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Credit Accessibility and Viability of Small and Medium Enterprises in South Africa

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Abstract: Small and medium businesses (SMEs) play a significant role in supporting economic expansion in economies worldwide. However, lack of accessibility to credit funding has been a major stumbling block in transitioning these businesses from just profitable to ensuring growth and long-term viability. The aim of this research paper was to explore the correlation between access to credit funding obtained and the impact it has on the viability of SMEs. The objectives of the study were to: Investigate the scarcity of accessing credit; Analyze the relationship between access to credit and its impact on the viability of SMEs. The methodology included a quantitative research approach. The methodology included a quantitative research approach. The research design was descriptive, and cross-sectional. The study targeted 105 SMEs operating in KwaZulu-Natal, South Africa. The findings revealed that 75.73% SMEs who secure finance to fund their business have observed a positive correlation to the success and viability of their business. 81% of SMEs indicated that a shortage of collateral/security, 52% revealed a dearth of a statement of cash flows, and an absence of owners' equity impede them from obtaining financing. Also, a study revealed a positive correlation between Access to Credit and viability of Small and Medium Enterprises ($r=0.250$, $p<0.0005$). The study recommended that banks and government authorities should increase their assistance to aid SMEs with financial, operational, business, and marketing assistance through a variety of regulatory methods. These may include the supply of collateral when establishing and supporting various credit programs for SMEs. The information asymmetry problem can be alleviated by improving legislation, improving entrepreneurial skills and education for SMEs.

Keywords: Scarcity of funding; credit accessibility; business viability

JEL Classification: G21; L26

1. Introduction

In South Africa, the sector of small and medium enterprises is continuing to grow as the core a source of productive employment and wealth creation, which drives economic development (Fatoki, 2020). Significant financial performance measures including loan, investment, and the associated costs with such credit have been viewed as critical components in the financing of small and medium-sized businesses. (Cantele & Zardini, 2018). Rasheed and Rahman (2018) point out, financing a business is a complicated process. The owners must first determine the enterprise's financial demands, whether they are short-term or long-term. It's also crucial to assess the difficulty of acquiring such funds, as well as the company's specific needs. It is just as essential to choose the appropriate business as it is to

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have the right sources of funding for a company from the start. This decision would have an influence on the company's capital structure (Wellalage & Locke, 2017). SME growth is hampered by one key issue: a scarcity of funding for SMEs (Wulandary, Jumariah & Alfin, 2021). According to a World Bank research, financing is a significant barrier to new investment for approximately 90% of small businesses questioned (Igwe, Ogundana, Egere & Anigbo, 2018). Sansa (2019) also discovered that smaller businesses have less access to financial resources than bigger businesses, which has resulted in their sluggish survival and prosperity. This is attributable to the reality that small businesses have restricted access to financial markets, owing to a view of greater risk, informational hurdles, and increased intermediation costs (Mwende, 2021).

Leboea, 2017 observed a widening disparity in the financial assistance available to South African SMEs. The major obstacles to SME access to financial solutions loans in South Africa have been cited as exorbitant interest rates, collateral requirements, and lengthy procedures (Rusu & Roman, 2017). There is a lack of financial institutions that accommodate to the requirements of small to medium-sized businesses. It is commonly found as information asymmetry among funding institutions and SMEs, as a result, financial instructions are reluctant to approach loans of SMEs, and SMEs are reluctant of approaching banks (Mwende, 2021). This impasse makes it challenging for SMEs to obtain the necessary funding they require to get their businesses to the point of endurance and success. Financial institutions frequently base their funding decisions on a lack of or non-existence of business financial records in SMEs. Therefore, it's difficult for SMEs to get finance (Bushe, 2019).

Other factors cited for the delayed effect of financing on SMEs include a lengthy loan application procedure, complexity, and inadequate distribution channels (Eyiah, Kheni & Acquah, 2018). Although the main goal of these funding was to improve SME financial results, minimal progress has been made (Kirikiru, 2021). One of the major restrictions that impede the viability and financial performance of SMEs is a shortage of access to banking services, and a variety of reasons have been found to understand this issue (Wellalage & Locke, 2017). On the supply, most traditional banking institutions see SMEs as untrustworthy, and therefore refuse to lend to them. Access to credit has been challenging for the SME sector in South Africa, since most banking institutions see them as unreliable and impose stricter lending criteria before extending loans. Bushe (2019) also concurred with the above by indicating that when SME businesses collapse, financing institutions frequently lose the funds they provided to them. This is the hazard or danger most financing institutions are wary of when it comes to approving loans to SMEs, mentioning problems such as loan default and information irregularity.

