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Does Maintaining Liquidity Improve the Performance of Small Businesses

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Abstract

This paper investigates the impact of liquidity management within financial management metrics on the sustainability and growth of small businesses as expansion efforts diversely reduce failure rates in small medium and micro enterprises (SMMEs). While SMMEs are globally recognized for their role in economic development, many struggle to sustain operations beyond three years, with only a minority achieving notable growth. This study explores financial management's significance in enhancing internal efficiency, fostering higher growth rates, and ensuring small businesses' endurance and survival. Aimed at supporting SMME growth, informing policymakers about regulatory improvements, and stimulating economic growth to benefit the population living below the poverty line in South Africa, this research involved participants from SMMEs in the Mangaung region. An exploratory qualitative study was conducted, utilizing interviews and thematic analysis methods. The research findings indicated that a majority of participants lacked effective financial management practices, primarily due to an inadequate understanding of the benefits associated with financial management in the context of SMMEs. Several obstacles were identified, including an unstable income cycle influenced by external factors affecting the organization, which leads to substantial deviations from planned financial strategies. Furthermore, time constraints arising from operational demands also hinder the effective management of financial resources. The improper application of financial management principles resulted in a general lack of estimating costs, profits, and financial planning. However, SMMEs that properly implemented these principles experienced prolonged existence due to higher revenue, which has led to growth and sustainability, confirming the benefits of financial management in micro-enterprises.

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1. Introduction

Government agencies and industry stakeholders recognize the important contribution that small, micro and medium-sized enterprises (SMMEs) make to the economic growth of both developed and developing countries (Rchira, 2017, cited in Mayanja and Mayanja (2020)). However, research by Ramli and Yekini (2022) indicates that a substantial number of micro-enterprises experience early-stage failures, largely due to inadequate applications of financial management principles. This situation emphasizes the critical importance of financial management for the long-term sustainability and growth of these businesses.

Additionally, the challenge of limited access to external funding for SMMEs highlights the necessity of implementing effective financial management practices. In Malaysia, statistics reveal that a staggering 80 % to 90% of new small businesses fail within their first year. Among these failures, approximately 45% can be traced back to issues related to cash flow mismanagement (Ramli & Yekini, 2022). These findings underscore the urgent need for strong financial management strategies to enhance the viability of small enterprises and ensure their continued contribution to the economy.

The issue of business failure among SMMEs is significant concern in the South African economy. Research indicates that during the first decade of the 21st century, approximately 70% of South African SMMEs failed within three years due to inadequate financial management practices (Venter et al., 2003 as cited in Bruwer et al. (2021)). Closer to 2010s, this failure rate increased to 75% with no much change in the failure rate closer to 2020 (Cant & Wiid, 2013, as cited in Bruwer et al. (2021)). This trend highlights a persistent challenge for entrepreneurs in managing their finances effectively, underscoring the need for enhanced support and resources to improve their chances of success.

The issue of business failure among small, medium, and micro enterprises (SMMEs) is a significant concern in the South African economy. Research suggests that in the early 2000s, approximately 70% of SMMEs in South Africa ceased operations within three years, primarily due to insufficient financial management practices (Venter et al., 2003, as cited in Bruwer et al. (2021)). This alarming trend continued into the 2010s, where the failure rate escalated to 75% with minimal improvement noted by 2020 (Cant & Wiid, 2013, as cited in Bruwer et al. (2021)). Such statistics highlight a persistent challenge for entrepreneurs, indicating that many struggle to effectively manage their financial resources. This situation underscores the critical need for enhanced support mechanisms and resources to bolster the financial acumen of SMMEs, thereby improving their chances of long-term success in a competitive economic landscape.

The Free State Province witnessed a downturn in economic activity during the COVID-19 crisis with a negative growth rate of (-0.27). This impacted youth employment and exacerbated poverty levels, as stated by the Department of Economic, Small Business Development, Tourism, and Environmental Affairs (Department of Economic Small Business Development Tourism and Environmental Affairs Free State Province, 2021). Kalane (2015) argues that one of the primary factors leading to the failure of SMMEs in the Free State area is improper financial management practices. Hence, the objective of this study is to evaluate how financial management impacts the growth and sustainability of SMMEs, with a specific focus on liquidity management with a sub-focus on cash flow, budgeting and record-keeping within the financial management discipline. This research seeks to equip micro-enterprises with financial tools designed to enhance their survival prospects, facilitate growth, and potentially enable global access to stock markets. Furthermore, there is a notable gap in the literature regarding financial management practices, specifically concerning liquidity and management, budgeting, and record-keeping in the Mangaung region.

