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Small Business Owners' Strategies for Accessing Capital and Improving Financial Performance

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Walden University

College of Management and Technology

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Yao Pierre Agboh

has been found to be complete and satisfactory in all respects,
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Walden University
2021

Abstract

Small Business Owners' Strategies for Accessing Capital and Improving Financial Performance

by

Yao Pierre Agboh

MS, Indiana Wesleyan University, 2015

BS, Indiana Wesleyan University, 2013

Doctoral Study Submitted in Partial Fulfillment

of the Requirements for the Degree of

Doctor of Business Administration

Walden University

August 2021

Abstract

Lack of access to capital for many small businesses in the Midwest often leads to business failure and higher unemployment. Small business owners who lack access to capital are at higher risk of failure. Grounded in the trade credit theory, the purpose of this qualitative multiple case study was to explore financing strategies for small businesses owners to maximize profitability and competitive advantage. The participants comprised 10 small business owners in the Midwest who effectively used financing strategies to maximize profitability and competitive advantage. Data were collected from semistructured interviews and company social media platforms. Thematic analysis was used to analyze the data, and three themes emerged: financial strategies, management strategies, and communication strategies. The key recommendation is for small business owners to use supplier credit and other nontraditional sources of capital to initially fund their working capital and investment needs to avoid bankruptcy and increase profitability. The implications for positive social change include the potential for small business owners to create jobs and support the economic development of their communities.

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Dedication

I would like to dedicate this study to my wonderful and beautiful wife, Mary, for her never-ending support throughout the doctoral journey as well as during the various storms of our life. She has always encouraged me to keep going and to never quit. I also dedicate this study to my children, Joseph, Cynthia, and Prisca, who are striving to achieve success and happiness in life. This doctoral study is for my children and grandchildren as a reminder that nothing is too hard nor too late to achieve. My hope is that my accomplishments and hard work will inspire them to make a difference in this world. Lastly, I dedicate this study to all the young girls and young youths who want to be business owners.

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Section 1: Foundation of the Study

Increased rates of unemployment due to the pandemic in some areas has led many people to seek entrepreneurial opportunities outside of the traditional business world (Bagur-Femenías et al., 2015). They began as small business entrepreneurs because they managed to obtain trade credit to provide them with inventory and working capital required to start the business (Boyd & Kannan, 2018). These startups typically lack access to traditional bank financing and therefore must be more creative about obtaining the financing they need. According to Boyd and Kannan, this can be a great challenge because they are not well positioned financially to secure financing from traditional lending institutions. Also, financiers such as banks will typically not provide loans to startups. and the interest rates charged are high (Banker et al., 2014). If the small business can procure traditional financing, the loan covenants required by the lender are often restrictive (Dai et al., 2017). Also, the terms and requirements for small businesses are many and unattainable for some. Failure to have reliable sources of income has led to many businesses closing down due to bankruptcy (Hayes et al., 2015). The businesses that do survive have other sources of income, such as friends and family who help them, but it gets difficult at some point because the reliability of those sources is unpredictable (Fabbri & Menichini, 2010). In this exploratory research I aimed at finding the strategies that these small business owners use to get finances to improve profitability and prevent bankruptcy. The information obtained from this research may help small businesses to improve on their strategies and have new ways of doing business to be more profitable.

Background of the Problem

Due to lack of employment opportunities, many individuals in the Midwest resort to opening small businesses for work and income (Brown & Earl, 2017). The businesses are mainly startups and small and medium sized enterprises. Small enterprises typically experience fluctuating revenues correlated to the business cycle (Hayes et al., 2015). Shifts, and downturns in economic activity have often lead to financing difficulties for small businesses that require a steady supply of capital for growth (Li et al., 2018). Business owners who have readily available capital ensure that whenever there is a threat to the survival of the firm, they are able to finance revenue shortfalls through working capital lines of credit and other bank financing (Lindh & Rovira, 2017). Despite the need for a constant supply of capital, many small businesses lack access to capital through traditional financial intermediaries when needed (Mikic et al., 2016). Competition for available loans from large firms and lack of credit or operating history are some of the factors that contribute to the failure of small businesses to obtain the capital needed to ensure the survival of their organizations (Lopes, 2016). Such organizations risk bamkruptcy due to lack of adequate sourcse of capital. Small business survival in the Midwest requires enhanced research because numerous households depend on the firms to meet their daily financial needs. A decline of the businesses would result in negative economic and social implications for the residents. Owners of small to medium enterprises (SMEs) need to determine the best ways of capital access for their organizations (Lopes, 2016). Many business owners may not suceed in obtaining needed financing using traditional financial intermediaries. The area of focus of this study was to

explore various smalll business owners strategies for accessing capital to improve their firms' financial performance.

Problem Statement

Some small business leaders in the United States experience poor financial performance due to inadequate funding, leading to eventual bankruptcy (Bernal-Camargo et al., 2017). According to statistics from the SBA (2017), approximately 20-25% of small businesses are not sustainable for more than 2 years because of inadequate funding. The general business problem is that some business managers of SMEs are being negatively affected by lack of capital to fund their working capital and growth needs leading to lost sales and lower profitability. The specific business problem is that some owners of small businesses lack strategies to access capital and manage it to improve profitability and prevent bankruptcy.

Purpose Statement

The purpose of this qualitative multiple case study was to explore strategies that some SMEs use to access capital and manage it to improve profitability and prevent bankruptcy. The population for this study was 10 owners of food stores in the Midwest region of the United States who have demonstrated ability at developing strategies to access capital for their firms. I determined the strategies small business owners have used and made recommendations based on their experiences. The stakeholders in the business sector may use the findings from this study to make a positive social impact by increasing economic activity in the Midwest. By identifying potential strategies companies can use to improve access to capital and prevent bankruptcy, the study's findings may help small

business owners sustain their operations for more than 5 years. When business owners can enhance the profitability of their firms and make them sustainable, they can increase local employment opportunities, expand the tax base, and improve employees' lives.

Nature of the Study

There are three primary methods for conducting research: mixed methods, quantitative, and qualitative methods. I used the qualitative method to use open-ended questions for this research because I was interested in exploring and explaining strategies that some retail business owners use to access capital to improve profitability and prevent bankruptcy. Qualitative researchers explore existing phenomena, experiences, and thoughts and delve into the topic of research or problem (Davies et al., 2016). The quantitative method involves testing one or more hypotheses using statistical techniques to examine relationships among variables. Mixed methods researchers use both qualitative and quantitative elements (Sun et al., 2017). Because of the scope of my study, I used the qualitative method to provide a framework for a proper investigation of the research topic.

For this qualitative study, I considered three different designs, case study, phenomenological study, and ethnography. In the phenomenological approach, a researcher seeks to understand perspectives, perceptions, and meanings of individuals who have experienced the phenomena (O'Gorman & Macintosh, 2015). The phenomenological design lacks the depth of inquiry. Ethnography entails the researcher observing the society or community from a specific culture's point of view (Beck & Stolterman, 2016). The ethnographic design was also not the best design for my research

because I was not looking at cultural influence. Case study design entails carrying out a detailed study of a topic or field (Büyükgöze & Gün, 2017). A multiple case study design was the most appropriate for this study (Davies et al., 2016). It is crucial for addressing *how*, *why* or *what* type questions rather than questions that address quantity such as *how many* (Neubert, 2016; Yin, 2018).

Research Question

RQ: What strategies do some retail business owners use to access capital and manage it to improve profitability and prevent bankruptcy?

Interview Questions

1. What are the most successful strategies your organization uses to access capital?
2. What are some of the strategies your business has employed to manage working capital successfully?
3. What were the key challenges in improving relationships with financial institutions to access needed capital?
4. What successful strategies did your business use to cultivate relationships with banks and other funding sources?
5. What other information can you provide to help explain your company's strategies?

Conceptual Framework

The conceptual framework for this study was the trade credit theory. Burkart & Ellinger (2004) developed the trade credit theory to explain how small businesses access

capital. The authors argued trade credit is the predominant funding source of working capital for most small businesses in the United States. The trade credit theory posits that small businesses that use trade credit are likely to use the money more effectively and efficiently as opposed to the use of bank credit. The authors indicated that the use of trade credit, or supplier credit, is one of the least expensive methods of accessing needed credit for SMEs. “The trade credit theory is important to managers of SMEs because it offers one of the best strategies and models to access capital through the use of payment-in-kind financing, which entails the use of services or goods as payment instead of cash money” (Dai & Cole, 2017, p. 58). SME managers use trade credit theory to consider the advantages and disadvantages of using other sources of credit such as bank credit, which might be beneficial in the short-term but can potentially impact organizations negatively because of cost and loan covenant restrictions.

The key tenet of the trade credit theory is the in-kind financing model. This model proposes the use of goods or services as payment as opposed to cash. Suppliers or other lenders can offer goods and other merchandise to borrowers instead of issuing the same in cash. That decreases the chances of diversion of the resources because it is easier to divert cash as opposed to inventory and raw material inputs. The theory was relevant for my study because my intent with this study was to explore strategies used by small business owners to access capital to maintain profitability and prevent bankruptcy. The trade credit theory was helpful in understanding ways SMEs use to obtain capital to improve profitability. The reason for the use of the trade credit theory in this study was that trade credit theory offers a unique perspective on the way small businesses can

access credit and also ensure internal accountability for these funds once the organization has acquired the funding. The in-kind financing model proposed by the trade credit theory can be helpful in enabling organizational managers to improve the accessing of capital and the viability of their firms as a result.

Operational Definitions

The definitions in this section are some that l used throughout this study. I provide their meanings to avoid any form of confusion that might result from terms with varied interpretations.

Business owners: This phrase refers to individuals who own small businesses or those in charge of all the operations and every aspect of the small companies (Roczniewska & Puchalska-Kamińska, 2017).

In-kind finance: This finance method entails the use of goods or services as payment as opposed to cash. Suppliers or other lenders can offer products and other merchandise to borrowers instead of giving them money (Magdalena, 2017).

Small businesses: In this study, small businesses refer to food stores, supermarkets, and other relatively small enterprises in the Midwest that I involved in the study (Glinkowska, 2017).

SMEs: This abbreviation is for micro, small, and medium Enterprises. These are enterprises that have fewer than 250 employees and sales of no more than 59, 321, 700 USD annually, and their balance sheets should not indicate an amount exceeding 45 million Euro (Jan et al., 2018).

Trade credit: Trade credit is a business-to-business agreement that entails a client purchasing goods from a firm without having to pay in cash and allowing the firm to send the money at a later date as the merchandise is sold. Trade credit is also the credit that the management of an organization firm sends to another company to purchase goods and services (Hill et al., 2017).

Assumptions, Limitations, and Delimitations

This section consists of the safeguards that I used to prevent bias in the study. Research projects have deficiencies that must be identified and mitigated for proper findings. The following subsection provides the limitations, delimitations, and assumptions that could potentially reduce accuracy of the information that I obtained from the participants in the study. The aim of this section was to affirm the correctness of all the primary and secondary information gathered and show that the analyses and conclusions adhered to the relevant requirements for valid research.

Assumptions

Assumptions refer to concepts or ideas that the researcher considers as factual without performing further questioning or investigation (Rust et al., 2017). In this study, there were four significant assumptions. Firstly, I assumed that all the interviewees possessed relevant knowledge and ownership skills and had applied the knowledge and skills in their firms irrespective of the positions they occupy in those companies. Secondly, I assumed that the participants were able and willing to offer honest and provide candid answers to different interview questions. The third assumption was that all responses were based on the personal experiences of the participants and not on

perceived ownership or management strategies. I used this assumption in the selection of the interviewees. Further, I believed that the sample was a defensible representation of the population of the Midwest.

Limitations

Limitations are conditions that have an influence on the results of the study over which the researcher has no control (Beck & Stolterman, 2016). In this study, various limitations were likely to affect the outcomes. One of these was that the sample size was not adequate to provide inferential results that apply to all small businesses in the Midwest. The research involved only 10 small business owners (food stores, banks, and so on). This reduced the findings' transferability. Also, the purposive sampling method that I used limited participants with significant information on the subject from taking part in the study. The sampling method influenced the results of the research.

Delimitations

I made deliberate choices that had an impact on the study (Beck & Stolterman, 2016). These were the research delimitations. The first delimitation was that I had restricted the research to business owners' strategies, yet some of the interviewees might be using varied mechanisms for their businesses' success. This likely impaired the responses they provided. I selected owners to limit the research to the skills involved in a particular aspect of business success. Another limitation of the study was the use of a firm's financial success as an indicator of its overall performance. I used stratified random sampling and purposive sampling and implemented strategies for accessing financial information during the interview process.

Significance of the Study

In this research I identified strategies that small businesses use to improve access to capital. Developing new financing strategies may reduce cases of small business bankruptcy. Burkart & Ellingsen (2004) indicated that when small business owners can access capital in the required amounts and at the right time, they may be able to alleviate risks that the firms suffer due to financial constraints. Burkart & Ellingsen (2004) also discussed the capital sources that small business owners could use to fund their businesses. In this study, I identified effective strategies that small business owners have used to access capital to increase profitability and mitigate the possibility of bankruptcy.

Contribution to Business Practice

The findings and recommendations of this study may help small business owners by offering them effective and efficient ways of accessing and using capital to avoid the risks associated with the lack of funds to run their business operations. Lenders may be more positive about lending to small businesses than previously based on the findings and recommendations of the study because the likelihood of the small business default of loans will be reduced. Increased borrowing may enhance the growth of small firms and result in fewer cases of bankruptcy.

Small business owners in Indiana may find this study useful because its findings may help them to understand strategies for accessing capital to improve their organizations' financial performance. Small business owners may use the knowledge gained from my study findings to develop strategies to enhance profitability, which may reduce the rate of bankruptcy of small businesses and may enable them to maintain a

competitive edge in their industries. Small business owners may use the findings of this study to improve the general management of their businesses while mitigating some of the challenges that they face in running those firms (Prowle et al., 2016). Stakeholders in the business sector may use the findings of this study to improve business practice because the research involves recommendations of innovative ways for capital access that will be useful for SMEs.

Implications for Social Change

When small business leaders implement the recommendations from this study, they may be in a position to contribute to society by increasing the employment rate in the local community (Oprea, 2018). Individuals who had access to employment opportunities can enhance their self-worth and dignity in their societies. The findings of this study may be beneficial to the residents of Midwestern United States because the levels of education, health care, and other critical social services may improve when increased earnings lead to sustainable businesses with stable employment and contribution to the tax base.

A Review of the Professional and Academic Literature

The literature review begins with a discussion of the trade credit theory from its inception to the present, followed by the reasons why a small business requires capital and an overview of the challenges faced by small business owners in their quest to secure funds for their companies. A review of problems that the corporations have faced in obtaining funds is important because it forms the basis for knowing both successful and unsuccessful strategies that some business owners have used to access capital. I used the

existing research to establish a foundation for the discussion of strategies for capital access. I then applied the trade credit theory from the perspective of small business owners to explain its importance of accessing credit for small business owners. I explore several other issues relating to the access of financial resources by small business owners and review the literature on specific areas such as improvement of profitability and bankruptcy prevention in the context of small businesses. The review section is made up of 81% academic and professional sources published between 2015 and 2020.

I developed this literature review by reading books, scholarly articles, and other extant literature. I searched journals and other scholarly sources through various databases and websites, including Elsevier, Science Direct, and Sage, as well as the Walden University Library and the ProQuest Databases. The review covers the concepts of small businesses, profitability, and bankruptcy, identifying the strategies used by small businesses to not only increase profitability but also prevent bankruptcy. The sources I reviewed contained literature on the policies various small business owners use all over the world. The sources were useful because they had reliable information about the different strategies implemented by small business owners, thereby addressing my research question. During my search, I used the following keywords: small and medium enterprises, trade credit theory, strategies for credit access, ownership skills for accessing credit, Information technology, and credit access strategies, competitive advantage, and organizational strategies. The research question was as follows:

RQ: What strategies do small retail business owners use to access capital and manage it to improve profitability and prevent bankruptcy?

Table 1

Source Accountability

	Number of references	*Percentage of the total*
References (Books, journals, magazines, newspapers, and websites)	199	100%
Peer-reviewed references	188	94%
References published between 2016 and 2018	161	81%
References from government websites	2	0.1%

Application to the Applied Business Problem

The purpose of the study was to identify the strategies used by small business owners to access capital. The identification of the strategies is important in increasing the profitability and preventing bankruptcy of small and medium enterprises. Small businesses sometimes do not have the financial power and ability to acquire funds, putting their profitability in jeopardy and putting them at risk of bankruptcy. This study was conducted to determine successful strategies applied by the small business owners to remain sustainable in an inequitable lending capital market.

Evolution of the Trade Credit Theory

In this study, the central themes revolved around the trade credit theory. It is one of the models that business owners can use in ensuring continuous access to operating capital. Burkart and Ellingsen (2004) developed the trade credit theory to explain how small businesses access capital. Burkart and Ellingsen argued that trade credit is the predominant funding source of working capital for most small businesses in the United States. The trade credit theory posits that small businesses that use trade credit as opposed to bank credit are likely to use the money more effectively and efficiently (Yadav et al., 2018). It is easier to prevent the escalation of fraudulent activities in a firm when it deals directly in products as opposed to cash.

Without proper internal controls, employees can easily siphon funds from a company. However, when there is an exchange of goods as opposed to cash, it becomes almost impossible to take part in inventory shrinkage or financial fraud (Ciżkowicz-Pękała, 2017). Therefore, the trade credit theory is valuable in the prevention of fraudulent financial activities in firms. H. Wang et al. (2017) encouraged business owners to consider using the trade credit model of capital access for small businesses because of low adjustment costs, cash retention for other capital needs, and immediate replenishment. The trade credit theory is important to owners of small businesses because it offers one of the best strategies and models to access capital through the use of "payment in kind," which entails the use of services or goods as payment instead of cash (Effendi, 2017). The trade credit theory also outlines the advantages and disadvantages of using other sources of credit such as bank credit, which might be beneficial in the short

term but can have potentially negative impacts to the success of the organizations because of cost and loan agreement restrictions (Effendi, 2017).

The salient point of the trade credit theory is the in-kind financing model at its center. The in-kind financing model proposes the use of goods or services as payment as opposed to cash (Kurt & Zehir, 2016). Suppliers or other lenders can offer goods and other merchandise to borrowers instead of issuing the products on cash terms (Brusov et al., 2014). The use of assets in place of cash reduces the chances of diversion of the resources because as previously noted, it is easier to divert money as opposed to inventory and raw material inputs, and it reduces some expenses such as the cost and time for procurement of goods and services (Effendi, 2017). The theory was relevant for my study because I could use it to determine a small business owner ‘strategies for improving the financial performance of small businesses. The trade credit theory is useful in understanding ways SMEs obtain capital to improve profitability and mitigate bankruptcy risk (Ciżkowicz-Pękała, 2017).

I chose the trade credit theory as the lens through which to explore possible answers to my research question because it could be helpful in understanding ways SMEs use trade credit to obtain capital to improve profitability for preventing bankruptcy. The main argument of the trade credit theory is that SMEs’ suppliers can finance firms as opposed to financial institutions (Effendi, 2017). In the following sections, I describe how trade credit changed over the time.

The Trade Credit Theory Since 2004

Firms and entrepreneurs have used different versions of trade credit to finance their operations for over 3 decades. However, they actively adopted the version of the trade credit theory that demystifies the trade credit practice from 2004 (Cunningham, 2005). The theory has evolved ever since, with researchers and financial changes in the world acting as the agents of change. The evolution of the trade credit theory from 2004 to the current date is discussed in the paragraphs that follow to identify ways in which different individuals have used it and changes that have taken place that are important for business applications.