2. Literature Review

The capacity of borrowers to get money from fund sources is regarded as credit (Moulick, 2020). Depositors, finders, and other sources of cash are used by financial institutions to provide funds to borrowers (Sanni, Oke & Alayande, 2020). Financial firms serve as intermediaries among borrowers as well as depositors or fund investors in this fashion. In South Africa, where the capital market is underdeveloped, In South Africa, where the capital market is underdeveloped, credit restrictions manifest themselves in a number of ways, forcing SMEs to depend on self-financing or lending from friends and family in a number of ways, compelling SMEs to rely on self-financing or borrowing from family and friends (Balogun, Agumba & Ansary, 2018). Small businesses are forced to depend on high-cost short-term financing due to a lack of access to lengthy credit (Balogun, 2017). The much more formalized financial institutions, which tend to classify all SMEs as uncreditworthy, are to blame for these problems (Moulick, 2020). The development of less formal institutions, on the other hand, has not alleviated this load. Due to a lack of finances, these microcredit organizations can only go so far. Because of their short-term financing, they are unable to quickly convert their savings into collateral for medium- or long-term loans (Balogun, Agumba & Ansary, 2018). They also face the cost of refinancing through the official banking system, as well as the lack of access to central bank refinancing (Moulick, 2020). Longer relationships with a banking institutions or other financing institutions could indicate a company seems to have a "formal" capital market connection, where some believe is essential for obtaining credit market access (Eyiah, Kheni & Acquah, 2018). The credit history of a company is a key factor in determining whether or not it may receive credit. Because the finances of the owner and the company are often mixed and undifferentiated in certain small companies, the owner's credit history may be equally as significant as the enterprise's credit history (Balogun, 2017).

In emerging, developing nations, in which banking institutions have made considerable advances, SMEs may nevertheless encounter difficulties in obtaining formal financing such as financial loans, assurances, project funding, rental, and other forms of financing (Balogun, Agumba & Ansary, 2018). Despite the fact that SMEs are the biggest group of commercial bank clients in every country, loans to SMEs are often restricted to relatively short terms, preventing the financing of significant projects. Furthermore, because of the greater perceived risks associated with SME loans, accessibility to reasonable interest rates may be restricted (Sanni, Oke & Alayande, 2020).

In South Africa, Asah, Louw, and Williams (2020) Mary 2020 looked into the accessibility of financing to SMEs from the official financial sector. Using semi-structured in-depth interviewing and an interpretivistic research paradigm, information was analysed from corporate and financial management representatives from eight of the largest formal financial sectors. The research found that the most significant elements having an impact on the formal financial sector to lend loans to SMEs are collateral, yearly firm turnover, and audited financial documents. The main barriers to formal banking institutions lending to SMEs include a lack of capital investment, security in the form of collateral, and financial records.

The importance of SMEs in rural development is investigated by Manzoor, Wei, and Sahito (2021), who use access to financing as a mediating role. In Pakistan, a total of 338 entrepreneurs who manage SMEs in remote regions participated in the study's questionnaire. Entrepreneurs were chosen from the regions through a multi-stage stratified random sampling approach. This research confirms that the evolution of small and medium-sized businesses has a favorable and optimistic impact on rural region growth and development. Furthermore, the study demonstrates that "access to funding by SMEs" has a favorable impact on SME progress. The study discovered that "access to finance for SMEs" considerably mediated the impact of SME growth and expansion on rural development.

According to Goldhausen, (2017) research, an increment of 10% in bank lending to a business result in an increase of 18.14 percent in enterprise growth. On the other side, lack of financing has a greater negative impact on corporate profitability than any other issue (Flaminiano & Francisco, 2021). Small businesses have been shown to have less access to external capital and become more limited in their operations and expansion in both the industrialized and developing nations (Martinez-Cillero, Lawless & O'Toole, 2021). Various lending facilities geared at different types of businesses have been bundled by credit intermediaries. These goods provide SMEs a lot of options, and if they're suited to their requirements, they'll see better performance, more productivity, higher returns on investment, and higher profits (Muturi & Njeru, 2019).

