in the agricultural sector. The sector has had a large number of co-operative enterprises in the last two decades globally and in South Africa (Van der Walt, 2005; Ortmann & King, 2007). For example, according to ILO-COOP (2014), the Fair Trade Foundation describes how 391 small-scale farmers founded Coopeagri in 1962. It now has over 8 000 members and employs over 700 temporary and permanent workers. Its impact is much broader though; it reaches 35 000 farmers, farm workers and family members. In Kenya, more than 70 percent of co-operative enterprises operate in the agricultural sector and control 95 percent of the cotton and coffee market (ICA, 2006). In New Zealand, co-operatives are responsible for 95 percent of the dairy market and dairy exports. Furthermore, 70 percent of the meat market and 50 percent of the farm supply market are controlled by co-operative enterprises. In Malaysia, 24 percent of the

population are members of co-operative enterprises while the co-operatives movement represents two million workers in Spain and 45 percent of residents receive their electricity through co-operative enterprises in Bangladesh (ICA, 2006).

7.5 THE RESULTS OF EFFECTIVENESS MEASUREMENT MODEL OF THE FIVE PERSPECTIVES APPLIED FOR THE BLACK BUSINESS SUPPLIER DEVELOPMENT PROGRAMME AND THE CO-OPERATIVE INCENTIVE SCHEME

The following section of chapter seven discusses results of effectiveness measurement model of the five perspectives applied for the Black Business Supplier Development Programme (BBSDP) and the Co-operative Incentive Scheme (CIS).

7.5.1 Effectiveness of the human capital acquisition and development perspective of the Black Business Supplier Development Programme and the Co-operative Incentive Scheme

The human capital acquisition and development perspective addressed issues concerning the day-to-day activities in terms of human resource development and management of the programmes and applied KPIs that served as a critical value driver supporting decision making. Empirical evidence generated from the results analysed under human capital acquisition and development for the BBSDP shows strong support for the seven KPIs proposed and measured in the study. The evidence suggests that the human capital acquisition and development perspective of the BBSDP programmes is fairly effective, which implies that the BBSDP processes are standardised and documented, while the underlying business processes are carried out to aid proper effectiveness culture and communication (Ciorciari & Blattner, 2008). It also implies that the programme's design, objectives, policies and procedures are integrated with the management processes. There is also alignment among the BBSDP objectives whereby top management ensures that business effectiveness and goals are seriously considered and understood by employees at all levels (Serpella *et al.*, 2014).

Under the CIS, human capital acquisition and development was recorded as effective on the measurement scale. This shows that programme's practices and policies are adequately employed and are supervised on a regular basis (Ciorciari & Blattner, 2008). Moreover, it means that the business processes are refined and that consistent feedback for improvement is obtained for programme monitoring and control activities (Mihaiu *et al.*, 2010). Operations are carried out, and observance of business processes is verified and regularly improved. At this level, effectiveness is fully implemented across the business and consistently applied and

used in decision-making processes (Hillson, 2002). Effectiveness was measured and evaluated with the aim of continuous improvement, which implies a proactive approach to managing risks.

According to Eisenstat (1996), human capital acquisition and development contributes significantly to an organisation's effectiveness. The empirical evidence from this study shows that the effectiveness of human capital acquisition and development is influenced by staff engagement, a KPI that is very effective for the BBSDP programme. Staff engagement reduces operational and staff commitment risk and promotes personal development plans; this makes an organisation and its management more efficient in their operation (Wilkinson *et al.*, 2001; Jabbour & Santos, 2008). Other KPIs for this perspective, such as staff productivity rate, staff turnover rate, programme vacancy rate and organisational performance assessment, were found to be efficient for the BBSDP and the CIS. Personal development planning made an insignificant contribution towards the performance of the BBSDP, but for the CIS, personal development planning reached the effectiveness level by performing incredibly well against the target. Annual expenditure on staff training and capacity building showed very insignificant effectiveness for the two programmes. The evidence generated by this study contradicts the view of Hitt *et al.* (2001) who stated that human capital acquisition and development was found to be important for the implementation of business diversification in an organisation and the diversification strategies had positive effects on firm performance.

Therefore, KPIs such as personal development planning, staff training and capacity building need to be prioritised to strategically influence and reduce operational and output risk impact on the overall productivity of the organisation and staff engagement over time (Jabbour & Santos, 2008; Lin *et al.*, 2004; Kaplan & Norton, 2007). Human capital acquisition and development is about motivating employees towards achieving an organisation's mandate (Van den Brink, 2004). This is crucial for management that wants to achieve a sustainable goal on behalf of the organisation (Boudreau & Ramstad, 2005; Wilkinson *et al.*, 2001). This study corroborates the view expressed by Vickers (2005) that for a strategic mandate of the organisation to be sustainable, human capital acquisition and development must be adequately developed and managed in a way that can influence the effectiveness of the organisation's performance.

7.6 EFFECTIVENESS OF THE FINANCIAL SUSTAINABILITY PERSPECTIVE OF THE BLACK BUSINESS SUPPLIER DEVELOPMENT PROGRAMME AND THE CO-OPERATIVE INCENTIVE SCHEME

The importance of financial sustainability cannot be overemphasised as it is a goal that every organisation strives for. Bañon-Gomis *et al.* (2011) believed that financial sustainability influences the prioritised activities in agreement with the objective of the organisation. The empirical evidence of this study shows that the financial sustainability perspective of the BBSDP programme is partially effective. This result, however, is not consistent with that of a study by Wren and Storey (2002), who believed that financial sustainability plays a significant role in an organisation's operational self-reliance. Operational self-reliance refers to a firm's ability to cover its operational costs regardless of the revenue source. However, despite public financial support for the two programmes, the level of the BBSDP activities that achieved financial sustainability remains very low (Iwu *et al.*, 2015; Yawson *et al.*, 2006).

