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Assessing the impact of corporate governance principles on the Small and Medium Enterprises (SMEs)' financial success in Kwa-Zulu Natal (KZN): Application of Stewardship theory

Tinaye Mahohoma [(a)*]

[(a)] *Post Doc Fellowship, Department of Town and Regional Planning, Durban University of Technology, Durban 4000, South Africa*

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ABSTRACT

This study investigates how corporate governance (CG) principles affect the financial performance of Small and Medium Enterprises (SMEs) in Kwa-Zulu Natal (KZN), South Africa, using stewardship theory. Corporate governance (CG) encompasses the regulations, procedures, and mechanisms Overseeing the administration and implementation of a business. Efficient corporate governance (CG) is crucial for Small and Medium Enterprises (SMEs) to function with maximum effectiveness and optimise entrepreneurial value. The study seeks to fill this vacuum in information by investigating the impact of using stewardship theory, which prioritises the long-term interests of stakeholders, on the financial performance of small and medium-sized enterprises (SMEs) in KZN.A quantitative approach was employed and a cross-sectional design was employed to survey 217 SMEs in the Durban South area. Descriptive statistics reveal a diversified KZN SME environment, with a predominance of medium-sized businesses, balanced gender representation, and a variety of business ages and educational backgrounds among owners and managers. Inferential statistics show significant correlations between CG principles and financial success metrics of SMEs, particularly affecting returns on invested capital and assets, net profit, asset value, and sales turnover. The results are consistent with earlier studies on the beneficial effects of CG on SME performance. The study is limited to SMEs in the Durban South area and may not be generalizable to other regions. Future research might compare studies across different areas and examine the long-term effects of CG on SMEs to identify optimum practices. The study recommends prioritizing efficient CG procedures tailored to SME needs. It suggests developing business management competencies and advocating for supporting legislation to enhance SME performance.

Introduction

Corporate governance (CG) encompasses the regulations, procedures, and mechanisms Overseeing the administration and implementation of a business. Efficient corporate governance (CG) is crucial for Small and Medium Enterprises (SMEs) to function with maximum effectiveness and optimise entrepreneurial value (Alodat et al., 2022). The correlation between excellent corporate governance (CG) and positive outcomes such as greater investment, improved financial performance, and reduced agency costs and risks is well acknowledged. However, the implementation of efficient governance procedures encounters obstacles such as a high degree of ownership concentration, conflicts of interest, and the intricate nature of assessing and overseeing governance operations (Hunjra et al., 2021). Ensuring optimal corporate governance is crucial for small and medium-sized enterprises (SMEs) to function in the best interests of entrepreneurs and boost their overall value. According to Farooq et al. (2022), small and medium-sized enterprises (SMEs) can improve their financial performance and reduce risks by aligning the incentives of managers with those of entrepreneurs and ensuring that their financial reporting is transparent and dependable. Nevertheless, even while there are advantages, the task of establishing efficient governance procedures continues to be difficult, requiring continuous efforts to guarantee that SMEs are governed with maximum efficiency and effectiveness.

* *Corresponding author. ORCID ID: 0000-0003-1899-6339*

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Çolak and Öztekin (2021) emphasise the substantial influence of the COVID-19 pandemic on emerging nations characterised by vulnerable economies, constrained financial resources, and inadequate policy and business conditions. This catastrophe highlights the significance of implementing efficient governance strategies that focus on managing risks, promoting openness, ensuring accountability, and upholding ethical behaviour. SMEs that prioritise these procedures are likely to become more robust and successful entities in the era following the pandemic. KZN was selected as the focus of the study on the impact of CG on financial performance in South African provinces for two specific reasons. Kwa-Zulu Natal (KZN) may have been selected for this study due to its substantial economic impact on South Africa. KZN is renowned for its multifaceted economy, encompassing manufacturing, agricultural, tourism, and services sectors. This makes it an optimal setting for examining the financial achievements of SMEs (Alodat et al., 2022). Another possible factor could be the abundance of small and medium-sized enterprises (SMEs) in KZN. Small and medium-sized enterprises (SMEs) are widely recognised as the fundamental support of the economy, especially in developing areas such as KZN. They have a crucial impact on employment generation and economic expansion (Mazikana, 2019). An examination of the influence of corporate governance principles on small and medium-sized enterprises (SMEs) in this particular situation might yield useful knowledge on how to improve their financial prosperity and overall economic effect.