This paper emphasizes the critical role of liquidity policy as a cornerstone for the sustainability and growth strategies of SMMEs, particularly in the context of the Four Industrial Revelation (4IR). It highlights the significance of this policy for both SMMEs and policymakers. Empirical evidence demonstrates that growth cannot occur without effective liquidity management. Consequently, managing liquidity stands as a fundamental step toward achieving sustainable growth and operational stability.

This paper seeks to examine the impact of effective liquidity management on the growth of micro-enterprises and small BBBEE procurement suppliers, emphasizing its role in advancing these entities to higher business tier and ensuring the sustainability of SMMEs. The growth of SMMEs is vital for alleviating poverty and reducing unemployment through inclusive economic development. The study will evaluate whether businesses have implemented mechanisms to maintain sufficient cash flow for current obligations, allocate resources for anticipated growth strategies, and assess how these financial practices contribute to overall business expansion.

This study utilizes a qualitative research methodology, employing interview questions to gather responses from participants. The interviews were conducted in a hybrid format, with a combination of in-person and online sessions via platforms such as Microsoft Teams. A total of ten participants were involved, consisting of four SMMEs from the manufacturing sector, one from the energy sector, and five BBBEE small logistics and procurement suppliers, primarily conducting business with the Free State Government.

According to the Department of Small Business Development (2023) Micro Enterprises are defined as businesses with a maximum of 10 employees and an annual turnover not exceeding R85.000 million. The participating enterprises in this study qualify as Small, Medium, and Micro Enterprises (SMMEs), as they employ between one and seven individuals- on both part-time and full-time bases- and have an annual turnover capped at R2.200 million. This categorization is summarized in the following Table 1:

Table 1. Classification of Micro- enterprises.

Sector	Size of enterprise	No of employees	Annual turnover
Manufacturing	Micro	0-10	Max R10 million
Energy sector	Micro	0-10	Max R10 million
Logistics/Supply chain	Micro	0-10	Max R5 million

Note: Department of Small Business Development (2023).

This paper is organized as follows: the subsequent section will focus on the literature review, followed by methodology, and findings, and will conclude with a summary.

2. Literature Review Theory

The literature aimed to explore the primary theme of the impact of financial management, emphasizing liquidity, cash flow management, budgeting, and record-keeping. These aspects primarily focused on internal control measures and their effects on the organizational growth strategy and administration of SMMEs.

2.1. Liquidity Management

Liquidity theory offers organizations a structured guide to managing their profits, underscoring the significance of maintaining a balance in cash reserves to facilitate timely payment of current expenses and to direct excess cash towards investment opportunities (Wang, 2008, cited in Mayanja and Mayanja (2020)). By encouraging the efficient utilization of idle cash, it sensitizes SMME owners/managers to the opportunity costs associated with idle funds, emphasizing long-term business growth. This framework presents owners with a well-rounded perspective, promoting the equilibrium of current operations with future growth prospects. Owners who concentrate solely on present operations, without considering expansion opportunities, often struggle to witness their businesses flourish. This illustrates that business growth demands a thought-out growth strategy persistently pursued by the organization, though resources are needed but having access to additional funding alone does not equate to business growth. According to Kontuš and Mihanović (2019) liquidity involves three fundamental components: the time needed to convert an asset into cash, the amount of liquid resources available to meet immediate payment obligations, and the expenses linked to converting assets into cash.

A company demonstrates liquidity when it can settle all current debts using existing assets with minimal costs (Maness & Zietlow, 2005, as cited in Kontuš and Mihanović (2019)). Therefore, assets like inventory, trade debtors, cash, and cash equivalents emerge as assets easily convertible to cash at minimal expenses (Kontuš & Mihanović, 2019). The most liquid assets for a business are its cash and cash equivalents, and many micro-enterprises lack substantial capital assets, a viewpoint supported by Futcher and Sunjka (2018). Therefore, the focus on liquidity management for SMMEs centers on cash flow management. According to Keynes (1973) cited in Onyango (2018) organizations primarily hold cash for transactional, speculative, and precautionary reasons. Consequently, if SMME owners and managers understand that cash is needed to fulfill these objectives, they can maintain lower reserves. To accurately determine the cash reserves necessary for micro-enterprises, owners must excel in both budgeting and record-keeping processes.

