



## **Reasons and solutions for SMME loan repayment failure in South Africa**

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### **Abstract**

This study explores the reasons for SMME loan repayment failure and assess possible linked solutions. In South Africa, SMEs are given considerable attention through the government agencies' loans, with the aim of helping to improve the growth that will eventually create jobs, eradicate poverty, increase tax provision, and – most of all – enable them to participate in the growth of their economies. The problem of the non-repayment of government agency loans by SMEs creates an inherent risk that culminates in continued loss and lack of returns on investments on the government's side, which can be seen as a waste of taxpayers' money. The study aims to explore SMMEs characteristics that can be used proactively to minimise the failure by SMMEs to repay banks' and government agencies' loans. The study applied a qualitative approach using interviews and systematic literature review for collecting data and grounded analysis. SMME owners and staff as well as loan providers were interviewed and gave different views on reasons and solutions for loan payment default.

**Keywords:** SMME, loan repayment default, funding and entrepreneurship