



Value Creation Through Active Investment in the Small and Medium Sized Enterprise Segment in Sub-Saharan Africa

Evidence from Case Study Research

Daniel Tilly

Supervisor: Jose Albuquerque de Sousa

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Abstract

In Sub-Saharan Africa, the work of Impact Investors and Business Development Service Providers has been identified as a primary way of accelerating growth in the SME segment. It is believed that mentorship, governance and active ownership all contribute positively towards SME development and growth. This paper studies the effectiveness of Impact Investors and BDSP in this regard. The research question that will be explored is how value creation among SMEs is strengthened through active ownership by an Impact Investor or engagement with a BDSP. My hypothesis is that active ownership, or engagement with BDSP, is more effective than passive investment in value creation among SMEs.

I began by using the case study method to observe the contribution of Impact Investors and BDSP on SME development. My focus here is the observation of current established theory in the real world with the hope that inspiration for new areas of research will be uncovered. I then provide a supporting quantitative analysis which reviews the impact of active investment in SMEs compared to passive investment.

It is also my hope that these case studies prove helpful to the development of human capital in the region by enabling future business leaders and entrepreneurs to study management using the case method as is common within leading business schools around the world. This thesis dives deep into the operations of a SME in South Africa, documents their plans for success and records their progression towards those goals with the help of an Impact Investor and a BDSP. My hope is that these case studies will provide a valuable contribution to the small business segment throughout SSA and beyond by providing actionable case study examples of successful businesses.

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Abbreviations

NGO: Non-Governmental Organization

SSA: Sub Saharan Africa

SME: Small and Medium Sized Enterprises

GIIN: Global Impact Investing Network

BDSP: Business Development Service Provider

ESD: Enterprise and Supplier Development

COGS: Cost of Goods Sold

PET: Polyethylene Terephthalate

HD: High-Density Polyethylene

LD: Low-Density Polyethylene

PEP: Polypropylene

1.0 Introduction

Economic development initiatives have historically been the exclusive remit of governments, NGO's and nonprofits. With a common goal of lifting nations out of a cycle of poverty, agencies like the World Bank and USAID have built an industry around development work. In 2017, foreign economic aid flows by governments amounted to \$177 billion (OECD iLibrary, 2019). Of that amount, \$35 billion was provided by the US government (USAID, 2019).

Governments and NGOs work complimentarily, performing functions that the other is not suited for. Similarly, for-profits and non-profits also work complimentarily for the advancement of society (Drucker, 1990). With this in mind it is exciting to observe increasing international interest in achieving development goals through the for-profit sector that will complement the non-profit sector. Private investors, development finance institutions and banks have all increased their Impact Investing assets under management. Adding to the “buzz” is the increased attention paid by the entertainment and media industries. The 2014 documentary titled “Poverty, Inc” highlights this trend, winning awards at five international film festivals. Momentum is clearly in favor of Impact Investing becoming a more prominent means of achieving development goals than it has been historically.

1.1 Significance of the Impact Investing industry

GIIN estimates that global Impact Investing assets under management totaled \$228 billion in 2018 (GIIN, 2018). This is up 100% from \$114 billion in assets under management in 2017. With Impact Investing assets under management now being 29% more than annual global foreign aid, the industry is expected to play a more prominent role alongside governments, NGOs and non-profits to achieve shared development goals such as ending cycles of poverty and reversing the environmental and social damage inflicted by insufficient investment and mismanagement of funds. Additionally, it has been shown that channeling financial resources through the private sector leads to higher growth than channeling resources through public investments (Fjose, Grünfeld, & Green, 2010).

SSA in particular has emerged as an area of focus within Impact Investing. According to GIIN, 36% of the 220 Impact Investors surveyed in 2017 made investments in SSA (GIIN, 2018). This is second only to the U.S and Canada to which 56% of Impact Investor's deployed capital. While these figures paint an exciting picture of the future of SSA, significant challenges do remain (Mutsa, Georges, & Acha, 2018). 26% of SMEs surveyed in SSA cite "access to finance" as their most significant growth constraint (Beck & Cull, SME Finance in Africa, 2014). This compares to 14% of respondents in the rest of the world. At the same time, 32% of impact investors cite lack of "high-quality investible opportunities" as a significant challenge (GIIN, 2018). This mismatch between the available supply and demand of finance specifically designated for impact or development suggests that the success of the Impact Investing space will depend on the quality and ability of management teams to effectively receive investment and execute on their strategic growth plans. Economic development in SSA will only be achieved through the development of human capital and capacity building that will ultimately increase the number of high-quality investible opportunities.

1.2 Research question and case study method for research and teaching

The focus of this thesis is to research the impact of active investment on value creation among SME's in SSA. To explore the topic of active investment, this thesis reviews evidence using the case study method, adding to the nearly nonexistent case study literature among the SME segment in SSA.

To achieve advances in human capital, leading U.S. business schools have adopted the case study method for teaching, first championed by Wallace Brett Donham at Harvard Business School in the 1920's. This thesis will hopefully enable managers of SME's and Impact Investors across SSA to learn from others experience.

The case study will focus on one company in the light manufacturing industry, a top three industry within Impact Investing (Catalyst for Growth, 2018). In addition, I survey several SMEs in Burundi to provide a quantitative review of the impact that active investment in the SME segment in SSA can have.

2. Literature Review

To review the existing literature in the SME Impact Investing space in SSA, it is important to understand the major categories of participants in the space and how they interact with each other. These categories of participants can broadly be defined as SMEs, BDSPs and Impact Investors.

2.1 SME literature review

SMEs are the segment of companies largely responsible for the success or failure of a country's economic development initiatives. In South Africa it is estimated that SMEs account for 60% of employment and 91% of formal businesses (World Bank, 2018). For the entirety of SSA, SMEs comprise 95% of all firms (Fjose, Grünfeld, & Green, 2010).

The South African National Development Plan (World Bank, 2018) has the stated aim of creating 11 million new jobs by 2023, 90% of which is expected to come from the SME sector. Despite the questionable believability of these stated government projections, the take away is that the health of the SME space is important for economic development.

In South Africa, small businesses are defined as those that employ between 21 and 50 employees and with annual revenue of R1 million in the agriculture sector, R13 million in the catering, accommodation and manufacturing sectors and R32 million in wholesale trade sector. Medium sized businesses in the South African context are defined as businesses with fewer than 200 employees, revenue of less than R64 million, capital assets of less than R10 and direct managerial involvement by owners. A summary of these categories is provided in figure 1.

Figure 1:

SME's Contain

Micro Firms	1-9 employees
Small Firms	10-50 employees
Medium Firms	50-250 employees

Patterns in a representative economy:

Category	Share of all firms	Share of employment
Micro	90%	30%
Small	8%	20%
Medium	1.5%	10%
Large	0.5%	40%

(Fjose, Grünfeld, & Green, 2010)

Industry participants and researchers have determined however that a vibrant SME sector will not lead to significant economic development without the successful growth of several companies past the SME designation to become large companies. It is important to observe the progression of a small number of SME's through the stages of growth to a large company rather than a vibrant SME sector without any examples of progression to large company status. Employment and value creation increase substantially through the creation of several large companies from a segment of many SMEs (Fjose, Grünfeld, & Green, 2010).

The wealthier a country becomes the more important SMEs become to the overall economy. This is due to the specialization and innovation SMEs contribute in more developed economies. A critical component then is the development of a few SMEs through the stages of growth to become larger companies which will be supported by a vibrant SME sector (Ayyagari, Beck, & Demircuc-Kunt, Small and Medium Enterprises across the Globe : A New Database, 2003).

The stages of corporate growth have been documented extensively in a developed economy context.

McGuire 1963 found that companies typically move through four stages of development which can be defined as, 1) traditional small company, 2) planning for growth, 3) take-off or departure from existing conditions, 4) drive to professional management and mass production market by a “diffusion of objectives and an interest in the welfare of society”.

Steinmetz 1969 theorized that companies progress through four stages of growth which can be observed through increasing sophistication regarding management and control within the organization. Each stage defines a requirement for the business to achieve before moving on to the next stage. The first stage is direct supervision which is the simplest stage and at the end of which the owner must become a manager by learning to delegate to others. The second stage is supervised supervision. In order to progress through this stage, the manager must devote their efforts to growth and expansion, manage increased overhead and complex finances, and increasingly become an administrator. The third stage is indirect control. From this stage the company must learn to delegate tasks to key managers and deal with declining absolute rate of return and overstaffing at the middle levels. The fourth and final stage is divisional organization. At this stage the company has achieved maturity and has the resources and organizational structure that will enable it to remain viable.

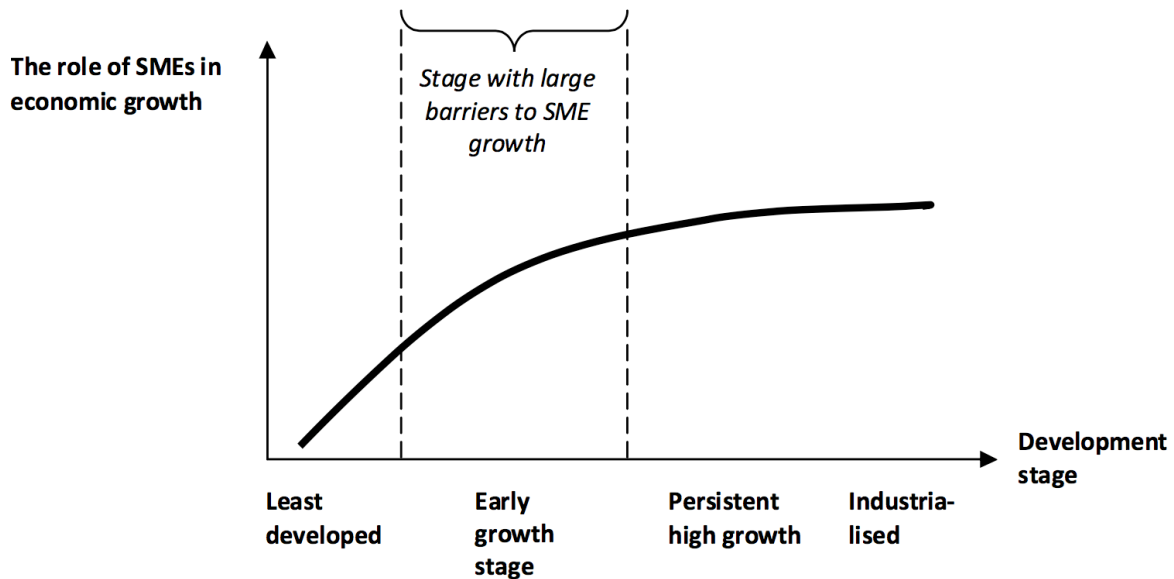
Christensen & Scott 1964 theorized that SME’s might progress through three stages of organizational complexity as the business grows. The stages are 1) a business characterized by one-unit management with no organizational parts, 2) a business comprised of one-unit management but with functional parts such as sales, marketing and finance and 3) a company with multiple operating units, such as product verticals, that act on their own behalf in the marketplace.