2.2. Cash Flow Management

Cash flow planning allows businesses to determine the timing and magnitude of any deficits or surpluses they might encounter. This information is instrumental in developing sound debt management policies, helping micro-enterprises navigate potential financial challenges, and making informed decisions regarding borrowing or repayment strategies (Alostaz, 2015). Cash flow represents the cash owned by an enterprise, crucial for operation efficiency, stability, and financial health. Implementing robust financial practices guarantees an appropriate level of cash flow. An abundance of cash flow cash depletes enterprise reserves over time, while inadequate cash flow can endanger liquidity, impacting the ability to fulfill payment obligations. Therefore, both the availability of financial resources and their effective management are pivotal factors determining the survival and prosperity of the enterprise (Soboleva et al., 2018). Efficient cash flow is crucial for fostering stability and ensuring the survival of an enterprise, as it guarantees that the business maintains adequate cash resources (Soboleva et al., 2018). Effective cash flow management serves as an asset to business by reducing costs through the utilization of early payment discounts, nurturing positive relationships with suppliers, and enhancing the business's reputation for reliability with suppliers. Additionally, sound cash flow management facilitates growth, as credit providers are more willing to offer credit for future expansion based on a strong historical record of cash flow management (Ramli & Yekini, 2022).

The challenge of proper cash flow management is a global phenomenon Percat (2012), as cited in the study of Uwonda, Okello, and Okello (2013) highlights that in Saudi Arabia the closure of several small businesses is attributed to improper cash flow management. Kusi, Narh, and Tetty-Way (2015) as cited in Malm (2020) argue that inadequate cash flow management is a major issue in Africa and is highlighted as a major cause of small business closures in Ghana. Titus (2012) as cited in Malm (2020) similarly confirms the prevalence of cash flow management challenges. Titus notes that 51 % of small businesses fail in their first year and 95 % in their second year due to improper cash flow management. Within the South African context, the research by Bruwer et al. (2021) underscores the significance of effective cash flow management. It highlights how several small businesses impeded their growth by making inaccurate decisions based on analysis of bank statements. The study of Mazibuko (2021) provides the financial management practice of SMMEs which includes Micro-enterprise within the South African context the study also conceded that most SMMEs lack qualified individuals to oversee operations, hindering their ability to drive growth and even unlock affordable credit facilities for expansion. Despite the varied public agencies such as SEDA and SEFA that have been established by the government to support SMMEs with financial management training and guidance, yet financial management knowledge is still a challenge for South African SMMEs (Malebana, 2017, as cited in Mazibuko (2021)).

2.3. Budgeting Principles

Regarded as a crucial initial phase, this process furnishes financial data regarding the planned business activities, shaping a framework that guides and establishes performance benchmarks. Moreover, it functions as a constant monitoring tool for evaluating performance outcomes at various stages as well as during reviews. Furthermore, it empowers SMME owners and managers to make informed decisions to enhance present business conditions, thereby aiding in growth and sustainability (Nair, Osamah, & Salwa, 2020). Operating without a budget means that an enterprise has no specific target to achieve. Besides providing a goal to strive for, a budget also gives a clear picture of the resources required to attain a particular level of performance (Nair et al., 2020). Consequently, it guides decision-making and the necessary actions to achieve the planned objectives. It outlines the required resources for a specific production project, and upon project completion, business owners can verify whether the actual performance aligns with the planned resource allocation and projected profitability (Nair et al., 2020). According to Derbyshire, Fouché, and McChlery (2023) research, micro-enterprises often struggle to implement fundamental financial management practices, like creating budgets for projected costs and expected revenues, maintaining cash books, preparing income statements, and conducting bank reconciliations are mostly unable to apply basic financial management principles such as formulating a budget of planned costs and estimated returns, cash books, income statements and bank reconciliation.

2.4. Record-Keeping

As outlined by Hosen, Rahman, and Rashid (2020) there exists a standardized approach to recording financial data and preserving these records, commonly known as accounting. This recorded data aids in tracking operational costs and revenue generated, enhancing financial oversight, improving performance, and facilitating sound financial decision-making. Copeland & Dascher (1978) as cited in Hosen et al. (2020) argued that documenting financial data in an accounting framework holds international recognition as it can offer insights into financial position, performance results, and operational cash flow, underscoring the vital importance of record-keeping for businesses. In Ethiopia, a study by Deresa (2016) discovered that small businesses cannot bear the costs of hiring accountants, leading to inadequate financial record-keeping due to a lack of discipline and understanding of financial management principles.