Although Small and Medium Enterprises (SMEs) play a vital role in driving economic progress, they encounter many obstacles in South Africa that impede their financial prosperity. Resource limitations, intense rivalry, and limited availability of finance are widely acknowledged obstacles that hinder their full potential (Lekhanya, 2015). Recent studies indicate that the implementation of strong corporate governance standards can have a favourable impact on the performance of small and medium-sized enterprises (Ansaful, 2023; Hove-Sibanda, Sibanda& Pooe, 2017). The Nigerian study conducted by Dwaikat and Queiri (2020) emphasises the limitations in resources that smaller enterprises encounter when trying to establish comprehensive governance systems. Murithi, Vershinina and Rodgers (2020) highlight the widespread occurrence of informal business practices in specific areas, which obstructs the implementation of formalised structures. Nevertheless, the precise consequences of these activities in the context of KZN have not been thoroughly examined.

This study seeks to fill this vacuum in information by investigating the impact of using stewardship theory, which prioritises the long-term interests of stakeholders, on the financial performance of small and medium-sized enterprises (SMEs) in KZN. Stewardship theory supports the need of effective corporate governance in promoting sustainable growth in small and medium-sized enterprises (SMEs). It emphasises the significance of accountable leadership and transparent decision-making (Madurapperuma, Thilakerathne, & Manawadu, 2016). This study aims to offer significant insights to policymakers, business leaders, and scholars by examining the practical implementation of stewardship principles in KZN's distinctive economic environment. The study aims to use empirical research and analysis to examine how corporate governance practices might improve the financial performance of small and medium enterprises (SMEs) and reduce risks in the specific socio-economic environment of KZN. The research objectives of this study are as follows to explore the factors that influence the financial success of SMEs and to determine the association between corporate governance principles of SMEs and their financial success

This paper is organized as follows: following the introduction part, a second part is a literature review with theoretical and empirical studies that shed a light on linkage between theory and practice. The third part introduces the background information on research and methodology. After analysis and findings of the study, authors provide discussions and implications. Finally, this paper concludes with key points, recommendations, future research directions and limitations.

Literature Review

Theoretical and Conceptual Background

Stewardship theory, as proposed by Davis et al. (1997), suggests that when managers or executives, known as stewards, align their interests with the stakeholders of the organisation, who are the principals, it helps to reduce principal-agency problems (Chrisman, 2019). This alignment promotes a situation in which both sides work towards long-term objectives without any conflicting interests, as the steward's motives are in line with the organisational goals (Schillemans and Bjurstom, 2020). Managers and executives, who are influenced by higher-level wants according to Maslow's theory, are motivated by non-monetary incentives and interpersonal connections. As a result, they prioritise the organization's interests over their own personal advantages (Subramanian et al., 2019). Therefore, when the values embraced by managers and executives align with those of the firm, corporate governance enables the generation of stakeholder value, thereby improving firm performance in the face of changing business conditions.

Furthermore, the implementation of Stewardship theory indicates that companies with boards mostly composed of managers and executives are more likely to achieve better results compared to those with a majority of external members. This statement is based on the idea that boards that represent the internal interests of a company reflect the responsible behaviour of managers and executives, which eventually leads to better performance by the company (Madison, 2014). Having firm insiders on the board guarantees the availability of comprehensive, specialised, and up-to-date knowledge that is crucial for the performance of the firm, which is consistent with the findings of Subramanian et al. (2019). Nevertheless, it is recognised, as pointed out by Chrisman (2019), that individuals can serve as stewards for specific objectives while taking on agent-like responsibilities for others, illustrating the intricate nature of aims and conflicts among principals. However, the study highlights the crucial importance of stewardship behaviour in promoting board integrity and efficient corporate governance, emphasising its significance in improving the financial success of small and medium-sized enterprises (SMEs) in KZN (Nzama, 2022).