Mwangi (2014) conducted research in Nairobi County to establish the impact of the financial development of SMEs and access to credit. A descriptive study approach was employed to accomplish the study's goal. SMEs licensed in Nairobi County made up the study's participants. Due to geographical characteristics, the researcher conducted a sample of 40 SMEs in Nairobi. The data for the research came from secondary sources. From 2009 to 2013, secondary data was gathered from SMEs' financial information. The information gathered was all quantitative in nature, and it was evaluated using descriptive and regression analysis. The research discovered that providing loans to SMEs is a major issue among most owners and operators of small businesses, as most of them lacked the necessary collateral or security to get credit. According to the research outcome, many small business owners who received financing were able to substantially develop and enhance their companies.

Due to a shortage of financing, Balogun, Agumba and Ansary (2018) has been unable to maintain or repair equipment, buy needed supplies and resources, or grow. Large companies gain from entrenched capital markets while tiny enterprises cannot obtain money, according to Goldhausen, (2017); Liang, Huang, Liao and Gao (2017). Because the financial sector is a main source of funding for SMEs, there is a scarcity of well-developed finance information systems (Sanni, Oke & Alayande, 2020). Consequently, SMEs have been unable to get further funding. SME growth in underdeveloped nations is hampered by a shortage of financing for their expansion. Because of the difficulties I n obtaining alternative finance, a significant percentage of Kenyan SMEs depend on retained profits to fund their operations.

The researchers below have found that access to money had a favorable impact on SMEs' financial viability. A study by Adomako, Danso, and Ofori Damoah (2016) revealed that access to external funding has a direct impact on SMEs' profitability which ultimately leads to viability. These findings are aligned with those of Boubakri and Saffar (2016), who claim that SMEs' access to financing has a significant impact on their performance and future success.

Mayabi (2013) investigated the impact of loans on the development of small and micro businesses in Nairobi's Central Business District. With an emphasis on boutique businesses in Nairobi's quickly expanding Central Business District, the research uses a descriptive method. The findings revealed that access to credit is required for companies to flourish, as evidenced by the meaningful correlation among access to credit as well as the amount of financing and finance managerial skills, pointing to the fact that a significantly boost in access to credit prospects to the advancement of SMEs financing as well as financial managerial skills, since the same association has been established among both access to credit and the stock levels and the effects on employees.

According to another research, "in South Africa, 75% of loan applications by startup businesses are refused, and just 2% of newly established SMEs are managed to obtain financing, while just 2% of entrepreneurs looking venture capital are viable" (Omondi & Jagongo, 2018).

Kinyua (2015) explored the effect of accessibility to microfinance on the survival of SMEs. The research was conducted using a descriptive research approach. The investigation discovered that the businesses in the research had accessed various loan amounts. Accessibility to credit has a substantial impact on the success and profitability of SMEs, according to the study. The study assessed the influence of savings and deposits on SMEs' financial results, finding that savings allowed businesses to obtain credit from banks while also gauging their income generating capacity.

As a result, the following hypotheses are made for this research:

H0: Access to credit have no influence on the viability of South African SMEs.

H1: Access to credit have an impact on the viability of South African SMEs.

3. Theoretical Framework

The pecking order theory is a fiscal theory proposed by Donaldson in 1961 and updated by others (Myers & Majlif, 1984). The hypothesis was linked to a company's capital structure. It is hypothesized that managers choose funding sources using a pyramid structure. Internal finance or reserves are given priority in the hierarchy. If internal sources are insufficient, managers must consider external sources. To raise money, they will make loans. When issuing additional debt is no longer a viable option, equity is regarded a final resort. (Zoppa & McMahon, 2002) further indicated that because funding is one of the most important concerns for most organizations, it is also the most important part of every business. While debt financing is taking out a loan, equity financing entails selling a share of a company in the hopes of obtaining funding.

This idea is critical for SMEs since the majority of them choose a less expensive source of financing and have no desire of compromising their ownership by seeking funds from other sources. This hypothesis was crucial in assessing if SMEs' viability in South Africa has been influenced by loan availability from their origin to their present state. This was accomplished by researching their financial structure and what they were able to effectively obtain initial capital as well as any additional cash they utilized.

Owing to asymmetric information, this theory, developed by Akerlof (1970), indicates that cost is not always symbol of quality, which may be harmful or positive based on how it develops. Various theorists' integration of incomplete information into neoclassical analysis throws into doubt the basic outcomes of competition economics and eliminates the single market equilibrium price.