Organizational leaders have used other means of accessing capital in the past. Some organizations have used trade credit informally since the 1960s until Burkart and Ellingsen (2004) developed the trade credit theory. The theory explains the concept of how suppliers can finance the firm by providing supplier credit in the form of supplies. The suppliers offer these needed supplies in the form of trade credit, which from an accounting standpoint is known as accounts payable (Yoshikuni & Albertin, 2017). Trade credit provides an alternative solution to traditional funding sources such as banks and indirectly can provide needed credit to a firm (Vignone, 2016). Maksimovic (2001) had already identified trade credit as an essential source of external financing. Burkart and Ellingsen attached evidence and explanation to the method to make it a theory that firms could adapt later to finance their activities. Building upon previous research by Emery and Nayar (1998) regarding the use of trade credits by firms, Burkart and Ellingsen developed the trade credit theory and explained it through the in-kind financing concept

in 2004. The in-kind financing concept is crucial for improving the performance of small businesses.

In-kind financing refers to the use of goods or services as supplier credit instead of cash. Burkart and Ellingsen (2004) presented evidence to show how firms used products and services to pay debts and access capital as opposed to money. By the end of 2004, trade credit theory mainly involved the use of cash money as a mode of payment. Suppliers would give their customers (SMEs) goods on credit then the firms would repay them as supplies were used and customers made repayment when they successfully cleared their inventory. This kind of transaction between the suppliers and their customers ensured that the small businesses remained afloat even during tough financial times and became instrumental to the survival of small businesses.

During the initial stages of adoption of the trade credit theory, the proponents never understood the role of customers in facilitating the transaction between the suppliers and business owners. They later realized that the end users for different products determined the period between supply of goods or services to the time when business owners could pay for the credit. That is because the business owners made their payments after selling the available goods and services. Consequently, the rate at which the end users purchased the goods or products had an impact on the time taken to pay the debts (Pike et al., 2005).

Information is the basis of the relationship such that a customer behaves differently depending on whether or not he has information about the goods on offer. According to Pike at al. (2005), when a firm takes stock or inventory on credit from the

supplier, the customer's reception of the commodities becomes a crucial determinant of whether the former will pay the latter or not, drawing the customer into the relationship. Pike et al. (2005)'s postulations were significant to the development of the trade credit theory in relation to improving the performance of small businesses. Towards the end of 2005 up to the beginning of 2006, many firms became aware of the existence of the trade credit theory. The increased knowledge and application of the theory was evident from the increased number of trade credit transactions according to Moratta (2005). Customers also appreciated the importance of trade credits in the process of making goods available to them. Moratta (2005) expounded about the crucial role that trade credit plays in keeping firms running and meeting customer demands in a timely manner. According to Moratta (2005), the trade credit theory was a solution to the supply challenges faced by many firms at the time. Moratta (2005) managed to communicate important ways in which the use of the trade credit could enhance the chances of survival for the small and medium enterprises.

The years 2008-2009, were the years to forget for many firms. The firms and organizations faced difficulties due to the housing crash and ensuing recession, especially in the United States (Fabbri & Menichini, 2016). An economic crisis hit most of the financial giants in the world bringing down the source of credit for many firms by 2007. Organizations could no longer access bank credits, and when they did, the amount was not sufficient to meet all their capital requirements (Fabbri & Menichini, 2016). It was during this period that the trade credit model became more critical than ever as a means for obtaining badly needed supplies, and became more popular than ever before.

Businesses promoted the use of trade credits as an alternative to bank credits and a solution to the financial crisis in which many firms found themselves in. According to Love et al. (2007), the fact that trade credits did not involve immediate cash payment was also crucial in maintain the viability of many firms during this period of monetary and bank lending scarcity. The United States subprime housing finance market experienced the effects of the global financial crisis starting early in 2007. This was followed by the collapse one of the largest Wall Street investment banking firms, Lehman Brothers which collapsed in September 2008, exacerbating an already untenable economy. According to Love et al. (2007) the big players' failure in the financial market was proof that financial crises could sweep away firms. As many organizations suffered the harsh financial times, they required a ‘friendly’ source of credit to recover from the crises and the trade credit theory was significant to the recovery.

As a form of credit that does not involve immediate cash payments, trade credit proved strong enough to aid firms in withstanding the financial crisis. The remaining financial lenders would not even lend to the most prominent firms due to the fear that they would collapse before repaying. Since firms had no means of paying for supplies such as raw materials, trade credit became the only way to obtain needed inventory. According to Campello (2009) small and medium enterprises turned to suppliers for raw materials and inputs in credit so that they can pay back after selling their products. The expansion of the trade credit was popularized and embedded in the academic world at this point, and changes were made to make it perfect for the prevailing circumstances at the time (Campello,2009). For instance, the repayment period would be increased to allow

firms to sell out all their stock. The trade credit, according to the information provided, was the only available method of enabling businesses to sustain their operations without straining due to financial issues. The trade credit ensured the survival of most of the organizations during the financial crisis.

The rise in the use of the trade credit theory is attributed to the fact that the small businesses could not easily acess loans as compared to other enterprises. Banks declined to give loans to small firms that appeared uncreditworthy (Maletič et al., 2014). The failure to provide loans to the SMEs was because of the fear of collapsing. However, high-credit-quality firms were eligible for funds from financial institutions. The use of intermediaries in trade credit theory began by the realization that big firms can access capital while small and medium enterprises could not. Big firms could then obtain more credit and advance some to the small firms as trade credits (Boissay & Gropp, 2007).

Proponents of the trade credit theory incorporated the use of intermediaries in accessing credit from financial institutions. The intermediaries that the business owners used were firms whose managers or leaders had proof of a high credit capacity and good will which they shared to benefit several other organizations (Boissay & Gropp, 2007). Leaders who utilized the trade credit theory also incorporated dual transactions; the first transaction took place between the financial institution and the big firm while the second took place between the big firm and the credit-constrained small and medium enterprises. The underlying idea underlying trade credit theory between 2007 and 2009 was expanded upon by the tightening of the contracting terms between the parties involved in the trade credits. Previously, firms would reach simple agreements with their suppliers to be

supplied goods on credit and then repay after selling. However, they did not protect the suppliers from eventualities of the arrangement. From the untimely departure of big players in the financial sector, suppliers and other lenders felt the need to come up with ways of ensuring that the firms they supplied goods to on credit paid them. According to Campello (2009), lenders of trade credits identified the ability to overcome informational asymmetries as the first step towards enforcing their credit contracts. The argument here is that a supplier is closer to a firm than a financial institution such as a bank, and therefore a supplier is more aware of the operations of the firm (Campello,2009). Business people have since used the trade credit theory to keep suppliers informed of the business operations of their firm and to reduce and eliminate informational asymmetries between them (Mariassunta et al., 2011). Lack of informational asymmetries would keep the supplier informed and allow them to make decisions regarding the trade credit forwarded to the firm (Boissay & Gropp, 2007).

There were so many questions about trade credits between 2007 and 2009. Some of the questions formed the basis for modification of the trade credit theory to include contract terms (Campello, 2009). One of the questions was: what is the trade credit theory? At the time of crisis, it was not possible to determine how long a firm will take to sell the supplied items and make payments. However, there was the need to cushion the supplier from any eventualities that would lead to them losing (Fabbri & Klapper, 2009). The other questions were: which firms received discounts? Who is a potential beneficiary of trade credits? Who has more bargaining power between the supplier and the buyer? According to Fabbri and Klapper (2009), the questions given the highest priorities were

those touching on contract terms. The supplied determined how long they could wait for the payment of debts based on the terms. They also used the terns of contract to know whether they could accept offers from other business owners concerning trade credit. Because of these reasons, stakeholders prioritized questions regarding contractual terms.

The trade credit theory has undergone significant changes since 2010 (Daripa & Nilsen, 2010). The financial crises that affected the globe in the period prior to 2010 and the experiences gleaned from that financial crisis prompted changes in the theory. The proponents of the trade credit theory changed it from 2010 to incorporate stronger lending terms (Fabbri & Klapper, 2009). When using the stronger lending terms, supplies managed to have an easier time when dealing with business owners because they were guaranteed payment despite issues in the lending firms. Another important development is that supplies could be able to sell the goods already supplied for cash whenever there were issues from the creditors' side.

The power to claim goods that suppliers had already offered to the creditors was never present during the initial stages of development of the trade credit theory (Fabbri & Klapper, 2009). The power to claim goods that suppliers had already offered to the creditors was never present during the initial stages of development of the trade credit theory (Fabbri & Klapper, 2009). However, the trade credit theory changed to give the supplier power over the goods until the buyer pays for all the deliveries. The goods supplied to a firm on credit remained under the custody of the supplier until the last payment (Fabbri & Menichini, 2010). The supplier had the power to liquidate the business and pay themselves for the goods supplied. All buyers entering into trade credit

contracts were aware of the requirement allowing lenders to own the goods as long as they had not paid for the products.

Researchers also revisited the market power of buyers of different sizes in their ability to bargain for favorable terms while making trade credit terms. Large buyers had a higher bargaining power than smaller firms (Ghobakhloo & Hong, 2014). One of the outcomes of the difference in power saw large buyers gaining the ownership and full control of goods supplies to them by credit. Stakeholders decided to stop the discrimination against small and medium enterprises that supplied similar products and services. Instead of the discrimination, business owners and supplies developed terms and conditions that were fair to all types of companies irrespective of the size or financial capability. From these considerations, the applicability of the trade credit theory was determined by the ability of managers of various organizations to comply with the required rules and regulations. The sizes of the firms no longer determined whether they could engage in trade credit or not.

As the trade credit theory underwent developments, its benefits to both parties formed a basis for determination of contract terms. Just like the buyer’s power informed the agreement to retain ownership with the supplier to the end, the product quality warranty allowed buyers to wait until all many or all the product are sold out before paying. The warranty of product quality occurred in that a buyer stayed with the supplied goods while selling them waiting to pay after completion. In case of any damages or poor-quality cases within the supply period, the buyer would either decline to pay or request the supplier for a replacement. According to (Antras & Foley, 2011), the

advantage to buyers became part of the trade credit theory through the trade credit contract terms. The trade credit theory then required that goods supplied to a buyer remains under the custody of the supplier. However, in case of any changes, the buyer has the power and right either not to pay or request for replacement (Antras & Foley, 2011) pointed out the effect of such a power to the buyer; it directly affects the trade credit period. Buyers who take time to clear their stock either due to the size or origin of their stock require more time to repay the credit, considering that the repayment funds come from the sale of the supplied goods. Trade credit theory developed and evolved to incorporate such cases.

The period between 2010 and 2012 saw an increase in the use of trade credit (Kisiangani & Mokeira, 2015). The major problem with the increased use of trade credit combined with the incorporation of contract terms was that many suppliers responded to liquidity shocks. Liquidity shocks occurred when suppliers would get the feeling that the buyer was about to collapse and opt to liquidate the firm prematurely (Raddatz, 2010). The liquidity shocks became a constraint on business activity during the financial crisis and buyers suffered.

Trade credit theory evolved further by the end of 2011 to protect buyers while ensuring the supplier got paid. The trade credit theory required suppliers and buyers to share information such that the buyer would communicate about the imminent liquidation for the supplier to take necessary actions. If not handled, the liquidity shocks would occur as a chain down the supply chain, affecting all firms/players in the process (Cumming, 2012).

One of the primary developments that the trade credit theory underwent during this period occurred in 2012 when a researcher investigated the applicability of the trade credit theory in entrepreneurial finance (Cumming, 2012). With many entrepreneurial people starting businesses there was a need to find ways through which the entrepreneurs would use tenets of trade credit theory to access capital (Cumming, 2012). Previous contract terms had seen trade credit run for a short term, mainly thirty to sixty days, which would prove effective for entrepreneurs. To back the need for entrepreneurial finance was the study that showed that trade credit powered over 60 percent of small businesses in the United States alone (Mach & Wolken, 2006). The flexibility of trade credits, and the terms involved led Cumming to the conclusion that entrepreneurs would have access to the credits by negotiating with the appropriate non-financial institutions such as their suppliers.

Many stakeholders in the business world had embraced the use of trade credit between 2013 and 2016 (Matuszak & Różańska, 2017). The proponents of the trade credit theory also developed it to incorporate new areas of application. In 2014, Desai, Foley & Jr (2014) discovered that firms were using the trade credit theory to respond to tax incentives. With the implementation of the trade credit theory globally, multinationals took advantage of the different tax rates in different jurisdictions to gain capital. According to Desai et al. (2014), firms reallocated capital based on the tax incentives available. Firms in jurisdictions with high rates took advantage and participated in the trade credit process by lending while the low-tax firms borrowed. In a nutshell, the firms reallocated capital from high tax to low tax jurisdictions (Mcallister, 2017). The use of

the trade credit theory then expanded from financial alternative to a strategic option of acquiring capital, especially for the small and medium enterprises operating in high-tax jurisdictions.

The year 2015 saw a more in-depth comparison between trade credit and bank credit in a bid to help small enterprises gain access to capital. Ghosh (2015) used empirical evidence from India to show that trade credit is more valuable than bank credits, and that small and medium enterprise should use the technique to finance their business operations. Ghosh (2015) used data collected between 1993 and 2012 to show how bank credits have been fluctuating in sync with financial crises in the world. Trade credit, on the other hand, maintained a steady graph. One major addition that Ghosh (2015) made to the trade credit theory is the identification of the complementary nature of trade and bank credits. Having been adopted and used as a sole source of capital for various enterprises previously, the complementary nature of the two main credit finance methods made firms to open their minds and focus on business success (Ernah, 2018). The firm would be responsible for determining the source of capital to go for depending on the prevailing financial conditions. However, Ghosh (2015) concluded that the two capital access methods had different impacts on supply and demand.

The trade credit theory has continuously evolved in response to the changes in the financial environment. In 2017, researchers embarked on trying to determine trade credit theory applicability on customer financing and the bargaining power in the said financing. According to Chevapatrakul (2017), trade credits work best for firms with high bargaining power such as those with high market shares and operating in less

concentrated industries. Customer financing, according to Chevapatrakul (2017), relied heavily on the bargaining power of the customer.

Also, in the same year, Abuhommous (2017) studied the impact of offering trade credit on the profitability of a firm. Organizational managers were concerned with variations in profitability after offering trade credits to other firms. Abuhommous (2017) concluded that a firm's profitability increases when it invests in account receivables (trade credits). Stakeholders may enhance their use of trade credit based on the findings of this study. However, the knowledge that investing in trade credits increases profitability led to competition among various players in the industry. Chod et al. (2017) studied the effects of trade credit on supplier competition. The first argument was that competition among suppliers informs their willingness to participate in trade credit financing. Chod et al. (2017) concluded that trade credits lead to competition among suppliers. The competition leads to an increase in the number of suppliers from where the trade credit recipient can select, as well as the substitutability of the offered products. Even though the buyer benefits directly from such competition, there is a need for more development of the trade credit theory to cushion suppliers from adverse effects of competition.

The business environment within which suppliers and buyers operate is dynamic with new features, effects, and problems coming up daily. The changes call for continuous development of all the tools of business to keep in touch with the changing environment (Mesly et al., 2013). The changes surrounding financial marketing is also changing randomly, forcing small and medium enterprises into creativity towards coming

up with ways of acquiring capital. Trade credits remain a key solution to capital access problems. The evolution that the trade credit theory has undergone has made the theory not only effective but also applicable in the current business world. The trade credit theory will also continue to evolve in response to the business environment, making it even more applicable to the future business environment over time.

Financing Advantage Theories

Various scholars have provided ways of using the trade credit theory to enhance the access to capital. The different versions of the theory are dependent on different factors. An example of such postulations was done by Rui et al., (2018). The researchers' version based the existence and use of trade credit on the advantages gained by the supplier in providing trade credit. According to Rui et al., (2018) a supplier has an advantage over traditional lenders when it comes to the investigation of the creditworthiness of the business. The supplier is close to the business and is not only able to determine its creditworthiness but also monitor the repayment process (Hayes et al., 2015). The supplier gains a cost advantage over financial institutions which traditionally provide capital to businesses. The cost advantages compel the supplier to finance the business and lock out traditional financial institutions (Chod, 2015). Shaw et al. (2014) described the cost advantage as the main reason why a financial institution may pull out of a financial agreement with a business and let a supplier finance business because the financial advantages to the supplier are disadvantages to them. The aspect of the cost advantage is an incentive for the suppliers to continue providing the trade credit for small businesses and, in that way, become a reliable source of capital for the companies they

supply. By being able to monitor the flow of inventory in the businesses to which they provide trade credit, the supplier can tell when to stop the supply, or even how to engage the owners of the businesses better for improved profitability, and the ability to service the loans. Suppliers often have the power to prevent misuse of the supplies or fraudulent activities but to promote effective utilization for higher returns that can guarantee the ability to repay the loans (Rui et al., 2018).

The suppliers of trade credit have many cost advantages. There are three cost advantages that suppliers have used severally in the past. The first advantage is the benefit of information acquisition. A supplier can quickly get information about businesses to which they supply trade credit because they are stakeholders in the company. The supplier is also closer to the business and gets involved in decision-making because they are crucial to the survival of the business (Lindh & Rovira, 2017). A bank or any other financial institution is not that close to the business, so it cannot access the crucial information needed before extending credit to a business. The second advantage of being a supplier of trade credit is the ability to control the buyer. A supplier has more say in the lending company and can control the buyer through alterations in the supplies (Lindh & Rovira, 2017). The supplier can use the nature of the goods supplied or even halt the supply of products, directly affecting the buyer and thereby maintaining a greater degree of leverage over the business than a traditional bank could. The supplier can, therefore, extend credit to the enterprise without the fear of losses because of the power to control the business to which it provides trade credit, whereas financial institutions are external to a business and cannot control their borrowers to the same degree (Effendi,

2017). The suppliers of trade credit also enjoy the advantage of salvaging their investment from the sale of existing assets which gives them the confidence to increase the amount of merchandise to small businesses without fear of losing their investment if the companies go bankrupt (Tasi et al., 2017). The supplier can seize the goods supplied in case of bankruptcy. Mian and Smith (2016) modified this advantage by stating that the commodities need to be durable for the supplier to be able to seize them then. However, only the supplier enjoys seizing power and not the financial institutions. Because of these advantages, a supplier is better placed to extend credit to the business than financial institutions (Rui et al., 2018).

Price Discrimination Theories

Price discrimination theories partially help explain the use of trade credit. Price discrimination was a form of market imperfection, which required the use of trade credit. The method was promoted by Brusov et al. (2014) who held that nonfinancial companies need to engage in financial intermediation in aid of the disadvantaged (discriminated) businesses. The capital markets are imperfect, and small business owners cannot fairly compete for capital access against larger companies (Chod, 2015). This imperfection enforced and demonstrated by price discrimination, affects businesses in the same market niche differently, meaning that while one business owner fails to access capital from financial institutions, other companies have plenty. The organizations with access to capital then come in to help those without access, and both companies grow and improve their profits.

Transaction cost theories were later added to explain the use and ubiquity of trade credit. Faroque et al. (2017) argued that trade credits would lead to the reduction of the costs of paying bills. The business would no longer have to pay bills every time suppliers deliver goods; instead, the business owner would accumulate the bills and pay the supplier either monthly or quarterly. The same theory also held that trade credits would allow the firm to build up large inventories without the fear of incurring the costs of warehousing as well as financing the inventories (Sahu et al., 2018). Stakeholders then applied the trade credit theory to the three arguments within it. Before the advancement of the three theories, the trade credit theory had evolved to include the advantages that it provided suppliers with financing advantages, helped businesses in an imperfect market, and also reduced transaction costs (Faroque et al., 2017).

In contemporary times, trade credit has supplanted the overreliance that small firms may have on financial institutions, which are no longer accessible to many small businesses. Stakeholders have used the theory in empowering small business owners to use existing supplier resources to finance their businesses as well as prevent bankruptcy (Fabbri & Menichini, 2016). The theory does not eliminate the fact that firms may still access capital from financial institutions; instead, it provides other avenues and options for SMEs to obtain needed funds.