Research conducted in Malaysia revealed that a significant percentage, ranging from 80 to 90% of new micro-enterprises fail within their infancy stage primarily due to inadequate cash flow management as well as failure of separation of personal bank account and business account were identified as a major contributing factor leading to their failure (Ramli & Yekini, 2022). Conversely, a study conducted in Yemen uncovered that micro-enterprises often neglect proper budgeting practices, negatively impacting their financial control capabilities and impeding their growth potential (Nair et al., 2020). Similarly, a study in Bangladesh emphasized the significance of record-keeping, highlighting that many SMMEs lack appropriate financial records-keeping practices leading to adverse effects on their financial performance (Hosen et al., 2020). These findings indicate a widespread trend where the majority of SMMEs face challenges due to poor financial management practices, resulting in limited longevity and poor growth prospects.

There are various ways of identifying a research problem. It might be through a thorough literature review and identifying the study gap or inconsistencies even aspects of the topic that might require further investigations. Another format of identifying a research problem might be through observation or personal experience, this is mainly through the researcher's interaction within the researcher's social context or even personal experience or insight that might lead to a recognition of important social issues that are deserving of a further study (Manski, 1993). This research stemmed from a board observation in the local region of Mangaung where the majority of SMMEs face challenges in sustaining their operations for more than three years. Even those that manage to survive often struggle to grow into large successful businesses that can operate nationally.

Research has been undertaken in various regions, including Malaysia, Yemen, Bangladesh, Saudi Arabia, Ghana, and within the South African context, focusing on critical aspects such as cash flow management, budgeting, and record-keeping challenges. However, there remains a notable gap in the literature concerning the specific sub-elements of financial management within the Mangaung region of the Free State. This study aims to address this gap by exploring how financial management practices influence the sustainability and growth of SMMEs in this area. By doing so, it seeks to contribute additional insights into effective financial management practices and their implications for SMMEs.

3. Research Design and Methodology

Utilizing qualitative methodologies is considered an ideal means of data collection, primarily through candidate dialogues that can unravel intricate concepts. This approach permits a thorough data-gathering process that transcends simple yes or no responses, contributing significantly to theoretical knowledge and facilitating generalization beyond mere statistical figures (Qu & Dumay, 2011). Qualitative methods are instrumental in capturing nuanced insights, leading to a profound understanding of complex concepts. One must employ reflective techniques to employ qualitative research most effectively (Wilson, Onwuegbuzie, & Manning, 2016).

The research findings underwent analysis employing a thematic analysis technique using a hybrid method that amalgamated both deductive (top-down) and inductive (bottom-up) approaches to coding. The deductive analysis approach is beneficial to research as it provides a structured framework in data analysis, which enables a systematic approach to identifying categories of themes. It further provides a structured starting point for a researcher and gives specific areas of interest to focus on making the process more efficient and target-centered, making it possible to handle complex data sets or large quantities of data (Blum, Stenfors, & Palmgren, 2020). It further ensures consistency and fosters clarity in the research process, as the coding process is guided by the deductive analysis framework. Moreover, it gives credibility to the study as the analyses used are grounded in theoretical constructions.

The inductive thematic approach allows for findings that are closely linked to the data itself and aligned with the participants' they are not influenced by preconceived theories or the biases of the researcher. It further allows the researcher to capture complex and in-depth perspectives and experiences of the participants, providing a rich description of the study (Braun & Clarke, 2006). The most advantageous benefit of the inductive approach is its ability to provide anticipated insight by revealing unexpected themes and patterns that might not have been considered at the beginning of the study. Inductive approach thematic analysis is the most versatile tool for qualitative research which can be used across different theoretical frameworks (Braun & Clarke, 2006). This ensures that the interpretation of phenomena remains iterative and reflexive, grounding themes in the collected data itself. Balancing inductive and deductive strategies enhances the qualitative research process, ensuring a rigorous and comprehensive analytical framework.

Sampling is the process of choosing a representative sample that will appropriately represent the population targeted for the study on which the research aims to be based (Mujere, 2016). The study involved ten participants, comprising four SMEs from the manufacturing sector, one from the energy sector, and five small logistics and procurement suppliers predominantly operating within the supply chain of the Free State government. According to the Department of Small Business Development, these businesses fall under Micro Enterprise with a maximum number of 10 employees and a maximum annual turnover of 10 million (Department of Small Business Development, 2023). A common characteristic among the businesses considered in this analysis is that they have been operating for over three years within the Mangaung region, with an annual turnover not exceeding R2 500 million. These enterprises employ varying numbers of individuals, ranging from a maximum of seven employees which may include both full-time and part-time staff to a minimum of one employee as business owners are also classified as employees. The skill levels of the workforce reflect a spectrum, with owners often possessing low to middle levels of skills. In contrast, higher skill levels are represented by professionals such as accountants and business consultants (Bhorat, Asmal, Lilenstein, & Van der Zee, 2018). Financially, these businesses display a diverse range of turnovers, with reported revenues fluctuating between a minimum of R1 200 million and a maximum of R 2 200 million.