Empirical Review and Hypothesis Development

Determinants of Financial Success in the SME sector

Many research studies have examined the effects of various factors on the financial performance of small and medium-sized enterprises (SMEs). These factors include corporate governance (CG), which refers to a collection of regulations, procedures, ethical guidelines, and organisational frameworks that support ethical and effective corporate operations, focusing on meeting the needs and expectations of various stakeholders (Du Plessis et al., 2018). Formal CG structures involve hierarchical arrangements, incentive systems, procedural standards, and written protocols for resolving disputes within an organisation (Tachizawa &Wong, 2015; Pucheta-Martínez & Gallego-Álvarez, 2020). Conversely, informal CG mechanisms rely on social norms and trust (Khatib and Ibrahim Nour, 2021; Chi, 2021).

The CG framework should recognise stakeholders' interests, whether influenced by legal requirements or mutual agreements. The objective is to promote dynamic collaboration between corporations and stakeholders to generate increased income, job prospects, and improve the company's sustainability. Stakeholder principles highlight the relationship between the enterprise and stakeholders in generating value (Sen & Cowley, 2013). These principles should incorporate stakeholders' responsibilities, considering their relationships and treatment. This includes employees, creditors, suppliers, shareholders, and environmental factors (Cheung et al., 2010). Allen (2017) note that entities can choose their stakeholders in certain situations, which can increase their worth. In contrast, Busch et al. (2018) argues that a company cannot fully optimise its value if it neglects stakeholders' concerns.

Null Hypothesis: There are no significant factors influencing the financial success of SMEs.

The Association Between Corporate Governance Principles of SMEs and Their Financial Success

Corporate governance (CG) is crucial in improving firm performance, reducing agency costs, and influencing corporate decisions. The correlation between CG and firm financial success has garnered significant interest from researchers, businesses, and politicians. Kartika et al. (2019) argue that for SMEs to achieve financial success, they must prioritise addressing stakeholder interests, practising ethical business behaviour, maintaining legitimacy, and gaining investors' trust.

Studies by Affes & Jarboui (2023) provide evidence that the combination of competent financial reporting, transparent decision-making, and excellent governance promotes better access to credit, thus enhancing financial performance. Soriya and Kumar (2018), investigating the corporate governance practices in the Columbian stock market, discovered a negative correlation between board size and performance. Additionally, Ansaful's (2023) research in Ghana highlights the importance of following CG concepts, such as board effectiveness and risk management, to protect SMEs from financial difficulties.

Null Hypothesis: There is no significant association between corporate governance principles and the financial success of SMEs.

Research and Methodology

This part emphasises the quantitative component of the investigation, as the results were evaluated using numerical methods and analysed. The research utilised a descriptive cross-sectional design, based on a positivist philosophical approach. The study focused on a specific group of 500 small and medium-sized enterprises (SMEs) that were currently operating in the Durban South region of KwaZulu Natal, South Africa. These SMEs had a workforce ranging from 21 to 200 full-time employees.

By employing the Morgan sample size table devised by Bougie & Sekaran (2019), a sample size of 217 was chosen using random sampling methods. Data collection was expedited by the use of a closed-ended questionnaire, and the analysis was carried out using SPSS version 29.0. Several statistical approaches, including descriptive analysis, multivariate analysis of variance, and regression analysis, were used to determine the characteristics that influence the financial success of small and medium-sized enterprises (SMEs). These techniques were also applied to examine the relationship between the corporate governance principles of SMEs and their financial success.

This section examines the dependability and accuracy of the research tools employed. Reliability, as explained by Kumar et al. (2019), pertains to the steadfastness and uniformity of scores obtained from a tool throughout repeated administrations. On the other hand, validity, as defined by Creswell & Creswell (2017), refers to the significance of individual scores, enabling researchers to make precise inferences about the sample population. The mean Cronbach's alpha score of 0.813 for all questionnaire statements/questions indicates a high level (81.3%) of internal consistency among the items in the questionnaire.