Greiner 1972 proposed a model of SME evolution in which the business progress through five phases of growth as they transition from small to large organizations measured by both revenue and employees. Each phase is characterized by a progression from the prior phase and is marked

by a crisis which leads to a transition to the next phase. These phases are defined as 1) growth through creativity ending with a crisis of leadership, 2) growth through direction ending with a crisis of autonomy, 3) growth through delegation ending with a crisis of control, 4) growth through co-ordination ending with a crisis of red-tape, and 5) growth through collaboration which ends with an unknown crisis.

A simplified growth model for SME's in SSA emphasizes the early growth stage as being the most difficult stage to progress through, as is typical in most countries (Fjose, Grünfeld, & Green, 2010). Of particular importance in economic development, particularly in countries with high levels of unemployment, is the increasing role of SMEs in economic growth as they progress along the x axis. SME's begin to play an increasingly important role in development as they progress through the stages of corporate growth. This growth model is depicted in figure 2.

Figure 2:



(Fjose, Grünfeld, & Green, 2010)

On the macro level, factors that have been found to contribute to SME development are access to finance (Beck & Cull, SME Finance in Africa, 2014), stable electricity supply (Fjose, Grünfeld, & Green, 2010), secure property rights (Strulik & Linder, 1999), information sharing such as

credit history and ease of starting a new business (Ayyagari, Beck, & Demirgüç-Kunt, Small and Medium Enterprises across the Globe, 2005). On the micro level, an entrepreneur's education, previous experience or knowledge have been observed to play the most critical role in SME success (Catalyst for Growth, 2018). It would seem like a logical conclusion then that SME growth can be strengthened through active investment with a focus not only on governance but also on human capital development.

Separation of Ownership and Control

The separation of ownership from control, and the resulting agency relationship, is a topic that has been examined extensively in the field of corporate finance (Jensen & Meckling, Theory of the firm: Managerial behavior, agency costs and ownership structure, 1976) (Fama, Agency Problems and the Theory of the Firm, 1980) (Fama & Jensen, Separation of Ownership and Control, 1998) (Jensen, Agency Costs of Free Cash Flow, Corporate Finance, and Takeovers, 1986). Agent relationships have been shown to result in occasionally conflicting interests between principals and agents which is enabled by the presence of asymmetric information between the two parties. In the context of this thesis, the principal is the Impact Investor and the agent is the manager of the SME.

The presence of asymmetric information affects a firm's cost of capital. If the manager of an SME has information that is relevant to the future potential of the firm which the Impact Investor does not have access to, or only at a prohibitively high cost, this can lead to increased idiosyncratic risk (Myers & Majluf, 1984). The main sources of idiosyncratic risk are adverse selection and moral hazard. (Beck & Maimbo, Financing Africa Through the Crisis and Beyond, 2011) Adverse selection refers to a higher cost of capital which would naturally attract both riskier SMEs and projects. Moral hazard refers to the SMEs incentive to use the proceeds of an investment in ventures that would be otherwise considered too risky, while concealing this behavior from the investor.

The presence of asymmetric information also affects a firm's capital structure. Bank lending is the most common source of finance for SMEs which often presents challenges to early stage companies with a higher risk-return profile (OECD, 2015). It is estimated that of the SMEs in SSA that secure external financing, 6.3% is in the form of equity, 48.5% is formal external debt,

17.4% is semi-formal financing and 27.8% is informal financing (Kuntchev, Ramalho, Rodríguez-Meza, & Yang, 2012) At the same time, 74% of impact investing assets under management is in the form of debt (GIIN, 2018). This preference for debt might be partly explained by asymmetric information and the high costs of information gathering in the SME segment, particularly in SSA. Debt investments are less attractive than an equity investment to inferior firms. Therefore, debt investments by Impact Investors may increase the average quality of firms when it is otherwise difficult to sort between them (Narayanan, 1988). Debt also limits conflicts of interest as it does not subsidize potential deviating behavior of a manager like equity finance might. Active investment by monitoring firm behavior will lower information asymmetry and may result in the increased use of equity which would be a positive development for the SME sector in SSA.

The separation of ownership and control affects SMEs differently depending on the stage of growth they are in. It has been observed that as companies mature, and free cash flow increases, agency cost can also increase (Jensen, Agency Costs of Free Cash Flow, Corporate Finance, and Takeovers, 1986). The behavior of managers of small companies are constrained by a lack of cash. This discipline is lost as a firm grows and free cash flow increases. For this reason, it should be expected that monitoring by active investors, or bonding through a debt investment, will have a more significant positive impact on firm growth in more mature companies that are not disciplined by free cash flow constraints (Jensen & Meckling, Theory of the firm: Managerial behavior, agency costs and ownership structure, 1976).

The objectives of an Impact Investor are frequently a combination of, or balance between, *impact* and *profit*. By minimizing information asymmetry through monitoring and bonding it may be possible for Impact Investors to increase their effectiveness. They will be able to provide capital at a lower cost, contribute to deleveraging by investing equity and minimize agency cost as firms progress through the stages of corporate development. Addressing these issues will aid in the development of the SME sector in SSA.

2.2 BDS literature review

Significant challenges faced by SMEs in their journey towards the “persistent high growth” and “industrialized” development stages in figure 2 are access to markets and finance, as well as business support, followed by the planning and quality of products (Pooe & Mafini, 2012; Ramukumba, 2014; Seeletse, 2012). To overcome these challenges, and address others, a stakeholder segment of BDSPs has emerged and plays a vital role in SME development in SSA. BDSPs work with SMEs to develop them past early stage ventures into more mature organizations. They are defined as all programs, including incubators, accelerators, hybrids, corporate, ESD programs, business advisory services and others, that offer non-financial services and products to entrepreneurs at various stages of their business development (ANDE 2018). The success of an SMEs engagement with a BDSP can be measured by revenue growth, margin improvement, full-time employees, part-time employees, number of suppliers and number of customers (Catalyst for Growth, 2018). Improvement in these areas is evidence of a SME moving through the stages of corporate development.

The BDSP space in South Africa has been growing quickly, mirroring the growth seen in the Impact Investing segment. In 2001 there were three public sector incubators, increasing sharply to 51 by 2013 (Masutha & Rogerson, 2014). A map of South Africa’s entrepreneurial ecosystem (ANDE 2018) identified a total of 340 BDSPs in 2018. Most BDSPs are based in metropolitan areas due to the higher density of SMEs in these areas. Some are sector-specific while others are sector-agnostic. Most of the public sector BDSPs are sector-specific, while most of the private sector BDSPs are sector-agnostic. The services offered by BDSPs are either provided as a program offering which brings multiple SME’s through a curriculum with a duration of two months to two years (Catalyst for Growth, 2018) or a bespoke service which resembles traditional strategy consulting engagements that you might find with a company like Deloitte or McKinsey, although on a much smaller scale.

My initial hypothesis, which was outlined earlier, is that active investment by Impact Investors will positively impact value creation among SMEs. Similarly, it is also possible that passive investment, when combined with a SMEs bespoke engagement with a BDSP, will achieve a

similar result. The existing literature supports the effectiveness of BDSP in a South African context.

Surveys have shown that SMEs that do not necessarily recommend the best performing BDSPs (Catalyst for Growth, 2018). When measured by quantitative metrics such as an SMEs improvement in revenue, margins and business processes, high performing BDSPs frequently received low satisfaction ratings from SMEs. This suggests that the process of achieving better financial performance through an engagement with a BDSP involves the manager being pushed out of their comfort zone (Catalyst for Growth, 2018). While better management of expectations might result in an improved understanding of the value that BDSPs provide, it is encouraging that SME performance can be strengthened through coaching and active engagement.

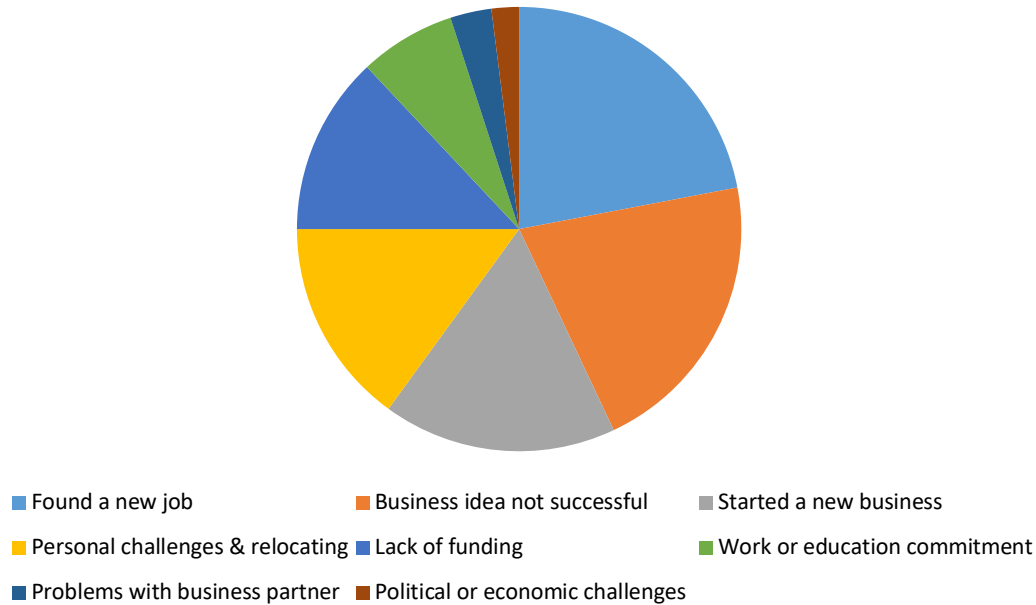
Most SMEs fail in their earlier years of operation (FinMark Trust, 2010) (Seeletse, 2012). Findings from various researchers estimate that 70% to 90% fail in their first years of operations. Herrington & Kew 2015 estimate 70 to 90% of SMEs fail in the first 42 months. Mutyeniyoka & Madzivhandila 2014 estimate the failure rate at 70% to 80%.

The likelihood of survival past a company's first year has been shown to increase significantly during an engagement with a BDSP. Approximately 80% of SMEs in South Africa fail during their first year of operations. SMEs that engage with BDSPs reverse this statistic and achieve an 80% survival rate during their first year of operations (Masutha & Rogerson, 2014). The Small Enterprise Development Agency (SEDA), a public institution, has also acknowledged that incubated SMEs yields a significant positive result (Harinath & Francisco, 2010).