The asymmetry of information amongst the bank as well as the enterprise, according to Leland and Pyle (1977), explains this problem (of credit rationing). They believe that enterprises ready to pay a high interest rate are the riskiest in the situation of knowledge asymmetry. Regardless of the danger they pose or because the bank was unable to correctly analyze the risk, certain borrowers are driven out of the loan market irrespective of the interest rate. Furthermore, this knowledge asymmetry causes moral hazard and anti-selection, which prevent the interest rate from balancing the lending market.

Asongu, Nwachukwu and Tchamyou (2016) genuinely think because when informational exchanges are sufficiently accurate, four effects can result: 1) lesser detrimental selection, 2) decrease borrower hold-up as well as bank information rents, 3) disciplinary actually effect on borrowers, and 4) eradication of incentive schemes to over-indebtedness engendered by having to deal with various banks. Banks are more likely to grant loans to SMEs that submit the appropriate information.

3. Methodology

The positivist paradigm was used in conjunction with a quantitative research approach. The Durban Chamber of Commerce said that roughly 700 SMEs are licensed (Msomi, Olarewaju & Ngcobo, 2021). The Cochran formula was used to explain the sample size in this study. The Conhran formula, according to Hoaglin (2016), indicates that a target group is either unidentified or excessively huge. The target demographic consisted of 700 SMEs situated in Durban, KwaZulu-Natal (Msomi, 2021). In this study, a total of 132 SMEs were sampled. As a result, a nonprobability (purposive) sampling methodology was determined as the best sampling method to use in instances when the populace is unknown, depending on its features. Each potential participant, who was included in the Durban Chamber of Commerce and Industry (DCCI) database, was first contacted by email and requested to join. SMEs operating within the Central Business district of Durban, KwaZulu-Natal, South Africa were consulted to gather data pertaining to the Access to Credit and viability of Small and Medium Enterprises. A total of 105 surveys were given to the study's participants for this research. A total of 103 surveys were administered from Retail sector, Construction, Manufacturing, Agricultural, Trade and accommodation. Transport. The total response rate was categorized and analyzed for this study.

The Statistical Package for Social Sciences (SPSS) was used for data analysis, descriptive analysis, correlation, and regression analysis to analyze the factor structures of the items used to compute and of the constructs tested in this study.

4. Analysis of Results

A descriptive study of research participants' responses on access to credit for SMEs' viability in South Africa

The analysis in terms of Access to credit for SMEs' viability was neutral on the outcome as follows

Access to credit	**Strong disagree**	**Disagree**	**Agree**	**Strong Agree**
SMEs can easily obtain financial institutions' credit facilities	52 (50.49%)	28 (27.18%)	15 (14.56%)	08 (7.77%)
Without any limitation, we always obtain credit facilities	65 (63.11%)	18 (17.48%)	10 (9.71%)	10 (9.71%)
Most SMEs do not have audited financial statements therefore access to loan facilities is difficult.	05 (4.85%)	15 (14.56%)	13 (12.62%)	70 (67.96%)
The time between borrowing loan to receiving of loan is quite short.	48 (46.60%)	21 (20.39%)	22 (21.36%)	12 (11.65%)
It requires a lot of time for financial institutions to process SME loan applications when companies have unaudited financial information	10 (9.71%)	07 (6.80%)	14 (13.59%)	72 (69.90%)
Financial institutions are demanding a large number of collateral loans from SMEs	11 (10.68%)	11 (10.68%)	03 (2.91%)	78 (75.73%)
For loan applications by SMEs, audited financial statements are necessary	33 (32.04%)	18 (17.48%)	13 (12.62%)	39 (37.86%)
Financial institutions can easily grant business expansion credit	80 (77.67%)	09 (08.74%)	14 (13.59%)	00 (00%)

Not all SMEs receive a company expansion credit	12 (11.65%)	10 (09.71%)	12 (11.65%)	69 (66.99%)
We have severely applied and all applications were accepted for business expansion funding	55 (53.40%)	18 (17.48%)	12 (11.65%)	18 (17.48%)
The credit that I have accessed on financial institutions have given our SME the opportunity for growth and viability.	07 (6.80%)	18 (17.48%)	13 (12.62%)	65 (63.11%)

From the table above it can be observed that more than three quarter of the respondents (80%) cannot easily obtain financial institutions' credit facilities. These findings are in accordance with Wanjohi (2009) who indicated that the capital market is underdeveloped, credit restrictions manifest themselves in a number of ways, forcing SMEs to depend on self-financing or lending from friends and family. Small businesses are forced to depend on high-cost short-term financing due to a lack of access to lengthy credit. Just 23% agreed to the statement. 83% of the respondents indicated that they don't always obtain credit facilities. A mere 20% of the respondents indicated that they always obtain credit.