Firms source short-term trade credit to minimize the routine transaction costs. The cost of doing business as incurred by the company needs to be less for the industry to realize profits and also to remain afloat (Fabbri & Menichini, 2016). Business owners' sort medium-term credits to act as the last resort for financing the business. When other

options have proven futile, and the company is on the verge of going bankrupt or is not making enough profits, the businesses owner will go for a medium-term credit to remain afloat. The long-term credit is sorted to provide equity for the long-term survival of the business, giving business owners a guarantee that their firm will continue in operation even when there is depletion of financial resources (Fabbri & Menichini, 2016).

The advent and use of the trade credit theory can also be attributed to the innovativeness of business owners when it comes to methods of obtaining funds to run their businesses. Innovation has to do with looking for alternative sources of funds such as the use of trade credit. Ciżkowicz (2017) explained the trade credit theory further by describing the scenarios when it becomes necessary for alternative sources of funding for the business to be acquired. The author cited lack of access to financial institutions as one of the reasons for use of alternative sources of funding. The author indicated that several small businesses in the United States faced inventory financing challenge (Ciżkowicz, 2017). There are various reasons to explain why a business can have limited access to lending institutions. Some of them are the lack of creditworthiness of the company and the competition for resources with big firms. Ciżkowicz (2017) further explained that when the only financial institutions meant to help enterprises to raise capital to manage and run their operations become unavailable to them; they sort alternative options as fast as possible to prevent an eventual fall. Soheilirad et al. (2017) listed the urgent need to avoid a foreseeable bankruptcy as a scenario that can push a firm into trade credits. Financial institutions may not be able to provide the required funds within the short period typical of such requests.

Trade credits are currently used to enable businesses to accomplish business objectives even when they cannot access or have limited access to financial creditors. Small companies operate using small capital, making the amount of credit required at a particular time to be minimal. According to Yadav and Mittal (2018), there is no specific point at which all the small businesses in a market niche face a financial crisis of the same magnitude. The authors consequently suggested that when the firms have goodwill, then they can never go bankrupt because they can sustain each other at different times.

The requirements for acquiring trade credit are more lenient than the conditions for obtaining loans from traditional financial intermediaries (Subramony et al., 2018). The trade credit theory mainly works on the principle that the small business owners are aware of each other's position. The awareness of other's strengths and weaknesses and underlying issues leads to a better understanding between the business owners (Yadav & Mittal, 2018). The theory is applicable in the current age and individuals who own businesses can use it in ensuring better business operations and processes without limitations resulting from lack of capital or related issues (Hill et al., 2017).

Supporting Theories and Views

The conclusion by trade credit theory proponents trade credit theory enables firms to finance their operations using non-financial institutions has received support and criticism in equal measure. One of the supporters of the theory is Hermes et al. (2016) who stated that when one financial option is no longer available to the business, any other option can be used to keep the business running. The argument here is that a business must find ways to ensure that it stays afloat despite the prevailing market and financial

conditions. In essence, Hermes et al. (2016) supported the point that small business owners should look for alternatives when the financial institutions which are supposed to lend them become unavailable or have limited access. Even though he does not state that he supports the theory, Hermes et al. (2016) gave an opinion that was in line with the trade credit theory, in that they advised small business owners to use non-financial options to get financial support needed for their business.

The other supporters of trade credit theory were Faroque et al. (2017) who stated that the stakeholders of a business must ensure that the company stays afloat lest it goes down with them. According to them, businesses stakeholders such as the suppliers depend on the business to survive, in that if the business fails, they also fail. There are two ways through which the stakeholders of a business can suffer because of the business' suffering (Faroque et al., 2017). The first one is when the company is making little or no profits. A business which does not produce enough revenues and profits would not be able to sustain itself or even purchase more raw materials and industrial goods (Faroque et al., 2017). Suppliers are affected directly because the business buys less of their products. The other way is if the company becomes bankrupt. In such a case, the firm is close, and all the stakeholders attached to it have no place to earn from, in whatever capacity they were benefiting. Stakeholders, even though they are non-financial, must come together to support the business financially.

La Rocca et al. (2017) offered their support to the trade credit theory by emphasizing the availability of the suppliers of a business. They compared the suppliers and financial institutions and concluded that financial institutions are always not

available and are usually not in close touch with the enterprises. On the contrary, the suppliers are always connected to the business because they get direct benefits. The direct connection increases the chances of the business owners finding the financial support required within its environs. La Rocca et al. (2017) later described lending institutions like banks as the solutions for the capital challenges in the business, but a solution that is not reachable as the business owners would prefer. They, therefore, list this as a solution that cannot help the business when in dire need of access to capital. On the contrary, suppliers, the primary stakeholders are a solution at hand to the business capital challenges. They advise owners of small businesses to turn to the suppliers and request for support in raising capital as opposed to switching to financial institutions. Sourcing from suppliers, they suppose, is a suitable solution to capital challenges.

Galina and Mariana (2015) carried out a study that supported the issue of the availability of the stakeholders as opposed to financial lending institutions. The research involved 125 small business owners in the Middle East and seeks to understand the preferred choice between financial institutions and the business stakeholders, as well as the reasons for the same. According to the study findings, 79% of the business owners reported that they preferred to use retained earnings to finance their working capital needs, while 18% preferred borrowing from financial institutions. Those who preferred equity from the business stakeholders gave the full-time availability of the stakeholders as the main reason as to why they prefer to use the local means. The group of business owners reported that financial institutions would either turn them away or fail to give them the full required amounts.

The group of small business owners who reported that they prefer banks gave one of the reasons as the possibility of securing more funds as compared to soliciting from banks. Their argument was that banks have more money and so can give them as much capital as they need, while stakeholders can only give the little, they get because they are non-financial institutions. The remaining 3% of the respondents reported that they go for the option that is available to them when in need of capital for their businesses. The findings supported the trade credit theory by providing evidence that many business owners apply it successfully in managing and running their businesses. The availability of a solution turns out to be the main focus of a small business owner when soliciting capital for their business. The outcome is that when the financial resources become inaccessible or have limited access, the business owners can turn to the suppliers and get the capital needed.

Santikian (2014) supported the trade credit theory by bringing in the concept of the intermediary. The intermediary idea is where two or more small businesses with different accessibilities to financial institutions help each other to acquire capital. The model works when one of the small companies has better access to credit from financial institutions such that it can get more credit than the rest of the small businesses. The enterprise then acts as an intermediary between the creditor and the other firms by accessing more credit and supplying some to other enterprises with limited access. The intermediary could obtain more loans and that is they can access enough to use in the management of their business and remain with a surplus to offer to the other companies (Santikian, 2014). Even though the intermediary is not a financial institution, it acts as

one to support the other organizations which do not have the access privileges it enjoys. Over a million small businesses in the world have used the intermediary model, leading to profit improvement and prevention of bankruptcy.

Dary and James (2018) conducted a study involving agro-food firms in Africa and the United States. Concerning the trade credit theories, the survey reported several points shedding light on the relationship between the trade credit theory and the small businesses. The raised issues mainly depicted the reason why firms that have begun to apply the credit theory in accessing capital have decided to do. One of the significant findings that Dary and James (2018) raised concerned the frequency of transactions that resulted from trade credit implementation. Indeed, the trade credit theory does not limit the number of operations that can take place between the businesses. The theory gives the possibility of businesses funding themselves without using financial sources. According to the findings of the study, the use of trade credit ensures that small business owners can make as many transactions as possible, increasing inventory turnover, and firm profitability. As such, it was better than bank credits which has limitations on the number of transactions and is more costly.

The nature of the credit is one of the important factors in the discussion of the trade credit theory (Katarzyna, 2017). The nature of credit implies how it works. In this case, it means the working of the trade credit or how business owners implement it being one of the important factors to consider. Complications that would otherwise exist when accessing bank credits are not there in trade credit (Suriyankietkaew & Avery, 2016). The trade credit theory applies when stakeholders in a small business fund the company,

making the process because the stakeholders (suppliers) have a connection to the enterprise (Katarzyna, 2017). Proximity to the suppliers is also as a feature of the trade credit theory. The owners of the agro-food stores that took part in the study reported that suppliers are closer to the business making it easy for the owners to access them. The trade credit theory brings about this proximity by diverting the credit focus of the small business owners from far-off banks to the suppliers within the business environment.

The idea of trade credit entails suppliers providing goods to the business owners, and the repayment period runs between the purchases of goods to the time the retailers buy the products from the businesses, also known as the cash conversion cycle. Because of that, trade credit is important as it helps in running the business during the period between the purchase of inventory to the time of sale of the goods to the end users (Abad et al., 2017).

Small business owners can often get the trade credit fast and repay the supplier them within a short term, from the time inventory is sold, accounts receivables are collected, and cash received turned back into inventory. The suppliers of inventory trust in the business, and that is why they keep supplying inventory to the organization, according to Abad et al. (2017). The small business owners leverage the trust when seeking credit to act as capital for the business. The suppliers take a short time to respond. The trade credit theory promotes the interaction between suppliers and customers which works in favor of the theory. When suppliers interact with customers, they support the business and may prevent it from going bankrupt while improving its profitability (Hermes et al., 2016). Suppliers do not have access to the market unless they

go through the business (Lilleholt, 2014). The suppliers therefore; fund the company through their merchandise so that it continues to link them to the customers. The trade credit theory works well where there is a good foundation laid by such relationships as that existing between suppliers and customers (Lilleholt, 2014).

The effective enforcement of trade credits also supports the trade credit theory demonstrating greater flexibility on the part supplier, than the creditor (Deari, 2016). According to Deari (2016), a trade credit contract between a business owner and a supplier of the business is not as formal as a bank credit contract. The contractual terms include options, similar to a bank loan covenants the lenders (suppliers) have at their disposal in case the creditors do not pay in time. Business owners that applied the trade credit theory to their business model may be able to minimize chances of defaulting on loans that they owe to their lenders. Deari's (2016) assertion concerning the constructs in the trade credit theory noted that the theories are analogous to arrangements where suppliers supply products on consignment to their customers. The agreement, therefore, according to Deari (2016), is that the suppliers retain ownership of the goods until the business owners sell all of them. That kind of relationship is essential as it ensures the supplier (the creditor in this case) and the small business owners maintain their good relationship throughout the credit period (Ghobakhloo & Hong, 2014).

Information

According to Assenova et al. (2016), financial information is a crucial aspect of the trade credit theory because it enables information transparency, improved communication between all stakeholders and helps companies make better business

decisions about their operations and processes. Possession of information means they understand the major tenets of trade credit theory and can make informed decisions. In a similar vein, Assenova et al. (2016) presented obtaining and creating financial information from suppliers and stakeholders as one of the major tenets of the trade credit theory. This a major benefit that small business owners get from the application of the trade credit theory. The trade credit theory benefits small business owners in acquiring financial information making it easier for them to manage their working capital. The existing goodwill between the small business owners and their suppliers, among other non-financial stakeholders depends on the financial information that both parties have about each other. Non-financial companies have sufficient information about the business, its ownership, and the financial position to often make better credit decisions than traditional financial intermediaries (Tjew-A-Sin & Koole, 2018). The possession of superior information makes it easy for the company to decide about the implementation of trade credit. Information also serves as an incentive when suppliers are to be approached by the business owner for trade credit.

Business owners can use just in time (JIT) inventory systems and enterprise resource planning (ERP) software which allows for nearly instant communication between the firm and all its major stakeholders including suppliers. JIT enables alignment of orders for raw materials from purchasers of one's suppliers with the production output. The alignment results in a lean inventory which reduces the inventory costs. ERP enables the automation of various back-office operations, leading to enhanced efficiency of services and business operations (Shibru et al., 2017).

Collateral

Collateral plays a significant role in the decisions made by small business owners regarding access to capital (Galina & Mariana, 2015). The collateral-based theory holds that the business owner will go for that option that requires little or no collateral. Stakeholders associate bank credits with requirements for more collateral which small business owners often cannot afford. Trade credit then becomes an alternative because the non-financial stakeholders like suppliers do not require the collateral demanded by banks. Gill et al. (2016) opined that small business owners should consider the aspect of the guarantee before deciding on the source of capital they want to pursue for their business. The collateral-based theories add weight to the trade credit theory by identifying one of the challenges that small business owners face when accessing capital from financial institutions (Gill et al., 2016).

Other collateral-based theorists were developed by Ghobakhloo and Hong (2014), who stated that a decision to source credit is dependent on the amount of collateral attached to the credit. Other authors assert that financial institutions cannot offer much support for the non-financial companies and stakeholders in their provision of capital to the small business owner. The suppliers have minimal demands and so end up as the best solution to the challenges that the small business owner faces in accessing capital. Financial institutions do not match the requirements because they intend to supply credit and get interest in exchange while suppliers and other stakeholders' intent to support the business and keep it afloat. Financial institutions have collateral and credit requirements when considering a business for a loan because they intend to supply credit and get

interest in exchange, while suppliers and other stakeholders intend to support the business and keep it afloat. Most financial institutions offer loans to small businesses to get interest and are not concerned about the growth of businesses while other non-financial stakeholders have the main aim of supporting small businesses to ensure they get a high return on investment and a high growth rate from the borrower. This collateral and credit requirements make it hard for small businesses to get loans from traditional financial institutions and choose stakeholders who can provide financing without the focus of getting interest. Ghobakhloo and Hong (2014) concluded that as long as trade credit does not incorporate collateral requirements, it remains the most financially feasible option for small business owners in need of capital for their operations. Business owners can apply the trade credit theory in handling most of the challenges that they face in managing their firms (Ghobakhloo & Hong, 2014).

Contrasting Theories and Views

Despite the many opinions in support of the trade credit theory, stakeholders must consider various divergent views before deciding whether the theory can be useful to small business owners or not. Himme and Fischer (2014) provided the first contrasting opinion which was based on the volume of the credit. The opposite argument was that the capital the non-financial institutions like friends and family was minimal compared to that from traditional financial institutions. The case also challenged the nature of the business regarding its influence on the financing decisions. Individuals compared the volume of credit provided by suppliers to the goods supplied by the specific supplier. They concluded that suppliers cannot give credit that is higher than the value of the

products they provide to the specific small businesses. This relation implies that most small business owners cannot get the amount of capital they wish from the suppliers because they products they get from them are less than the value of capital they may want as a loan for working capital and business expansion.

Himme and Fischer (2014) ignored the fact that most small businesses operate with low capital and therefore they do not need to get capital that is more than they operate with from financiers. In cases where the business owner seeks to prevent bankruptcy, the amount of money that the business owner requires equals the amount owed or needed to offset any liabilities. The funds that the firm's owner needs, in this case, cannot exceed the value of the business, and so the suppliers will be able to provide it. The authors also looked at trade credit from one perspective where the suppliers give direct credit to the business (Himme & Fischer, 2014). However, there is also the common perspective where the suppliers supply goods on consignment to the company. The supplier can provide all the products required by the business at a particular time, implying that the supplier can provide capital to the organization in the consignment form without depleting their resources. The different theory also focuses on volume without putting the exact capital requirements of the business.

The second contrasting theory is dependent on the industry characteristics according to Nilsen (2017). The theory holds that market characteristics are responsible for determining the supplier’s willingness to extend trade credit, arguing that such traits mostly prevent the desire or reduce the volume of credit extended. The market characteristics are product characteristics and market structure. Under product

characteristics, goods which are easy to make the supplier more willing to extend trade credit while goods that are difficult to prevent suppliers from extending trade credits (Nilsen, 2017). Standardized goods are easy to divert, differentiated goods are more challenging to deflect, and services are impossible to divert since they do not have a liquidation value (Nilsen, 2017). The implication here is that a supplier dealing with differentiated goods and services will either not extend trade credit or extend a minimal volume.

Market structure has an influence on the conditions under which the suppliers issue trade credit to the business owners. The influence of the market structure is because the market powers of the seller and the buyer are the determinants of the seller's willingness to extend trade credit. The argument here is that a supplier will extend trade credit to a business that has more power in the market; where the seller's market power exceeds the buyers. More power means that the business can be financially beneficial to the supplier because it can control the market. Nilsen (2017) then identified intra-industry trade as the most effective market structure that a supplier operating in can extend trade credit. The reason here is that the suppliers operate within the same sector meaning that they have more information on the firm. However, she did not consider the fact that a supplier has enough information on the firm it supplies to even if they do not operate in the same sector. The goodwill between a supplier and a business owner is dependent on the long-time relationship developed after working together and sharing information. Product characteristics, also, have minimal effects on the willingness of the supplier to extend trade credit when looked at from all perspectives. The contract terms also involve

a clause where the supplier retains ownership of the goods until they are sold out. The ownership retention clause gives the supplier confidence to participate in the trade credit contract.

Small business owners use trade credit as a source of acquiring inventory when traditional inventory financing through banks is not available to them or available only on very expensive financing terms. Cunningham (2005) argued that trade credit comes with an adverse effect on the value of the firm. Through a study where 39 non-financial firms listed in the stocks exchange, Cunningham (2005) discovered that the value of the firms suffered an adverse effect after an initial boost just after engaging in trade credit. The firms took part in trade credit contracts and raised capital to boost their operations in the short term. In the long run, the adverse effect brought about the risks associated with trade credits had an impact on the firms. The accounts receivables entailed both costs and conferred benefits. The size of the firm and leverage were affected, and so was the value of the firm. However, Cunningham (2005) did not factor in other possible reasons that could have impacted the firms he studied. A firm operating in the market is subject to market forces, and the availability of capital alone is not enough to promote its value. Failure to include other factors in the study, therefore, affects the acceptability of the study's findings.

Proponents of different theories and opinions against the trade credit theory have not demonstrated clearly shortcomings in the theory enough to challenge the applicability of trade credit theory. The support for the method is enough to warrant a more in-depth look into its applicability to small-scale business owners. Researchers have demonstrated

that after taking micro and macroeconomic factors into consideration that trade credit theory is an appropriate lens through which to explore how small business owners can benefit from working with their suppliers to obtain needed inventory. Various studies, scholars have also proven that owners can tackle challenges arising while trying to obtain trade credit (Staniewski et al., 2016).

Synthesis

Given the supporting opinions to the trade theory in business, it is crucial to look at the applicability of the theory in the specific case of small businesses. The importance of the trade theory to small business is that it provides a model for business people to follow to access capital. After analysis of the merits and demerits of the theory in the form of supporting and contrasting opinions respectively, the importance and applicability of the theory to small business owners is given with the aim of ensuring that the small business owners can find the theory useful in managing their firms and obtaining trade credit. Both the theories associated with the importance and applicability of the theory and the empirical evidence of the application of the theory to small businesses are provided here to support the implementation of the approach.

Lopes (2016) explained that the trade credit theory becomes applicable to the small business owner when he applies the agency theory along with it. The trade credit theory becomes entirely crucial to the small business owner because they can access capital to fund their business and ensure that it does not become bankrupt. With the application of the agency theory, the relationship between the suppliers and the small business owner improves by solving potential problems (Lopes, 2016). The excellent

relationship can then be leveraged later by the small business owner when in need of more capital. The trade credit theory would then be able to help the small business owner to access funds whenever they are in need (Lopes, 2016). With the problems resolved, the trade credit theory then becomes vital to the small business owners as follows:

Provision of Short-Term Capital

Trade credit is essential to small business owners because it offers them access supplies or inventory needed for pursuing short-term business objectives (Van Beveren et al., 2017). However, the inventory that the suppliers offer must be from their businesses and not from other enterprises. According to Bosse and Phillips (2016), small business owners in need of short-term capital do not need to turn to banks because they will not be able to meet their demands. Bosse and Phillips continued to explain that trade credit applies to a small business owner the parties could agree the terms and decide on an amount that matched the needs of most small business owners. When owners need loans for a short time, it becomes feasible to use trade credit which the players settle as soon as the business attains its objectives. Bellouma (2014) described trade credit as the most used form of capital because of the need for short-term loans among small businesses. France, Germany, and Italy, trade credit accounts for more than a quarter of a company's total assets. In the United Kingdom alone, trade credit represents 70% of the total short-term debts (Glinkowska, 2017). The figures demonstrate that trade credit is the appropriate source of short-term financing for most small businesses. The presence of bank credits does not lure small business owners because of the importance that they have realized in trade credits. The shortcomings of the common strategies in use, such as

own sourcing and sourcing from friends and family make trade credit a more appropriate capital sourcing strategy. Glinkowska reported that over 60% of small business owners in Europe reply on trade credits to finance their short-term operations. Studies indicate that trade credits provide a perfect source of short-term capital for small businesses (Glinkowska, 2017; Lillehot, 2014; Mateut, 2014).