SME failure however is not to be avoided at all costs. BDS providers should, and do, play a role in encouraging SMEs to fail fast. Helping entrepreneurs learn from their experiences and encouraging them to try again (Reiss, 2011). Low rates of SME survival have historically been attributed to lack of funding (Beck & Demircug-Kunt, Small and medium-size enterprises: Access to finance as a growth constraint, 2006). Additional surveys and interviews with entrepreneurs have revealed that only 13% cite lack of funding as their primary reason for discontinuing their business (Catalyst for Growth, 2018). Figure 3 depicts the most common reasons for SME failure.

Figure 3:

Reasons for SME failure



(Catalyst for Growth, 2018)

Manager education also plays a significant role in SME survival rates. Entrepreneurs that have tertiary-degree education from a university or trade school have better survival rates than those without (Urban & Kongo, 2015). Increased levels of education give entrepreneurs an advantage in decision making. They have a better ability to take on more risk, understand complicated concepts efficiently and display a greater ability to persevere for extended periods (Catalyst for Growth, 2018).

It has been shown that BDSPs can have an outsized impact in assisting entrepreneurs that have not received tertiary-degree education overcome this disadvantage. Program BDSPs results in a 70% survival rate for entrepreneurs with high school level education. This percentage increases to 100% with bespoke BDSPs in a recent study (Catalyst for Growth, 2018). It is encouraging that education and human capital deficits can be overcome and are not the long-term structural problem they are often portrayed as.

Beyond business survival, there are differences in the effectiveness of program versus bespoke BDSPs when measured by an SMEs progression through the stages of development. It has been observed that small companies benefit most from program BDSPs while medium-sized SMEs benefit most from bespoke BDSPs, during which an entrepreneur will receive one-on-one mentoring (Catalyst for Growth, 2018). This is likely a result of bespoke BDSPs being better suited to provide more specific solutions to organizations that have added levels of complexity. Company performance in this paper is measured by increased revenue, profit margin improvement and full-time jobs created. Other studies also confirm the observation that training should be bespoke and specific to the type SME that is being supported (McGowan, Blundel, & Kristen, 2014)

The top ranked services provided by BDSPs in South Africa are 1) access to funders/investors, 2) access to markets, 3) marketing and 4) mentorship from business experts (Catalyst for Growth, 2018).

The success of BDS providers in increasing survival and growth rates among SMEs is evidence that SME development is not reliant on singular solutions such as an increase in finance. Rather, sustained development is possible through increases in human capital and management capacity. From a job creation development perspective, the case for BDSP engagement in the SME sector could not be stronger. BDSPs turn the SME sector from a marginal into a significant job creator (Wong, Ho, & Autio, 2005). In successfully developing SMEs along the stages of corporate development towards mature companies, BDSPs are responsible for the creation of approximately 21,000 jobs between 2004 and 2009 in South Africa when incubators supported 1,900 SMEs (Masutha & Rogerson, 2014). This data points to the economic benefit of BDSPs as research suggests that SMEs receiving support create more jobs and have higher survival rates.

Additionally, the work of BDSPs in the development of human capital and capacity building prior to an investment will result in an increase in the number of high-quality investible opportunities.

2.3 Impact Investing literature review

The availability of finance is critical as an enabler of human capital to achieve growth in the SME segment. In addition to meeting the working capital and investment needs of the business, engagement by active outside investors can act as a disciplining force to increase firm performance through improved systems of corporate governance (Jensen, Eclipse of the Public Corporation, 1989) (Kaplan & Stromberg, 2009). When combined, these factors play an important role in the progression of SMEs along the stages of corporate development.

Access to finance by SMEs remains a growth constraint in South Africa (Catalyst for Growth, 2018). It is estimated that only 1% of SMEs access formal funding and 87% do not access any type of financing (finfind, 2018). A significant contributor to this dynamic is the concentrated South African banking sector (Ngonyama & Simatele, 2017). South African banks have often treated the commercial market as a single market and have not provided financial products tailored for the more complex and fragmented SME segment (finfind, 2018). For example, banks often rely on traditional lending methods that require significant collateral from the SME. Additionally, South African banks have sought to minimize risk by prioritizing short term lending which unfortunately does not match the risk-return or growth profile of a typical SME (Beck & Maimbo, Financing Africa Through the Crisis and Beyond, 2011).

Growth in the South African Impact Investing segment contributes to a more diverse spectrum of risk tolerance which increases access to appropriate finance by SMEs. For example, the South African venture capital industry increased its number of deals by 139% in 2017 and Impact Investors in aggregate provided a more diverse set of funding instruments than the banking industry. A recent study identified the most common funding instruments as grant funding, followed by equity, blended finance, debt and mezzanine (ANDE, 2019). However, another study found the most prevalent types of finance to be 1) long term loans of greater than five years (31%), 2) equity Investments (23%), 3) short term loans of less than two years (17%), 4) medium term loans of between two and five years (16%) (GEM, 2017). This diversity of financing structures begins to provide SMEs with more appropriate capital structures which enables business growth. Progress continues in an effort to overcome the high search and

transaction costs, information asymmetry, bad credit history and sometimes lack of credit history among SMEs in South Africa (GEM, 2017).

Funding needs among SMEs in South Africa vary but a recent survey revealed insights that might act as a benchmark. Small companies on average asked investors for 1m Rand (68k USD) and the average investment request among medium sized companies is 3.6M Rand (247k USD) on average (finfind, 2018). Deal transaction costs do not decrease significantly with smaller deal size so BDSPs play an important role in aggregating and prescreening investments in this range.

The most common use of funds is to start a business (28%). Among established businesses the largest cited use of funds are 1) buying equipment (14%), 2) expanding the business (12%), 3) working capital (8%) and 4) cash flow assistance (6%) (finfind, 2018).

Access to finance in the SME segment is also being expanded by a number of digital lenders that have recently gained traction in South Africa. Examples include Lulalend and Merchant Capital.

3. Methodology and Data

The question that my research explored is whether active investment, or a bespoke engagement with a BDSP, contributes to value creation among the SME segment in SSA. My hypothesis is that active ownership, or a bespoke engagement with a BDSP, is more effective than passive investment in SME development.

I turned to the case study method to provide a qualitative assessment of SME development. The objective here was to determine how active investment might increase SME performance. Within a qualitative case study the distinction between the phenomenon being studied and the context within which it is being studied are not clearly evident (Saunders, Lewis, & Thornhill, 2015). For this reason the nature of this type of study is exploratory and imprecise. My hope was that it would lead to further areas of exploration and provide an improved understanding of the active Impact Investing segment in SSA.

I then conducted a survey in support of my research question to further explore if active ownership, or a bespoke engagement with a BDSP, is more effective than passive investment alone.

3.1 Research question

The research question this thesis set out to explore is how value creation is strengthened among SMEs through active ownership or a bespoke engagement with a BDSP. My hypothesis is that active ownership, or an engagement with a BDSP, is more effective than passive investment in value creation among SMEs. Using both a qualitative case study approach and quantitative analysis, this study adds greater granularity to questions such as, what is the role of the manager in SME growth? How are decisions made by the manager influenced by Impact Investors and BDSPs? How does corporate governance and professionalism contribute to firm growth? How are successful strategic decisions made? How does a manager's soft skills play a role in the organization's success? These are examples of the types of questions that may be answered through case research and supported by a quantitative study.

3.2 Company focus

The SME I selected for the qualitative case study was required to either be working with an active Impact Investor or engaged with a BDSP following an investment from a passive investor. Although my focus is specifically on the effect that active ownership has on an SME, I chose to potentially study those firms that might have received an investment from a passive investor (banks, online platforms) but were engaged with a BDSP because of the similarity between the two. For the quantitative review I considered all SMEs that I could gather data for that had received an investment, segmenting between those that did not have an active investor and those that did.

I excluded all SMEs without formal outside investment because my focus on active ownership does not apply to friend and family investors or other sources of informal investment. Friends and family might have motives in addition to financial ones which would introduce an undesirable variable to my study.

Additionally, BDSP program type was an important consideration in SME selection. Only those SMEs that were active with a bespoke BDSP offering were included. Program BDSPs were excluded. The reason for this is that bespoke BDSP closely resembles the relationship a SME would have with an active investor. Program BDSP does not provide any of the hypothesized benefits that active investment provides an SME such as improved corporate governance, help with setting strategy and professionalism of administrative functions.

3.3 Industry focus

In selecting an SME for the qualitative case study I prioritized three industries: Food / Agriculture, Financial Services, Energy / Manufacturing. These are the most active industries for SME investment in South Africa (Catalyst for Growth, 2018). To increase the appeal and relevance of this thesis I decided to focus the case study on one the most significant industries in the Impact Investing space. The quantitative study did not exclude any industries but did segment companies by industry as this variable is likely to have an effect of firm performance.

3.4 Stage of growth

The particular stage of an SMEs development was an important criteria when selecting for an SME to review for the qualitative case study. As the research questions aim is to document SME progression from Early Stage Growth to Persistent High Growth, it was necessary to define general guidelines for the types of companies that might qualify as having made this progression. Drawing from the contributions of McGuire 1963, Steinmetz 1969, Christensen & Scott 1964, Greiner 1972 and Fjose, Grünfeld & Green 2010, I propose a new corporate development framework unique to a typical SME growth experience in SSA. The framework includes four stages which are 1) direct supervision, mixed personal & business finances, 2) supervised supervision, organizational parts, separated finances, 3) increased complexity, growth through co-ordination and indirect control and 4) drive to professional management and mass production.

With this framework in mind, I only considered SMEs those that fit into the second stage of growth and were seeking to grow into a stage three enterprise.

Figure 4:

Author	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5
McGuire (1963)	Traditional small company	Planning for growth	Take-off or departure from existing conditions	Drive to professional management and mass production	
Steinmetz (1969)	Direct supervision	Delegation and supervised supervision	Increased complexity and indirect control	Mature divisional organization	
Christiansen & Scott (1964)	One-unit management with no organizational parts	One-unit management but with organizational parts (finance, sales, etc.)	Multiple operating units that act on their own behalf in the marketplace		
Greiner (1972)	Growth through creativity ending with crisis of leadership	Growth through direction ending with crisis of autonomy	Growth through delegation ending with crisis of control	Growth through co-ordination ending with crisis of red-tape	Growth through collaboration which ends with unknown crisis
Fjose, Grünfeld, & Green 2010	Least Developed	Early staged growth	Persistent high growth	Industrialized	
Tilly (2018)	Direct supervision, mixed personal & business finances	Supervised supervision, organizational parts, separated finances	Increased complexity, growth through co-ordination and indirect control	Drive to professional management and mass production	

3.5 Qualitative case study

I used the holistic case study method, treating the organization under study as a whole. I decided against the embedded case study method as SMEs are typically characterized by being wholly reliant on the manager/founder. At early stages of SME development there is very little

delegation which means all strategic decisions are ultimately made by the manager/founder. An embedded case study will be appropriate as the organization matures and semiautonomous divisions of the SME could all be studied individually (Saunders, Lewis, & Thornhill, 2015).