According to Kinde (2012), firms are financially sustainable when they can generate their own income over and above their servicing and operational costs. However, a study on the financial sustainability of a firm is quite problematic; therefore, this cannot be generalised (Iwu *et al.*, 2015). Although the BBSDP is directly funded by the government of South Africa through annual fiscal allocations by the National Treasury, no financial report was released for the two programmes for the six financial years under study. There was also underachievement of the co-financing ratio due to the inability of most beneficiaries under the BBSDP programme of fulfilling the co-financing arrangement agreed upon during the application process. This shows the level of financial noncompliance or policy inconsistencies within the programme because of no sound regulation or lack of enforcement on the part of the programme management. Some of the contributing factors to the adverse results for financial sustainability are 1) no annual financial statements and reports were released during the financial years under study; 2) beneficiaries were not compelled to provide their part of the cost-sharing commitment, and in some cases, commitment policy was skipped and the focus was placed on full disbursement of the programme's annual allocation to prevent returning fiscal allocation to the National Treasury; and 3) applications for business development where cost sharing was on an 80:20 ratio basis received more approvals than those with a 50:50 ratio basis.

The results from the CIS financial sustainability perspective show that the perspective is fairly effective compared to that of the BBSDP, which recorded partial effectiveness within the six financial years under study. The programme is also fully funded through government allocation annually with 100 percent grant funding to beneficiaries. The CIS released only one annual

financial report from the 2011/2012 to the 2016/2017 financial years, instead of six reports. This may be considered better than the BBSDP who released none within the same period. This could point to programme policy being overridden or partially set aside for the purpose of receiving unofficial benefit from the programme directly or indirectly by the programme officials, network facilitators or beneficiary firms. The literature was silent on this phenomenon; hence, the study could not draw a general conclusion compared to similar programmes reviewed for the study. According to Barbour (2005), bribe seeking and corruption are additional problems associated with incentive programmes in South Africa. Sometimes, officials who are responsible for the processing and implementation of incentive resources might become corrupt through buy-off by unqualified beneficiaries or politically connected individuals both within and outside the programme.

Furthermore, the evidence from the study indicates that the proportion of beneficiary firms with improved financial performance post disbursement is insignificantly effective. While 16 percent of beneficiary firms under the CIS showed improvement in their financial performance, only eight percent of firms under the BBSDP managed to improve their financial performance. The observation was that most firms that benefited from the two grant programmes could not survive or improve their financial viability post disbursement. This causes concern for policymakers and the government in South Africa (Ferreira *et al.*, 2010). In addition, this undermines the development of small enterprises, thereby creating a challenge for the government in meeting its target of creating employment, reducing poverty and creating income inequality (Mago & Toro, 2013). Most of the small businesses that are in operation today are either self-financed or financed by friends and family, and these forms of finance are not enough to meet the operational and investment needs of the small enterprises (Nieman & Nieuwenhuizen, 2009).

The reasons why some enterprises are not performing under the BBSDP might be lack of sound business ideas, inexperience in managing the facilities, lack of innovation or lack of commitment on the part of the firms that benefited from the process. Further research is required in this regard. It can be safely said that more training is needed regarding new business ideas or how to manage these facilities. Organisations that are not attaining a profit margin that exceeds market conditions require a mentor-dependent vision to be financially sustainable (Kinde, 2012). Moreover, it is the responsibility of beneficiary firms to align themselves with the financial management policy of public financing programmes with the aim of understanding what is expected from them and implementing management policy that could attract better sustainable allocation of financial resources.

The evidence shows that the cost to income ratio for both programmes is meagre and ineffective. However, this is not a justification for not releasing annual reports so that the quality of the audit opinion within the six financial years under study could be determined. Besides, the two programmes rely solely on taxpayers' money for their activities and should be held accountable for their stewardship.

7.7 EFFECTIVENESS OF THE EFFECTIVE INTERNAL CONTROLS PERSPECTIVE OF THE BLACK BUSINESS SUPPLIER DEVELOPMENT PROGRAMME AND THE CO-OPERATIVE INCENTIVE SCHEME

The study also provides evidence for the relationship between the programmes' performance and effective internal controls. The annual conversion ratio (approval to disbursement) of the two programmes is very effective for the period under study, although the CIS has a higher conversion ratio than the BBSDP (see Figures 5.17 and 5.33). However, a higher conversion ratio variability is an indication of a deficiency in the internal control systems. A higher ratio achieved could be due to previous years' approvals being carried over (OECD, 2012). The availability of funds drives the process. However, the risk assessment evidence shows that a sound internal control mechanism, reliability and compliance are required to regulate the relevant business processes that guide institutional objectives and to control ways by which business processes are being executed (COSO, 1992; 2004). This view also accords with that of Oh *et al.* (2014), who believe that the different levels of internal control effectiveness are focused on the issue of regulation and quality, with organisations depending on the enforcement of such regulations rather than the adoption of the regulations.

For both the BBSDP and the CIS, the fact that no annual financial report was released indicates that the audit opinion of the two programmes shows an ineffectiveness level of results. The outcomes of the KPIs indicate ineffectiveness of the programmes' internal control objectives. The evidence also shows that both programmes are not compliant with monitoring and evaluation guidelines, while related risk and key controls are ignored. The effectiveness of a company's internal control systems needs to be documented in any financial reporting. This involves an ongoing process rather than a static, one-off reporting (Tysiac, 2012). The negative results from organisational controls plus the audit opinion corroborate the view of Lenard *et al.* (2016) that revealed the positive relationship between firms' reporting internal control weaknesses and manipulation of business activities as a form of boosting their operational and economic activities. This will have implications for audit quality and mislead external individuals who want to gain a better understanding of the real operational activities

of the firm. Firms that manipulate financial reporting often experience lower performance in the subsequent fiscal year.

