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## **Appendix 1: Questionnaire**

Dear participant

My name is Werner Otto and I am a Lecturer at the School of Accounting (Department Commercial Accounting) at the University of Johannesburg's College of Business and Economics. I am currently completing my Ph.D. Finance degree under the supervision of Prof. Ilse Botha. I am inviting you to participate in my research in the form of a questionnaire.

My Ph.D. study is entitled "The impact of the business environment in South Africa on the management of trade credit in SMEs".

With the questionnaire, I hope to be able to determine the impact of the business environment in South Africa on the management of trade credit in SMEs. The questionnaire should take approximately 15 minutes to complete. The information supplied by participants will be treated as strictly confidential. Completion of the questionnaire is voluntary. If you would like to obtain a summary of the results of this research, I would be happy to send you a copy.

Please feel free to contact me at [wernero@UJ.ac.za](mailto:wernero@UJ.ac.za) with regard to any queries you may have, or my supervisor at [ilseb@UJ.ac.za](mailto:ilseb@UJ.ac.za).

Thank you very much for your time and support.

Regards

Werner Otto

Appendix A: Demographic information				
<b>A1: Age classification</b>				
<b>A2: Gender classification</b>				
Female				
Male				
<b>A3: Population group classification</b>				
African				
Coloured				
Indian				
White				
<b>A4: Educational qualification obtained</b>				
Matriculation	Diploma	Degree	Postgraduate degree	
<b>A5: Please provide the highest qualification title</b>				
<b>A6: How many years' experience do you have managing trade credit?</b>				
<b>A7: Identification of province in which the SME operates</b>				
Western Cape				
Northern Cape				
Eastern Cape				
KwaZulu-Natal				
Free State				
North-West				
Gauteng				
Mpumalanga				
Limpopo				
<b>A8: Type of industry in which the SME operates</b>				
Manufacturing				
Retail				
Wholesalers				
<b>A9: Is your SME independent or is it a member of a group of SMEs?</b>				
Group				
Independent				
<b>A10: Number of SME employees</b>				
0-50	51-100	101-150	151-200	201 and above
<b>A11: Who are the clients of the SME? (Mark all applicable)</b>				
SMEs				
Government				
Individuals				
Other				

Appendix B: SMEs' business environment					
Business-related variables	Very poor	Poor	Average	Good	Excellent
	1	2	3	4	5
<b>B1: Managerial competencies</b>					
<b>Use the scale provided to rate the business' management of credit based on the following:</b>					
Business skills					
Communication skills					
Education					
Experience					
Problem-solving skills					
<b>B2: Collateral</b>					
<b>Use the scale provided to rate the business on the following:</b>					
Debtors of the business, availability of non-current assets to serve as collateral for the business (e.g., buildings to serve as collateral)					
Business' availability of non-current assets to serve as collateral for creditors (e.g., buildings to serve as collateral)					
Debtors of the business, availability of current assets to serve as collateral for the business (e.g., inventories to serve as collateral)					
Business' availability of current assets to serve as collateral for creditors (e.g., inventories to serve as collateral)					
The frequency with which business' debtors guarantee collateral					
The frequency with which the business guarantees collateral to a creditor					
<b>B3: Financial and business information</b>					
<b>Use the scale provided to rate the business on the following:</b>					
Business' access to transparent cash-flow statement from its debtors					
Creditors' access to a transparent cash-flow statement from the business itself					
Debtors' cash-flow statement, indicating a viable repayment of credit ability for the business					

Business' cash-flow statement, indicating the business' viable credit repayment ability to its creditors					
Debtors' financial information, displaying financial viability for the business					
Business' financial information, displaying financial viability for its creditors					
Debtors' provision of transparent business information, disclosing their trade credit practices to the business					
Business' provision of transparent business information, disclosing the business' trade credit practices for its creditors					
<b>B4: Networking</b>					
<b>Use the scale provided to rate the business on the following:</b>					
The quality of networking and/or business relationships between the business and its debtors					
The quality of networking and/or business relationships between the business and its creditors					
The number of networks and/or business relationships the business has with debtors					
The number of networks and/or business relationships the business has with creditors					
The extent to which the business belongs to a similar professional association as its debtors					
The extent to which the business belongs to a similar professional association as its creditors					
<b>B5: Legal system</b>					
<b>Use the scale provided to rate the legal system based on the following:</b>					
Being fair and impartial in dealing with the business' insolvent estate					
Obtaining judgement when legal action is pursued against a debtor(s)					
Obtaining judgement when legal action is pursued against a creditor(s)					
Providing a reasonable waiting period for the business to obtain judgement when legal action is pursued against a debtor(s)					