Extension of Operating Capital

The small business owners could use trade credit to extend their operating capital. Ajibola (2017) conducted a study in Nigeria involving small business owners. According to the findings, more than 50% of the small businesses which begin at a smaller scale expand by extending their operating capital through trade credits. 30 out of the 50 owners of small businesses that the researcher studied reported that using trade credit to extend capital is more comfortable for them because there are the terms that all the parties could meet (Ajibola, 2017). They also said that trade credit does not scare them away because even if they do not reach the agreements, they can negotiate with the suppliers. From the findings of the study, one can demonstrate the importance of trade credit as the primary source of operating capital leading to the growth of small businesses. The applicability of trade credit theory to achieve this importance depends on the ability of the suppliers and other non-financial firms to provide the required capital to the small businesses. When the company gains access to short-term capital in credit, it can offset debts and boost its operations. When the small business access funds to extend its working capital, it can grow and improve its profits. The two are the main essential applications of trade credit to a small business owner. In cases where the small business owner wants to access more

capital but has little or no collateral, trade credits can provide the guarantee required. The owner can then access the more capital desired and pursues the intended business objectives.

Issues in Bankruptcy and Profit Improvement

Prevention of bankruptcy and profit improvement have surfaced as the two main reasons why a small business owner needs capital. However, the application of the trade credit theory to achieve the two goals may go against the expectations of the business if owners do not handle the risks of advancing trade credits. There are two main issues that small business owners must avoid when using trade credit as a source of capital:

Late Payment

Failure to repay the loans within the agreed period is one of the issues that affect the implementation of trade credit. Late payment results in loss of trust. Tanriverdi and Bülent (2015) opined that a good small business owner should not exceed the agreed payment period of the trade credit. Trade credit has its basis on goodwill which will be the first loss to be experienced by the small business owner if they default the payment. The delays will then affect the working capital of the firm because the repayment will be from within the firm. Orta et al. (2015) warned that late payment might not only adversely affect a firm but also jeopardize its very existence. The small business owner should ensure the organization handles the credit terms lest they bring the business down and do the exact opposite of the initial purpose.

Poor Working Capital Management

Organizations always have some amount of capital when beginning their operations (Enwereuzor et al., 2018). However, some of the firms end up undergoing bankruptcy due to internal factors such as poor management of working capital. Orta et al. (2015) warned against the poor control of the working capital, especially one that firms acquire through trade credit. Through a study involving 131 small businesses filing for bankruptcy, Saptadi et al. (2015) found out that there is a relationship between poor working capital management and organizational failure. The findings send a warning to small business owners that they must manage the credit acquired adequately to prevent it from working against their ambitions. Once owners evade the two issues, they can access and use capital through trade credits for the betterment of their businesses.

Foundation-History of Small Businesses in The United States

Capital Access and the Success of Small Businesses

Business relationships are the connections between stakeholders in the industry, mostly developed to benefit both parties involved. Big companies are known to be well connected in the business sphere, giving them a privilege when looking for solutions to business challenges. The parties involved in business relationships play a part in making the relationship healthy and helpful to each of them (Mikic et al., 2016). For instance, a supplier connected to a business will play that part in supplying to avoid losing the buyer. The firm, on the other hand, will pay for the goods promptly to strengthen the relationship with the supplier. A good relationship will then allow both parties to

negotiate for more good things such as discounts, credit, and advance payments, among others.

The creation of strong ties with individuals and other businesses is another known way of accessing capital to finance business operations. Mengoni et al. (2017) advised small business owners to emulate the big companies and build strong business relationships. One of the benefits associated with the strong business relationship is the increased access to capital; the small business owner can quickly turn to the parties within their business network and request for capital to finance their business. Mengoni et al. (2017) continued to point out that a good network should bring together different players in the market; suppliers, customers, and even the financial institutions. The Harvard study showed that business relationships lead to the success of the parties involved. The small business owners should form such relationships to get access to capital.

The existence of networks business-to-business networks and other forms of networking between firms is a way of enhancing the success of small and medium enterprises. The networks are handy in the access of suppliers, contracts, and other arsenals that the businesses require to thrive. A study conducted by Rupasingha and Wang (2017) on the methods which small businesses owners use to access capital for working capital needs and small business growth determined that connected businesses recorded more success than those operating independently. Connected businesses in that case, referred to firms with several networks within their respective industries and beyond. The respondents reported that when connected they felt secure because they

solutions to turn to when in need of capital for their businesses. The study concluded that small businesses owners could not enjoy full success in the course of their business operations if they do not utilize the potential in business relationships. The study concludes that small business owners must establish business relationships to have alternatives when in need of capital. According to Rupasingha and Wang (2017), stakeholders prefer supporting business to which they are close to than those to which they are merely supplying. The suggestion here is; small business owners should not only assume that their suppliers will extend credit to them. Instead, they should develop strong business relationships with the suppliers and other parties.

Despite the need for strong business relationships, there is still a concern on whether small business owners can develop the business relationships that can give them high access to capital. Even though the business relationships have been proven to offer more opportunities to the parties involved, the ability of the small business owners to establish the relationship has not been successful. The problem is not the capability of the small business owners developing the connections but the ability to not only try but to do it well. A business relationship developed without considering all the factors surrounding the parties and the benefits expected will not yield any good to the business (Zarei et al., 2014). The challenge thrown to small business owners is that they must follow due procedure and the best practices involved in developing a proper business relationship that will solve their capital access problems. The following are the various best practices that will enable small business owners to build business relationships:

Give to Get

Businesses operate in a give-and-take kind of transaction. It is like a symbiotic relationship in which all parties involved in the transaction have to benefit from each other. No party should expect to get anything out of a business relationship if they are not ready to give something in exchange. Ciżkowicz-Pękała (2017) gave an example of a business owner and the loyal customers who buy goods in bulk. The business owner develops a connection with the customers to the extent that the customers have the business at heart. However, the same customers cannot provide capital to the store if they do not get anything in exchange, apart from the goods they buy. Ciżkowicz-Pękała (2017) identified discounts as one of the offers that the business owner must give in exchange for capital from loyal customers. A business owner can develop a business relationship as long as the relationship is not one-sided. Whether it is a network involving many parties or just a connection between two parties, the business owner must be ready to give something in return.

The stakeholders of a business, both the internal and external ones, have an important role in its success. The external stakeholders such as the suppliers and the customers determine whether or not it succeeds. The suppliers are in charge of supplies and can offer their products in the form of credit and maintain a steady supply of the commodities for continuous business operations. The customers, on the other hand, ensure the cycle is complete by purchasing the products. There should be a good relationship between the business owners and their environment or stakeholders for proper functioning of those firms. A study involving 50 small retail business owners in

China investigated the connection between the business owners and their environment as well as the terms involved (Newell et al., 2016). All the respondents reported that they had a connection with the business players in their environment such as the suppliers, distributors, customers, and financial institutions. However, only 20 of them reported that they are ready to meet the give-to-get expectations of the parties in the relationship (Newell et al., 2016). One particular business owner mentioned that they acquired advance payment from loyal customers before supplying goods with a promise to deliver the products within a week. However, the customer demanded an additional offer because of the courtesy extended. The business owner ended up selling the goods at a 10% discount, and so did not realize enough profits. The business owner should consider the fact that the business cannot survive without the capital, and be ready to give (Ciżkowicz-Pękała, 2017). Accepting to be a giver enables small business owners to benefit from business relationships.

Go Live

"Going live" is a phrase used to describe when systems, processes, or functions become available for various uses. In the case of businesses, going live is when the business owners make contact with other stakeholders to improve different aspects of their operations (Jiménez et al., 2017). Individuals do not establish business connections in the office, but out in the market and in other places where physical connections take place (Zapata, n.d). The ability of a small business owner to develop a business relationship that can earn them capital relies heavily on their ability to connect with the players in their business environment physically. The advice to small business owners is

to be aggressive to get a chance in the market because their competitors are ready to do anything to win the support of big industry players. Zapata pointed out physical interaction as the most effective way of developing reliable business relationships. The business owner goes out to meet suppliers, customers, regulators, and other players in the business domain. Trade fairs, conferences, and business celebrations such as anniversaries provide the best opportunity for small business owners to meet and connect with people who will help them.

Most business owners who turn to close friends when in need of capital fail to obtain the funds and are ultimately discouraged (Yoo, 2016). There is a need to identify individuals, other business leaders, and key stakeholders that can offer necessary support to businesses at critical times. Olga and Marina (2013) advised small business owners to look for people to connect to in all aspects of life because at times it is the unexpected people who add to the network. Players in other industries can also help business because of interest and support or a benefit that they can get from the company. Olga and Marina (2013) opined that a well-connected business person is one whose network consists of members from different industries and areas of professionalism. That system guarantees success to the business because even when one sector or industry is in a crisis, the business owner can still get support from the members in other areas. A small business owner must be ready to go out and about and expand their minds to meet and accommodate different kinds of resourceful people. A business relationship developed in such a manner can get the business owner capital, and the business owners can develop such relationships.

Businesses can thrive even during difficult times when they have significant business relationships (Venet et al., 2018). The owners of the businesses have to use varied ways of creating important partnerships and relationships that are critical to the success of their organizations. Zarei et al. (2014) described several other ways through which small business owners can develop strong, lasting business relationships to increase their access to capital. One of the ways is by identifying shared goals and values between the business and the potential partners in the network. A relationship based on the shared goals and values is productive because the stakeholders have the motivation to give and support the business until the goals the firm achieves its goals. The second advice is to ensure that mutual respect is developed and maintained along with the relationship. Even though Zarei et al. (2014) admitted that this takes time, the authors still mentioned that a business relationship based on mutual respect yields good results in a time of need. The good results are the positive responses given when the small business owner requests for capital from the parties they connected to in the businesses. The business owner will then have more access to capital because the many partners will be willing to help in providing financial resources.

Small business owners can develop business relationships, and those relationships increase the business owner's access to capital. When the business owners implement the best practices, it becomes possible to develop the business relationships, solving the challenges the business owners face as they try to access capital. Stakeholders can also build good business relationships starting with the suppliers and other stakeholders close to the business before moving out to other players in the business world (Quinton &

Wilson, 2016). The small business owners are connected to their suppliers and customers, making it easy for them to start building the relationships from within. The external parties then join the network with time such that the business can access more capital. Business relationships, therefore, form one way through which small retail business owners can access finances to improve their profits and mitigate bankruptcy (Newell et al., 2016).

Challenges of Accessing Capital among Small Business Owners

One of the differences between large-scale and small-scale businesses is the value of and access to working capital. Unlike large-scale enterprises which enjoy a large access pool of working capital, small businesses struggle to access and retain working capital enough to run the business. According to Camacho (2016), small businesses face a mounting working capital challenge. As they continue to grow so does the pressure to access and maintain enough amounts regarding working capital. Evidence from Latin American firms presented by Camacho (2016) showed that 66% of small and medium business owners in the United States alone sort financing in the second quarter of the year because of running low on working capital. The report continues to give figures showing how the challenge seems to affect small business owners with time. According to the report, the rate for SMEs facing the working capital challenge increased from 22% within one year (Camacho, 2016). The findings of the report show that many small business owners face challenges and will continue to meet the challenges in their quest to acquire more capital; unless there is a solution to the issue (Camacho, 2016).

Apart from the challenge of accessing and sustaining a working capital, small businesses also face the challenge of maintaining a reasonable financial standing to qualify for credit from financial institutions (Gyu & Kim, 2005). The issue at hand is that lenders at traditional financial institutions want to see a profitably run business and ideally, audited financial statements for 3 years as, well as collateral and personal the guarantees of the owners. Even in the cases where the company manages to maintain a financial standing, the value may only be enough to secure the business the least amount credit. As Naidich (2017) explained, only 60% of small business owners in the United States of America who qualify for credit from financial institutions can receive minimum amounts. With such a rate it means that even when small business owners access capital from financial institutions they may still fail to acquire enough to solve the business problem they are facing or pursue the business objective they are targeting (Naidich, 2017). The challenge becomes more pronounced when many small businesses are put into consideration because then it means that a more significant percentage of companies are destined to fail (Naidich, 2017).

In addition to the challenges that the owners of SMEs face in sustaining their business operations, the lack of opportunities for growth is another hindrance to their success. The opportunities for growth consist of connections, tenders, and other important factors that are necessary for boosting the performance of a business. According to Yoo (2016), small businesses do not have several connections like the large-scale businesses, putting them at a competitive disadvantage. The challenge associated with this limitation is that the need for increased capital grows, but the openings and opportunities towards a

dependable source are minimal. Yoo pointed out that over 70% of small business owners fund their businesses on their own. He continues to state that this is a dangerous trend in the 21st century because the marketing is so demanding that one person may not be in a person to provide for all the financial needs of the business. Yoo (2016) expected several small businesses to combine and form one large or medium business that can be able to solve its financial problems with ease.

It is common for lenders to issue loans to creditors with the ability to repay loans in good time. Large firms with several assets have the capability to pay back any loans provided in the required time. On the other hand, investors and lenders consider small and medium enterprises as default defaulters of the different loans that they obtain from financial institutions. According to Dai et al. (2017), small businesses do not appear credit-worthy to creditors such as banks. Dai et al. (2017) argued that most banks despise small business owners because they do not believe that their businesses will last long enough to repay the loans. The challenge is that the market forces do not spare these businesses just because they are small; competition, inflation, and other market changes affect the small businesses just like any other business. Dai et al. (2017) continued to state that small companies have a 20-80 chance of securing credit from loans as compared to large firms. He continues to suggest that the capital markets are tilted against small business owners because even the few who can secure capital can only get minimal amounts. Dai et al. (2017) supported the findings of research involving small businesses in the United States where the researchers concluded that more than half of the owners only get half of what they look for in a creditor.

The other hurdle that small businesses face is the repayment terms. The repayment terms for a loan dictate the amount of time that one can take before refunding the loan. Short repayment periods imply that the business may not be able to recover from a financial crisis before refunding the debt and lead to more issues than before. As Mateut (2014) opined, a small business owner should consider the repayment terms before he or she attempts to access capital. Mateut (2014) stated that most financial institutions require the credit to be paid either within a short time or after a long time but with more interest. Both options are not as appealing to a small business owner as they are to a prominent business owner because the business may not give so much in return. Whether the capital is acquired to improve profits or aid the firm in preventing bankruptcy, the repayment terms must be considered to ensure that the business can repay promptly (Mateut, 2014). More than 10% of small enterprises accessing credit in the United States alone end up not paying immediately and face dire consequences as a result. The challenge develops a fear among most small business owners, especially those trying out the business idea with no positive probability of success (Mateut, 2014).

These are some of the challenges that small business owners face in their attempt to access capital. The effect is that those who are not able to come up with alternatives end up closing shop while others continue operating with minimal profits. Such challenges make the market not conducive for business, especially for small business owners because they do not have the financial muscles to mitigate the issues.

The fact that most large-scale companies do not face similar challenges yet operate in the same market as smaller businesses compounds the problems. According to

Esteban et al. (2017) when the market is not conducive to obtaining trade credit, many companies close, and only the resilient and financially stable survive (Esteban et al., 2017). These challenges guide the small business owners into finding solutions in the form of strategies for accessing capital (Esteban et al., 2017).

Current Strategies Used by Small Retail Business Owners to Access Capital

Innovation is a key driver of business success in the current era. It entails developing new strategies and products for better performance of organizations in their respective industries. Innovative owners of small businesses have the ability to identify better ways of obtaining the resources needed for optimum performance making them beat their competitors in critical areas. As Örnek and Ayas (2015) observed in their research, the success of a business depended on the innovativeness of its owners. Out of the necessity that was the need to access capital with friendly repayment terms, small business owners were able to become innovative and use the various solutions that were in their midst to solve their primary challenge. Small business loans in the United States declined by 2.5% in 2013 as opposed to an increase of 10.4% witnessed the previous year (Hoch et al., 2016). The decline demonstrates the effects of the shift from bank borrowing to the new strategies adopted by the small business owners. The change has been informed both by the difficulties in accessing bank credits and the need for alternatives due to the fear of failing to get enough capital from banks. The current strategies are implemented on different scales, mainly differing from each other by the nature of the business. However, some of the approaches apply to all small businesses. The strategies are as follows:

Owner Financing

Most businesses thrive on loans from the early stages. However, not all small businesses depend on those sources of capital. Some business owners prefer using their savings or individual financial sources to fund their businesses. A study by Owusu (2017) involving three small companies in the Washington DC metro area revealed one of the methods that small business owners use to access capital. The owners reported that they preferred using their funds to power their businesses because of the constraints that they associated with borrowing. Not all the owners indicated being able to access enough credit from banks to provide the required capital for their businesses, citing the failure to reach the minimum required financial standing as the primary challenge. To keep their businesses running, these owners resorted to their own pockets (Owusu, 2017). Two of the respondents reported that sometimes they had to close their small businesses and head to work elsewhere for a while to earn enough to run their businesses for some days. The owners also reported that they continually fund their companies with their resources even though their firms have grown because they find the strategy appropriate for them (Owusu, 2017). The own financing strategy is applied both by startups and continuing businesses as a way of raising minimum short-term capital.

Every small business owner has a reason for the use of different ways to obtain capital for his or her organization. Those who choose to use own financing must have had a variety of options to select form. In the study carried out by Owusu (2017), the author cites business leaders who utilized the own financing strategy to develop their firms. In support of their strategy, the three small business owners gave some reasons as well as

limitations of bank credits as applies to their case (Owusu, 2017). They reported that using their funds was more effective because they can provide the capital without any constraints. They attached this to the lending limitations as well as the borrowing constraints of the banks (Owusu, 2017). They also stated that own financing enables them to provide capital to their businesses and repay themselves without having to worry about interest charges. They linked this advantage to the high interest rates that they reported were being charged by banks that could give them credit. They also listed other constraints that hindered them from accessing capital through the bank; lack of a proper business plan, lack of collateral, and unavailability of appropriate financial records (Owusu, 2017). The owners went ahead to state that these constraints are not there in their strategy (Owusu, 2017).

The contrast between owner financing and the lack of, or expense of, bank credit, is the primary fuel that pushed the respondents into funding their businesses with supplier credit or nontraditional forms of financing. The lack of, or limited access to, bank credits is detrimental to the success of the businesses because the business owners prefer the solution that gives them easy access to capital (Fabbri & Menichini, 2016). The availability of bank credits with ease can counter this strategy (Fabbri & Menichini, 2016).

Family and Friends

Some business owners have found reprieve in close friends and relations. According to Gleeson (2013), friends and family members are a source of capital for small businesses. Family and friends as a source of funds applicable when the business

owner is looking for resources to start or revive a business, at which point that business has no collateral to get a loan (Gleeson, 2013). The business owner approaches family and friends that are usually close to them. The closeness provides goodwill and assurance that enables the member to extend the finances. Gleeson (2013) mentioned that about 30% of small businesses benefit from capital from family and friends every year in the United States alone. The strategy mainly relies on the existence of a good understanding between the business' owner and friends and family. The owner must be in a position to explain the financial situation of their business and request for funds to solve any financial problems. The owner approaches members of the family and friends who have access to funds enough to finance their business (Gleeson, 2013). In cases where one person cannot provide the capital needed, the small business owner reaches out to more members, mobilizing them to pull their funds together to help them in their business. However, the small business owner has to explain the aspects of the company to all the people expected to assist in raising funds. In cases where the people are many, then the owner must provide clear information to win the support of them all (Gleeson, 2013).