The evidence shows that it takes on average 345 days for a grant application to be approved under the CIS and 318 days under the BBSDP. This implies that the CIS programme approves grant applications twenty seven days slower compared with the mean of the BBSDP. The evidence is not consistent with similar programmes reviewed in this study such as the SEFA, the Land Bank and the OECD. Customers are concerned about turnaround time on delivery of better and quality products or services (Kaplan & Norton, 1996; Liu *et al.*, 2010). The two programmes have a very long grant turnaround time, which means that their internal control systems are not effective and efficient. A study by Kadam (2012) suggests that for loans and grants from government agencies, the procedures are cumbersome and that most entrepreneurs, who either are illiterate or semiliterate, thus hesitate to make use of these facilities. To this end, it is suggested that government grant programmes should improve their internal business processing to expedite and encourage more small to medium entrepreneurs to set up businesses. Controls such as a constant review of the process to ensure quality and flexibility need to be intensified to disseminate information, eliminate unnecessary red tape and make programmes more responsive to the changing needs of SMEs.

7.8 EFFECTIVENESS OF THE OPERATIONAL EFFICIENCY AND COMPETITIVENESS PERSPECTIVE OF THE BLACK BUSINESS SUPPLIER DEVELOPMENT PROGRAMME AND THE CO-OPERATIVE INCENTIVE SCHEME

A significant contribution of this study is the empirical evidence generated for operational efficiency and competitiveness. The perspective attained a level of very effective for the BBSDP and effective for the CIS. According to Phambuka-Nsimbi (2008) and Groznik and Maslaric (2010), operational competitiveness is defined as the intention of a firm to design, produce and market its products to offer higher quality products compared to those offered by competitors. Patlan-Perez *et al.* (2011) believed that competitiveness is the ability of a firm to improve on a product and on service delivery for the purpose of maximising profitability while competing with others. Ajitabh and Momaya (2003) concurred with the definition of Patlan-Perez *et al.* (2011) and added that competitiveness refers to the ability of a firm to compete with another firm, taking into consideration operating environment, price and value.

Competitiveness is a strategy that repositions a firm along the profitability threshold (Patlan-Perez *et al.*, 2011). A firm is competitive when it is consistently able to deliver better goods and services than competitors. Hence, competitiveness is of no importance if there is no

measurement structure that could validate the effectiveness, with respect to identifying different KPIs that contribute to the overall operational competitiveness (Patlan-Perez *et al.*, 2011; Phambuka-Nsimbi *et al.*, 2008; Groznik & Maslaric, 2010).

According to Patlan-Perez *et al.* (2011), competitiveness is synonymous with performance, expressed regarding firm productivity in the long term and the ability of a firm to meet all stakeholders' expectations. In the same vein, a firm is said to be competitive if it delivers quality goods and services with a cost benefit effect when compared with competitors while taking into account variables such as quality, time and investment (Feurer & Chaharbaghi, 1994). Patlan-Perez *et al.* (2011) concluded in their study that competitiveness was synonymous with performance expressed in terms of a firm's output in the long term and the ability of a firm to meet all stakeholders' expectations. Liu *et al.* (2010) concluded that time cycle, quality of service, and operations and relationship management were critical ingredients of the operational competitiveness of a firm.

This study also intended to ascertain the effectiveness of the operations of the BBSDP and the CIS by measuring the approved amount compared to the fiscal allocation. The evidence shows that the CIS has a significant approval rate, equal to fiscal allocation, but this is not the case with the BBSDP, which has approved grants way above the fiscal allocation. Such a gap implies that, firstly, programme policy is being overridden or partially set aside to receive personal benefit from the programme directly or indirectly by the programme officials, network facilitators or beneficiaries and, secondly, inadequate allocation and inappropriate distribution of the grants affect programme efficiency. The third issue is that the access choices are distorted with qualifying beneficiaries prioritised against the targeted group (Barbour, 2005). For example, funding programmes established for political reasons lead to programme distortion and inefficiency. Therefore, there should be a trade-off between fiscal allocation and efficiency. Although the programmes show that there is a relationship between intervention programmes and the distribution of resources (Craig *et al.*, 2008) grants that are approved over and above the fiscal allocation indicates that there is an excellent dispersion of the evidence that needs to be observed. The processes and procedures through which grant funding programmes are established and implemented are therefore crucial in determining their success and effectiveness. Grant funding programmes need to be transparent, easy to access and comprehensible.

The evidence from the study also indicates that the proportion of approvals committed made a significant contribution to the CIS's effectiveness but not to that of the BBSDP. This implies that contract commitment requirements for the BBSDP were overlooked. It can be safely

concluded that the process does not effectively take into account the objectives and mandate of the programme. The evidence supports the view that the majority of the BBSDP beneficiaries could not meet their contract compliance commitments. Therefore, there might be a need to reform the programme's commitment arrangement concerning identifying different components that contribute to the overall operational efficiency and competitiveness (Patlan-Perez *et al.*, 2011; Phambuka-Nsimbi *et al.*, 2008; Groznik & Maslaric, 2010).

The fact that the evidence from the current study does not support the relationship between annual approval and annual fiscal allocation ratio and the approval amount committed means that the contribution of these KPIs to the operational efficiency and competitiveness perspective is insignificant. This implies that proactive approval processes and targeted projects were not taken into account when finalising the application processes. It might also mean lack of transparency and proper understanding of the programme commitment objectives, especially where awareness is low and there is an absence of monitoring and evaluation before and after approvals. The evidence is consistent with that found by Parkan (1994), who developed a procedure to test the operational competitiveness of production output and concluded that the management priority of targeting unstructured applications resulted in a lack of transparency and robustness of the competitive strategy that should be put in place by firms. Hence, with regard to the operational efficiency and competitiveness perspective of the developed measurement model, the results of this study suggested that the BBSDP and the CIS in general recorded very effectiveness performances as far as the effectiveness of the programmes is concerned. The results indicate that the programme management is proactive in its strategic operational mandate and that operational efficiency and competitiveness is the most significant effectiveness strategy amongst all the five perspectives included in the model. The results corroborate an earlier study by Patlan-Perez *et al.* (2011) which found that the concept of competitiveness was the ability of a firm to improve on delivery and maximise the potential for a high-level outcome while competing with others.