I chose to focus on a single case to elucidate the process by which an SME prepares itself to become investment ready, exploring the way active investment might contribute to this process. Additional case studies in the future would allow for interesting comparisons and the observation of patterns that might prove to be useful when applied to practice or as inspiration for further quantitative research.

The potential issue of internal validity is a concern in research conducted using the case study method because it is possible that variables that are outside of the scope of research could impact the outcome of the research. As our focus is on the impact that firm ownership has on the growth of an SME, the key variables under study are the SMEs, BDSPPs and Impact Investors in SSA. It is important to note however that these actors do not operate in a vacuum and factors outside of the study do have an effect on the growth of an SME. For instance, the period of study could have been a time of strong economic growth generally which may contribute significantly to SME growth that I may have otherwise attributed to active ownership by either Impact Investors or BDSPPs. Also, differences in economic conditions regionally or by industry could lead to variances in growth rates that are not caused by the variables under study. In a case study analysis, where the smoothing effect of averages is lost, the impact of internal validity is more significant than with other studies that focus on a larger segment of SMEs. SMEs are highly complex organizations and their successful development is the result of a seemingly infinite number of variables which do change from one business cycle to the next. It is important for the reader to be conscious of this as they review the cases. It is perhaps business instinct which separates successful SMEs from the rest and it is very hard to measure all the variables that lead to instinct.

In the study of SME growth there are many methodologies in addition to the case study method that are possible to choose from. These include experiment, survey, action research, grounded theory, ethnography and archival research. The case study method was used as it allows for the

exploration of a real-world phenomenon that I hope will be particularly valuable to practitioners as well as the academic community.

3.6 Quantitative case study

My hypothesis is that SME value creation in SSA improves with active investment when compared to passive investment. To further test this hypothesis, I collected a dataset of 36 observations by surveying SMEs and investors in Burundi. The investors that participated in this study include BCB Bank, Interbank Burundi and Hauge Finance. My approach to examine the data is detailed below.

Methodology

I began by reviewing the data and identifying errors. This was an important step because often times the data that was provided to me was incomplete, not formatted correctly or contained missing rows. I went through a process of data cleanup to ensure a clean and accurate dataset.

As the data was provided in local currency, local currency values were converted to USD on April 16, 2019.

From here I assembled a series of tables and charts which displayed summary statistics. The nature of the data I was able to collect to study the effect of active investment on SME value creation is such that any conclusions should be exploratory in nature and perhaps a point of departure for further study. Analysis by regression and other statistical methods, while possible, would lead to conclusions with statistical issues that prevent the conclusions applicability to the industry as a whole. I provide a review of the data's shortcomings in the following sections. Conclusions from the data will also be explored in more detail in the sections to follow. I also provide suggestions for further development which may aid future research.

Data

The measurement and collection of data in SSA can be an informal and challenging process. This is in part due to a dynamic business environment where the luxury of record keeping is secondary to business survival and growth, particularly among early stage companies. During my

research I found that the record keeping practices that are taken for granted in Western Europe and North America are not standardized in across SSA. The collection of data, particularly while sitting in Norway, is completed through favors from a personal network and introductions to individuals that might be persuaded to help through a friendly email. There is a significant amount of hustle involved to collect data.

Much of the existing research in SSA is completed through data collected and provided by the World Bank and other large international agencies. I went through the process of collecting my own data because I did not want to tailor the topic of this thesis to data that was already publicly available. Although this required additional effort and resulted in a data set that is not as robust as those provided by the World Bank, I believe the contribution of this data are both the conclusions drawn from it and, perhaps more significantly, the possibility of inspiring future researchers to expand data collection efforts to include the internal practices and results of the Impact Investing segment in SSA.

The categories of data that were collected are outlined below. As our understanding of the Impact Investing segment in SSA continues to mature I expect this list to be refined and added to with additional categories of data. The data I collected are grouped into Company Information and Investment Information.

The dependent variable under study is the SME's performance. I only observed debt investments and for these I recorded the SME's loan status (default, missed payments, current). I use this as a proxy for SME performance and value creation.

The independent variable of interest is active or passive investment; industry, manager age, manager years of education, company size and interest rate were included to segment the data and could in the future be used as controls when performing prescriptive statistics.

Company Information

1. Company Name – This category is self-explanatory but is important as it is the only way of identifying the SMEs in my dataset. Most SMEs included in my data set do not have

websites or other categories of information that would help to identify the company. The name of the company important in this regard.

2. Industry – This category segments SMEs by industry as growth rates and dynamics are likely to differ considerably by industry. I expect SME performance to vary by industry. Industries represented in the study are diverse and cover a wide range of different sectors of the economy.
3. Manager Age – This category segments SMEs by manager age. Age is an imperfect proxy for experience but may still be an important determinant in the success of an SME. Age may be an advantage in traditional industries while age may be a detriment in industries that are more reliant on technology.
4. Manager years of education – This category reports the managers highest level of education completed. Education may impact the performance of a manager and there is near consensus that additional formal education will be of benefit to an individual. It is unclear however if the benefit of additional formal education is translated to increased manager performance, particularly in an entrepreneurial environment in SSA. It may be that the real benefit of formal education is that it allows an individual to gain employment at certain companies that have a specific education level as an employment requirement but does little to actually improve an individual's performance.
5. Company Size – I calculate company size by the number of employees. Company size may play a role in company performance over a given measurement period. I would expect smaller companies to display volatile but occasional examples of high performance and larger companies displaying steady and more stable growth.

Investment Information

1. Investment Amount – The size of an investment is impacted by several variables which can be grouped into the supply of and demand for capital. For this reason it is included for informational purposes but should not be considered a predictor of SME success. A better variable to include in future studies may be a calculated measure that would provide a value for the credit constrained status of the firm pre- and post-investment. This would be a function of investment size and investment need. I would expect an improved value measuring the credit constrained status of a firm to correlate to improved SME

performance. The inclusion of this variable would coincide well with existing literature which studies the impact of credit constraint among SMEs in SSA.

2. Interest Rate – In the case of a debt investment, the interest rate of the loan was recorded. A prohibitively high rate of interest may negatively affect the performance of an SME in the ways discussed previously during the literature review.
3. Pay-Back Period – The length of the contract was provided for informational purposes. It is difficult to make any conclusions based on contract length as every financing situation is different. A better measure to use in future studies may attempt to calculate the effect of appropriately matching financing length to asset life and the resulting impact on SME performance. I would expect that correctly matching a SMEs sources of financing to an assets life would result in improved performance and would provide a link to previous literature that has studies the need for long-term finance in Africa.
4. SME Performance – **This is the dependent variable.** Performance can be measured in many ways and is a proxy for value creation. Determining the value of a private company introduces additional complexity so a proxy for value creation is the best dependent variable in this study. There are many ways to measure performance but for this study, SMEs that received a debt investment were ranked by loan status. An SME could either achieve 1) default, 2) missed payments or 3) current status. I did not observe any equity investments but these SMEs would have been ranked by the investor as 1) under performance 2) market rate performance 3) above market rate performance.
5. Investment Type – **Active investment is the key independent variable under study in this thesis.** SMEs were categorized as either having received active or passive investment. SMEs that I considered to have received active investment were those that were provided with assistance in process management, business plan development, strategy support, financial management and human resource development. Additionally, actively managed firms may have experienced active oversight by their investor, potentially benefiting from improved accountability and corporate governance procedures.

Due to the unavailability of data, there were several variables that were not included in this analysis. Further analysis would benefit from their inclusion. Firstly, variables concerning the

investor such as investor experience, investment theme, investment criteria and other characteristics might reveal further findings. On the SME manager level, it would be interesting to track the type of his or her experience. For instance, previous experience in managing a successful SME may be the strongest predictor of current performance. Additionally, the development of standardized KPI's to measure SME performance during the investment period would contribute further rigor to the measurement of the dependent variable.

Data Collection

Data was collected from a sample of SMEs that had received an investment from either a bank or Impact Investor. Observations were made in Burundi. The selected SMEs and investors were contacted and asked to provide information regarding the SME and the investment they received. Answers were either provided in person or over the phone.

Data collection was completed by Lambert Nkurunziza and Primitive Umugiraneza.

Lambert is the Executive Director of CTM, a Burundi based non-profit that performs business training. Lambert collected data from 13 SMEs that had received an investment either from Interbank Burundi or BCB Bank.

Primitive is the CEO of Hauge Finance, a local Impact Investor. Primitive shared a sample of data with me of 23 past Hauge Finance investments.

Potential Issues

Reporting error by the SME may be a concern with particular data categories. For example, reporting by a manager with regard to company size may be on occasion overestimated. I use company size measured by employee headcount as a control. Given the volatile nature of SMEs it may be that the SME owner reported the high end of this value to present his or her best performance. Assuming such overestimation is common and systematic across respondents there could be potential discrepancies between the average response and the actual true mean of the sample. While, unfortunately, there is no immediate solution of this particular issue, over time, I hope that standardized reporting will be introduced. For instance, specifying an end-of-month reporting date would eliminate and need for judgement that is currently present.

Data collection from Impact Investors in the developing world also presents challenges in ensuring accuracy. The auditing process in SSA is not as stringent as it is in North America or Europe for instance. For this reason, I worked with Impact Investors that I have a personal relationship with. It is my hope that this relationship, and the organization's reputation, were satisfactory indicators of data quality. Unfortunately, given geographic and resource constraints, I was unable to perform my own due diligence process to ensure data accuracy.

A significant issue when dealing with survey data in the developing world is the coverage and selection bias. The SMEs, Impact Investors and banks I collected data from have geographically constrained operations and a defined investment criterion. For this reason, any conclusions drawn from the data should be made with this in mind as it is not necessarily representative of a population. A greater number of SME observations provided by a larger number of Impact Investors is necessary to be able to make conclusions that could be applied to the Impact Investing space generally. For instance, without additional observations it is difficult to attribute a perceived difference between active investment and passive investment to an investor's activism or its selection criteria and operations in general. I hope my research leads to further study which would incorporate data from additional investors across a broader spectrum of industries, geographies and investment philosophies.

For these reasons, the results of this study should be considered exploratory and used as a starting point for further research.

4. Results and Discussion

4.1 Qualitative case study

Name of SME	One Collective Recycling Center
Location of SME	East London, South Africa
Sector	Waste Management
Investment Requirement	\$59,000 USD
Year-Three Revenue Forecast	\$116,383 USD
Year-Three Profit Forecast	\$14,437 USD
Direct Jobs Created	6
Revenue Based Financing Return Multiple	1.2X
Payment Structure	5% of revenue starting year two

Introduction

One Collective Recycling Center (OCRC) is a recycling business which was founded in December 2017 by One Collective, a US based non-profit. One Collective has operations in over 40 countries and has as its mission to positively contribute to the physical, emotional and spiritual needs of the people they work with. OCRC is a social enterprise based in East London, South Africa and is a vehicle through which One Collective can provide employment and professional mentorship to the unemployed population of East London. The business operates by sourcing discarded plastics that would otherwise end up in landfills or the natural environment. These plastics are sorted by type and color, baled and sold to recyclers locally or in Johannesburg.