Two main methods of data collection are primary data and secondary data collection. Secondary data, available from published sources like books, journal articles, and online publications, can be easily gathered. In contrast, primary data is data that is collected for a specific purpose, remains unpublished and unaltered, and must be obtained without bias to ensure it is objective and reliable (Taherdoost, 2021). This research employed primary data collection through personal interviews as the instrument, the interviews were conducted using the hybrid method, through physical and virtual meetings.

The study involved a total of ten participants, comprising four small and medium enterprises (SME's) from the manufacturing sector and six from the service sector. These businesses employed between one and seven individuals, with employees working in either full-time or part-time capacities. In terms of financial performance, the annual turnover for 2023 ranged from a minimum of R1,200,000 to a maximum of R2,200,000. Despite the varied nature of their operations, all these businesses are located within the Mangaung region. Furthermore, each enterprise has been in operation for a minimum of three years, with the owners lacking formal tertiary qualifications in finance. This characteristic can be significant in understanding their business strategies and operational decisions.

The data collection of the research primarily concentrated on assessing the impact of cash flow management on small business performance, while budgeting and transaction record-keeping emerged as important financial tools that are necessary to support cash flow management. The combination approach of deductive and inductive analysis enabled the integration of data-driven codes and theory-driven codes, enhancing the credibility and flexibility of the analytical procedures (Fereday & Muir-Cochrane, 2006). The data collected for this study were analysed using the free versions of NVivo 14 and Excel

The concept of data saturation ensures that themes in a research study are backed by support from respondents and that all identified themes are included, even if they are only represented by one respondent (Akinyode & Khan, 2018). Following this, data coding is developed based on the main common themes in the research (Akinyode & Khan, 2018).

Table 2. Primary themes.

Primary themes	Description
Budgeting	It is a tool that puts organizational vision into actionable plans with financial implications for the organization
Cash flow	It's the main engine and fuel that ensures stability in operations and improves growth opportunity
Record keeping	Provides a clear picture of the financial status of the SME and is a tool for road mapping
Changes in technology	It provides an opportunity for change in the industry which can be a possible risk or growth opportunity
Economic factors	Major external factors that influence how you operate internally as an SME
Political factors	it's the major external factors that influence how you operate internally as an SME

The Table 2 presents primary themes and codes derived from the principal research topic, initially established to address the main research dilemma. Inductive coding was subsequently applied to the primary themes during the research analysis process. After data collection, deductive coding was employed as sub-codes under the primary themes to capture important emerging data that may not have been anticipated. This dual approach of inductive and deductive coding culminated in the development of both predetermined and emergent codes throughout the data analysis phase.

4. Findings

4.1. Budgeting Key Findings

In budgeting the primary objective of the study was to ascertain if a structured planning process exists which outlines envisioned activities to be undertaken with clear implications of the financial impact on the planned activities. The significance of budgeting lies in its strategic orientation, encompassing both planned objectives and the measurement of actual performance. This aids in comprehending overall value creation and identifying performance gaps (Abrahams, 2012). This evaluation aims to establish if a clear financial roadmap is established ahead of time through the use of budget as a planning tool.

The research findings indicated that most participants only focus on the immediate project costing hence project costing is high on Figure 1. Six out of eight participants do not engage in adequate budget planning. The reasons for the lack of budget planning included time constraints, discouragement due to the high unpredictability of business outcomes, and the perception that budgeting is time-consuming with no value added to business.

Most participants avoid budgeting because business income can be unpredictable throughout the year. This lack of budgeting leads to insufficient financial controls over expenditures, hindering potential savings as reflected in low savings in Figure 1. Additionally, there is little to no comparison between planned costs and actual expenses, which similarly affects income. This further compound the negative impact on potential savings.

Micro-enterprises prioritize project costing by incorporating a profit margin that ranges from 25 % to 40% markup on expenses. This approach allows them to cover costs associated with the project, diminishing the perceived need for budgeting among SMMEs. Consequently, their financial management practices are limited to the costing phase, without extending into monitoring actual performance or tracking expenditure on received income from the project. As a result, many SMMEs struggle to achieve significant savings, which ultimately hampers their growth potential. The research also revealed that two participants who effectively implemented budgeting practices and regularly reviewed their performance and spending on earned income were able to save not only enough to fund their next projects but also to invest in the growth and expansion of their SMMEs.