7.9 EFFECTIVENESS OF THE DEVELOPMENT IMPACT PERSPECTIVE OF THE BLACK BUSINESS SUPPLIER DEVELOPMENT PROGRAMME AND THE CO-OPERATIVE INCENTIVE SCHEME

In this study, the development impact perspective consisted of KPIs that were determinant of development impact success, such as proportion of annual training and capacity building approval to annual fiscal allocation, total number of jobs facilitated, proportion of jobs facilitated by category, beneficiaries' survival rate, annual provincial rural grants coverage, gender

(female) empowerment, and follow-up of beneficiary firms after intervention (Parry *et al.*, 2009; Ledwith & O'Dwyer, 2009; Mallick & Schroeder, 2005). Development impact is a performance-based model that is used to measure public and private sector development programmes' activities and assessment of input versus outcomes, whether direct or indirect.

The evidence of the study shows the counterfactual outcome to ascertain whether there would have been better outcomes in the absence of intervention (Sousa & Voss, 2008). Measures of development impact applied in the study to measure BBSDP and CIS effectiveness include beneficiaries' survival rate and the financial performance of beneficiaries post disbursements, number of jobs facilitated, gender empowerment, follow-up on beneficiaries after disbursements and proportion of annual training and capacity building approval to annual fiscal allocation. This is also the view of Krishnan and Ulrich (2001) and Olson *et al.* (2001), who suggested that the key determinants of development impact depend on the development characteristics.

For this objective, the degree of effectiveness of the BBSDP was significantly ineffective while that of the CIS was fairly effective. The study conducted by Mknelly and Kevane (2002) observed a credit co-operative programme designed for women in Burkina Faso, which showed negative results for the impact of a co-operative enterprise. However, the evidence of the current study shows that gender (female) empowerment, as a part of the development impact of the BBSDP and the CIS, has a highly significant effectiveness impact on the performance of both programmes. Annual provincial rural grant coverage of the CIS was effective but ineffective for the BBSDP. This implies that the BBSDP grant has high levels of penetration into urban or semi-urban provinces but low levels of penetration into provinces that are more rural.

Investment in training and capacity building cannot be overemphasised as it is the bedrock for sustainable development and survival of small enterprises. According to the National Credit Regulator (2011), government grants should strive to improve the level of managerial competencies and skills of small business owners and put in place programmes such as mentorship/incubation, financial literacy campaign and awareness to ensure improved financial performance of firms. Under development impact, the proportion of annual training and capacity building approval to annual fiscal allocation shows that the investment in training and capacity building by the BBSDP and the CIS was equal and very low, with only four percent of fiscal allocation put towards training and capacity building in the six financial years under study compared to the 30 percent target of the applied measurement model.

The development impact perspective was also measured by the beneficiary survival rate. The results of the two programmes are more or less the same, that is, the programmes beneficiaries' survival rate and in business post-grant disbursement is well below 20 percent. This implies that most of the firms under the programmes were not in a position to sustain their business and carry on with their operations post-grant disbursement. Factors contributing to the level of effectiveness of the KPI were difficult to establish considering that 90 percent of businesses in operation had zero turnover post-disbursement. The evidence shows that most of the beneficiary firms had an active status on the CIPC²¹ database whereas only a very few were economically active and viable within the same period. The evidence suggests that the majority of the enterprises are dormant and cannot operate either because they lack ideas or because they are inexperienced in managing their facilities. Hence, a lack of emphasis on beneficiary survival rate affects the overall effectiveness of the development impact of the two programmes. The level of enterprise development in South Africa is still low while the failure rate seems to be extremely high (Ferreira *et al.*, 2010).

The evidence also shows that grants that target job facilitation initiatives are not successful and effective for the two programmes. For example, both programmes tend to sustain the few existing jobs instead of facilitating the creation of new, sustainable jobs. The two programmes are not effective at creating jobs as they did not achieve better scores compared to the benchmark of the programmes. The evidence of this study is not consistent with that of studies by Bradshaw (2002), Aivazian *et al.* (2003), López-Acevedo and Tan (2010), Hansen and Kalambokidis (2010), Bartik and Erickcek (2014) and Craig *et al.* (2007; 2008), who found that there was a significant improvement in the number of jobs created through government incentive programmes and significant contributions towards enterprise growth regarding employment generation.

While there are significant relationships between grant programme effectiveness and development impact, it is essential to recognise that, despite operating in a politically motivated environment, the BBSDP and the CIS are expected to contribute towards achieving the objectives of the South African government's NDP programmes by delivering on their

²¹ The Companies and Intellectual Property Commission was established by the Companies Act No. 71 of 2008 as a juristic person to function as an organ of state within the public administration dealing with the registration of companies and related entities in South Africa.

mandate. While few empirical studies have attempted to generalise their findings, studies tend to focus solely on development impact, which is seen as a key determinant for growth success (Mallick & Schroeder, 2005; Ledwith & O'Dwyer, 2009). One of the many determinants of growth success is human capital output (Mallick & Schroeder, 2005; Ledwith & O'Dwyer, 2009). Such measurements of development impact might affect the overall effectiveness of a grant programme or a firm's performance. This is still open for more debate. In Brazil, for example, one of the public credit programmes referred to as BNDES, supported and provided access to credit for small enterprises for the acquisition of assets (machinery and equipment). The programme accounted for 20 percent of all credit demand in the domestic economy of Brazil and contributed an average of five percent to the GDP in the year of operation (Machado & Parreiras, 2013).