The funding for small businesses by family and friends is premised on string family ties and meaningful relationships between the members. Gill et al. (2016) conducted a study involving small businesses around the world in which they requested 100 small business owners who funded their businesses entirely on capital from family members and friends, to state the reasons for doing so, and the outcome of that strategy. 50 of the respondents had started their businesses on capital raised through the family members and friends and continued to fund it in the same way, while the other 50 had

financed their shops a few times using resources from friends and family (Gill et al., 2016). Most of the respondents agreed that the prior relationship between the business owner and the friend or family provides an ample foundation for the negotiations about the funds. They also reported that friends and family have good wishes for the business and so will do anything they can to help the enterprises grow. Concerning success, the respondents noted that most the time the strategy works out well, unless when the family or friend requires the repayment to be done within a shorter time, which is a rare case (Gill et al., 2016). They also reported that friends and family could add the business owner credit on top of an existing debt to be paid in a lump sum later, something that they noted banks could not do. However, the respondent acknowledged in unison the primary challenge with this strategy is that there are fears the business may get personal (Gill et al., 2016). Despite this, more than 90% of the correspondents vowed to continue with the approach. The indication is that most small business owners prefer ongoing with the strategy that seems to work for them even if it is not the best, as opposed to accessing funds from financial institutions. There is also no assurance that the strategy will be inappropriate if access to bank credit improves because the small business owners are more concerned about getting the capital without many hurdles (Gill et al., 2016).

Angel Investors

Angel investors fund many of the SMEs, especially during their early stages. Medina (2016) conducted a study in Kasovo which showed that over 5% of the 20 businesses whose owners, employees, or staff participated in the research were funded by angel investors. The researcher had the 20 companies for his study from different

countries to explore trade credit theory in different countries. The respondents reported that they developed the business idea but did not have enough capital to implement it, so they approached a potential investor (Medina, 2016).

Most of the respondents reported hesitation among the investors, as they wanted to know more about the business idea that they were going to fund. After a thorough explanation, the investors agreed and became angel investors when they provided the entire capital to the businesses. 65% of the investors provided funds in exchange for convertible debt while the 35% wanted ownership equity (Medina, 2016). The respondents then reported achieving success in the starting up and running of their businesses. The report further attributed part of the success of the campaigns made by some of the angel investors on behalf of the companies. In cases where the investors would be able to market a business in their circles, the business owners would receive more customers and record more success; consequently, adding the advantage of a possible business promotion to the strategy. However, the possibility of the angel investor promoting the business was never the main reason as to why the business people opted for the plan (Medina, 2016).

Angel investors are helpful because they ensure that business ideas work for the benefit of the companies. However, just as the respondents reported, the small business owner with the idea must formulate well for and present to the investor (Mason et al., 2017). Business owners have to provide all the necessary information to investors to increase the chances of stakeholders accepting and funding the idea The advantages of the strategy as indicated in the study are no need for collateral, no minimal financial

requirements, the repayment terms are negotiable, and the investor provides the entire amount of capital needed to start up the business (Li et al., 2016). The main shortcoming of the strategy as identified by the respondents is the failure of the company in which case the investor may take the remaining capital. However, all the respondents in the study reported success, showing that the strategy is working for some of the small business owners (Li et al., 2016).

The angel investors in the angel investment strategy can also result from venture capital firms. An example of a venture capital firm is *Shark Tank*. In this arrangement, individuals with business ideas yet with minimal capital present their ideas to potential investors. The entrepreneurs support their plans and convince the investors to fund their projects (Deeb, 2013). Venture capital firms support over 100 business ideas every year in the United States, making it an attractive strategy for business owners who cannot access capital through other means (Claudia & Dorina, 2015). The approach also enables business people to be creative and able to explain their business ideas, leading to a successful implementation of the concept (Claudia & Dorina, 2015).

Crowdfunding

Crowdfunding is another crucial strategy that small business owners can use to access capital with little struggle**.** According to Herciu (2017), most small business owners prefer raising capital by giving something affordable to them in exchange, and crowdfunding comes in as an appropriate option for them. With crowdfunding, the owner of a small business or a person with an SME's idea comes up with a hot product and markets it through a quick message. The small business owner creates a profile and then

records a video that the firm's management needs to share with as many people as possible. Herciu (2017) advised all small business owners who intend to use this strategy that friends, and family should be used as the initial recipients of the message so that they can spread it. Therefore, one can record the video and share the link with friends and family who in turn share with many other people. The video contains information about the service or product that the small business owner intends to offer to their audience. The more the number of times he shares the video, the higher, the chances of acquiring capital as funded by the audience. The owner must honor the promises made in the video messages circulated when they actualize the business idea shared with the public. Otherwise, they would lose the trust of the financiers are risk failing to access capital when the need arises in the future.

The main requirement for Crowdfunding is in the excellence of the business ideas. According to Younkin and Kashkooli, (2016), small business owners who come up with products and business ideas that require capital from crowdfunding must be creative. In essence, any business owner intends to crowd-fund their business must come up with creative ways of drumming support and convincing their audience to fund them (Fabbri & Klapper, 2008). The video and any other method used to inform the market must be as compelling as possible. A powerful video will attract as many people as possible to the profile of the business's owner. Younkin and Kashkooli (2016) warned small business owners that their job would have only begun when they reach their targets. The responsibility awaiting them would be that of ensuring that the products reach the intended audience. Small businesses which have most of their products available online

mostly use the strategy so that they can also incorporate people from distant places. The main advantage that the proponents attached to the strategy is that if the video is compelling enough, then the plan is likely to work well. The shortcoming is that if the video or product is not convincing; the funding attempt is likely to fail.

Small business owners who plan to start online businesses (e-commerce) also use the crowdfunding technology. Crowdfunding is a convenient means to access capital for such firms that do not require huge operating expenses. Such businesses may not require too much capital because it does not involve physical offices. The business owners seek capital to launch and support the operations. The business owners use most of the funds in purchasing the goods they need to sell (Fontana, 2014). The business owners have the technical capacity required to come up with the information needed available on the internet as well as to provide products to the potential financiers. Small online business owners in California in the United States have been reported to use crowdfunding for running their businesses and improving profits as well as preventing bankruptcy (Assenova et al., 2016)

Instant Loans

With the advancement of technology, various financing institutions are becoming ubiquitous on mobile and online platforms. Financial institutions targeting small businesses and individuals develop platforms through which they lend loans to interested parties and attach interest rates to them. Small business owners in need of instant loans to fund their businesses register with these platforms and borrow the soft loans (Vignone, 2016). The loans are usually given instantly and have a short maturity period. Even

though banks can also provide instant loans, online solutions are many and provide competitive alternatives. The approval rate of such loans is fast, and that is why most small business owners turn to them for sourcing capital. According to Lilleholt (2014), most small businesses afford the interest rates of the online instant loans. Lilleholt (2014) further explained that the competition in the market guides the interest rates. There are hundreds of online lenders, and each one of them strives to ensure that they lend to as many people as possible. The competition leads to a reduction of interest rates and speed of approval as a way of winning clients (Vignone, 2016).

Instant loans are not only available on online platforms but also in physical locations at the proximity of individuals. Individuals playing the role of shylocks exist in various places, offering instant loans with high interest and short repayment periods. However, most small business owners tend to prefer online and mobile platforms to access quick instant loans because of the security that they require for their business (Rupasingha & Wang, 2017). However, business owners in need of instant capital tend to overlook the importance of safeguarding crucial information, indicating how desperate business owners become when looking for quick money (Vignone, 2016).

Despite the success and continued market penetration of the strategy, there are various shortcomings witnessed by their clients. A study conducted in Finland involving 100 people (50 individuals, and 50 small business owners) revealed some of the challenges (Makkonen, 2014). The first one was about lenders offering a minimal amount of money. The respondents reported that most of the lenders do not provide more than the equivalent United States $100 (Makkonen, 2014). The other challenge was the risk of

fraud. The online platforms require clients to register before getting money, sometimes taking their critical business information and not getting the money at the end. Security, therefore, is a concern. Despite the challenges, the business people reported that they would continue to use the strategy to gain access to instant capital without having to cross the many hurdles as in the case of banks (Makkonen, 2014).

Small business owners use strategies such as Instant loans, crowdfunding, angel investors, family and friends, and own financing instead of depending on financial institutions for their capital needs. All the strategies are applicable and many small business owners continually execute them. However, almost all of them have their limitations which make them not very effective as a way of acquiring capital for a business. Most of the strategies also depend on the pockets of individuals, meaning that if anything happens to such individuals, then the business can easily be at risk (Lilleholt, 2014). The other shortcoming is that some of the strategies do not involve legal entities such as businesses, meaning that legal challenges may develop along the way, adversely affecting the business. For instance, a family member or friend may demand ownership of the company on the basis that they have funded the business (Lilleholt, 2014). An angel investor can also demand equal or more ownership then push the original owner out (Yeoh, 2014). The challenges of the current strategies inform the reasons why a better strategy is needed to help the small business owners. However, new approaches must be built on the existing ones to guarantee a seamless transition.

The Importance of IT in Obtaining Capital to Improve Profitability and Prevent Bankruptcy

Information technology has revolutionized business in almost all sectors of the economy. Technology improves communication and makes critical financial and accounting information more accessible providing managers the opportunity to make better decisions. (Prokopović et al., 2016). Both suppliers and buyers benefit from information technology because seamless integration of all the businesses core processes with the help of information technology and supply chain management software like enterprise resource planning (ERP) leads ultimately to a more proactive organization and competitive advantage. Information technology has brought about enormous changes not only in international enterprises but also in small businesses. Through the internet and the local information technology infrastructure, information technology has transformed the economy (Prokopović et al., 2016). This transformation has attracted the attention of other players in the business market who try to apply information technology in various areas of the business that have not been supported by the technique before. Access to capital has been transformed by information technology, especially in the case of large corporations (Dary, 2017). However, small companies are also getting more connected to technology to improve their services. The following are the ways through which information technology can be involved and be important in high capital access to enhance profitability and prevent bankruptcy (Prokopović et al., 2016).

Availability of Information

Small business owners have improved their information access on credit sources through information technology. Information about a business can be available on the internet such that any parties interested in doing business with the owner can access the data with ease (Kara, 2017). Individuals can obtain information on topics of their choice from the internet. Information on the internet is always available because even when the owners do not post it, other people can post it (Trantopoulos et al., 2017). Websites are also an excellent resource for information about an entity. A banking institution, for instance, can display information regarding access to capital on its website for small business owners to access to help them make their financing decisions.

The possession of adequate information is necessary for the success of SMEs. The information is useful in the pursuit of capital to improve profits and prevent bankruptcy (Fabbri & Klapper, 2010). The owner of a small business can apply information technology to search for credit terms for a given financial institution to know whether they can access the credit or not (Luís, Borges, & Gentil, 2015). Organizational managers also post information concerning their firms online so that prospective partners can find it (Luiset et al., 2015). Information technology can, for instance, make trade credit better. However, it is crucial to consider two parties, a small business owner, and a supplier to that business. The supplier uses resources such as the internet to access information about the enterprise before extending the credit. In the same way, the supplier can keep in touch with the progress of that the business is making following the trade credit (Vilkkumaa, Salo, Liesiö & Siddiqui, 2015). Information technology also provides timely, accurate,

and valuable information to be used by small business owners to access capital for profit improvement and bankruptcy prevention.

Communication

Information technology has improved communication by getting rid of most of the traditional barriers to communication. A business owner in need of capital must find a way of communicating with the potential creditors. According to Bansal et al. (2018), the faster the small business owner communicates with potential creditors, the higher the chances of accessing capital. Communication is crucial because the creditors may not be close to the business owner but require a proper explanation of the need. One of the strategies used by small business owners to access capital; crowdfunding, requires that the person with the business idea communicates with as many people as possible around the globe within a short time. If the communication is fast enough, it can reach many people within the time that the person has set aside for accessing capital.

Information technology has boosted communication by providing ways through which stakeholders can pass information can over long distances within a short time. Mitić et al. (2017) described the impact that information technology has on communication using the ‘global village' concept. Through such techniques as telephone calls, internet video and voice calls, and electronic mail, among others, people in different continents can communicate within the fraction of a second. The crowdfunding strategy mainly works by the sharing of videos with information about the products offered in exchange for funding (Mitić et al. 2017). The videos can be shared efficiently using social media platforms, thanks to information technology. Small business owners

can also involve technology in communication by using the latest information technologies to communicate with people who can fund them. With teleconferencing and video conferencing, a business committee can hold a virtual meeting with its stakeholders to talk about ways of funding capital. The business will then enjoy the high access to capital sources without much struggle (Mitić et al. 2017).

Innovation

Information technology is also significant in improving the innovative capacity of corporations. With information technology comes change. In this case, innovation among small business owners and people with unimplemented business ideas (Zhang et al., 2016). The availability of information technologies, according to Zhang et al. (2016), motivated the crowdfunding strategy. Through social media, entrepreneurs can rally support from many ‘friends' and then use them to share the videos wide. Instant loans accessible through online platforms are also innovations powered by information technologies. Individuals have formed virtual banks on the internet and mobile platforms, prompting individuals to provide information and then access loans that they can use to fund their businesses. The platforms are so many that small businesses owners have a variety to choose. The many platforms also give the business owner great access to capital because they can take loans from as many such sources as possible (Zhang et al., 2016).

Innovation as a result of information technology has also enabled increase sales and improved capital using its market. Businesses have developed online platforms where they interact with their customers and get their feedback then carry out product

development and improvement practices to increase sales. According to Bürger et al. (2017), over 90% of the businesses in the United States used information technologies to develop enticing and attractive features intended to win more customers. Some enterprises use animations to advertise their products while others use the same techniques to display information that is important to their customers, such as fetching and display news from news agencies (Bürger et al., 2017). The advertise attracts customers who buy more, increase sales and eventually improving profits. Therefore, IT can be involved in the access to capital by coming up with innovations that lead to more income (Bürger at al., 2017).

Working Capital Management

IT has a direct influence on the management of firms, especially the financial management. Ghobakhloo and Hong (2014) challenged business owners to manage their working capital properly to avoid the often-pressing need for access to capital. The argument was that many small business owners lacked the financial literacy skills to effectively manage working capital. The lack of proper financial management skills led to bankruptcy. According to Ghobakhloo and Hong (2014), business owners who face potential bankruptcy often look for immediate funding to save themselves from the bankruptcy. Information technology provides a platform for proper management of the business (Ghobakhloo and Hong, 2014). Information systems enable business owners to manage business operations with ease. The systems record, store, process and disseminate information that the business owners can use in making business decisions. The information systems are also capable of providing timely notifications to the

management of the business regarding the financial standing of the company. Zhang et al. (2016) linked poor control of capital to bankruptcy, suggesting that firms that do not manage their assets effectively are at high risk of going bankrupt. IT can then be implemented in that case to help in the management and consequently prevent the business from going bankrupt.

Diminishing of Scale Advantages

Information technology is crucial in decreasing the advantages that the incumbent firms have over the small and medium enterprises. Jansem (2018) talked of the days when the scale of the business determined their power in the market and that included access to capital. Many enterprises would associate with big companies because they were sure that they would benefit from the advantages attached. However, information technology is increasingly diminishing the advantages that big companies had due to their scale. Jansem (2018) explained how technology has gotten rid of the need for a business to be significant to access more capital. He gave examples of companies such as Google and Facebook which he says have become billion-dollar companies overnight; finances not being a hindrance to them. Information technology has created a semantic economy that knows no scale boundaries. In the semantic economy, information flows freely across borderlines that were once impermeable. The barriers that exist between different firms in one industry and that between different sectors during the scale economy no longer exist. Firms in different areas can now share information and other resources with ease. Large and small-scale firms can also share information on

capital access and improvement of performance seamlessly, thanks to advances information technology.

When small business owners are inconsistent with their operating results, they are likely to reduce their chances of accessing capital (Shibru et al., 2017). When both large and small-scale firms implement information technologies, they interact at one layer, being treated as potential recipients of credit by financial institutions. Jansem (2018) also identified the areas where small businesses gain their power with the help of information technologies despite their size. He identifies storage of resources on the cloud, outsourced manufacturing, and improved access to capital angels. The funds enable the small business to access capital to improve its profits and also prevent bankruptcy. Small business should, therefore, involve IT in their quest to obtain finances by implementing IT infrastructure (Jansem, 2018).

Advancement of the Knowledge Economy

The possession of vast knowledge in different aspects of business operations and financial sources is a major driver of financial success of businesses. Peter Drucker (1969) predicted a time when the economy will be dependent on knowledge such that employees will even be more knowledgeable than their owners. True to the prediction, the current economy has its basis on experience, and the most successful businesses evaluate their successes by the knowledge they possess. Big companies today conduct careful selection and recruitment practices to get the best employees because the human resource must be competitive (Adilson & Alberto, 2017). Employees and small business owners possess knowledge which results from of an improvement in information

technology. With the knowledge they possess, business owners and employees are to come up with several alternatives to the challenges experienced in accessing capital. The same expertise is also used in proper management credit to maintain a sound financial standing for the businesses so that it remains a qualified recipient of loans (Adilson & Alberto, 2017).

The knowledge economy also changes the definition of the size of a business from the measure of capital to the measure of knowledge. Financial institutions now focus more on the knowledge in a firm before giving credit (Constantin, 2017). As a result, many small businesses gain access to capital not because of their scale but because their understanding is capable of growing the business. Having more knowledge also gives a firm an advantage because the knowledgeable can quickly come up with financing solutions that even the owner does not know. Constantin (2017) advised small business owners who have a team of knowledgeable employees to support the employees as opposed to commanding them. The employees would then use the knowledge for the good of the business. The flow of knowledge between employees works in favor of the owners of the company because the experience remains within. Small business owners should, therefore, implement information technologies to gain access to knowledge which will give them an upper hand in accessing capital (Adilson & Alberto, 2017).

Leveling of The Playing Field

Continued implementation of various applications of information technology has decreased disparities in capital access. According to Friday and Osondu (2014), the playing field that is the implementation of information technologies has leveled the

capital market. The two ways identified are the lowering of transaction costs and the reduction of asymmetric information. The playing field for investors and issuers as well as business owners is standard such that each player has a high chance of accessing capital. Friday and Osondu (2014) pointed out that information technologies such as the internet, coupled with their explosive pace had consolidated exchanges and created a borderless global network. The improved market efficiency resulting from the consolidation of exchanges has led to the reduction of transaction costs. Financial institutions around the globe can exchange funds with ease and the reduction in transaction costs. Data from the World Federation of Exchanges (WFE) and the International Monetary Fund (IMF) show that capital is increasingly being accessible to small businesses because of the removal of transaction overheads (Friday & Osondu, 2014).

Information technologies have also reduced some barriers to capital access by the small businesses. IT has led to the reduction of asymmetric information which hindered small firms from accessing capital (Friday & Osondu, 2014). The use of asymmetrical information favored large-scale firms while small firms had little or no access to capital. The capital markets have become volatile now that the financial players in the market use computer-assisted business strategies. Information is now symmetrical giving the small businesses a chance. When individuals use computer algorithms in making decisions regarding the accessibility of capital, they can analyze industries depending on all the information available (ICACI, 2017). A small firm can qualify for more capital as compared to a large firm if the business idea of the small firm is deemed to have the

potential to grow bigger. Computer algorithms have also removed biases from the capital markets. Small firms have their portion in the existing capital reserves. Information Technology (IT) has, therefore, opened doors for high capital access.