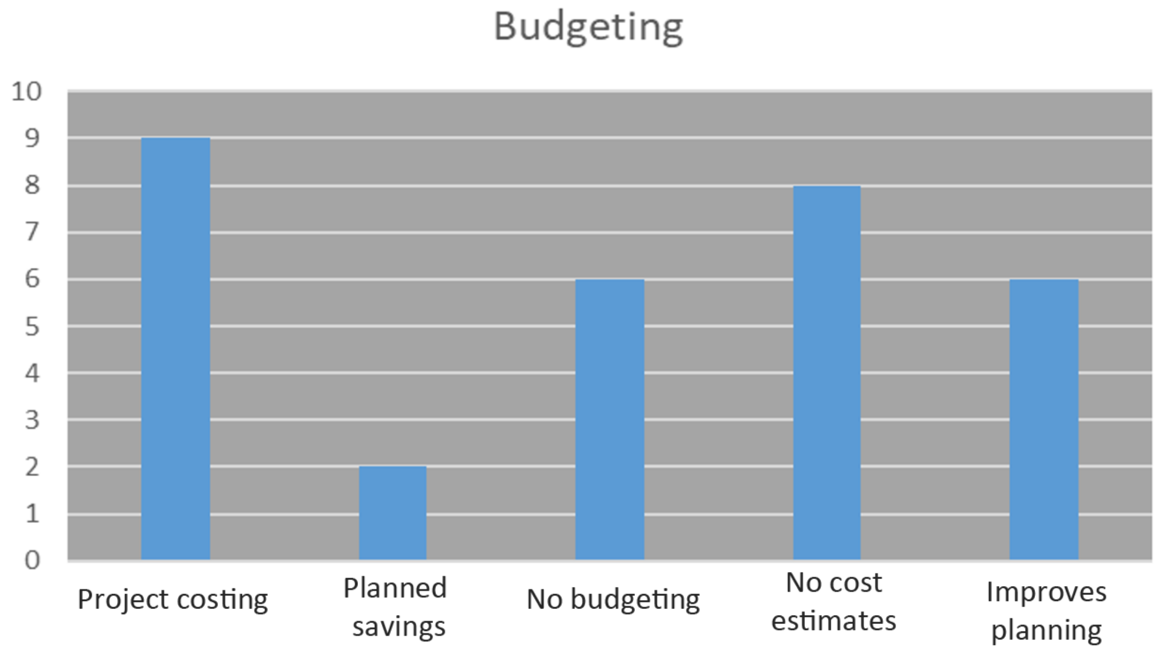

Figure 1. Budgeting outcome graph.

4.2. Record-Keeping

Record-keeping analysis aims to ascertain whether SMEs are able to gain an understanding of the financial ramifications of their conducted activities since the budget is forward looking record keeping is backward-looking with a corrective emphasis. It further investigates if financial records are utilized to identify any deviations between planned and actual outcomes. Moreover, the research investigates if discrepancies that occurred in the past are acknowledged and leveraged for refining future decision-making processes to foster sustainable growth and development.

The research revealed inconsistencies in the record-keeping practices associated with daily business transactions as no recording of expenses is high in Figure 2. As a result, the financial data for most micro-enterprises is deemed unreliable due to inadequate bookkeeping. Furthermore, the financial information generated from operations is not utilized for decision-making purposes. The general absence of diligent documentation of income and expenses obstructs accurate assessment of profitability and losses. As illustrated in Figure 2, the frequency of irregular record-keeping is notably high. Two primary factors contributing to this reluctance to maintain proper records are a lack of financial knowledge and the operational challenges posed by delayed government payments. These late payments not only disrupt regular income streams but also complicate the tracking of project-related expenses and income. Partial payments that are received late are often redirected to fund current ongoing projects that urgently require financial support. As a result, many micro-enterprises engaged in government contracts incur high expenses without adequate record-keeping as illustrated in Figure 2.

A significant number of respondents recognize the value of effective record-keeping practices, acknowledging that proper documentation can enhance their financial management. Given that the majority of participants admit to the importance of record-keeping, the lack of effective implementation may stem from their initial attempts at record-keeping being inadequate, preventing them from experiencing the intended benefits. This disconnect has resulted in a situation where participants are aware of the theoretical advantages of record-keeping but fail to realize those benefits in practices. This disparity is illustrated in Figure 2, which shows a high coding for the importance of record-keeping, whereas the code for inadequate expense tracking ranks the second highest element.