83% of respondents have specified that SMEs do not have audited financial statements therefore access to loan facilities is difficult. Bushe (2019) concurred with these findings by indicating that SMEs are frequently characterized by a lack or non-existence of company financial records on which financial institutions base their funding decisions. Therefore, it's difficult for SMEs to get finance (Bushe, 2019).

69% of respondents indicated that there is time lag between the time of borrowing the loan and receiving payment. A further 86% agreed that it takes a long time for financial institutions to process SME loans when companies have unaudited financial information. On the other hand, 81% have revealed that financial institutions are demanding a large number of collateral loans from SMEs. This requirement cannot be met by SMEs. This concurs with Wanjohi (2009), who have indicated that Due to a lack of finances, these microcredit organizations can only go so far. Because of their short-term financing, they are unable to quickly convert their savings into collateral for medium- or long-term loans.

Results for the statement: For loan applications by SMEs, audited financial statements are necessary, 52% agreed with the statement. These results as well as the results indicated above were concurred by Asah, Louw and Williams (2020) who revealed that the lack of investment capital, collateral and financial records are the main challenges faced by the formal financial sector in approving credit to SMEs.

A mere 14% agreed that financial institutions can easily grant business expansion credit. And 81% indicated that not all SMEs receive a company expansion credit. Just 30% of the respondents revealed that they have severely applied and all applications were accepted for business expansion funding. Also, more than three quarter of the respondents (78%) have indicated that the credit that they have accessed from financial institutions have given their SME the opportunity for growth and viability. These statistics are in line with Mwangi (2014) who indicated that many small business owners who received financing were able to substantially develop and enhance their companies.

Pearson's correlation coefficient of Access to Credit and viability of Small and Medium Enterprises

The result shows the relationship between Access to Credit and viability of Small and Medium Enterprises in South Africa. The outcome of the statistical analysis is illustrated in Table 1.

Table 1. Correlation between Access to Credit and viability of Small and Medium Enterprises

Construct A	Construct B	Pearson's correlation (r)	p-value
Access to Credit	viability of Small and Medium Enterprises	.250**	<.0005

**Correlation is significant at the 0.01 level (2-tailed)

The results of the Pearson's correlation coefficient illustrated in Table 1 establish a statistically substantial relationship between Access to Credit and viability of Small and Medium Enterprises in South Africa at ($r = .250$, $p < 0.0005$). The positive correlation indicates a direct relationship between construct A and constructs B. In other words, the easier accessibility to credits facilities will help in improve the sustainability and viability of SMEs in South Africa.

Bongomin, Ntayi, Munene and Malinga (2017) findings reveal a positive and significant relationship between access to credit and growth of SMEs in developing economies. In addition, financial literacy and access to finance also have significant and positive effects on vaibility of SMEs in developing economies. The results of the study conducted by Mueller and Sensini (2021) establish a statistically substantial relationship between Access to Credit and viability of Small and Medium Enterprises. The results of the research contradict those of Motta (2020), who found a weak link connecting access to credit as well as the viability of small businesses.

This agrees with Buyinza, Tibaingana and Mutenyo (2018), who claim that the major goal of microcredit is to improve the poor's well-being by providing greater access to small loans not given by traditional financial institutions. Inadequate credit availability for the impoverished just below or just above the poverty line, according to Hasanah, Indriani, Armeliza and Muliasari (2021), may have adverse effects for SMEs and general wellbeing. Access to credit boosts SMEs' risk-taking capabilities, improves risk-copying techniques, and allows for consumption softening over time. Microfinance is thought to increase the poor's well-being based on these principles. Access to credit and SMEs' financial sustainability were shown to have a substantial positive association, according to Muturi and Njeru (2019).

Regression analysis of Access to Credit and viability of Small and Medium Enterprises

A regression analysis was further conducted to establish the level of influence between the two constructs. The result of the linear regression is showcased in Table 2.

Table 2. Linear regression Access to Credit and Viability of Small and Medium Enterprises

Variables in the equation	B	Beta	t	p-value	R^2	F	df	p-value
Constant	6.404		4.303	<.0005	.063	8.149	1; 122	<.05
Access to Credit	.442	.250	2.855	<.05				

DV – viability of Small and Medium Enterprises

Predictor (Constant) – Access to Credit

The results of the regression analysis summarized in Table 2 indicate an R^2 value of 0.063 which suggests that Access to Credit accounts for 6.3% of the variance in viability of Small and Medium Enterprises and there is a significant linear relationship between Access to Credit and viability of Small and Medium Enterprises, $F(1, 122) = 8.149$, $p<.05$. The independent variable, viability of Small and Medium Enterprises, is a significant predictor of Access to Credit, $B = 0.442$, $p < 0.05$.