Increased Market Capitalization

The utilization of information technology also has an influence on market capitalization. Ezirim et al. (2015) utilized a modified version of the Gompertz technology diffusion model to investigate the effects of IT on the growth of the capital market. The original model by Benjamin Gompertz analyzed the growth of technology over time, showing that the development is slow at the start and end. Ezirim et al., (2015) modified the theory to focus on IT and the way it had impacted the capital market, concluding that the capital market is currently growing fast because business owners had adopted IT for a long time. One of the areas that IT is reported to have impacted the capital market more is the interaction between the players in that market. Ezirim et al. (2015) held that IT increased communication between stockbrokers and investors. The cooperation has opened a door for small firms to access investment capital to aid in profit improvement and bankruptcy prevention. Information technology has also improved communication and changed the trading patterns in the capital market towards incorporating all firms regardless of their size. The ability to have a wide range of capital sources ensures the small and medium enterprises can survive during tough financial times.

Apart from enhancing communication, information technology has a direct influence on the financial success of firms. Ghazinoory et al. (2016) observed that

information technology has increased market capitalization and enabled small business owners to access capital. After studying the capital market behavior of ICT companies in the Middle East between 2010 and 2015, Ghazinoory et al. (2016) found out that the small firms are continuously gaining high access to capital. The companies benefited from the implementation of information technology which enabled them to communicate with stockbrokers and also led to their consideration for credit by banks. The small business owners used strategies to access capital guided by the challenges they experience when seeking capital. Information technology comes in to solve these challenges and giving the small firms a chance. IT is important for the success of small businesses because it enables the parties involved to interact and offer financial solutions to the bankruptcy and profit challenges facing small business owners.

E-commerce Funding

Information technology plays an important role in e-commerce funding. Rahayu and Day (2017) asserted that information technology intertwines with e-commerce funding. According to Rahayu and Day (2017), e-commerce startups have demonstrated that a business can access capital using information technologies without relying on any other source. Buyers expect to buy goods online and get the goods from the comfort of their homes. The business owners leverage information technology, mainly the internet, to make the lives of their customers easier while accessing capital in the process. Lindh and Rovira (2017) attributed the success of e-commerce startups to the convenience offered by information technology. The accessibility also benefits the business owner in that they do not have to set up costly shops to reach their customers (Lindh & Rovira,

2017). A business that is performing well and realizing increment in sales rarely goes bankrupt because the revenues provide capital. The e-commerce platform connects small businesses to a global market, earning them enough income to improve profits and also prevent bankruptcy.

E-commerce is significant in enhancing the profitability of firms, especially during tough financial times. Rahayu and Day (2017) advised small business owners to turn to e-commerce when facing bankruptcy or when they need to increase profits. Instead of focusing on credits as a source of capital for the business, the business owners can make sure that the working capital is never depleted by selling their products online. The e-commerce platform does not involve many costs because buyers can access and reserve products without the need for a physical attendant to be online. The business save costs while increasing profits as a result of the global market at their disposal. Information technology has opened this global market through the internet, showing that IT is crucial in helping small business owners to access capital. E-commerce funding also works without bias nor limitation because there are no requirements attached before the business goes online. A business owner leveraging the e-commerce funding gains high access to capital.

Connection to Alternative Lenders

Information technology plays a vital role in opening up numerous options for a small business owner in need of capital to fund their business. Even though banking institutions incorporate IT into their operations to reach out to more clients, small business owners still reserve the ability to seek alternative lenders. Information

technology has led to market fragmentation leading to the existence of multiple alternatives. When one bank fails to provide a loan to a business, the owner of the business can still access capital by turning to the existing options (Haberland, 2016). Mayava is a company, based in the United States is an example of an implementation of information technology to access capital. According to the information provided by the company, the only challenge that small business owners face is the headache of comparing different lenders (Haberland, 2016). The firm's management solves this challenge by listing different lenders and comparing them based on various features to enable a small business owner to identify the most appropriate alternative lender. Mayava uses information technology to provide the solution. The company runs a web application which contains information about different lenders then allows a user, a small business owner, in this case, to compare and select one. The multiple lenders are availed to the small business owner by the power of IT.

Information technology, therefore, is vital in helping a small business owner to secure high access to capital. The technology not only makes it easier for the owner to access bank credits but also provides alternatives. Information technology is also a promoter of innovation among small business owners and their employees (Haberland, 2016). It is, therefore, essential for IT to be involved in accessing capital for profit improvement and bankruptcy prevention. With the involvement of IT, small business owners can enjoy high access to capital to help improve profits and prevent bankruptcy.

Reasons for Accessing Capital

Businesses employ all the relevant strategies at their disposal to ensure that they get access to capital for various reasons. The general idea is to keep the company running, by settling the operational costs. Understanding the main reasons why a small business owner strives to access capital is vital in determining the strategies used in obtaining the finances. The first, main reason is to improve profits. The sole financial aim of any commercial business is to make profits (Staniewski et al., 2016). A firm seeks to strengthen itself around the clock to ensure that it earns as many gains as possible. These improvement and development measures require capital, pushing the owners to look for financial resources in as many places as they can. Failure to access funds for profit improvement leads to a reduction in profits which can eventually push the business out of the market.

Bankruptcy is also a reason as to why businesses look for capital. A business may have been established but due to some reasons, it suffers bankruptcy. When a business becomes bankrupt, the owners have to look for capital to restore its operations. To avoid being bankrupt, the owner of a company constantly uses the various existing means to search for capital, hoping to find enough to keep the business afloat. However, preventing bankruptcy is usually not so easy, as Václav and David (2016) indicated because capital is not as accessible to small business owners as it is to the owners of big businesses. When a company has more liabilities than it can offset using the revenue collected, then it is most likely going to be auctioned to pay the debts. Small business owners require capital, and sometimes urgently, to clear debts to avoid termination as a bankrupt

business. The reasons provided are evidence of the need to look for more strategies of capital access for the small and medium enterprises' leaders.

The Applicability of the Trade Credit Theory

The problem at hand is concerning the lack of adequate sources of capital that results in bankruptcy, especially during economic downtimes. Understanding a problem is an essential step in solving it because it points to the possible solutions (Ghoul &Zheng, 2016). The issue that small business owners face is that they have limited access to capital markets despite their ever-growing need for capital for sustaining and growing their businesses. According to Ghoul and Zheng (2016), this problem cannot be solved by talking to the players in the capital market and convincing them to allow the small business owners more capital. The solution is to look for alternative ways through which the small business owners can fund their businesses without relying on financial firms. Trade credit theory offers this alternative.

For small businesses, owners to implement the trade credit theory as required, they need to have finer details of its application. Chod (2015) described the applicability of the trade credit by giving examples as well as the alternatives that apply within trade credit. He begins by stating that the relationship between traders is vital in solving common problems. Limited access to capital is a common problem for small business owners, and so developing a good relationship among themselves is key to their survival. Trade credit is a credit that one trader extends to another to use in the purchase of goods and services. The credit is, therefore, given to boost the working capital of the recipient. Chod (2015) emphasized that such a transaction can only take place if there is goodwill

between the two businesses in the deal. The credit is appropriate for the recipient because it does not require immediate payment, meaning that the enterprises can acquire and use it to improve profits then pay back when the operations stabilize. The recipient is required to maintain a reasonable amount of financial standing, even though this amount is lower than that required by financial institutions.

Small business owners who use trade credit become more aggressive in the search for new opportunities to improve their earnings. The use of trade credit allows small business owners to venture into the market looking for acquisition opportunities without the fear of going bankrupt (Chod, 2015). Trade credit is applicable to businesses in many ways that seek to prevent bankruptcy, but the most fundamental use is in capital access. Hill et al. (2017) investigated the applicability of the trade theory among small and medium businesses and found out that many enterprises use the model in accessing capital. According to the study, trade credit is the most substantial use of capital for over 70% of business-to-business sellers. Trade credit was also found to be a critical source of finances for over 80% of all businesses.

Walmart is in the study as an example of a retailer that uses trade credit as a source of funds. The largest retailer in the world uses trade credit capital more than bank borrowings. The study continues to state that trade credit in Walmart is 8 times more than the amount of funds invested by shareholders in the businesses. The example is an illustration of the applicability of the trade credit theory on companies, especially small businesses now that Walmart is mainly a retailer. The alternatives to trade credit used include the giving of resources from one firm to the other and the straightforward trade

credit where a supplier offers products on consignment. Under the second alternative, the supplier retains ownership of the products until he sells them to the consumers. The trader keeps the profit and eventually, prevents bankruptcy.

Synthesis

Given the myriad of ways through which small business owners access capital, it is imperative to identify the least costly, and most accessible form of capital to use. The methods described as being used by small business owners to access capital are applicable in different business environments. However, a synthesis of the methods leads to the identification of generally applicable methods. According to a study by Owusu (2017), owner financing is one of the methods used by small business owners to access capital. The study which involved three small Washington DC companies pointed out that many small business owners start with their own capital. The study continues to point out that owner financing not only works when a small business is starting but also during financial crises. According to Fabbri and Menichini (2016), there exists a great contrast between owner financing and bank credit, making owner financing an alternative to small business owners who cannot access bank credits. The main contrast is the ease of access to capital; Fabbri and Menichini (2016) identify a number of factors hindering access to bank credits. Examples include lack of a proper business plan, lack of collateral and unavailability of financial records, among others.

Business owners who fail to access bank credits can depend on family members for financial support when developing their businesses. Gleeson (2013) presented family and friends as another method of accessing capital for small businesses. The family and

friends of small business owners form a fallback financial pillar for the small business owners especially when they cannot access bank credits. Gleeson (2013) continued to list the factors that make family and friends stand out against bank credits for small business owners. Lack of collateral requirements and closeness assurance are the main listed advantages. Family members and friends do not require collateral to give loans while their closeness to the small business owner makes it easy for the owner to access capital (Gleeson, 2013). According to a study by Gill et al. (2016), over 50 out of 100 small business owners started their businesses using capital obtained from family and friends and continued to fund their businesses using the same source of capital. The study describes the short duration taken to acquire capital from family and friends as opposed to bank credits as the main reason why most of the respondent small business owners in the study preferred capital from friends and family when they could not access bank credits.

Owners of businesses who fail to access bank credits and do not have adequate support from family members can use angel investors for sustenance of their firms. Medina (2016) conducted a study in Kasovo in which she indicated that angel investors funded over 5% of small business owners. The small business owners reported having the business idea but failed to gain access to bank capital. The study shows that angel investment exists but the small business owners either give part of the ownership of the business to the investors or repay the money later. Additional reports from the study shows that some of the angel investors come from venture capital firms.

Other methods described are crowdfunding and instant loans. Herciu (2017) reported that a portion of small business owners raise funds through crowdfunding in exchange for other products. Herciu elucidated that crowdfunding is done without the entrepreneur meeting their potential funders. Herciu further linked the crowdfunding method to the entrepreneur's creativity. Younkin and Kahkooli (2016) supported the creativity requirement of the crowdfunding technique. Vignone (2016) on the other hand, described instant loans as an alternative to bank credits, giving small business owners reliable access to capital. A reliable capital access implies a financially stable firm that cannot be easily bankrupt even during major challenges within the market and industry.

Through the studies and findings, different researchers presented a number of techniques that small business owners apply in their quest to access capital, especially when they cannot access bank credits. The authors, in their findings, demonstrated that no one method is solely used by small business owners in the world; the same owner can use different methods or different owners can use different methods. The conclusion from the research is that small business owners in the world use each or either of the following ways to access capital; owner financing, family and friends financing, angel investment, crowdfunding, and instant loans.

Individuals use trade credit owner financing, angel investors, funds from friends and families, and crowdfunding as alternatives to bank loans that small business owners do not get an equal access with big businesses. Through the findings, the researchers encourage the use of several methods of capital access to improve the performance of small businesses and reduce the chances of bankruptcy.

Transition

In the previous sections, I have discussed operational definitions, the assumptions, limitations, and delimitations of the study, as well as the significance of the study, and the review of the literature. All these are crucial aspects for the foundation of the research, and I have used them to communicate the essence of the study. After highlighting the previous sections, it is necessary to look at the next part of the study which is about the role of the researcher and contains fundamental information that I used during the research exercise to ensure the findings are appropriate. As such, section 2 is about the role of the researcher and all the information on data collection. Section 2 contains information on the role of the researcher, participants, research design, method, and population sampling. Others include reliability, ethical research guidelines, data analysis, and validity. In section 3, I focus on the methodology and the analysis of the information that the researcher intends to gather during the research. I used the methodology section to indicate how to attain each of the objectives in section 1 of the study

Section 2: The Project

After establishing the foundation of the study and conducting a review of the academic and professional literature, which was one of the most critical parts of the research project, the section about the project follows. This section includes an introduction to the project and deals with the methods, approaches, and techniques of information gathering and organization. I highlight my role as the researcher, the participants in the study, the research design and method, and population sampling. This section also mentions ethical research guidelines and the instruments and techniques for data collection. Other components of the section are data analysis, reliability and validity, and the restatements of the study problem. In this section, I outline how I did the actual research and all arrangements I made to ensure accuracy, reliability, and integrity of the information.

Purpose Statement

The purpose of this qualitative multiple case study was to explore strategies that some SMEs use to access capital and manage it to improve profitability and prevent bankruptcy. The population for this study was 10 owners of food stores in the Midwest region of the United States who have demonstrated the ability to develop strategies to access capital for their firms. I determined the strategies small business owners have used and made recommendations based on their experiences. The stakeholders in the business sector may use the findings from this study to make a positive social impact by increasing economic activity in the Midwest. By identifying potential strategies companies can use to improve access to capital and prevent bankruptcy, the study’s findings may help small

business owners sustain their operations for more than 5 years. When business owners can enhance the profitability of their firms and make them sustainable, they can increase local employment opportunities, expand the tax base, and improve employees' lives.

Role of the Researcher

The role of the qualitative researcher includes serving as the instrument to gather and analyze the data collected (Martin et al., 2017). That implies there is a concern about personal bias. I removed personal bias by using an interview protocol, member checking, data saturation, and other strategies during the data collection process of the study (Ichsan et al., 2018; Prowle et al., 2016; Zhang et al., 2016).

I collaborated and interacted with the various participants in this study via in-person interviews. When carrying out the research, I avoided having formal relationships with the participants. The fact that I have lived in Indiana for some years may have been helpful to the study because I was familiar with several enterprises in the region where I located my interview participants. I took care to prevent any form of perceptual distortion, such as stereotyping, and from interfering with the validity of the results. To make the interviewees comfortable during the data collection process, I let them decide where to meet and informed them of the measures to protect their privacy during the study. During my research, I adhered to the required ethical standards and principles described in the *Belmont Report* (National Commission for the Protection of Human Subjects of Biomedical and Behavioral Research, 1979). A researcher must adhere to ethical standards under all circumstances to avoid any concerns that might arise regarding the integrity, confidentiality, and accountability of the data. This study was nonclinical,

and the procedures and processes involved had no negative impacts on the health and safety of participants (Brown et al., 2013; Mijovic et al., 2018). The choice of the participants and their ability to provide correct interpretations of phenomena determined the data quality and reduced bias. Personal bias can occur in a study involving face-to-face interviews with the study participants (Phoenix et al., 2018). Personal bias takes place when the researcher makes conclusions based on an individual judgment as opposed to the data gathered (Nagata et al., 2017; Oprea, 2018;). The use of varied data sources and a detailed description of all the information available ensure that the researcher can confirm the findings of the study while reducing the potential bias (Nagata et al., 2017; Oprea, 2018). To make sure that the results of the study were free from bias, I avoided personal judgment in making any significant conclusions concerning the research.

The use of an interview protocol provided a guide and framework for conducting a nonbiased interview process and conducting proper research based on the best procedures for improved outcomes. The protocols enabled me to prevent interjecting my personal viewpoint and cultural and environmental factors from interfering with the data I collected from the participants (Briggs & Murphy, 2011; Carlson, 2010; Phoenix et al., 2018). Researchers can also use the protocol to ensure the quality, reliability, integrity, and accountability of the data while adhering to all the required standards for ethical research in carrying out all phases of their study (Roxanne, 2011; Chenail, 2011; Leonelli, 2017). The use of an interview protocol was the reason for consistency and reliability throughout the study (Mijovic et al., 2018).

Participants

Eligibility Criteria

According to Jiménez et al. (2017), participants must meet particular eligibility criteria for purposeful samples. Choosing the correct participants is critical to ensure that the findings derived from interviewing them shed light on the research question (Brown et al., 2018). For this research, the inclusion criteria were that participants must be food stores owners who implemented successful strategies to access capital to increase profitability and mitigate the possibility of bankruptcy. The homogenous choice of the small business owners entailed the selection of individuals with sufficient educational background and expertise to provide useful data on the success and sustainability of their firms (Magdalena, 2017). The population for this study was 10 owners of food stores in the Midwest. I started the interview with 10 participants and continued until I reached data saturation. Yin (2018) recommended six to 10 interviews for qualitative studies when used with triangulation. I focused on themes or patterns during the evaluation process. I started interviewing the 10 participants and stopped at the saturation point. The interviews took place within the food store owners' offices.

I accessed the participants for the study using data available on the internet. After receiving the permission letter for the interview, I contacted companies through the information they provided on the internet and on other social media platforms to develop the contacts for the participants in the study. I then sent emails to the participants with a request form to take part in the study voluntarily. All those who agreed needed to sign a consent form that included the details of the interview process.

In the process of the research, I attempted to forge relationships with the participants. I built the relationships by capitalizing on my insider status as a resident of the Midwest with the aim of neutralizing different gender and class elements that might be normative to the participants (Adler & Brochard, 2017). The specific industry was the retail sector and the specific businesses were food stores.

Because the participants were food store owners who have worked in successful companies for more than 5 years, these individuals had the knowledge and experience required to provide sufficient information on how they initially developed and kept relationships with their suppliers to obtain the trade credit required for success. Further, the fact that only the senior managers or CEOs took part in the study guaranteed the provision of first-hand information on what transpired in those firms about their sustainability and improved profitability (Chertoff, 2017).

Research Method and Design

After identification of the general and specific business problem and a review of academic and professional sources for more information concerning the topic, this section focuses on the approach to attaining the specific objectives. In this section I highlight the study design and the specific research method as well as the measures I employed for an ethical, valid, and credible research.

The three primary methods for conducting a study include mixed methods, quantitative, and qualitative methods (Büyükgöze & Gün, 2017; Magdalena, 2017; Moser & Korstjens, 2017). I used a qualitative method to ask open-ended questions for this research because I was interested in exploring and explaining strategies that small retail

business owners use to access capital to improve profitability and prevent bankruptcy. Qualitative researchers uncover existing trends in opinions and thoughts and delve into the topic of research or problem (Büyükgöze & Gün, 2017; Magdalena, 2017; Moser & Korstjens, 2017). Also, qualitative research was essential for this study because, unlike the quantitative method, which is about looking at correlations between variables, researchers use qualitative methods to evaluate attitudes, feelings, and behaviors. It is through such in-depth analysis that themes and patterns emerge that can be coded and eventually become the significant findings in the study (Büyükgöze & Gün, 2017; Martin et al., 2017; Magdalena, 2017).

Quantitative methods involve confirming a hypothesis using statistical techniques to measure relationships between independent and dependent variables and making inferences about those relationships that are generalizable to the larger population from which the researchers obtained the samples (Bansal et al., 2018; Beck & Stolterman, 2016; Sun et al., 2017). The mixed methods approach uses both qualitative and quantitative elements. If I used mixed methods, I would have to carry out hypothesis testing and determine the correlation between different variables in order to factor in both the quantitative and qualitative methodologies in my research. However, I did not do hypothesis testing, because it is only used in quantitative investigations or a mixed methodology (Neal Kimball & Turner, 2018; Sykes et al., 2018; Yates & Leggett, 2016). Because of the scope of my study, a qualitative multiple case study design was most appropriate.