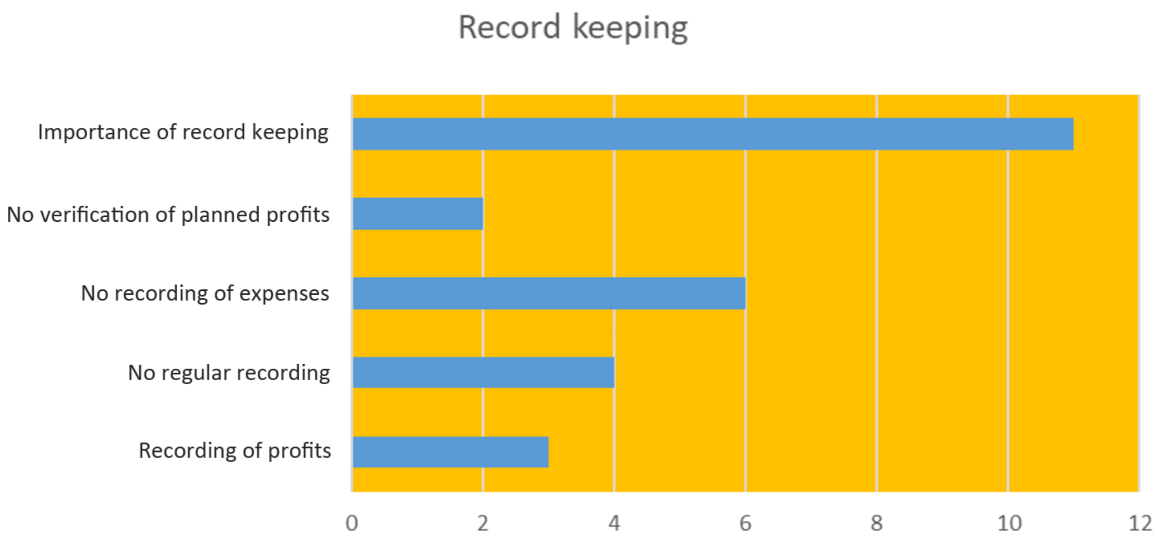

Figure 2. Record-keeping graph.

4.3. Cash Flow Management

Participants reported employing various strategies to ensure operations continue running in their business. These strategies included the request for upfront deposits, maintaining good relations with suppliers for ease of late payment arrangement, maintaining good relations with industry peers which enables resource sharing of semi-finished goods and finished goods for efficient client service, and keeping buffer inventory. Most participants mentioned saving some sort of funding to secure funds for the possible immediate next project. However, no correlation was observed between these practices and business expansion Most participants mentioned saving extra income to secure funds for future projects. However, no correlation was observed between these practices and business expansion.

Cash flow findings indicate that all participants recognize the importance of having funds to cover ongoing operational costs as funds are the lifeblood of the business as indicated by the high response on the code of planned savings in Figure 3. But the reality is that some factors have made having access to cash for the next projects a challenge, financial management challenges such as lack of budgeting and record-keeping have contributed to low cash reserves for operational projects not to mention funding for growth and expansion. Thus, SMMEs have resolved to various ways of accessing production resources, from requesting an upfront deposit before commencing production to maintaining good relations with suppliers, creditors, and industry peers to ensure that the resources needed for operations are provided on demand.

Positive relationships can be advantageous, as a supplier may offer an extended payment grace period due to leniency, while creditors might provide funding at a favourable interest rate based on a solid history of timely payments. Additionally, industry peers can contribute by assisting in supplying urgently needed essential production materials to ensure timely delivery of products for awarded contracts, as illustrated by the good relations code in Figure 3.

A key inquiry of the study conducted in the Mangaung region was focused on establishing through empirical evidence the notion that maintaining liquidity correlates with business growth and sustainability of enterprises. The study revealed that effective cash flow management serves as a strong foundation for potential business growth by ensuring that resources are available for pursuing growth opportunities or securing credit for expansion. However, it also highlighted that achieving sustainable growth necessitates the formulation and implementation of a robust growth strategy over time, as illustrated by the growth code in Figure 3.