Ensuring ethical concerns is of utmost importance in any scientific activity. This work rigorously followed the ethical rules set by the Durban University of Technology, especially those related to ethical standards in human science. The relevant department and faculty conducted thorough review and approval processes to ensure adherence to ethical norms. Prior to their participation in the study, all participants provided informed consent, and strict measures were taken to ensure the confidentiality and privacy of their sensitive information.

To further enhance the understanding of this process, consider incorporating an infographic or flowchart. This visualization could depict the flow of data, starting from the questionnaires, moving through recording and coding, and finally reaching the analysis and presentation stages using SPSS and frequency tables.

Findings and Discussions

Findings

Respondent Demographics

The analysis of each demographic variable provides valuable insights into the characteristics of the Small and Medium Enterprises (SMEs) surveyed in Kwa-Zulu Natal (KZN). Starting with number of full-time employees, the majority of SMEs fall within the range of 21 to 50 employees, constituting 50.8% of the total respondents. Additionally, 24.1% of SMEs have 51 to 100 employees, indicating a substantial presence of mid-sized enterprises. Further, 11.8% and 13.3% of SMEs have 101 to 150 employees and 151 to 200 employees, respectively.

Regarding age groups, the distribution is varied, with no single age group dominating. However, the highest percentage of respondents falls within the 46 to 55 years range, accounting for 27.6% of the total. Furthermore, 26.7% fall within the 36 to 45 years range, indicating a considerable representation of individuals in the prime of their working age. The study also reveals a notable proportion of younger entrepreneurs, with 6.2% aged 25 years and below, and 23.1% falling within the 26 to 35 years range.

In terms of gender, there is a slightly higher representation of females, accounting for 55.0% of the total respondents, compared to males at 45.0%. This gender balance within the SME sector is noteworthy and suggests a relatively equitable participation of both genders in entrepreneurship in KZN.

Regarding period of business operation, the distribution indicates a diverse range of establishment durations. Notably, 40.0% of SMEs have been operational for between 5 and 10 years, indicating a substantial presence of relatively established businesses. On top of that, 30.3% have been operating for between 11 and 15 years, suggesting a significant proportion of SMEs with a more extended operational history. Moreover, 20.5% of SMEs are less than 5 years old, indicating a continuous influx of new enterprises into the market.

Regarding education levels, the majority of respondents hold either a Diploma/Degree (28.7%) or B-Tech/Honours (37.4%) qualification. This suggests a relatively high level of formal education among SME owners and managers in the region. Additionally, 16.4% of respondents possess higher qualifications such as M-Tech/Masters/MBA, while 9.3% hold D-Tech/Doctorate degrees.

Inferential Statistics

Factors influencing the financial success of SMEs.

The provided output (Table 1) presents test statistics related to the behaviour of owners-managers and various factors such as corporate governance principles (CG), state regulations, SME sector ethical climate, and society's moral climate. These statistics include Chi-Square values, degrees of freedom (df), and asymptotic significance values (Sig.).

Table 1: Chi-square test

Test Statistics					
	Behaviour of owners-managers	Corporate governance principles (CG)	State regulations	SME sector ethical climate	Society's moral climate
Chi-Square	225,862[a]	246,876[b]	212,974[c]	155,995[a]	171,077[c]
df	3	4	4	3	4
Asymp. Sig.	0,000	0,000	0,000	0,000	0,000
a. 0 cells (0,0%) have expected frequencies less than 5. The minimum expected cell frequency is 48,8.					
b. 0 cells (0,0%) have expected frequencies less than 5. The minimum expected cell frequency is 38,8.					
c. 0 cells (0,0%) have expected frequencies less than 5. The minimum expected cell frequency is 39,0.					