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Research Design

For this qualitative study, I considered three different designs: case study, phenomenological study, and ethnography. Phenomenological research entails making an inquiry of lived experiences of individuals in relation to various phenomena and their interpretations of the experiences. In this approach, researchers seek to understand perspectives, perceptions, and understanding that individuals have of multiple situations (Beck & Stolterman, 2016, O'Gorman & Macintosh, 2015; Yates & Leggett, 2016). The phenomenological design is not the best design for my study because it is more dependent on the experiences of individuals with the phenomena under study than the subject itself. That can lead to an increase in bias since the participants can alter the

accounts of their experiences to make the submissions more appealing (Yates & Leggett, 2016). Ethnography involves the researcher taking a particular approach towards the subjects or objects under study. Ethnography involves objectively studying a situation or phenomenon (Yongrok & Yanni, 2014). The ethnography design is also not appropriate for my research because I was investigating strategies that owners have applied, not why they apply those mechanisms. Case study design entails carrying out a detailed study of a topic or field as opposed to an extensive statistical survey (Büyükgöze & Gün, 2017; Moser & Korstjens, 2017; Sykes, Verma, & Hancock, 2018). In the case study design, the researcher comes up with a topic that is researchable after narrowing down a broad field. Case study design is the best design for this study because it provides the best research platform to examine the nuanced causes between lack of capital, and requires coming up with a clear research topic, objectives, and goals that can allow for easy attainment of the desired outcomes (Moser & Korstjens, 2017).

To ensure data saturation, I interviewed three business owners for initial analysis. The method is used to ensure data saturation according to (Francis et al., 2010; Moser & Korstjens, 2017; Sykes et al., 2018). I focused on themes or patterns during the evaluation process. I interviewed all the participants to get the information I needed.

Population and Sampling

My sample included 10 food store owners in the Midwest who used successful strategies to access capital and improve business performance in their organizations. The 10 participants were an adequate number for the research because studies indicate that a researcher can achieve saturation after two or three interviews (Adler & Brochard, 2017;

Myin-Germeys et al., 2018; Peters et al., 2018). A total of 10 food stores owners was an adequate representation of owners of small businesses within the Midwest. Also, the small number of respondents for this study ensured that I could have sufficient time for each interview for improved data quality as opposed to interviewing several participants that might be tedious and contribute to loss of relevant information due to time constraints (Adler & Brochard, 2017; Myin-Germeys et al., 2018; Peters et al., 2018).

I used a purposeful sampling method. Purposeful sampling is one of the non-probability sampling techniques that entail the selection of the study participants based on the objectives of the study and the features or characteristics of the population (Adler & Brochard, 2017; Carrero et al., 2017; Sykes et al., 2018). Purposive sampling included different types of sampling, namely extreme and deviant sampling, intensity sampling, and maximum variation sampling. I used intensity sampling method for this research. This method ensured that the researcher can gain deep insights into the topic of study and enables the corroboration of evidence sources from participants with vast knowledge in various topics (Carrero et al., 2017; Melissa et al., 2016; Singh, 2017). In the case of this study, there was a need to determine particular strategies that owners are using to sustain a high level of profitability in their firms while ensuring that they prevent bankruptcy. The study necessitates the use of participants from specific firms who have steered their companies successfully over time. The use of this type of purposeful sampling was necessary for the selection of such owners of small businesses in the Midwest. There were 10 small business owners that I was involved with in the interviews during the study. According to (Adler & Brochard, 2017; Carrero et al., 2017, Singh, 2017), the

required number of participants in qualitative research varies from 5 to 50 depending on the nature of the objectives of the study and the sampling method. Since I did not use purposeful sampling, I obtained the required information from the 10 participants to avoid data redundancy. I used Rainmakers and BNI which are professional organizations in the Midwest to access the food stores owners in the region. I acquired prior information concerning particular businesses in the Midwest that matched particular criteria for the research from Rainmakers and BNI. I then used emails to share the consent forms with the participants.

I used purposive sampling which included 5 business owners that used different strategies to sustain a high level of profitability in their firms while ensuring that they prevented bankruptcy (Davies et al., 2016; O'Gorman & Macintosh, 2015; Singh, 2017). In addition, I performed a preliminary research on particular organizations. Those are the companies that I involved in the research. The selection of the participants through this sampling method was appropriate for the study according to the experts in the field. The setting for the interviews was within the offices of the organizational owners or leaders. As stipulated, the environment or location of the interview has an impact on the attitudes and responsiveness of the participants during a research exercise (Chertoff, 2017; O'Gorman & Macintosh, 2015; Peters et al., 2018). The meetings were done within the interviewees' premises to ensure that the interviewees were composed and comfortable with the questioning. Also, the offices are proper places for making recordings of the interviews with the least disturbance and disruptions.

Ethical Research

There are various steps that I undertook during the study to comply with the ethical research guidelines. My Walden University Institutional Review Board Approval (IRB) number is 09-25-20-0728773. The issuance of this number was after my research proposal was approved by the IRB. I processed data through interviews during which, I stuck to the required standards for best practices in this activity. I ensured the research process is trustworthy while adhering to the best practices for quality assurance. I first made sure that all the participants had access to the invitation form for the exercise.

Before I started the interview, participants signed the consent forms to indicate the fact that they approved of their participation in the study. The contents of the consent form comprised the study criteria, procedures, and the research purpose. Through the use of the *Belmont Report* protocol and the Walden University ethical guidelines, I was in a position to align the whole process to the required ethical standards and principles as they pertain to the research exercise. To further maintain a high level of accountability, integrity, and confidentiality of the data that I collected, I provided participants an opportunity to withdraw from the interview. Researchers have indicated that freewill is important in enhancing the integrity and accountability of data that the participants provide during a study (Diana et al., 2017; Ngozwana, 2018; Perla & Silke, 2018). I informed the participants of the right and liberty to withdraw. The withdrawal process was a simple one as it was just about writing an email to the researcher to indicate the intention to opt out of the exercise.

For this study, there were no any significant incentives. However, the participants were in a position to have a summary of the findings and other proceedings from this study that they could use in promoting the success of their firms. According to various studies, one of the reasons for lack of any incentives is to ensure that the interviewees can provide independent opinions and do not feel coerced to be biased in outcomes or take part in the exercise (Diana et al., 2017; Ngozwana, 2018; Perla & Silke, 2018). I stored all the data in hard disks and the hard copies in a file in my cabinet that cannot be accessible to anyone else. After 5 years I will delete data from the disk and destroy the disk. By so doing, the data remains confidential from unauthorized third-party access. Further, I ensured confidentiality and data integrity by use of pseudonym names such as R1, R2, and R3…Rx. Recent studies indicate that using such names is instrumental in promoting data integrity and confidentiality (Maryam et al., 2018; Ngozwana, 2018; Perla & Silke, 2018).

Data Collection Instruments

The aim of data collection is to gather sufficient and credible information from which content analysis produces findings that a researcher can use in answering research question. The use of interviews is one of the qualitative methods researchers use in carrying out the data collection process (Antràs & Foley, 2015). The utilization of semi structured interviews in qualitative research is an effective way of generating data from individuals with varied knowledge in the area of study (Jihad et al., 2018).

In a qualitative multiple case study research, the researcher acts as one of the instruments since the researcher spearheads and plays an active role in the data collection

process (Carrero et al., 2017). He needs to have informed consent from participants then continue with the gathering of credible data (Chertoff, 2017). As the research instrument, I did interviews with the participants and made follow-up interviews by use of probing questions. As stated earlier, I selected the owners of small businesses through the purposeful sampling technique to determine the strategies that they have used in improving their access to inventory and capital of their firms. The data collection involved semi structured interviews, in which I recorded the meetings that I later transcribed for analysis. Apart from the interviews, I reviewed various documents from the small businesses under study. The documents provided information about the history of the firms, ownership training initiatives, guidelines for performance, organizational structures and charts, decision-making frameworks, and strategic planning documents. (Oprea, 2018). The utilization of several information sources was necessary for this study since it ensured that the information collected was more authentic, reliable, and credible than that for other related studies. The multiple case study was the best design for this study because the researcher intended to utilize and analyze information gathered from participants (Quinton & Wilson, 2016; Leonelli, 2017).

I employed the use of member checking. This strategy was a crucial one as pertains to the reliability, accuracy, and authenticity of the research findings through the participants' review of the study results and conclusions (Magdalena, 2017). Member checking entails the researcher sharing relevant information such as the interpretation of the study findings with the participants and allowing for the review, analysis, and feedback provision from these individuals (Glinkowska, 2017).

Data Collection Technique

There are several ways of gathering information in qualitative research. Some include the use of surveys, interviews, and company documents. In this qualitative multiple case study, I used semi structured interviews to collect data from the participants as well as other sources such as journals and publications about the firms. During the research exercise, I contacted the interviewees and involved them in scheduling of interviews using Zoom. I conducted the interviews after the interviewees signed the consent forms electronically. The meetings lasted between 30-40 minutes. I used open-ended questions. The design and nature of the interview protocol (Appendix 3) was instrumental in enabling me to address each of the interview questions while being able to use the probing follow-up questions, which evoked a detailed description of the study. Scholars have indicated in different studies that the use of semi structured interviews in qualitative research is possible through the utilization of elements like note-taking, recording, and transcription of the sessions for further documentation and analysis of the data (Brown et al., 2013; Lee, 2018; Sam, 2017; Soomro & Solanki, 2016).

Various researchers in favor of semi structured interviews have cited some advantages of using interviews in gathering data to help answer the research question. (Yates & Leggett, 2016; Soomro & Solanki, 2016; Soomro & Solanki, 2016). The use of semi structured interviews was advantageous based on the fact that it allows for accuracy in the screening of the participants. They are not able to provide falsified information when the researcher asks the screening questions. Also, in-person interviews allow for the observation of the non-verbal cues that are important in knowing the actions and

reactions of the participants during the interview process. These reactions can be important in knowing whether the participants are true to their word or are trying to change e critical data. These interviews also enabled the researcher to build relationships, gain cooperation, and develop the rapport with the study participants. Semi structured interviews also enhanced clarity while promoting understanding during the research process. However, researchers have indicated that the interviews mentioned also have various disadvantages (Beck & Stolterman, 2016; Perla & Silke, 2018; Xuan, 2017). First, they involved the researcher projecting his opinions, thoughts, perspectives, and ideas to the study participants by asking leading questions which often resulted in a form of confirmation bias. That is, the question was structured in such a manner that the interviewee provided the feedback that the researcher was looking for.

I used documents or secondary sources to collect data for this study in addition to the interviews. In this method, the researcher reviews or cross-checks various data sources such as publications and journals to ascertain the consistency of the information gathered during the research exercise (Ngozwana, 2018; Perla & Silke, 2018; Sing, 2017). The merit of documents' review was that it allowed for improved accuracy of the data and enhanced the consistency of findings with other studies. It also played an important role in improving the efficiency of the study results. For this research, I gave softcopy documents and later asked for them via email because they had detailed information on how the firms had managed to sustain their operations while improving their financial performance while they have been in business. I used them to demonstrate extensive evidence in handling the research questions. The other important aspect of the

interview process was member checking. Through member checking, I made the findings of the research credible, accurate, valid, and reliable. According to different scholars, this aspect of the research process entailed sharing findings with the participants, so that they can analyze them and provide feedback that a researcher can use for authentication purposes (Adler & Brochard, 2017; Chenail, 2011; Leonelli, 2017). I did member checking to ensure credibility of this study.

Data Organization Technique

For this research, I used the excel in tracking the data collection and the documents such the signed consent forms and the interview protocols in the spreadsheet. I also included the dates, time, and duration of the interviews and the participants' details in the software. Further, I coded various documents for the small businesses, and these were comprised of organizational charts, and strategic management documents for easy access and retrieval. For the recovery of the data, I used electronic filing systems, which entailed the storage of the related file in the same location. For instance, all the data for a participant including the interview responses was stored in a single folder. After I carried out the interviews, I transcribed the data into the NVivo tool for coding. Researchers have proved from various studies that transcription using the NVivo tool for coding is crucial for identification of themes and insights from data text-based data (Martin et al., 2017; Siva & Udaya, 2017; Lee, 2018).

I enhanced the security of all the information that the participants provided. I had both the hard and soft copies of the data. I stored the hard copies in my office in cabinets that no one else was able to access. For the soft copies, I used strong authentication

mechanisms to limit unauthorized access. I will then discard all the data after five years from the date of study. Researchers protect the participant's data from various privacy breaches and discard it after around five years from the data of collection in order to fulfill some of the requirements for an ethical research (Munira et al., 2018; Nagata, Wu, & Kim, 2017; Siva & Udaya, 2017).

Data Analysis

Data analysis involved the researcher reviewing various data elements systematically with the aim of organizing information and interpreting it to unearth the underlying principles and meaning. Researchers in various studies have indicated that a qualitative research process entails the handling of complex, abundant information, which requires a proper analysis so that the researcher can come up with appropriate findings (Levitt et al., 2018; Nagata et al., 2017; Smith & McGannon, 2018). In this study, I looked for, and coded specific themes and patterns that "emerged" from the research. I also used qualitative software in that process.

As indicated before, the aim of this analysis was to identify the dimensions, and identification of themes that may assist small business owners in improving their access to capital, thereby enhancing profitability and preventing bankruptcy. For the interviews, the use of triangulation, which is useful for increasing an understanding of the strategies that businesses use to increase profitability and avoid bankruptcy. Triangulation was appropriate since I was able to generate more accurate and credible findings as compared to the use of other methods. Triangulation in qualitative research is the process of data validation through cross-verification of more than one source. It is one of the best ways

of determining the validity of the data that a researcher collects in a qualitative study. According to evidence from various research articles, the use of many evidence sources ensures that the researcher established several converging inquiry lines (Briggs & Murphy, 2011; Jansem, 2018; Ngozwana, 2018).

I carried out the analysis using Yin's approach B (Yin, 2018). Yin's suggested analysis suggests the following sequence: (a) compilation; (b) disassembling; (c) reassembling; (d) interpretation of the meanings; (e) conclusion (Yin, 2018). Various studies show that the sequence is likely to produce the best results in a qualitative multiple case study (Jansem, 2018; Korstjens & Moser, 2017; Smith & McGannon, 2018). As stated before, the researcher used the NVivo software in the coding process. NVivo is a computer software that enables auto-coding and generation of various themes. It is mostly applicable in cases where there are rich sources of information. To get to the key themes, I compared phrases and words so that I could come up with categories, sub-categories, and even sub-themes. I also depended on the coding system of the NVivo to be able to determine and develop the existing patterns of the data and to perform further data analyses. The correlation of the major themes and designs formed the basis of my response to the various research questions. Different scholars have demonstrated in research articles that NVivo is crucial for the development of patterns from text-based data and performance of other analyses (Hoover et al., 2018; Moser & Korstjens, 2017; Smith & McGannon, 2018). I also made use of themes within the conceptual framework and the literature review.

Reliability and Validity

Reliability

According to scholars, there are four primary criteria for evaluating qualitative research soundness, and that makes it different from the approach in quantitative research (Nagata et al., 2017; Levitt et al., 2018; Ngozwana, 2018). The measures are transferability, credibility, dependability, and confirmability. Dependability is an aspect of the reliability of the data. It concerns the measurement or evaluation of the availability of information, its reliability, and other essential characteristics. To ensure that the data that I collected, and the subsequent findings were dependable, I implemented member checking strategy in the data interpretation process and enhanced the review of various transcripts. This resulted in improved accuracy and soundness of the research, I used triangulation, member checking, peer debriefing, and also involve an external editor. I focused on themes or patterns during the evaluation process. I interviewed all the 10 respondents. The interviews took place within the food store owners' offices. Although that changed for two respondents who were comfortable with other locations of their choice. I added all the strategies they gave to improve the reliability and accuracy of the research.

Validity

Credibility

Credibility is one of the most fundamental elements of trustworthy research (Bansal et al., 2018; Neal & Turner, 2018; Rui et al., 2018). The use of methodological

triangulation in this research is one of the ways through which the researcher intends to improve the credibility of the study.

Triangulation involved the use of one or more research techniques and correlating different sources to determine if there is any variance in the findings and the nature of that variance. The other way to improve the credibility was through member checking, which provided valuable feedback that I used in knowing whether or not the study findings were accurate and consistent.

Transferability

Transferability deals with the redirection of the methods or research findings from one group to the next (Bansal et al., 2018; Martin et al., 2017; Munira et al., 2018). The first step in ensuring transferability was having a candid description of the study population, the research boundaries, and demographics. I used the study objectives to come up with some factors that are transferable with the capability to underpin the particular design to reduce any form of bias. A transferable study instills confidence amongst the readers and the participants since individuals can use it for future reference and even for research purposes. A comparison of the participants' opinions and feedback on the topic is also crucial for the transferability of the study findings.

Confirmability

The fact that humans are the researchers leads to the issues of bias. The data collection instrument informs the objectivity of qualitative research (Diana et al., 2017; Korstjens & Moser, 2017; Leonelli, 2017)). For this study, I engaged the use of triangulation as much as possible to reduce instances of bias, while enhancing the

confirmability of the findings. Through methodological triangulation, as indicated in the previous sections, I integrated varied research methods and data sources and compared them for improved accuracy. The semi structured interviews and the secondary sources were the significant points of reference in determining the validity and accuracy of the findings. Member checking was also a crucial element in that regard.

Data saturation refers to a situation when a qualitative researcher gathers sufficient information so that further collection of information contributes to the redundancy of data. Researchers attain data saturation by interviewing two or more respondents until more interviews result in a repetition of themes. When there are no new themes, the study attains the saturation point. I made use of member checking and forged significant relationships with the participants as a way of ensuring they provided detailed data for analysis.

Transition and Summary

Section 2 entailed a discussion of the role of the researcher, the literature review, and other essential components. The literature review covers a brief history of small businesses in the United States and organizational performance, the trade credit theory, and its connection to financial performance. The literature review provided essential insights into the topic of study and informed the trends in the research on the subject. From the various sources reviewed, it was possible to determine the expectations of the investigation, and that was important for accuracy. The other components such as the instruments, data collection techniques, and the measures to ensure reliability and ethical research were used to provide accountability, integrity, and confidentiality of the data.

This section provided significant insights concerning the topic of study and ensured increased accuracy of the research. Section 3 that follows is about the presentation of the study results and findings. There is a presentation of the interviews that were carried out.

Section 3: Application to Professional Practice and Implications for Change

Introduction

The main purpose of this study was to identify the strategies that food stores owners use to improve access to capital, increase profitability, and reduce the possibility of bankruptcy. I uncovered the findings by interviewing food store owners whose businesses had managed to be financially stable for at least 5 years and who had demonstrated success at accessing capital. The main findings were that the participants used financial, management, and communication strategies to improve profitability.

I identified current financial strategies that some small retail food stores owners used to access capital. They included owner financing, family and friends, crowdfunding, and instant loans (Makkonen, 2014). Other strategies the SMEs used to secure funding included improving management strategies in their firms and improving communication strategies in their operations (Ajibola, 2017). SMEs use management strategies such as proper documentation of the financial history including the cash flow statements, the financial projections, and forecast of the company that are given to potential investors or financial institutions to obtain loans.

Presentation of the Findings

The research question for this study was:

RQ: What strategies do small retail food store owners use to access capital and manage it to improve profitability and prevent bankruptcy?

To answer the research question, I used a qualitative research method. I interviewed 10 food store owners from 10 food stores and recorded each of their responses. I used a

triangulation approach to ensure validity and reliability in data analysis. I used peer-reviewed literature, public websites, and participant comments to triangulate data sources. I also checked the data manually to ensure it was accurate, and I identified the main themes that emerged from my interviews. Member checking assures credibility of the interview data, as noted by Castaneda and Bateh (2013).