These findings are concurred by the researchers below. A study by Adomako, Danso, and Ofori Damoah (2016) revealed that access to external funding has a direct impact on SMEs' profitability which ultimately leads to viability. These findings are aligned with those of Boubakri and Saffar (2016), who indicate that access to credit has a huge impact on the performance and future success of SMEs. Kinyua (2015) investigated the impact of accessibility to microfinance on the survival of SMEs.

5. Conclusions and Recommendation

The null hypothesis was discarded based on the summary of findings. The research demonstrated that access to credit and viability of Small Medium Enterprises have a positive relationship. The findings show that SMEs believe that a shortage of collateral/security, a dearth of a cash flow statement, and a lack of owners' equity impede them from obtaining financing. Notwithstanding the difficulties in obtaining credit, which may be a stumbling obstacle, the results reveal that the majority of the involved SMEs were able to obtain credit, whether in full or in part. SME success may be hampered if they only received partial credit. When SMEs obtain a portion of the loan, it is possible that they would seek credit from other financial institutions or borrow money from friends to make up the difference. When candidates applied for financing from credit intermediaries, their existing standing within some SMEs reflected complete accessibility to credit. The present position's findings, however, do not indicate which exact position inside the SME influenced credit accessibility. It's important to note that the research didn't look into who applied for the credit. As a result, the participating respondents' present position in their organizations was not the credit applicant when it came to asking for credit.

The researchers recommend the results to various stakeholders, including the government, financial firms, and SMEs, drawn from the findings. Because the number of SMEs said that they got financing, the government should promote them to approach financial institutions to request for loans. As a result, the literature's claim that SMEs are unable to obtain finance may be dismissed. The government must be apprised of the difficulties that SMEs have identified. They are unable to receive credit as a result of these restrictions. Collateral (securities), owners' equity, and cash flow statement are the three. As a result, the government may be able to assist SMEs in overcoming some of these obstacles. The above results provide insights for improving SMEs access to credit, such as the government formulating an entrepreneurship policy by increasing the number of banks for small and medium-sized businesses and offering microcredit facilities that can grant low-interest loans while also helping to improve the environment. Optimizing legislation, entrepreneurial skills and education, encouraging technological interchange and innovation, boosting access to funding, and raising awareness and networking all help to alleviate the information asymmetry problem. In addition, the government can pursue an investigative approach by lowering corruption rates, eliminating political instability, and overhauling banking prudential standards. Governments might also compensate or subsidize the costs of doing business for SMEs. In this regard, the South African government might assist in the organization of SME conferences, activities such as trade fairs, and exhibitions, which could boost publicity and networking for local SMEs using grants. These events would make it easier for SMEs to participate at a lesser cost, allowing them to acquire new consumers and network with other businesses and partners. Due to the limited availability of finance, this will empower SMEs to depend on revenues rather than borrowing.

Financial institutions must be notified of the obstacles that SMEs have identified as barriers to loan availability. Collateral (security), owners' equity, and the cash flow statement are the three restrictions. SMEs must be advised that the person asking for financing must state his or her age and present position within the company. Financial institutions will be able to interact with owners using this information, and if they are verifying older candidates, the age will help. They must also provide the company's tax location and number. The tax number indicates that the company entity has been registered and is thus lawful.

As a result, banks and government authorities should increase their financial assistance for the small and medium scale enterprises, which is a key economic force in the country. Governments may help SMEs with financial, operational, business, and marketing assistance through a variety of regulatory methods. These may include the supply of collateral when establishing and supporting various credit programs for SMEs. These credit plans might also include procedures that incentivize SMEs to hire more people, gain financial independence, and pay less in taxes to the government or local governments. Governments should support SME employee training in order to lessen the financial burden on SMEs and boost efficiency or production.

This might aid the industry in continuing to reduce the impact of socioeconomic issues such as unemployment, inequalities, and poverty. Financial institutions could also play a role in raising awareness, especially about the necessity of collateral, through ads, engagement with trade groups, and business-related events like as trade shows. The SMEs may become aware of the needs, which may inspire them to invest in collateral assets.

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