East London, South Africa is still strongly affected by the effects of apartheid and a main concern in the community is an unemployment rate above 50%. As a social enterprise, OCRC has to balance the company's financial objectives with its stated mission of cleaning up the community of East London of litter and providing meaningful employment and intentional business training for the community of East London.

OCRC is currently operated by a team of seven. The leadership team includes Scott Worley (Director) and Joshua Acheampong (Head of Operations). Scott provides strategic oversight and support while Joshua is responsible for daily operations. Joshua manages a team of five formerly unemployed young people between the ages of 20 and 25 who are trained on the job and are paid according to what they collect, sort, bale, etc. Employees work approximately 30-40 hours a week and earn roughly R2,000 (USD 150) per month. In addition, they receive assistance with transport costs to get to and from work. OCRC's vision is to help these workers establish their own recycle collection centers in their communities and potentially transition some of OCRC's suburb collection routes to them to operate. OCRC will contract to purchase their collected recycle and will continue to train, mentor & support them to grow.

Company, Customer and Products Overview

OCRC currently procures plastic from four sources:

- Regional Landfills – A place where many people live and work, collecting trash to sell. Joshua, the Head of Operations, goes there 2-3 times per week to buy various types of plastic from collectors. This source represented the majority of all materials collected in 2018.
- Township Communities – Small groups of local young people are supported to start and operate their own plastic collection centers. The plastic they collect is then purchased by the OCRC. This source has the added benefit of cleaning up plastic waste from the community.
- Suburban Community Residences – A proprietary network of approximately 300 residents/small businesses around the city donate their plastic recyclables. Scott noted that this collection segment will be expanded to decrease the total average cost of source plastic and to further develop the recycling infrastructure around East London.
- Other local recycling businesses – The OCRC supplies cardboard & paper collected from the suburban community residences described above to other local recycling businesses. In exchange, they receive plastics which have been collected but are not used by the other recyclers.

Figure 5 depicts the operations of OCRC.

Figure 5:



OCRC sells its finished plastic bales to BVDM Trading 53, a local recycling center similar in its operations to OCRC. In 2018, during OCRC's first year of operations, BVDM Trading 53 loaned OCRC a baling machine and provided transportation of baled plastic to large recyclers in Johannesburg in a classic "middle-man" capacity.

The One Collective Recycling Center sells bales of previously used plastics. Each bale is comprised of plastics which have been sorted by both type and color. The plastics are compacted into bales that weigh between 90 and 150 Kg depending on the type.

Plastic – PET

PET plastic is most commonly used to manufacture beverage containers. This type of plastic currently comprises approximately 60-70% of OCRC's revenue. PET plastic is purchased for R1.5 (\$0.10 USD) per Kg if it is presorted by color. If purchased mixed/unsorted, it can be purchased for R1 (\$0.07 USD) per Kg. Baled PET plastic can be sold for R4.8 (\$0.33 USD) per Kg to local buyers.

Plastic HD

HD plastic is most commonly used to manufacture milk and yoghurt containers. This type of plastic comprises 20-30% of current revenue. HD plastic is purchased for R1.5 (\$0.10 USD) per Kg. Baled HD plastic can be sold for R4 (\$0.27 USD) per Kg to local buyers.

Plastic LD

LD is soft plastic that is commonly used for wrapping and packaging (e.g. covers of six-pack cans as well as much larger packaged items). This type of plastic currently comprises approximately 5-10% of revenue and can be sold for R2-3 (\$0.14-0.21 USD) per Kg depending on whether it is classified as clear (highest value), mixed (in color) or shrink (e.g. saran wrap, very thin produce wraps given in grocery stores, etc). This type of material is primarily received through donated plastic waste, with plans to substantially increase volumes through partnering with local companies who generate substantial amounts of plastic waste and may wish to donate it.

Other

The One Collective Recycling Center also processes other types of plastic in lower quantities as the available supply is significantly lower. For example, PEP plastic is used to manufacture drink bottle caps.

Management and Key Employees

Scott Worley (Ph.D., MPH)

Scott began his career by spending two years in Eastern Zambia as a community health volunteer with the U.S. Peace Corps, followed by six years in Eastern Cape, South Africa as a senior technical advisor with an international organization providing support for public HIV treatment and care programs.

In 2010, he founded Land of the Living, a ministry of God Adventure Church in East London, South Africa. The goal was to provide holistic support to churches and other community-based organizations and leaders as potential transformation agents in local impoverished townships and informal settlements. From this foundation, Scott facilitates HOPE, a regional support network of more than 50 such leaders across 20 different communities. Land of the Living is now a registered Public Benefit Organization in South Africa, and the current owner of OCRC.

In 2016 Scott joined One Collective's global leadership as the Community Development Strategist, providing training and strategic support to workers globally. He also serves as One Collective's South Africa Area Director.

Scott is passionate about seeing impoverished communities transformed by helping individuals grow in their identities, utilizing local resources, and building upon what they are already proactively doing.

Joshua Acheampong

Joshua is originally from Ghana, where he is formally qualified in the construction industry and ran his own associated business.

He has lived in South Africa for the last decade and initially helped build and manage a large program called Work4All in East London, run by Sophumelela HIV Support Center and aimed at helping HIV-infected patients find work and develop skills to run their own businesses. Part of this included a glass recycling initiative, construction of small homes in township areas, gardening services, and various other trades. His role was to facilitate training and support for the patients to master and create a livelihood in these trades.

Joshua then spent approximately three years in Graff Reinet (small city in the interior region of the Eastern Cape province), where he ran a local recycling business as well as developed a training & equipping company called Magnedor, leveraging his previous experiences with personal development and business skills training. From this platform he began working together with Scott Worley in 2016 to offer an entrepreneurial training & personal development course in East London through Land of the Living's local community partner churches in HOPE network. Joshua trained & mentored approximately 50 unemployed people over the next two years.

Joshua and Scott's partnership ultimately led to their development of OCRC which would serve as a platform for 1) training the unemployed and helping them create their own businesses in recycling, 2) generating revenue to support an Entrepreneurial Training Center program, and 3) positively impact the environment in severely neglected areas. Joshua currently focuses on managing operations for this enterprise, with plans to re-incorporate community-based group trainings as the business reaches an increasingly viable position.

Joshua's greatest passion is taking unemployed people (often literally off the street), convincing them that they can improve their lives, helping them discover what they want to do in life, training and mentoring them to take the next steps, and using a tough love approach to challenge their mindsets and live with increasing purpose and responsibility through hard work.

Method of Study

This case study is based on my direct observations. I had the unique opportunity to witness, and take part in, the discussions outlined in this case due to my work with Opportunity Capital.

Given my proximity to the case I have made every attempt to present the information as factually as possible and to keep evidence and interpretation separate.

Case Issue

I made my observations during a time when OCRC was seeking to expand its current capacity. This increase required outside investment which would be used to finance the purchase of fixed assets as well as working capital. A central component of the case is the process that OCRC went through to eventually become investment ready. Topics covered in this case are 1) the role of BDSPs in SME growth, 2) the role of Impact Investors and the influence of active investment in financing decisions, 3) firm size and the theory of corporate development, and 4) the impact of information asymmetry and agency theory on financing decisions.

Observations

OCRC was seeking a total investment of \$59,000 which was projected by Scott Worley and Joshua Acheampong to more than triple the capacity of the existing business. The business was unprofitable in 2018, its first year of operations, and increased capacity was one requirement of several to enable the business to achieve profitability. Scott and Joshua identified the following capacity constraints which would be minimized through the investment: 1) limitations in cash flow for operations, 2) baling capacity and market options for selling baled recyclable plastics, 3) warehouse storage space, and 4) materials collection capacity.

The use of funds are detailed below in Figure 6.

Figure 6:

Item	Cost	Details
Baling Machine	\$15,300	Purchase 2 nd baling machine, transport and setup
Collection Equipment	\$14,200	2 nd pickup truck and trailer
Operating Capital	\$29,500	Assist with space costs and payroll for 4 part-time employees until revenue covers all operations
Total	\$59,000	

Scott Worley and Joshua Acheampong stated that by increasing capacity, OCRC would be able to better achieve its near-term tactical objectives which were to: 1) employ more previously unemployed young people by involving them in collecting and sorting recyclable plastics, 2) triple the rate at which plastics are brought into the warehouse and baled, 3) secure sufficient storage space for baled plastics before they are sold, 4) expand the market for selling baled plastics with accompanying increased profits on sales, 5) the time and space needed to further develop innovative partnerships with local businesses who re-purpose plastics, and 6) sufficient revenue to pay salaries to staff.

When OCRC initially approached Opportunity Capital for an investment, the company’s forecasted financials showed the company turning profitable in year two following an investment of \$59,000 USD. Figure 7 shows the forecasted financials provided to Opportunity Capital.

Figure 7:

	Qty / Mo	Annual Revenue Year 1	Qty / Mo	Annual Revenue Year 2	Qty / Mo	Annual Revenue Year 3	Total Revenue Yr 1-3
Revenue Items							
Income							
Total Gross Income	107	540,000	241	1,212,000	322	1,641,000	3,393,000
Cost of Goods Sold							
Total COGS		292,800		616,800		755,244	1,664,844
Square Meters Required	90		150		150		
Gross Margin		247,200		595,200		885,756	1,728,156
Expense Items							
	Quantity	Annual cost Year 1		Annual cost Year 2		Annual Cost Year 3	Total cost Yr 1-3
Personnel							
<i>Sub-total for personnel</i>		84,000		246,000		306,000	681,000
Rent + Electricity		96,000		110,000		110,000	316,000
Other Expenses							
Total other		130,000		208,000		238,000	576,000
Total Expense		310,000		564,000		654,000	1,528,000
Profit / (Loss)		(62,800)		31,200		231,756	200,156
Profit / (Loss) %		-12%		3%		14%	6%

At first glance the opportunity to invest in OCRC seemed like a good one. There was a path to profitability by year two and strong margin improvement by year three.

At this stage Opportunity Capital began its own due diligence process. The intention was to make the best capital allocation decision but also to ensure that the business was successful so that it could accomplish its impact objectives.

Opportunity Capital began by requesting: 1) full year actuals from 2018 2) Q4 2018 actuals 3) break-down of cost of goods sold. From these materials, Opportunity Capital created their own financial forecast which can be seen in exhibit 8. The forecast was constructed by using financial ratios such as [salary expense / revenue] or [COGS / revenue]. The forecast is therefore entirely based on revenue growth projections with expenses based on actuals.