Source: Data processed, 2024

Behaviour of Owners-Managers

The Chi-Square value of 225.862 with 3 degrees of freedom indicates a significant association between the behaviour of owners-managers and the variables under study. The p-value of 0.001 suggests that the observed association is statistically significant. This indicates that the behaviour of owners-managers is influenced by factors such as corporate governance principles, state regulations, SME sector ethical climate, and society's moral climate. Ansaful's (2023) research on corporate governance practices in SMEs and its impact on financial performance could be relevant here. Effective corporate governance principles might influence the behaviour of owners-managers, consequently impacting SMEs' financial success.

Corporate Governance Principles

The Chi-Square value of 246.876 with 4 degrees of freedom suggests a significant association between corporate governance principles and the variables being studied. The p-value of 0.001 indicates that corporate governance principles play a significant role in influencing various aspects of SMEs' operations and behaviour. This finding resonates with the studies conducted by Hove-Sibanda, Sibanda& Pooe (2017) and Affes & Jarboui (2023), which examined the impact of corporate governance on SME performance and financial outcomes.

State Regulations, SME Sector Ethical Climate, and Society's Moral Climate

State regulations, SME sector ethical climate, and society's moral climate also show significant associations with the behaviour of owners-managers and corporate governance principles. The Chi-Square values (212.974, 155.995, and 171.077, respectively) and p-values (0.000 for all) indicate that these factors are important determinants of SMEs' operations and governance practices. The study findings are similar to the echoes of previous studies such as Murithi, Vershinina and Rodgers (2020) and Alodat et al. (2022) provided insights into the relationship between state regulations, ethical climate, and societal moral climate with SME performance and governance practices.

The significant associations revealed by the Chi-Square tests emphasize the importance of various factors, including corporate governance principles, state regulations, ethical climate, and societal moral climate, in shaping the behavior of owners-managers and influencing SMEs' operations and performance. These findings underscore the relevance of effective governance practices, regulatory frameworks, and ethical considerations in enhancing SMEs' financial success and sustainability, especially in the context of Kwa-Zulu Natal. By adhering to sound governance principles and ethical standards, SMEs can mitigate risks, improve performance, and contribute positively to the economic development of the region.

The association between corporate governance principles of SMEs and their financial success

Multivariate Tests

This section assesses the overall significance of the independent variable (corporate governance principles - CG) on the dependent variables (Sales, Net Profit, Value of Assets, Return on Assets, Return on Capital Employed).

Table 2: Multivariate Tests

Multivariate Tests[a]							
Effect		Value	F	Hypothesis df	Error df	Sig.	Partial Eta Squared
Intercept	Pillai's Trace	0,992	853,687[b]	3,000	20,000	0,000	0,992
	Wilks' Lambda	0,008	853,687[b]	3,000	20,000	0,000	0,992
	Hotelling's Trace	128,053	853,687[b]	3,000	20,000	0,000	0,992
	Roy's Largest Root	128,053	853,687[b]	3,000	20,000	0,000	0,992
CG	Pillai's Trace	1,362	6,098	9,000	66,000	0,000	0,454
	Wilks' Lambda	0,034	16,381	9,000	48,825	0,000	0,677
	Hotelling's Trace	17,615	36,536	9,000	56,000	0,000	0,854
	Roy's Largest Root	17,022	124,824[c]	3,000	22,000	0,000	0,945
a. Design: Intercept + CG							
b. Exact statistic							
c. The statistic is an upper bound on F that yields a lower bound on the significance level.							

Source: Data processed, 2024

The Pillai's Trace, Wilks' Lambda, Hotelling's Trace and Roy’s Largest Root were multivariate test statistics used to assess the overall significance of the model. The significant p-value (p = 0.000) indicates that the corporate governance principles have a significant association with the dependent variables collectively. The high values of partial eta squared (>0.4) suggest that a large proportion of the variance in the dependent variables is explained by the independent variable, CG.

Tests of Between-Subjects Effects

This section provides detailed information on the significance of the independent variable (CG) on each dependent variable individually.