7.10 SUMMARY OF THE CHAPTER

It is worth noting that the BBSDP and the CIS are most effective in achieving the aim of the operational efficiency and competitiveness perspectives because many of its KPIs show a significantly favourable difference compared with the KPIs of the other evaluation perspectives for the study. Much needs to be done to improve the two programmes, in particular the BBSDP in which government has invested over R1.8 billion from the 2011/2012 to the 2016/2017 financial years under study. The results show that most of the KPIs scored below the expected performance level. The next chapter concludes the dissertation and makes recommendations regarding future research and what needs to be done to improve grant programme effectiveness in general.

CHAPTER 8: CONCLUSION AND RECOMMENDATIONS

8.1 INTRODUCTION

The aim of this study was to measure and evaluate the effectiveness of small enterprise cost-sharing and co-operative grant incentive schemes in South Africa. The study provided answers to the research gap presented in Chapter 1 of the dissertation by developing a grant funding programme effectiveness measurement framework that included KPIs for evaluating the effectiveness of the BBSDP and the CIS grant funding programmes in South Africa. The objectives and focus of the study were effective measurement of the human capital acquisition and development, financial sustainability, effective internal controls (internal business processes), operational efficiency and competitiveness, and development impact perspectives of the two programmes. A further focus was the context in which these perspectives were measured.

The chapter is divided into three sections. The first section discusses the contribution of the study, the second section gives recommendations while the last section presents the limitations of the study and directions for future research.

8.2 CONTRIBUTION OF THE STUDY

8.2.1 Evaluation of the Black Business Supplier Development Programme and the Co-operative Incentive Scheme grant funding programmes

This study developed and applied a new method that could be used to measure the performance of grant funding programmes in the South African context. The results of the study supplement the current understanding of the importance of measuring the effectiveness and efficiency of a publicly funded programme. Empirical evidence suggests that the effectiveness of the BBSDP and the CIS also relates to the nonfinancial and financial performance of small and co-operative enterprises. In this regard, a new effectiveness measurement framework as an extension of the balanced scorecard model of Kaplan and Norton (1992; 1996), was developed and applied. The perspectives included in the framework were human capital acquisition and development, financial sustainability, effective internal controls, operational efficiency and competitiveness, and development impact. Each of the five perspectives were weighted equally in terms of its contribution to the effectiveness and efficiency of the measurement model developed and applied. Each perspective was linked to a set of indicators (from six to eight indicators per perspective). Each indicator was assigned

a score of one to six on the basis of performance against a benchmark. Each score showed a result and outcome that progressively reflected the level of effectiveness in terms of the performance of the two programmes: 5) very effective; 4) effective; 3) fairly effective; 2) partially effective; and 1) ineffective.

The results of the evaluation of the effectiveness of each perspective of the programme are shown in Table 8.1.

Table 8.1: Summarised results of the perspectives measured and evaluated

Evaluation perspectives	BBSDP	CIS
Human capital acquisition and development	Fairly effective	Fairly effective
Financial sustainability	Partially effective	Fairly effective
Effective internal controls	Effective	Partially effective
Operational efficiency and competitiveness	Very effective	Effective
Development impact	Ineffective	Fairly effective

Table 8.1 above shows that operational efficiency and competitiveness has a very effective level of performance for the BBSDP and an effective level for the CIS. Human capital acquisition and development has a fairly effective rating for both programmes. For financial sustainability, the results for the BBSDP show the outcome to be partially effective while for the CIS, it is fairly effective. The element, effective internal controls is effective for the BBSDP but only partially effective for the CIS. Development impact is ineffective for the BBSDP but fairly effective for the CIS. The evidence suggests that the programmes' mandates have excellent links with their effectiveness. Overall, the study found no significant effectiveness in terms of the performance of the CIS, but operational efficiency and competitiveness for the BBSDP found a significant performance of "very effective" influencing the average level of effectiveness of the BBSDP programme, more so than the CIS across all perspectives.

8.2.2 Theoretical contribution of the study

Chapter 2 of the dissertation detailed key theoretical approaches that described grant funding programme performance and measurement. The theoretical approaches observed that there was no specific agreement on any one theory that served as the central point for studying grant funding programme effectiveness. However, a number of relevant issues were deduced from the theories reviewed for this study, and the study applied a theory that was seen as relevant to the South African situation as far as grant funding programmes were concerned. The theory selected for this study is the theory of economic development by Schumpeter (1934

in 2008). The theory provides a better understanding of the mechanisms for economic development, as it involves using resources of the state to spearhead the process of improving the quality of life of citizens through diversification, thus bringing about new investment, which undoubtedly will enhance economic activities. The literature review provides a conceptual approach based on economic development and the understanding of the effectiveness of publicly funded programmes for small and co-operative enterprises.

Given the gap in the academic literature, the study explored the effectiveness of the BBSDP and the CIS by drawing on five perspectives of human capital acquisition and development, financial sustainability, effective internal controls, operational efficiency and competitiveness and development impact applied in this study. Specifically, the study proposed an adaptation to an existing model for evaluating economic development-based programmes and applied this interpretative framework to the BBSDP and the CIS, which are aimed at small and co-operative enterprise development. The adaptation provided a framework for grounding the evaluation of the two programmes and making explicit the theoretical and pedagogical basis of much of the literature to date.

In addition to evaluating the performance of the two programmes, the study provides a better understanding of how firms and beneficiaries are funded. The study also provides a better understanding of key areas of public policy and how government finance related to economic development is being monitored and evaluated in addition to the development impact for the beneficiaries and how these affect the broader economic development goals of South Africa and beyond.