Figure 8:

	2018 Run Rate	1 FYE	2 FYE	3 FYE	4 FYE	5 FYE
Revenues	427,760	855,520	1,069,400	1,283,280	1,497,160	1,497,160
YY Growth		100%	25%	20%	17%	0%
Cost of Sales	343,476	505,740	632,175	758,610	885,045	885,045
Gross Profit	84,284	349,780	437,225	524,670	612,115	612,115
Salary	66,400	84,000	246,000	306,000	306,000	306,000
Rent + Electricity	91,802	96,000	110,000	110,000	110,000	110,000
Gas	54,579	72,000	96,000	120,000	120,000	120,000
Supplies	13,511	12,000	18,000	24,000	24,000	24,000
Repair + Maint.	40,343	20,000	20,000	20,000	20,000	20,000
Forklift Rental	9,000	15,000	54,000	54,000	54,000	54,000
Communications	10,156	6,000	8,000	8,000	8,000	8,000
Misc.	3,188	5,000	12,000	12,000	12,000	12,000
Total Operating Expenses	288,978	310,000	564,000	654,000	654,000	654,000
Operating Profit	(204,694)	39,780	(126,775)	(129,330)	(41,885)	(41,885)
Income tax (benefit)	-	-	-	-	-	-
Net Income	(204,694)	39,780	(126,775)	(129,330)	(41,885)	(41,885)

Opportunity Capital's conclusion was that the business would not achieve profitability post investment if only capacity was increased. Changes to OCRC's operations would have to be made for the business to be profitable at the new level of output. At this stage, Opportunity Capital sought advice from Richard Roche, an executive from the manufacturing supply chain industry who is now working in SME advisory. Richard's review of the data revealed that additional revenue growth was not possible due to capacity constraints and commoditized pricing across South Africa. This left both COGS or operating expenses as possible areas where the

business could have influence to achieve profitability. A further review revealed that it was not possible to further decrease operating expenses of which salary is the largest component. It was important for the business to financially reward the individuals involved in its success so decreasing operational expenses meaningfully was not possible. The potential to achieve profitability would have to come from decreases in COGS. The cost of feedstock plastic, which was the primary component of COGS, would have to be decreased by increasing the amount of donated feedstock plastic from 50% to 75%. A revised forecast was assembled which can be seen in figure 9. A detailed breakdown of COGS is provided in the appendix.

Figure 9:

	2018 Run Rate	1 FYE	2 FYE	3 FYE	4 FYE	5 FYE
Revenues	427,760	855,520	1,069,400	1,283,280	1,497,160	1,497,160
YY Growth		100%	25%	20%	17%	0%
Cost of Sales	343,476	409,328	511,660	613,992	716,323	716,323
Gross Profit	84,284	446,192	557,740	669,288	780,837	780,837
Salary	66,400	84,000	246,000	306,000	306,000	306,000
Rent + Electricity	91,802	96,000	110,000	110,000	110,000	110,000
Gas	54,579	72,000	96,000	120,000	120,000	120,000
Supplies	13,511	12,000	18,000	24,000	24,000	24,000
Repair + Maint.	40,343	20,000	20,000	20,000	20,000	20,000
Forklift Rental	9,000	15,000	54,000	54,000	54,000	54,000
Communications	10,156	6,000	8,000	8,000	8,000	8,000
Misc.	3,188	5,000	12,000	12,000	12,000	12,000
Total Operating Expenses	288,978	310,000	564,000	654,000	654,000	654,000
Operating Profit	(204,694)	136,192	(6,260)	15,288	126,837	126,837
Income tax (benefit)	-	-	-	-	-	-
Net Income	(204,694)	136,192	(6,260)	15,288	126,837	126,837

At this stage, Opportunity Capital and OCRC agreed to continue discussions over the coming months. Prior to an investment, OCRC would have to achieve a donated plastic rate of 75%. Work is currently progressing to increase donated plastic from suburban collection centers and other businesses which will position OCRC to successfully achieve profitability post investment.

The structure of a potential investment will be a revenue based so that 5% of revenue will be paid to Opportunity Capital until 1.2X is returned.

Conclusions

This case profiles OCRC, an SME in South Africa, and provides a description of the process it went through as the business was seeking an investment of growth capital. The case describes a progression to the third stage of corporate development which is characterized by increased complexity marked by co-ordination and indirect control. Whether this progression correlates to organizational growth and value creation is left unclear by the case and highlights the need for further research across a wider population of SMEs over a longer observational period.

Anecdotally, there seems to be a positive effect on OCRC by the activism of Opportunity Capital and the advisory of Richard Roche, who played the role of a bespoke BDSP. In the beginning of the case, OCRC is introduced as having a talented management team who share clear financial and impact objectives. While Scott and Joshua had a clear strategic vision, it was apparent that the organization would benefit operationally from business support in the area of financial analysis to better understand the drivers of the business. This experience is not unique to OCRC as previous studies have found that *business support* is the most highly rated service provided by BDSPs after *access to finance and markets* (Catalyst for Growth, 2018). By the end of the case, OCRC had a better understanding its business and had developed clear objectives around which it could align its operations and measure success.

However, it is unclear if the end result would have been similar, or perhaps better, if OCRC had instead obtained financing from a passive investor. Based on the case alone it is not possible to say that active investment made any difference at all. It is important to note that OCRC did not actually obtain financing by the end of the case. I can imagine a situation where SME access to finance actually suffers due to the decrease in information asymmetry between SMEs and Impact Investors. This experience is not unique to Opportunity Capital as 32% of Impact Investors site a lack of “high-quality investible opportunities” as a significant challenge (GIIN, 2018). It is clear that active investment comes with its own set of tradeoffs for the SME. At this stage it is not possible to confirm the hypothesis that an active investor has a positive impact on an SMEs growth.

It does however seem evident that asset quality improves with active investment which may ultimately lead to an increase in access to finance and eventual improvement in value creation in

the SME segment. This more nuanced conclusion would be congruent with existing literature which has found that involvement by an active investor has a positive effect on firm value (Jensen, Eclipse of the Public Corporation, 1989). Additionally, improved asset quality may explain the private sector’s ability to achieve greater SME growth than investments made through the public sector (Fjose, Grünfeld, & Green, 2010).

In the developed world context that Jensen 1989 studied the topic of firm ownership it was through discipline and improved corporate governance that firm value was increased. The OCRC case also supports this finding but in addition, **firm performance in the context of SSA is increased through improvements in human capital**. Financial analysis and business plan refinement are the main areas of improvement in the OCRC case which is also reflected in the wider SME industry (GIIN, 2018). This is a significant learning and would suggest that active investors will have a positive effect on firm growth in SSA.

This conclusion aligns with previous BDSP research. A study of 40 BDSPs and 1,600 SMEs found that bespoke BDSP has a positive effect on SME growth (Catalyst for Growth, 2018).

Below is a table that lists five alternate hypotheses which are based on existing literature. Each hypothesis has a corresponding OCRC Case Observations section which contains observations from the OCRC case that either support or do not support the hypothesis. It is important to note that I use the word support because the OCRC case is not sufficient enough to explicitly validate any of the proposed hypotheses.

Hypothesis	OCRC Case Observations
<p data-bbox="232 1535 773 1623">Bespoke BDSP contributes positively to SME growth</p> <p data-bbox="323 1682 682 1717">(Catalyst for Growth, 2018)</p>	<p data-bbox="829 1444 1409 1480"><i>The OCRC case does support this hypothesis.</i></p> <p data-bbox="834 1499 1404 1751"><i>It is clear that Richard Roche’s industry specialization and bespoke engagement with OCRC resulted in a more clearly defined operational strategy but not increased growth.</i></p>

	<ul style="list-style-type: none"> • Acting in an advisory capacity, Richard Roche provided actionable insights during the investment readiness process. • Richard Roche’s specialized background in the manufacturing supply chain industry played an important role in understanding the challenges facing OCRC.
<p>Active investment contributes positively to SME growth</p> <p>(Jensen, Eclipse of the Public Corporation, 1989)</p>	<p><i>The OCRC case does not support this hypothesis. Active investment may improve asset quality, but it seems that there are tradeoffs for the SME.</i></p> <ul style="list-style-type: none"> • Opportunity Capital’s work with OCRC contributed to improved asset quality through business support which lead to a refined strategy. This is actually unlike Jensen 1989 who cited control or corporate governance improvements as the primary contribution of active investors. It is possible that improved control and corporate governance may be more important post investment. • The tradeoff for OCRC is that a loan from a passive investor (ex. bank loan secured by collateral) may have enabled it to achieve improved growth.

<p style="text-align: center;">SMEs in the later stages of corporate development will benefit more from active investment due to improvements in control and corporate governance in addition to human capital advancements</p> <p style="text-align: center;">(Jensen, Agency Costs of Free Cash Flow, Corporate Finance, and Takeovers, 1986)</p>	<p style="text-align: center;"><i>The OCRC case somewhat supports the hypothesis that the positive impact of active ownership increases among larger SMEs that are no longer constrained by limited free cash flow</i></p> <ul style="list-style-type: none"> • Engagement by Opportunity Capital and Richard Roche contributed to improvements in OCRC's operations through business support and financial analysis. As OCRC grows, it is likely that Opportunity Capital's contribution will also include improvements in corporate governance. • It is unclear if the contribution of active investment at all stages of corporate development is significantly greater than passive investment without a more comprehensive study.
<p style="text-align: center;">Information asymmetry as a risk factor has consequences on SME capital structure and investment opportunities</p> <p style="text-align: center;">(Jensen & Meckling, Theory of the firm: Managerial behavior, agency costs and ownership structure, 1976)</p>	<p style="text-align: center;"><i>The OCRC case somewhat supports the hypothesis that information asymmetry is a factor in SME financing decisions. Following operational improvements, Opportunity Capital intended to provide OCRC with a revenue-based investment which takes the form of debt as total return is fixed but shares similarities with equity in that the timing of returns are variable and based on performance.</i></p>

	<ul style="list-style-type: none"> • The investment has is a principal and return multiple that must be paid back. Payments are linked to revenue so that payments increase as revenue increases. The fixed return multiple minimizes the effect of information asymmetry between Opportunity Capital and OCRC. • Benefits of this structure are that: 1) interests between Opportunity Capital and OCRC are aligned, orienting both towards growth, 2) risk is minimized as payments to Opportunity Capital begin immediately.
<p>Minimizing information asymmetry and agency costs will contribute to SME growth</p> <p>(Jensen & Meckling, Theory of the firm: Managerial behavior, agency costs and ownership structure, 1976)</p>	<p><i>This case does not support the hypothesis that decreasing information asymmetry between Impact Investors and SMEs will contribute to growth</i></p> <ul style="list-style-type: none"> • By working together on a business plan, Opportunity Capital and OCRC devised a new strategy to achieve growth. This process decreased information asymmetry and resulted a delay in financing for OCRC. • If information asymmetry had not been decreased, OCRC would have received investment but may have been in a more difficult position to

	eventually achieve profitability post investment.
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Limitations

There are limitations when drawing conclusions using the case method. Saunders, Lewis & Thornhill 2015 identify the case study method as being best suited to exploring existing theory or potentially providing a source for new research questions. The holistic single case method is less suited providing definitive support for a hypothesis as it is not possible to generalize observations to the population as a whole. This measure is called external validity, or the ability to apply conclusions of a study outside the context of the study to other situations. For this reason, I hope that this thesis provides a starting point for future research.