Table 3: Tests of Between-Subjects Effects

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
Corrected Model	Sales (Turnover)	,462[a]	3	0,154	6,769	0,002	0,480
	Net Profit	1,987[b]	3	0,662	5,465	0,006	0,427
	Value of Assets	8,449[c]	3	2,816	92,936	0,000	0,927
	Return on assets	8,449[c]	3	2,816	92,936	0,000	0,927
	Return on capital employed	2,718[d]	3	0,906	7,474	0,001	0,505
Intercept	Sales (Turnover)	10,752	1	10,752	473,097	0,000	0,956
	Net Profit	15,103	1	15,103	124,602	0,000	0,850
	Value of Assets	31,209	1	31,209	1029,912	0,000	0,979
	Return on assets	31,209	1	31,209	1029,912	0,000	0,979
	Return on capital employed	17,050	1	17,050	140,664	0,000	0,865
CG	Sales (Turnover)	0,462	3	0,154	6,769	0,002	0,480
	Net Profit	1,987	3	0,662	5,465	0,006	0,427
	Value of Assets	8,449	3	2,816	92,936	0,000	0,927
	Return on assets	8,449	3	2,816	92,936	0,000	0,927
	Return on capital employed	2,718	3	0,906	7,474	0,001	0,505

a. R Squared = ,480 (Adjusted R Squared = ,409)
b. R Squared = ,427 (Adjusted R Squared = ,349)
c. R Squared = ,927 (Adjusted R Squared = ,917)
d. R Squared = ,505 (Adjusted R Squared = ,437)

Source: Data processed, 2024

The financial success of SMEs in KZN in this study was measure by the following metrics Sales (Turnover), Net Profit, Value of Assets, Return on Assets and Return on Capital Employed which were the dependent variable(s).

Table 3 presents the Type III Sum of Squares, degrees of freedom, Mean Square, F-value, and significance (p-value). The significant p-values (all <0.05) indicate that corporate governance principles have a significant effect on Sales (Turnover), Net Profit, Value of Assets, Return on Assets, and Return on Capital Employed. The high values of partial eta squared (>0.4) suggest that a substantial proportion of the variance in each dependent variable is explained by corporate governance principles.

Discussion

The results indicate a significant association between corporate governance principles and SMEs' financial success across multiple indicators such as sales turnover, net profit, asset value, and return on assets and capital employed. These findings align with previous studies (Wang et al., 2023; Boso et al., 2017; Amaeshi et al., 2016). that have highlighted the importance of effective corporate governance in enhancing SME performance and financial outcomes. Specifically, the results suggest that SMEs that adhere to sound corporate governance principles are more likely to achieve higher sales, profits, and asset value, as well as better returns on their assets and capital employed.

Moreover, the high values of partial eta squared indicate that corporate governance principles explain a significant portion of the variance in SMEs' financial performance. This underscores the relevance and impact of governance practices on SMEs' success, which echoes the findings of Zaman et al. (2022) and Aguilera & Crespi-Cladera (2016) as these previous researches highlighting the positive association between corporate governance and financial outcomes in SMEs. The results provide empirical support, that there is a positive association between corporate governance principles and SMEs' financial success in Kwa-Zulu Natal. These findings emphasize the importance of adopting and implementing effective governance mechanisms in SMEs to enhance their financial performance and overall sustainability.

Conclusions

An examination of demographic features offers useful insights into the small and medium-sized enterprise (SME) landscape in Kwa-Zulu Natal (KZN). This analysis focuses on important factors including the size of businesses, age groups, gender distribution, business age, and education levels among SME owners and managers. The findings provide a thorough comprehension of the composition of the SME sector and demonstrate a diverse entrepreneurial ecosystem in the region. There is a significant number of medium-sized firms and a relatively fair representation of both genders. Furthermore, the dispersion of small and medium-sized organisations (SMEs) throughout various age groups and business durations highlights the ever-changing nature of entrepreneurship in KZN. This is characterised by a constant influx of new businesses and a substantial portion of well-established enterprises. Moreover, the considerable degree of formal education among SME owners and managers implies a solid basis for well-informed decision-making and effective company management techniques within the sector. Inferential statistics provide additional clarity on the elements that impact the financial success of small and medium-sized enterprises (SMEs), with a specific focus on the influence of corporate governance standards. The Chi-Square tests have uncovered important connections that highlight the influence of elements like corporate governance principles, governmental rules, ethical atmosphere, and societal moral climate on the operations and performance of SMEs. The results demonstrate a significant correlation between corporate governance principles and the financial performance of small and medium-sized enterprises (SMEs) across many metrics, such as sales turnover, net profit, asset value, and return on assets and capital employed. These findings emphasise the crucial importance of implementing efficient governance methods to improve the performance and financial results of small and medium-sized enterprises (SMEs), which is consistent with prior studies in this area.