Length of time the business has to wait upon judgement when legal action is pursued against the business					
Enforcing court decisions					
<b>B6: Ethical</b>					
<b>Use the scale provided to rate either the business' debtors or the business itself based on the following:</b>					
Business' debtors for non-default to payments payable to the business itself					
The business itself on non-default to payments payable to its creditors					
Business debtors being honest in keeping to commitments payable to the business itself					
The business itself on being honest in keeping to commitments payable to its creditors					
Business' debtors providing accurate and truthful financial and business information to the business					
The business itself on providing accurate and truthful financial and business information to its creditors					
<b>B7: Macro-economy</b>					
<b>Use the scale provided to rate the following macro-economic variables of South Africa:</b>					
The current economic status					
The current interest rate					
The current inflation rate					
The current unemployment rate					
<b>Business-related variables</b>	No extent	Small extent	Moderate extent	Large extent	Very large extent
	1	2	3	4	5
<b>B8: Corruption</b>					
<b>Use the scale provided to indicate the extent to which the following occur:</b>					
Debtors (corporate and/or government customers) delay payment to the business, while having enough funds available for full payment to the business					

The business avoiding payment to creditors (corporate and/or government suppliers), while having enough funds available for full payment					
Debtors (corporate and/or government customers) delay payment, while giving preference to another business					
The business avoiding payment to creditors (corporate and/or government suppliers) due, while giving preference to other creditors for which payment is not due					
Debtors benefit from the business approving loans that do not adhere to the basic financial criteria					
The business benefits from creditors approving loans that do not adhere to the basic financial criteria					
Debtors benefit from the business approving loans that have no potential to be repaid by the debtor					
The business benefits from creditors approving loans with no potential to be repaid by the business itself					

Appendix C: SMEs' management of trade credit						
C1: Use the scale provided to indicate how effective the business is in performing each of the following activities/measures:	Not at all effective	Slightly effective	Moderately effective	Very effective	Fully effective	N/A
	1	2	3	4	5	6
Analysing general economic conditions, including the political environment, before granting credit						
Administering the sales ledger (e.g., monthly reconciliations of debtor accounts and/or all other administrative duties relating to debtor accounts)						
Assessing the debtors' character in terms of their willingness to repay						
Assessing the debtors' capacity in terms of their willingness to repay						
Assessing debtors' financial reserves as ability for repayment						
Assessing debtors' financial position as ability for repayment						
Checking debtor orders against credit limits allowed						
Collecting revenue in line with agreed credit terms, as set out in the credit policy						
Collecting overdue payments by making use of methods such as telephone calls, sending out statements via post or e-mail, and personal visits, etc.						
Collecting outstanding debt through the use of collections agencies						
Collecting outstanding debt through the use of legal action						

Conducting a formal analysis into reasons for late payment by the debtor(s)						
Determining the extent to which the debtor's debt is secured						
Determining if the debtor(s) possess the collateral needed for repayment						
Ensuring details in the credit agreement are covered in the credit policy						
Ensuring compulsory disclosure of payment practices by the debtor(s)						
Having credit insurance for sales						
Imposing statutory interests on late payment						
Resolving disputed overdue invoices with the debtor(s)						
Using cession contracts with the debtor(s)						
<b>C2: Please indicate the effectiveness of the following principles when managing trade credit for your business:</b>	Not at all effective	Slightly effective	Moderately effective	Very effective	Fully effective	
	1	2	3	4	5	
Building a sound and long-term relationship with debtor(s)						
Ensuring effective order and invoice control of all debtor records						
Managing debtors actively						
Building a sound and long-term relationship with creditor(s)						
Ensuring effective order and invoice control of all creditor records						
Managing creditors actively						
<b>C3: Please indicate how effective the business is in managing the following trade credit aspects:</b>	Not at all effective	Slightly effective	Moderately effective	Very effective	Fully effective	
	1	2	3	4	5	
Managing cash flow						



Managing general trade credit practices						
Managing late payments received from debtors						
Managing late payments made to creditors						
<b>C4: How effective is your business in achieving the following credit policy components when granting credit to a debtor:</b>	Not at all effective	Slightly effective	Moderately effective	Very effective	Fully effective	N/A
	1	2	3	4	5	6
Offering a credit period (the period of time in which the buyer needs to repay the outstanding account)						
Conducting a credit analysis (evaluation of applicants in order to distinguish between 'good' debtors that will pay and potential 'bad' debtors that will default)						
Offering a cash discount (represents a percentage deducted from the purchase price for which the buyer can receive discount when paying within a specified time, as set out in the terms agreed upon in the credit policy)						
Application of a collection policy (methods and procedures that a business can follow for the collection of accounts receivable)						
Application of a debtor age analysis (analysis that determines the percentage of debtor days, from current to 120 days and older, outstanding relative to total sales)						
Thank you for your cooperation and participation						