This limitation could be reduced through an increased number of case studies, selected at random from several Impact Investor portfolios. This would enable us to identify patterns and similarities between cases. Execution of this type of study is difficult to achieve in SSA and would require strong personal contacts, or the backing of a local institution, which might provide increased access to private information from Impact Investors and BDSsPs

4.5 Quantitative case study

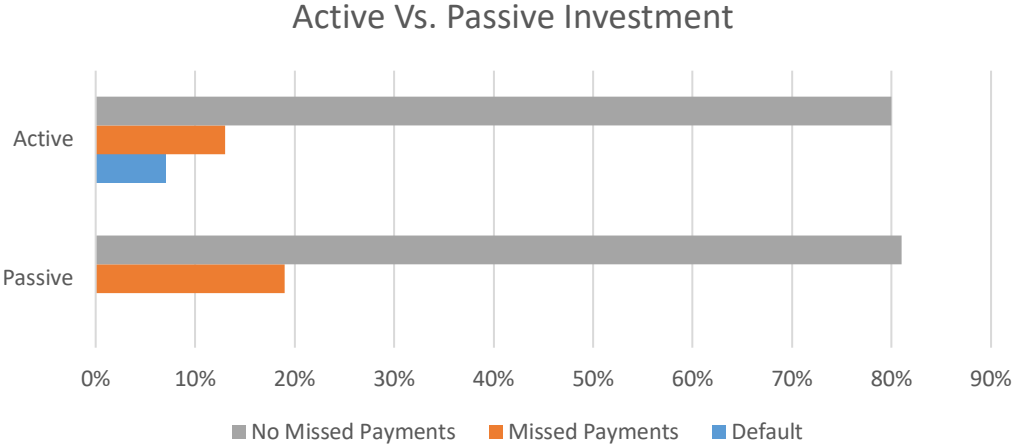
Active investment

The survey results indicate that active investment does not play a critical role in SME performance in SSA.

Of the 36 SMEs that were included in the study, 7 either missed payments or defaulted on their loan. Of the 7 SMEs that missed payments or defaulted on their loan, 3 received an investment from an active investor. 4 received investment from a passive investor. However, 80% of SMEs that received an investment from an active investor repaid their loan with no missed payments. 81% of SMEs that received an investment from a passive investor repaid their loan with no missed payments. Figure 10 displays SME performance by investment type.

This finding **does not** align with previous studies that have found that bespoke BDSP is more effective than program BDSP or no BDSP (GIIN, 2018). Additionally, this finding **does not** align with literature from the developed world documenting the increase in value creation by active ownership (Jensen, Eclipse of the Public Corporation, 1989).

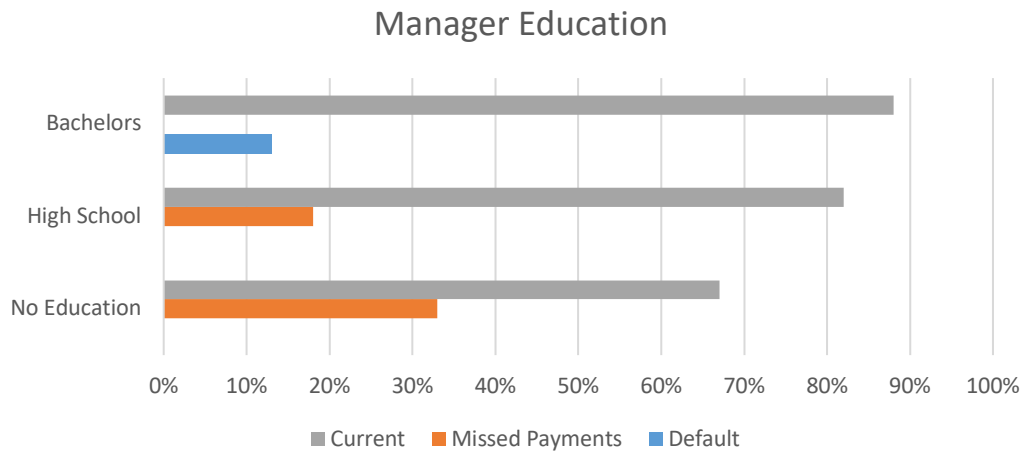
Figure 10:



Education

The data indicates that **manager education positively affects SME performance**. 88% of managers with a bachelor’s degree repaid their loan with no missed payments. 82% of managers with a high school degree repaid their loan with no missed payments. 67% of managers with no degree repaid their loan with no missed payments. This finding **does align** with past studies that have found that higher levels of manager education increase SME performance (Catalyst for Growth, 2018). Figure 11 displays SME performance by manager education.

Figure 11:



The benefit of education on worker earnings in Burundi has previously been shown to have a positive correlation (Janvier Nkurunziza, 2016). Assuming worker earnings are linked to skill and productivity, it is reasonable to hypothesize that SME performance will also increase with increased education. Figure 12 is reproduced from Janvier Nkurunziza 2016 and shows that education, and age, are the key determinants of employee income.

Figure 12:

Workers earnings in Burundi's manufacturing sector (1992 data)

Dependent Variable is log of monthly wage in Burundi francs

Variables	Model with age		Model with tenure		Model with age and tenure	
	Coefficient	t-test	Coefficient	t-test	Coefficient	t-test
Constant	4.833	12.71***	7.241	45.63***	5.061	11.66***
Age	0.761	6.99***	--	--	0.694	5.36***
School	0.841	16.59***	0.821	15.01***	0.823	15.58***
Tenure	--	--	0.164	4.06***	0.055	1.23
Size	0.114	3.96***	0.142	4.73***	0.109	3.72***
Firm age	-0.082	-2.59***	-0.151	-3.91***	-0.111	-2.92***
Formal	0.147	1.49	0.241	2.27**	0.178	1.72*
Bujumbura	0.151	1.91*	0.168	1.99**	0.167	2.06**
Metal	0.236	2.49**	0.198	1.92*	0.218	2.18**
Textiles	0.125	1.31	0.098	0.96	0.101	1.02
Food	0.153	1.74*	0.132	1.41	0.143	1.57
Foreigner	0.000	0.70	0.000	0.67	0.001	1.08
Public	0.003	2.91***	0.003	2.73***	0.003	2.98***
Recruit	0.014	0.18	-0.034	-0.43	0.025	0.33
Adjusted R-sq.		0.561		0.547		0.577
Observations		426		400		399
O.V. test		F (3, 410) = 16.76		F (3, 384) = 8.59		F (3,382) = 13.90

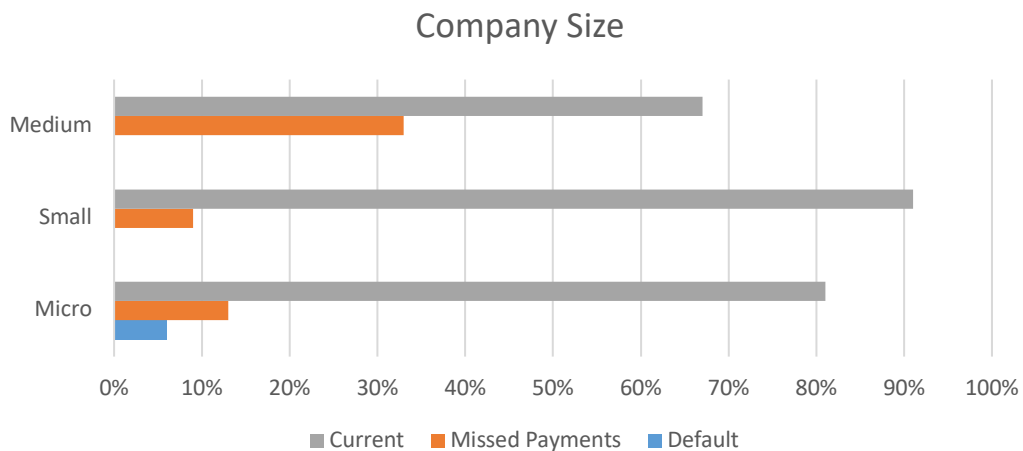
***, **, * are significance at 1, 5 and 10 percent probability level, respectively. The variables are the log of wage in nominal Burundi francs (dependent variable) and, following the order in the table: log age of the worker (Age), log of the number of years of schooling (School), log of the number of years the worker has worked for the current firm (tenure), log of firm size, proxied by the number of permanent employees (size), log of the age of the firm (Firmage) and a number of dummies: a formal/informal sector dummy with value 1 when the sector is formal and zero otherwise; a location dummy

(Janvier Nkurunziza, 2016)

SME size

The data indicates that **small firms between 10 and 50 employees perform better than micro or medium firms**. 67% of medium sized SMEs paid their loan back on time with no missed payments. 91% of small sized SMEs paid their loan back on time with no missed payments. 81% of micro sized SMEs paid their loan back on time with no missed payments. Figure 13 displays SME performance by manager education.

Figure 13:



Conclusions

The survey data does not seem to indicate an improvement in SME performance as a result of the influence from an active investor. When measured by loan repayment, active and passive investment strategies perform equally well among the sample of companies included in the survey.

Despite the limitations of the sample of SMEs surveyed, which is discussed in the next section, it does seem that successful investment strategies are many and factors such as investment criteria, due diligence procedures and local knowledge play a critical role in successfully investing in the SME segment in SSA.

It is interesting to note the effect of education on SME performance. Among the SMEs surveyed, it is clear that an increase in education contributes to SME success. From an investment perspective it would be justified to consider manager education as a key investment criteria. From an impact perspective, it would be prudent to develop strategies to overcome the education barrier. Catalyst for Growth 2018 showed that the performance of less educated managers can be increased to the same level as bachelor degree educated managers through a bespoke BDSPP engagement.

Through the process of data collection for this thesis I was left with several impressions about the state of the SME and Impact Investing space in SSA. I was left with an impression that the administrative practices among the SMEs and investors I spoke with could be significantly improved. I believe an improvement in this area would set a foundation for excellence throughout any organization and could contribute meaningfully to its chances of success. Greg Glassman, the founder of CrossFit, famously said that “that which gets measured gets improved”.

Limitations

The SMEs included in my survey are not representative of a larger population so generalizations beyond those SMEs included in the study is not possible.

Due to limitations in data availability and collection opportunities, the SMEs contacted as part of the survey were through personal contacts and do not constitute a sufficiently random sample which leads to issues of selection bias.