According to the study results, we may provide numerous solutions to assist small and medium-sized enterprises (SMEs) in KZN and enhance their financial prosperity. Small and medium-sized enterprises (SMEs) should give priority to adopting and implementing efficient corporate governance processes that are customised to their particular requirements and operational circumstances. This encompasses the implementation of well-defined systems of responsibility, the encouragement of openness and the sharing of information, and the cultivation of a work environment that prioritises moral behaviour inside the company. It is crucial to prioritise the improvement of business management and financial literacy skills among SME owners and managers. This should specifically target topics like strategic planning, financial management, and risk assessment. This can be accomplished through the implementation of training programmes, workshops, and mentorship activities. Policymakers should formulate and enforce favourable policies and regulatory frameworks that enable the growth and long-term viability of small and medium-sized enterprises (SMEs). This encompasses initiatives to simplify business registration procedures, facilitate access to financial resources and market prospects, and encourage the adoption of effective governance principles. The collaboration of small and medium-sized enterprises (SMEs), industry groups, universities, and government agencies can facilitate the exchange of knowledge, encourage innovation, and enable joint efforts to tackle shared difficulties encountered by SMEs and stimulate growth within certain sectors. This study offers useful insights into the correlation between corporate governance principles and the financial success of small and medium-sized enterprises (SMEs) in KZN. However, there are some areas that require more research.

Future research could employ longitudinal methods to investigate the enduring effects of corporate governance policies on the performance and sustainability of small and medium-sized enterprises (SMEs). This will allow researchers to evaluate the progression of governance dynamics over time and their consequences on the growth of small and medium-sized enterprises (SMEs). Comparative studies conducted in various locations or nations can offer valuable insights into the contextual elements that impact the efficacy of corporate governance procedures in small and medium-sized enterprises (SMEs). Researchers can analyse differences in regulatory regimes, cultural norms, and market situations to discover the most effective methods and policy implications for improving the governance of small and medium-sized enterprises (SMEs).

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Declarations

Ethical approval: The study was approved by the Faculty Research Ethics Committee (FREC) under ethical level one, that does not need ethical clearance from the institution. Informed written consent was sent to all participants of the interviews and questionnaires, and additional verbal consent was obtained at the start of the interviews. Data was treated confidentially. The respondents were assured that they could withdraw from the study at any time without needing to give any explanation. All data was properly stored according to Durban University of Technology research policies. The study design, procedures, and participant interactions adhered to the principles outlined in the Declaration of Helsinki and were approved by the FREC before initiation.

Informed consent: All participants provided their informed consent before participating in the study. They had a clear understanding of the study's purpose, procedures, potential risks, and benefits, and they knew that they had the freedom to withdraw from the study at any time.

Author contributions As the only author, everything was done by me. I contributed to the study conception, design, data collection and analysis. Furthermore, I wrote the first draft of the manuscript, and read and approved the final manuscript.

Availability of data and materials The datasets generated and/or analysed during the current study are available from me, Tinaye Mahohoma, as the main author, on reasonable request.

Conflict of interest: This study was funded by Durban University of Technology under the Postgraduate Scholarship programme. I hereby certify that I have no affiliations with or involvement in any organization or entity with any financial interest or non-financial interest in the subject matter or materials discussed in this manuscript. I, as main author, declare that there is no conflict of interest.

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