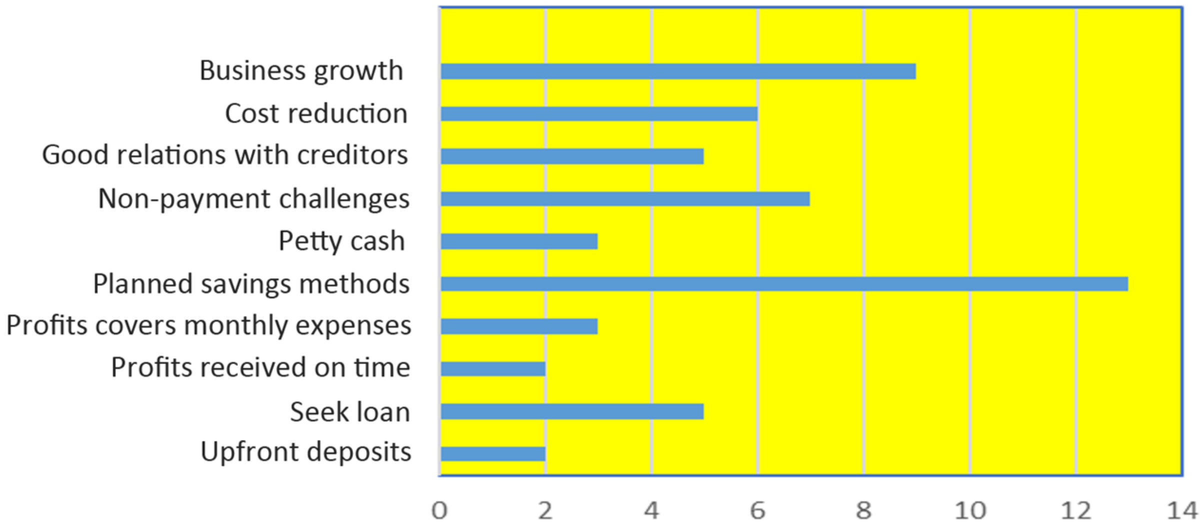

Figure 3. Cash flow graph.

5. Conclusion

SMMEs possess unique characteristics with smaller operational scales and assets than large corporates. Therefore, generic government financial solutions that are not supported by continuous interaction provide limited support. Tailored solutions are necessary for small businesses to address diverse industry requirements and provide suitable financial management tools. This view aligns with the contingency theory of accounting (Otley, 2016 as cited in Pierrot (2019)), which emphasizes that accounting methods are not universally applicable. A financial practitioner can offer guidance on appropriate tools to utilize that are tailored for that particular industry and foster effective financial management discipline.

Empirical evidence from the study participants, as well as findings from Venter et al.(2018) cited in Hosen et al. (2020) indicates that working with a qualified financial professional significantly enhances financial management practices, ultimately contributing to long-term growth and sustainability. The insights from Participant 8 highlight that a qualified financial practitioner not only aids in assessing current operations but also helps align future investment goals with an actionable strategy. In contrast, while other participants had liquidity plans in place to ensure operational continuity, these plans did not directly correlate with growth outcomes, highlighting a significant difference in Participant 8's experience. Therefore, collaborating with a qualified financial practitioner proves to be highly beneficial both from the empirical evidence and prior theoretical papers.

The digital transformation of the Fourth Industrial Revolution (4IR) has significantly eased the challenges of manually recording sales and expenses, as well as reconciling this data for accounting purposes. The COVID-19 pandemic has further accelerated the adoption of automation tools like Point of Sale (POS) systems, which serve as software for recording sales in physical retail stores, mobile sales on-site, and online transactions. These systems have enhanced the accuracy of sales and expense recording, as well as improved internal record-keeping even for other items such as inventory management staffing costs and staffing planning schedules.

In South Africa, several fintech companies, such as Yoco, Ikhokha, and Vodapay, are actively supporting small businesses in tracking sales. Additionally, tools like Expnesify, Zoho Expenses, and QuickBooks facilitate expense tracking by allowing users to scan receipts for any payment method and generate reports on demand for bookkeeping purposes. These are just a few examples of current market solutions for automated record-keeping, with similar automation support available for Budgeting. Collaborating with a financial practitioner can greatly assist in navigating the selection process for these tools and improve cash flow management.

The study found that proper financial management plays a critical role in the growth and sustainability of SMMEs in the Mangaung region. The study found that effective liquidity management, budgeting, and accurate record-keeping are a prerequisite to business success, but they need to be complemented with a solid growth strategy for business expansion and sustainability. Empirical evidence of the study indicates that participants who implemented these practices experienced significant growth and stability despite the external environmental impact, indicating that internal management processes can bolster growth. Ultimately, the research confirms that successful financial management allocates resources for growth. Moreover, achieving sustainable growth requires a deliberate and strategic approach to development

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