Additionally, the number of observations is small which reduces the ability to draw meaningful conclusions from the data. The data I collected is exclusively from Burundi. As of 2016 there were 863 formerly registered SMEs in Burundi and likely many more informal SMEs (Janvier Nkurunziza, 2016). Assuming all of these companies raised funds at one point, a sample of 267 would have to be surveyed to achieve a 5% margin of error and a 95% confidence interval. The data I collected is clearly deficient in this regard and so is limited in its ability to be used to make conclusions beyond those SMEs surveyed.

5.0 Conclusion

Economic development initiatives in SSA have historically been accomplished through the work of governments, NGO’s and nonprofits. Over recent years however, the private sector has stepped up its efforts to help work towards these shared development goals. This is considered by many to be a positive development because just as governments and NGOs are complimentary to each other, performing functions that the other is not suited for, non-profits

and for-profits work complementarily for the advancement of society (Drucker, 1990). The main stakeholder segments of this newly emerged for-profit sector are BDSPs and Impact Investors. Both segments work together to support business growth and primary focus on the SME segment. BDSPs typically work with SMEs to prepare them to receive investment, focusing on areas such as corporate strategy, sales, marketing, and governance. Once investment ready, BDSPs help facilitate investments in SMEs by Impact Investors. This relationship increases SME quality, lowers transaction costs and decreases information asymmetry. In this paper's literature review I showed that it is reasonable to assume the relationship between BDSPs and Impact Investors increases the amount of impact investing assets under management, decreases the cost of capital, promotes the use of equity financing in a highly levered space and contributes to improvements in human capital. All of these are expected to contribute positively to value creation in the SME space.

Existing literature has studied the impact that BDSPs and Impact Investors have on SME growth and performance (Catalyst for Growth, 2018) (ANDE, 2019) (FinMark Trust, 2010) (Fjose, Grünfeld, & Green, 2010) (Masutha & Rogerson, 2014) (Beck & Cull, SME Finance in Africa, 2014) (Beck & Demirguc-Kunt, Small and medium-size enterprises: Access to finance as a growth constraint, 2006) (Beck & Maimbo, Financing Africa Through the Crisis and Beyond, 2011) (GIIN, 2018). These studies have dramatically increased our understanding regarding which practices have the greatest contribution within Impact Investing and BDSP. Previous studies however have not considered the effect that active investment, when compared to passive investment, has on SME value creation. Instead, the impact of finance more generally has been studied, leading to a consensus that capital is vital to SME development and an acknowledgement that future growth will require an increase in the availability of finance.

The work of Jensen 1989 and Kaplan & Stromberg 2009 inspired the topic of this thesis. Specifically, I wanted to determine if it might be possible to apply the findings from these studies to investments in SMEs in the developing world. The studies by Jensen 1989 and Kaplan & Stromberg 2009 suggest that active investment can have a positive effect on firm growth and performance. They cited improved corporate governance as the key way private equity investors contribute to value creation.

When studying the effect of active investment, I expected to observe an increase in SME performance. This is due to the potential for active owners to improve corporate governance and to also bring an elevated level of excellence to corporate functions such as strategy, sales, marketing, and technology. SMEs that receive passive investment do not share this same benefit. With these concepts in mind I raised the following research question: Is value creation among SMEs strengthened through active investment by an Impact Investor or a post investment engagement with a BDSP? My hypothesis was that active ownership or an engagement with BDSP is more effective than passive investment in value creation among SMEs.

To test this hypothesis, I first performed a qualitative case study of an SME as it worked through a process to secure investment from an Impact Investor. This case suggested anecdotally that active investment had a positive impact on SME quality but not necessarily growth. It could be argued that quality leads to growth but there were perhaps more questions raised than answered. It was unclear for example what might have happened if the SME had secured an investment from a passive investor with a less rigorous investment process. Also, with many variables at play it is unclear if findings from the case can be applied to other SMEs perhaps in other industries or geographies.

To begin to answer the questions raised from the qualitative case study I completed a quantitative review which studied the effect of active investment across a sample of SMEs. My findings do not support the hypothesis that active investment has a significant impact on SME growth and performance. It seems that there are other factors such as investment selection criteria that will result in similar performance between passive and active investment in SMEs in SSA.

However, given the positive impact of active investment on a micro level my hope is that this thesis inspires further inquiry and action on the part of industry participants. I recommend that the industry continue to explore best practices in an effort to further improve investment practices collectively. Given the financial and impact motivations of Impact Investors, I trust that the industry will have a significant impact on development initiatives by meaningfully contributing to value creation in the SME segment in SSA.

Appendix

Breakdown of Cost of Goods Sold

Rand	2018 Run Rate	1 FYE	2 FYE	3 FYE	4 FYE	5 FYE
Tonnage						
PET Clear	55.52	111.04	138.80	166.56	194.32	194.32
PET Green	7.60	15.20	19.00	22.80	26.60	26.60
PET Brown	4.72	9.44	11.80	14.16	16.52	16.52
HD	32.26	64.51	80.64	96.77	112.90	112.90
Increase over 2018		2	2.5	3	3.5	3.5
Pricing						
PET Clear	4,800	4,800	4,800	4,800	4,800	4,800
PET Green	3,000	3,000	3,000	3,000	3,000	3,000
PET Brown	2,000	2,000	2,000	2,000	2,000	2,000
HD	4,000	4,000	4,000	4,000	4,000	4,000
Revenue						
PET Clear	266,496	532,992	666,240	799,488	932,736	932,736
PET Green	22,800	45,600	57,000	68,400	79,800	79,800
PET Brown	9,440	18,880	23,600	28,320	33,040	33,040
HD	129,024	258,048	322,560	387,072	451,584	451,584
Total	427,760	855,520	1,069,400	1,283,280	1,497,160	1,497,160
Donated Plastic						
PET %	0%	75%	75%	75%	75%	75%
HD%	0%	20%	20%	20%	20%	20%
COGS - Plastic						
PET Clear	138,800	277,600	347,000	416,400	485,800	485,800
PET Green	19,000	38,000	47,500	57,000	66,500	66,500
PET Brown	11,800	23,600	29,500	35,400	41,300	41,300
HD	58,061	116,122	145,152	174,182	203,213	203,213
Salary	115,815	231,630	289,538	347,446	405,353	405,353
Less buy-back	-	(277,624)	(347,030)	(416,436)	(485,843)	(485,843)
Total	343,476	409,328	511,660	613,992	716,323	716,323
Gross Margin						
PET Clear	48%	48%	48%	48%	48%	48%
PET Green	17%	17%	17%	17%	17%	17%
PET Brown	-25%	-25%	-25%	-25%	-25%	-25%
HD	55%	55%	55%	55%	55%	55%
Salary	73%	73%	73%	73%	73%	73%
Total	20%	52%	52%	52%	52%	52%

Survey Data

#	Company Information				Investment Information				Active Vs Passive	Data	
	Company Name	Industry	Yrs. of Manager Education	Employees	Company Size	Investment Amount	Interest Rate	Pay-Back Period (Months)			Payback On-Time (yes/no)
1	CCC	Clearance	Bachelor	6	Micro	55,000	0%	12	Current	No	Lambert
2	ETS Paholina	Trade	No Education	12	Small	110,000	18%	12	Current	No	Lambert
3	COTED	Buildings	Bachelor	4	Micro		0%	Unknown	Default	Yes	Lambert
4	Pit House	Transport	Bachelor	8	Micro	275,000	0%	12	Current	No	Lambert
5	GITIC	IT	Bachelor	3	Small	2,750	0%	6	Current	No	Lambert
6	COPROSEB	FARM	No Education	300	Medium	357,500	9%	84	Missed payments	No	Lambert
7	Afil's	Pharmacy	Bachelor	16	Small	99,000	8%	120	Current	No	Lambert
8	COPROCA	Coffee	No Education	75	Medium	825,000	12%	60	Missed payments	No	Lambert
9	UNFAB	Food	Bachelor	4	Micro	5,500	0%	12	Current	No	Lambert
10	CCP	Electricity	Bachelor	3	Micro	825	0%	6	Current	No	Lambert
11	MUSHWABURE	Coffee	No Education	20	Small	385,000	18%	12	Current	No	Lambert
12	SUPPER GLAS	Mecanics	No Education	18	Small	55,000	0%	60	Current	No	Lambert
13	ATPAG	ART	No Education	2	Micro	1,100	0%	6	Current	No	Lambert
14	COSTRACJ	Clearance	Bachelor	5	Micro	220,000	0%	12	Current	No	Primitive
15	ALPHA SECURITY COI	SECURITY	High School	210	Medium	330	5%	1	Current	Yes	Primitive
16	ASCC	SECURITY	High School	198	Medium	1,931	5%	1	Current	Yes	Primitive
17	FSC	SECURITY	High School	16	Small	1,888	5%	12	Missed payments	Yes	Primitive
18	RASC	SECURITY	High School	75	Medium	1,896	5%	12	Current	Yes	Primitive
19	SECURITY COMPANY	SECURITY	High School	16	Small	2,942	5%	12	Current	Yes	Primitive
20	Gemini	SECURITY	High School	75	Medium	3,701	5%	12	Current	Yes	Primitive
21	UNATONI	SECURITY	High School	4	Micro	4,420	5%	12	Current	Yes	Primitive
22	ENDLNI	SECURITY	High School	3	Micro	4,770	5%	12	Current	Yes	Primitive
23	UESC	SECURITY	High School	50	Medium	5,443	5%	12	Current	Yes	Primitive
24	WHTRC	SECURITY	High School	12	Small	4,975	5%	6	Current	Yes	Primitive
25	CCC CO	SECURITY	High School	35	Small	5,133	5%	6	Current	Yes	Primitive
26	SECURITY CO	SECURITY	High School	57	Medium	5,001	5%	6	Missed payments	Yes	Primitive
27	ALPHA SECURITY COI	SECURITY	High School	45	Small	4,902	5%	6	Current	Yes	Primitive
28	ALPHA SECURITY COI	SECURITY	High School	32	Small	6,600	5%	1	Current	Yes	Primitive
29	ASSOCIATION AURE	CHURCH	High School	3	Micro	825	5%	12	Current	No	Primitive
30	BETEL LYCEE	SCHOOL	High School	10	Medium	2,200	5%	12	Current	No	Primitive
31	ENAH COMPANY	COMPANY	High School	2	Micro	4,400	5%	2	Current	No	Primitive
32	BIRYANSUMYE ETS	BAKERY	High School	8	Micro	6,600	5%	12	Missed payments	No	Primitive
33	DUTERAME KUMPEN	RESTAURANT	High School	2	Micro	1,595	5%	12	Missed payments	No	Primitive
34	ECOFME	COMPANY	High School	1	Micro	385	5%	1	Current	No	Primitive
35	PREF CO	COMPANY	High School	1	Micro	1,100	5%	1	Current	No	Primitive
36	COMP JRC	COMPANY	High School	1	Micro	2,750	5%	4	Current	No	Primitive

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