The study's evaluation of the effectiveness of the BBSDP and the CIS through the balanced scorecard methodology as relating to five different perspectives forms part of the overall theoretical contribution of the study. Previous studies on the same concept as well as theoretical deliberations on programme effectiveness did not offer conclusive empirical evidence on how each of the perspectives applied in this study was relevant to grant funding programme effectiveness. This study concluded that the human capital acquisition and development, financial sustainability, effective internal controls, operational efficiency and competitiveness, and development impact perspectives were a representative approach to measuring the performance of publicly funded programmes. Therefore, the empirical evidence of the study supports the current results in this study.

The model developed in the study utilised KPIs that assessed the effectiveness of the BBSDP and the CIS and their development impact. The KPIs under each perspective assessed the

performance of the programmes in terms of effectiveness based on grants approved, approvals committed and disbursed, thereby providing a holistic picture of the performance and effectiveness of the programmes.

The study also measured the effectiveness of the BBSDP and the CIS using a combination of both economic and social indicators. Although the study focused primarily on economic development, the inclusion of social development indicators enhanced the understanding of the overall contribution of the programmes in addressing both market and institutional failure. The performance socioeconomic indicators revolved around human capital, finance, operations, internal controls and impact. Other indicators were the firm's number of years of operating, the gender of the business owner, the business sector, demographic details and business location. These factors were included in the model to determine the level of effectiveness of each programme. Thus, the study provides a better understanding of how grant funding programmes play a key role as an input into the development and economic process of generating improved and broadly-shared economic development.

The empirical input of the study entails that the fundamental premise underpinning the establishment of grant funding programmes in South Africa is the need for additional investment to foster more rapid economic growth. The effectiveness of grant funding programmes is deemed to enhance the factors that relate to access to financial and nonfinancial services, taking into account those fundamental frameworks that guided the establishment of each programme.

Evidence from the study provides support for the relationship between programme performance and effective internal controls. The annual conversion ratio (approval to disbursement) of the two programmes was found to be significantly effective for the period under study. For both the BBSDP and the CIS, the fact that no annual report was released indicates that the audit opinion of the two programmes shows an ineffectiveness level of results.

Considering financial sustainability, it is evident that the management and utilisation of financial resources are of critical consideration to programme effectiveness. The focus of this study with respect to financial sustainability was on stakeholder interest and developmental return, as opposed to other studies on financial sustainability that focused on maximising profit on behalf of the shareholders. The financial perspectives of the study focused on programme transactions; these were mainly the value of the amounts approved and disbursed in relation to fiscal allocation received from the government. No evidence was found in the study that the

approach of the programmes (disbursing money to beneficiaries for projects) had any developmental impact both at programme and beneficiary level. This is attributed to the fact that feedback mechanisms were very poor and ineffective. It is expected that the KPIs developed will address these gaps in the programmes and similar programmes in South Africa and beyond.

The final aspect of the theoretical contribution of the study is that it was able to clarify current effective programme capacity issues, and potential opportunities and threats that reflected the existing capacity, weaknesses and utilisation of structures within the programmes. Some of the weaknesses related to the process mechanisms that included the turnaround time for each application's processing, approval and disbursement. The study developed objectives and indicators for facilitating a broader understanding of programme effectiveness that aimed to bring together the core measurement performance of the programmes.

8.2.3 Contributions to the existing literature

In addition to the development of a framework for measuring effectiveness, the study acknowledges the existence of various government grant funding programmes aimed at promoting the growth and development of small and co-operative enterprises. However, the study observed that little was known about the nature and extent to which these programmes were meeting their objectives.

The empirical evidence of this study contributes to the current debate on the measurement of grant funding programme effectiveness in South Africa and beyond. This is a deviation from previous research that focused mainly on firms and NPO funding programme effectiveness. The fact that the findings of this study show that there is a direct link between effectiveness and the objectives of the existing grant programmes, forms another empirical contribution of the study. The inclusion of effectiveness KPIs in the investigation of the BBSDP and the CIS grant funding programmes distinguishes this study from the mainstream performance measurement with more focus on firms and NPOs.

The empirical evidence provides an opportunity to confirm or reject ideas from the literature, which formed the basis for the creation of the five perspectives that were applied to measure the degree of effectiveness of the two programmes studied. The current balanced scorecard of Kaplan and Norton (1992; 1996) was deemed not sufficient for the evaluation of the performance and effectiveness of grant funding programmes such as the BBSDP and the CIS. The perspective model developed and applied in this study was an extension of the model of Kaplan and Norton (1992; 1996), and it focused on publicly funded programmes rather than

NPOs and private entities. The proposed and applied perspectives were human capital acquisition and development, financial sustainability, effective internal controls, operational efficiency and competitiveness, and development impact, compared to the perspectives of Norton and Kaplan that were financial, customers, innovation and learning, and internal processes. In circumstances where any of the new perspectives measured did not reach the required level of effectiveness, a programme was regarded as significantly underperforming. The lowest performing perspectives made no contribution to the strategic objectives and mandates of the programmes.

The empirical evidence of the study also shows that inadequate implementation of the BBSDP and the CIS and inappropriate distribution of the funds affect programme efficiency. The study findings confirm that the processes and procedures through which grant funding programmes are established and implemented are crucial in determining their success and effectiveness. Grant funding programmes need to be transparent, easy to access and comprehensible. This would justify their strategic purpose and their response to individual participants in terms of the delivery and achievement of targeted goals. In this instance, the two grant funding programmes were established to address economic challenges among previously disadvantaged black-owned small and co-operative enterprises with limited or no access to formal financial services due to the legacy of the apartheid system of government.

The study identified weaknesses within the programmes in terms of the waiting period for each application to be processed, approved and disbursed. Such gaps were identified when the programme datasets and records were reviewed. The results show that both the BBSDP and the CIS are competitive in terms of turnaround of their approvals and disbursements when compared with similar programmes in South Africa and beyond. However, programmes beneficiaries' survival rate is very low and not consistent, based on the empirical evidence of this study.

8.2.4 Methodological contribution of the study

This study proposed, developed and applied a new effectiveness measurement framework that was an extension of the balanced scorecard model of Kaplan and Norton (1992; 1996). The new framework had five perspectives (see Figure 4.2) compared to the four perspectives (refer to Figure 2.1) of the balanced scorecard model of Kaplan and Norton (1992). The perspectives of Kaplan and Norton that were reclassified to fit the delivery of development finance by government were financial, customers, innovation and learning, and internal processes. The five perspectives considered for the BBSDP and the CIS were human capital

acquisition and development, financial sustainability, effective internal controls, operational efficiency and competitiveness, and development impact.

The changes to the existing perspectives of Kaplan and Norton (1992) were made to have perspectives tailored to the BBSDP's and the CIS's implementation, sustainability and impact effectiveness measurement needs. Each of the five new perspectives equally contributed to the effectiveness and efficiency model applied in the study. The new model served to strengthen the interrelationships of the methodological framework and objectives of each single perspective. Each perspective was linked to a set of KPIs. Each KPI was assigned a score of one to five against a target or benchmark. This was done to establish the evaluation criteria for the level of effectiveness. Each score showed a result and outcome that progressively reflected the level of performance of the two programmes.

Another methodological contribution of the study is that each of the five perspectives was broken down into six to eight KPIs. A key question was attached to each KPI of the perspectives to raise awareness and foster a sense of responsibility towards programme effectiveness. Each KPI was evaluated in terms of an effectiveness scale, utilising evaluation criteria set for each of the five effectiveness levels of the scale. The lowest effectiveness level implied that the overall performance for the period under study was very low while the highest effectiveness level implied that the performance for the period under study was optimal. The approach to the new performance measurement model was to be in agreement with Kaplan and Norton's (1992; 1996) balanced scorecard by consolidating the financial perspective with others to assist the BBSDP and the CIS to quickly identify delivery areas that were not functioning and whether there might be a need to improve on the current structure for quick decision making towards improved productivity. The approach was based on assumptions and methodology based on the new balanced scorecard model developed and applied in the study.

A benchmark and scoring structure was used to compare the effectiveness level of the five perspectives and the KPIs as related to the CIS and the BBDP. The benchmark was used to check the difference between the data and that of similar programmes in South Africa and beyond. A score of one to six applied to each measurement formula.

The empirical evidence of the study shows that human capital acquisition and development is one of the most significant of the five perspectives of the scorecard model. The human capital acquisition and development perspective addressed issues concerning the day-to-day activities in terms of human resource acquisition and development. The KPIs considered under this perspective are annual expenditure on staff training and capacity building, staff

productivity rate, staff turnover rate, programme vacancy rate, organisational performance assessment, staff engagement, and personal development planning. The KPIs helped to identify factors within the balanced scorecard perspectives against which targets were set in order to determine the performance of the BBSDP and the CIS. This was seen as essential because the programmes needed to engage strategic human resource management that would assist in achieving their sustainability and development impact mandates.

8.2.5 Policy contribution of the study

In the context of government support programmes for small and co-operative enterprises in emerging economies such as South Africa, establishing publicly funded programmes forms part of strategic economic inclusion and radical economic transformation. Improving and developing of the domestic economy through government incentives and support for small and co-operative enterprises should be a matter not merely of redistribution of resources but also of economic sustainability. This will assist the important aim of decentralisation and deregulation towards achieving domestic economic development. Although few public support programmes are operating in developing countries including South Africa, the majority of them suffer from some form of implementation deficiencies (see Barbour, 2005). The application approval process is cumbersome and administratively taxing to the extent that small enterprises and target groups often do not even bother trying to access such support programmes (Mazanai & Fatoki, 2011).

Globally, there is clear evidence of the empowering role played by small and co-operative enterprises in the development of local economies. The establishment of grant funding programmes to support this role is an essential component of the economic development agenda. In this regard, regular monitoring, assessment and evaluation of such programmes is required in order to confirm programme effectiveness.

This study shows, through the empirical evidence gathered, that formal methods of monitoring and evaluating publicly-funded programmes and their impact on beneficiary groups remain critical. The bureaucratic inflexibilities, long turnaround times, lack of internal controls, and absence of monitoring and evaluation are of great concern and must be dealt with strategically to promote the interest of all stakeholders. These critical issues may form part of the overall strategy of a grant funding programme to meet the programme's objectives and the needs of the beneficiaries. The government may also specifically target potential groups, enterprises or sectors that are aligned with the economic agendas of the government. For example, the NDP of the South African government intends to foster an entrepreneurial attitude amongst the rural

black population. This will go beyond addressing the lack of access to capital to understanding the needs and performance of small and co-operative enterprises in emerging economies.

In addition, the study highlights the lack of alignment between operating staff and the institutional programmes' system arrangements. The network facilitators' interaction was noted (in the case of the BBSDP) as being confrontational rather than supportive of each other in a number of instances during application processing. Moreover, the adjudication committee performance concerning how many applications were approved during each adjudication meeting held and whether these approval processes were adequately documented are areas for improvement in terms of policy review and reform.

The evidence further shows that there is lack of process and structural follow-up on programme application policies and procedures, and a reluctance on the part of programme administrators and managers to change these approaches. The results further show that few documents are made available on the programmes' strategic processes and policies at the institutional level, which may indicate that programme managers are not strategically attempting to manage programme risks. These issues require massive efforts from the internal business process perspective and that personnel develop a structure to realise programme effectiveness.

The evaluation results can also inform the preparation of logical frameworks that can act as inputs into programme processes and assist in the development of public-private partnerships. The evidence shows that the effectiveness of the BBSDP and the CIS is grounded in the requirements of national policy documents, including the NDP, the New growth path, the State of the Nation addresses by the President and the NDP strategic development framework. In this regard, the focus of the five perspectives for measuring the effectiveness of each of the programmes was derived based on the perspectives of human capital acquisition and development, financial sustainability, effective internal controls, operational efficiency and competitiveness, and development impact. The usefulness of the study in assessing strategic alignment and coordination amongst policymakers, academics, researchers and government departments also contributes to the current debate on the measurement of the effectiveness of grant funding programmes in South Africa and beyond.

8.3 RECOMMENDATIONS

Measuring the effectiveness of publicly funded programmes is a topic of great interest in the literature. In developing countries such as South Africa, a collective reflection on grant funding programmes is required in anticipation that such will bring about improving the current situation

of the target groups of the programmes. Although the creation of more efficient economic programmes to support future socioeconomic agendas is required, there should be a better way to measure the effectiveness and the impact of public sector funding through the use of multidimensional evaluation instruments.

In South Africa, government, policymakers, academics and programme managers need to find ways to increase the effectiveness of the BBDP and the CIS by addressing the following priority issues as discussed under each of the perspectives applied and analysed in the study:

Human capital acquisition and development:

- a. Increase annual expenditure on staff training and capacity building; and
- b. encourage and support staff participation in personal development planning to facilitate improvement in staff productivity and staff engagement.

Financial sustainability:

- a. Develop periodical or annual audit report and risk assessment systems;
- b. reform the co-financing compliance procedures to improve on the financial expansion and disbursement coverage of the programmes; and
- c. put in place an effective and proactive monitoring, assessment and performance measurement mechanism that can easily identify related risk and key controls on a regular basis.

Effective internal controls:

- a. Strengthen the applicant relationship management processes, which will improve beneficiary interaction with the programmes, reduce turnaround time and improve some noncompliance application procedures;
- b. engage more qualified and skilled staff in order to improve processes;
- c. improve the quality of risk assessment and internal control mechanisms;
- d. improve the compliance and legislative framework for effective and efficient internal business process performance; and
- e. reduce unnecessary bureaucracy.

Operational efficiency and competitiveness:

- a. Relax the financial contract compliance requirements to reduce disparities in the contribution sharing formula between the different categories of beneficiaries;
- b. improve programme awareness within sectoral and community development

- investment needs; and
- c. monitor and evaluate related risks and key controls.

Development impact:

- a. Improve staff training in risk-related areas of the programmes;
- b. improve the quality and number of jobs facilitated;
- c. obtain visible information regarding the economic performance of the beneficiaries before and after disbursement;
- d. increase programme awareness within the targeted rural areas;
- e. improve gender (female) empowerment; and
- f. improve the quality of stakeholder engagement through monitoring and evaluation mechanisms.

More than ever before, measuring the effectiveness of grant funding programmes is needed. This will lead to more efficient and effective publicly funded programmes, represented by the objective of the current study, namely to quantify and present the current situation of the BBSDP and the CIS in terms of effectiveness and efficiency.

The empirical evidence generated from the study shows that it is crucial for the BBSDP and CIS programme administrators and policymakers to put in place structured mechanisms and measures that will improve disclosure of information at application and after disbursement of grants. This will serve as a guide for preparing an effective planning framework and implementation strategy for the two programmes in future. Moreover, the BBSDP and the CIS were established without being guided by any strategy and therefore no founding documentation was available for the study. Currently, the two programmes do not have a guiding principle on how they would deliver on their mandate and objectives; this may thwart the goal of promoting sustainable enterprises and improving the economic development, particularly in the rural areas of South Africa. Policymakers may need to take note of the need to review the design and implementation procedure of the BBSDP and the CIS. It is also recommended that relevant government departments put in place integrated policy guidelines on operationalising grant funding programmes in South Africa.

Finally, the policy guidelines should cover, amongst others, the requirements for an effective business plan, an implementation strategy and a logical framework for monitoring the performance of the business plan.

8.4 LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

Although other government intervention programmes (see Table 2.2) are given support in South Africa, their mandate is not necessarily to support the development of small and co-operative enterprises according to their financing structures and targeted groups. Therefore, the study focused on SMEs rather than on other enterprises.

The main objective of the study was to evaluate the effectiveness of small enterprise cost-sharing and co-operative grant incentive schemes in South Africa. However, considering that only two programmes were covered in this study, a much broader multiprogramme study in South Africa is desirable. Future research may likely provide more varied results. This would complement the results of this study and may yield generalisable results. Although the BBSDP and the CIS started operations in 2002 and 2005 respectively, the unavailability of data and the manual recording of programme activities limited the effort of investigating the effectiveness of the two programmes before the 2010/11 financial year. Hence, the study used data made available after the 2010/11 financial year. Also, the fewer number of studies in this area are not readily accessible and available. This situation also made it difficult to capture the full range of critical sources that could have informed an understanding of the true state of knowledge within the SMEs sector and grant funding programmes in South Africa.

This study did not take into account the life cycle of the beneficiary enterprises that benefited from the two programmes because the focus was on programme effectiveness rather than that of the beneficiaries. Examining the life cycle of the enterprises would allow for an in-depth analysis and assessment of the impact of a programme specifically on beneficiaries, leading to a more detailed evaluation on SMEs intervention and support programme in South Africa.

8.5 SUMMARY OF THE CHAPTER

This is the concluding chapter of the dissertation. The chapter summarised the overall results and findings relating to the research questions of this study. The empirical evidence generated by the study presented themes that emerged on the effectiveness of small enterprise cost-sharing and co-operative grant incentive schemes in South Africa. The chapter also dwelled on new methodological approaches to measure the effectiveness of the BBSDP and CIS grant funding programmes and their importance for future programme design. The contributions and limitations of the study were discussed, and areas of future research were explored.

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