I assigned the numbers; O1, O2, O3, O4, O5, O6, O7, O8, O9, and 10 for identifying each of the 10 respondents to ensure confidentiality in data collection. I used the NVivo software program to identify and code emerging similarities and themes in the data I collected. I checked the data manually for redundancy in themes, and I manually checked the transcripts for data accuracy as well. From the content analysis, there were three themes that emerged. It was from those themes that I derived strategies that food stores owners use to access capital to improve profitability and prevent bankruptcy. These strategies included financial strategies, communication strategies, and management strategies. In this section I discuss and compare each of the emergent themes with the corresponding literature. The sources identified in each table represent the responses from participant interviews. The references column in each table shows the number of times the sources referenced the node or theme.

Table 2

Emergent Themes

Nodes/themes	Number of respondents	Number of times the theme was addressed
Financial strategies	4	9
Management strategies	3	4
Communication strategies	2	7

I selected food store owners based on the following eligibility criteria: owning a food store business in the Midwest and managing the food store for at least 7 years. I reviewed various business websites in the region. I was able to contact and invite 23 food stores owners, 11 by email and 12 by phone to participate in the interview. Nine of the 11 I contacted by email and three of the 12 I reached by phone responded accepting the invitation to participate. 2 of the respondents later declined. I conducted the interviews using the video platform Zoom because of Covid-19, which made it impossible to have physical meetings.

Table 3

Response From the Food Stores Owners

	Number of participants	Percentage of participants
Number of respondents accepted	10	43%
Number of respondents rejected	2	8.7%
Number of nonresponses	11	47.8%

At the time of the interviews, O1 was the business owner of a food store in the Midwest having a work experience of 11 years. Participant O2 had been in the food store business for 7 years. Participant O3 had inherited the business 23 years ago after the demise of his father. He had over 20 years' experience in the business. Participant O4 had approximately 14 years of owning and managing his store. Participant O5 had over 10 years of experience. Participant O6 had been in the industry for over 12 years while O7,08, and 1O had an experience of 10 years. Participant O9 was at the 8th year since he started his food store.

Yin (2018) used an approach involving five steps to analyze and code data. The first step in data compilation is to have all the data together in one file or in different groups. Secondly, data is disassembled to reduce irrelevant or redundant topics. In the third step, data is reassembled to bring together similar themes into clusters. Step 4 involves discovering the trend or patterns according to the data provided in interviews and other literature to get the meaning. The last step is to conclude the process by structuring data depending on the topics being discussed.

After collecting data through interviews, I compiled it into different clusters. I then disassembled, coded, and completed the data analysis process, which involved transcription of oral interviews, cyclical review for themes and subthemes, coding, and synthesis (Adler & Brochard, 2017). I transcribed all the audio recordings of the interviews I conducted. I tried to categorize common themes and document them during the transcription process. After I completed the categorization and documentation

process, I entered sections of the transcribed interviews and the obtained data into the NVivo program to create the emergent themes below:

Emergent Themes 1: Financial Strategies

The theme that was the most noticeable from the respondents was the need to have reliable sources for financing working capital and investments in long term assets. Having reliable financing sources enabled these small businesses to access needed capital for their businesses. There were multiple avenues of alternative funding available. Five participants got financing from their friends and relatives; three got loans from a financial institution, while two got their own money or inherited the money from their parents. However, 6 of the businesspersons reported that the most reliable funding source was accessing funds from friends (Carrero et al., 2017). All these methods enabled many of these businesses to access the working capital they needed to run their operations, increasing profitability and preventing bankruptcy (Lopes, 2016). I entered the interview data that I got after hand coding into the NVivo program to verify this theme. The interview revealed four data types that were supported by eight references as shown in Table 4.

Table 4

Theme 1: Financial Strategies

Node/theme	Sources	References
Financial strategies	4	8

Data Collected

Six of the participants agreed that the most crucial way to access funds was by having multiple financing strategies. Each of the participants used various methods to access funds. For instance, O2 said:

If the money I have as a food store owner is not enough to run all my activities, I borrow from financial institutions. Though most of these financial institutions don't give me enough to run the entire restaurant for several days, the money I get makes a difference.

Participant O1 said, "The major financing strategy I rely on is funding from relatives. They assist in time of need and do not pressure me to give back their money. I repay whenever am comfortable." Participant O3 stated, "Whenever I ran out of funds to continue with the businesses' operations, I opted to ask for the funds from my friends. My friends did not charge as high an interest rate as traditional financial intermediaries." Participant O6 mentioned:

Getting huge loans from banks is a good move but the problem is in the process of getting the amount that a person needs. I prefer borrowing from groups formed by friends because it is easier than going to the bank.

Participant O5 said, "To finance my business, I prefer getting instant loans from mobile platforms on social media. Also, I acquire capital from the profits I get from my other businesses." Participant O7 stated, "I usually seek financial assistance from my friends. For the remaining amount of money, I had to go back to full time job and save up for the business for about 6 months."

Participant O8 said, Whenever I need finances, I follow the legal procedures required. Due to my background in economics and accounting while in school, I was able to have the right financial records for my food store. Participant O9 added:

My main source of income is the donations from family. Also, I depend on banks to give a certain amount for the same. Between family and the banks, the best method is getting loans from family because there are minimal requirements.

Participant O4 summed up the concept by saying that the most important thing in a business is the ability to access finances from different reliable sources like well-known financial institutions.

Correlation to the Literature

The research findings I have collected have shown that the success of every business depends entirely on the creativity of the business owner in finding the best method to access capital (Brusov et al., 2014). This finding aligns with the findings from Örnek and Ayas (2015) who stated that the success of a business depends on the innovativeness of a business owner. Also, from the interview I determined that some food store owners preferred to use their savings and retained earnings to run the operations of their business (Bouwmans et al., 2017). One of them admitted having worked elsewhere for a few hours each day to raise capital for his business. Owusu (2017) conducted a study involving three small companies in the Washington DC metro area and found one of the methods that food stores owners used was owner financing. They preferred to finance their businesses due to the challenges they faced when borrowing from financial institutions (Fiaz et al., 2017).

The most commonly used method of raising capital for startups is owner financing, and friends, family and a few who have the collateral to get help from traditional financial institutions such as banks. As most respondents mentioned, getting loans from banks is quite challenging as a startup. Sometimes when they approached banks for a loan they were turned down (Bellouma, 2015).

From the data I collected, I found that five food stores owners opted to acquire capital from their friends and relatives. Similarly, in the literature review, friends and family members are a source of funds for businesses according to Assenova (2016). These findings from my research confirmed that friends and family, and owner financing are the most common avenues for small business owners to access funds. Another finding is that some business owners opted to get loans from banks. This conforms to a study by Ayas (2015) which mentioned that the most reliable method of financing is getting loans from banks. However, many business owners are unable to acquire loans from banks. Dai et al. (2017) noted the major challenges that businesses face is requesting loans from banks. Xuan (2017) added that proper financial management is important in ensuring that businesses do not go bankrupt. Sawarni et al. (2020) added that most companies access funds from financial institutions and manage the capital to increase profitability and reduces the chances of becoming bankrupt.

Correlation to the Conceptual Framework

Mobile platforms have enabled food stores owners to access loans from as many sources as possible (Ali & Cemal, 2016). According to the data I collected, some business persons preferred to take loans from reliable financial institutions if they had the

collateral for a loan or a successful 2-3 years of operations. (Martin et al., 2017). They mentioned some platforms that have enabled them to get instant loans. The crowdfunding strategy mainly works by the sharing of videos with information about the products offered in exchange for funding (Mitić et al., 2017). Other respondents depended on their creativity in crowdfunding to acquire funds. A study conducted by Herciu (2017) was about crowdfunding as a source of capital for some business. From the study, most people go for crowdfunding to get working capital for their business. Bürger et al., (2017) found the use of crowdfunding strategies and getting instant loans from mobile platforms such as the internet and social media to be suitable methods to use to obtain funds.

Emergent Theme 2: Management Strategies

The second theme noted was the need for food stores owners to make sure that they had good managers in their workplaces. This is particularly important if the owner is the manager. In 80% of the responses, the food store owners explained the need to have good management in the businesses to ensure the sustainability of the business. Proper administration and internal controls helped reduce financial fraud by management-which often results in bankruptcy. After hand coding the participant responses, I combined the transcribed data along with other referenced material into the NVivo program to come up with the following theme. The table below represents the second theme supported by 3 data sources with 5 references.

Table 5

Theme 2: Management Strategies

Node/theme	Sources	References
Management strategies	3	10

Data Collected

Some food stores owners use management strategies to get more profit from their businesses and prevent bankruptcy. The responses for the four respondents were similar.

Participant O1 responded by saying:

The greatest success determinant of any food store is the management. Having strategies that can increase business growth starts by having good management in place. For my food store, I have the best manager who ensures everything is as it should be.

Participant O6 said,

Having management that can innovate and help create competitive advantage to ensure that repeat customer is the backbone of profitability. However, no business owner should limit themselves because of the lack of a financially literate manager with leadership skills that improve innovativeness and creates competitive advantages.

Participant 04 added,

If the owner cannot run the business or have once tried to do so and failed, they must find a business expert who can help them choose the appropriate policies and procedures to maximize earnings, is financially literate, and totally trustworthy.

Participant 08 mentioned,

When recruiting the management, it is important to ensure they are skilled enough to help the business achieve its objectives and financial goals. Management has worked for my food store because without proper management, it would have been bankrupt and closed down.

Ten stated,

An organization's management is the key determinant to its success. I prefer being the manager for my food store and have a team that I work within managing it.

Participant O3 summarized those comments by stating, "Many stores have access to capital but fail. They end up dissolving their businesses as a result of bankruptcy. Bankruptcy occurs as a result of mismanagement of available funds."

Correlation to the Literature

The management of business influences its profitability either positively or negatively (Bosse & Phillips, 2016). Good management promotes the well-being of business while poor management often results in bankruptcy (Carols, 2018). As seen in the review, the right form of managers enables a company to access capital from any source and use the money to increase its profitability and consequently reduce the probability of bankruptcy (Burger et al., 2017). When given cash, management may misuse it bringing on bankruptcy. In the review, the trade credit theory states that small businesses that use trade credit stand high chances of making more money as opposed to those using bank credit or cash from other sources. (Burkhart et al, 2014). In conclusion, the management of a business is responsible for the success or failure of a business.

Correlation to the Conceptual Framework

Ghobakhloo and Hong (2014) determined that many food store owners lack the financial literacy to manage their working capital properly. Many food store owners mismanage their funds placing the business enterprise at risk of becoming bankrupt (Borocz-Cohen, 2014). Poor working capital management and financial fraud often leads to a liquidity collapse which makes food stores owners use poor judgment in a last-minute effort to save the business. Information technology provides a platform for proper management of the business (Caniels et al., 2018). From the data collected, some businesses failed as a result of mismanagement of funds. According to a study conducted by Bogh et al. (2018), business owners use leadership or the management to improve utilization of capital in a business. Xuan (2017) noted that financial management is key in any organization. The finding that poor financial management, that is, a lack of financial literacy, leads to bankruptcy is similar to a study conducted by Xuan (2017) on financial management. From the study, the authors determined that financial decisions are crucial to any business practice. Organizations need to use the capital they acquire to develop their business. From the findings, most business persons acquire loans from financial institutions, mismanage them and end up becoming bankrupt. This finding is similar to a study by D. Wang et al. (2017). In conclusion, poor money management and lack of appropriate internal controls increase the possibility of bankruptcy in a business enterprise (Xuan, 2017).

Emergent Theme 3: Communication Strategies

The third emergent theme was the need to communicate well with all key stakeholders in the business. Communication to potential customers is also essential (Brusov et al., 2014). After hand coding, I entered the data into the NVivo program to verify this theme. The NVivo program indicated five data sources which were supported by fifteen references as shown in Table 6.

Table 6

Theme 3: Communication Strategies

Node/theme	Sources	References
Communication strategies	5	15

I received an acknowledgment from three of the participants that good communication in a business environment is critical and therefore all the businesses have to practice effective communication in their environment. Participant O1 stated,

Workers within a business need to communicate effectively. The owner has to pass information about every important business development to all workers and stakeholders. Communication enables us to acquire funds through methods such as crowdfunding from the external investors.

A food store owner can also use technology to communicate with their prospective customers. Participants O3, O9, O8, O5, and O6 had the same views about this. They stated that

Participant O7 added, "With the right communication channels such as social media platforms, it is possible to improve the profitability of a business. Also, it can help in raising money through crowdfunding."

10 mentioned,

Effective and efficient communication within organizations starts with the business owners. If business owners cannot communicate well, they may not have good communication skills so that they may chase away customers even through social media.

Participant O4 said,

We may lose so much if we don't communicate with our customers to keep in touch or our prospective customers to inform them about the existence of our business and what we do. Lack of communication with our workers in the business may also promote low profits in our businesses. It is, therefore, essential to use different communication strategies to communicate effectively for the sake of the sustainability of our enterprises.

To sum up, O3, O9, O8, O5, AND O6 had the same views about Communication. They gave the view that Communication through social media is key in helping get funds through crowdfunding.

Participant 03 stated that, "Businesses use social media to access funds through crowdfunding." Participant 08 stated that, "I have to be very creative to make the best video which I share through the social media. My friends and other prospective buyers may see this video and support the business financially if the footage attracts their attention."

Correlation to the Literature

Data collected has shown that communication is key to success in any business. Effective communication among employees and the customers is essential in promoting a business success. Businesses use different modes of communication. According to Camacho, (2016) new and improved information management technologies have provided business owners with improved communication capabilities. Communication among employees can either be face to face or through devices like mobile phones. Communication to customers can be through emails, text messages or tweets and posts on social media platforms. When information gets to the intended recipient in business on time, operations within the business and with customers improve and increase profits. The most common social media platforms are Facebook, Twitter and Instagram. Most businesses can use social media as a communication tool to access capital and increase profitability (Mayava, 2015). Social media is a superior tool for communication. Free communication between the owner, managers, and workers promotes good work, greater transparency, and improves morale within the business. The creativity of the food stores owners has helped them acquire funds through methods such as crowdfunding and instant loans from mobile phone platforms (Burkart & Ellingsen, 2004). Business people use social media to communicate with potential investors to raise money. According to Bellouma (2014), most food stores owners prefer raising capital through crowdfunding. With crowdfunding, the owner of a food store or a person with an SME's idea comes up with a hot product and markets it through a quick message. According to Camacho, 2016, most small businesses can afford the interest rates of the online instant loans. Also, the

right communication with financiers such as banks helps in getting the best deals. According to Staniewski et al. (2016) crowdfunding is among the many sources of financing for a business. Communication among employees is seen to be important in getting funds. Proper communication especially through the media to customers helps in creating a better image and improves the chances of getting finances through crowdfunding. However, crowdfunding should be the last option. Rupasingha and Wang (2017) stated that businesses should source capital from different sources and crowdfunding should not be among the first options.

Correlation to the Conceptual Framework

Bogh et al. (2018) advised food stores owners with a team of knowledgeable employees to support new and inexperienced employees. Boamah et al. (2017) added that food stores owners should not pressure employees so much. When supported fully, employees use their knowledge to come up with better ways of doing things. They should therefore be listened to. From the data collected, communication between employees and the small business owner builds their relationship. This makes the employee free to share what they think is best for the small-scale business (Beck & Stolterman, 2016). Also, communication which includes the use of social media and mobile platforms has contributed to an increase in the accessibility of funds. Zhang et al. (2016) also observed that information technology has increased market capitalization and enabled food stores owners to access capital easily. Therefore, I reached the conclusion that the findings pertaining to the use of information technology contribute to effective communication

and increases the ability of businesses to obtain funding, improving the probability of long-term success.

Applications to Professional Practice

Food stores owners may apply the findings of this study to establish strategies that can help in improving profits as well as reducing bankruptcy cases in businesses. Successful food store owners that are using current strategies offered suggestions for professional practice that showed how they could apply them in their businesses to improve profitability and acquire money to run their operations (Burns, 2017). From the research I did, I learned that getting a reliable source of financing for a business is vital. Prior to choosing the strategy to use, it is essential to understand the advantages and disadvantages of choosing the best financing alternatives. Other than the food stores owners, the results are also relevant to other professions as the research included other parties such as money lending institutions, investors, as well as family, and friends. Understanding the current strategies, the food stores owners are using is vital (Campbell, 2018). The conclusions in this study can be used as a guide to struggling food stores owners to improve their proceeds and prevent bankruptcy.

Implications for Social Change

The findings from this study may prompt positive social change for food stores owners since the research may provide owners with insights that increase the likelihood of their business' survival, and profitability, thereby increasing employment and the tax base. Understanding the current strategies these businesses use prevent the collapse of businesses due to bankruptcy and provides a sustainable business future. When

businesses do well, the citizens of a country could be driven to have shared goals, increased employment opportunities, and improved financial security for individuals residing where the small businesses operate.

Recommendations for Action

In this study, I looked at the strategies food stores owners use to ensure that they improved the profitability of their businesses as well as reduced the risk of bankruptcy. This study was necessary because most businesspersons are relying on retained earnings from their small businesses to provide the finances, they need for working capital and investments in long term assets, which inhibits their growth potential and profitability. For the business to grow at a faster rate additional funds are needed. The recommendations from this research may help food stores owners, financial institutions, investors, friends and families, and who study small business profitability to understand what it takes for a business to grow and become profitable (H. Wang et al., 2017). Future researchers know the gap that exists and find solutions. Food stores owners should consider the findings and recommendations of this study as shared knowledge. Applying them in their businesses may enable them to become more profitable and reduce bankruptcy risks.

First, be creative, having appropriate financial records and sound business plans, and relating well to stakeholders, and family and friends is an important ingredient to business success. Creativity is helpful especially when it comes to crowdfunding methods. The greater the creativity, the more funds one gets. For instance, if a businessperson decides to use a video or other powerful way to fund them they should be

creative enough to attract more qualified people, improving the odds of business success. If they lack creativity, then it may not work. This approach does not require a lot of funds as it does not involve physical offices. However, the owner needs capital to launch and support the operations.

Secondly, I recommend that food store owners keep appropriate financial records, develop strong internal controls to prevent financial fraud, and develop realistic, and sound business plans. By doing this, they have an advantage when applying for a loan from money lending institutions such as banks and other mobile or online platforms with ease (Abuhommous, 2017). Doing these things gives financial institutions confidence in providing loans to small business. Banks cannot issue large amounts of money as a loan to businesses without a proper business plan or any appropriate financial records (Eckhaus, 2016). Some respondents complained about these requirements by financial institutions. Not having kept appropriate financial records and developing a sound business plan is entirely their fault.

The third recommendation is that a small business owner should improve their relationships with families and friends. Getting funds from friends and relatives depends on the existence of a good relationship between the food stores owners and the families. 4 of the respondents I interviewed raised their startup capital from friends and relatives. The owner should be in a position to explain the financial situation of their business, and request for funds to solve any financial problems they could be experiencing in the business (Herciu, 2017). Having more close friends increases the probability of getting a loan from one of them since not everyone has money whenever you need it. By being

close to them, they can explain the aspects of the company to the people expected to assist in raising funds (Giddens, 2017). If they all have the money, then he must also provide clear information to get assistance from all of them. This strategy works very well as some of the friends and family could add the business owner credit on top an existing debt to be paid at a later date altogether.

Disseminating the results and recommendations of this study to participants, other food stores owners in the region will be relevant to the growth and development of businesses operating in the industry. I provided participants with an email containing a copy of the study for future reference and distribution. Upon request, I would announce the results of my research at business conferences, business owners' summits, and by participating in training seminars. Finally, I invited future researchers to perform a peer review of this study for upcoming research.

Recommendations for Further Research

In this study, I have explored the strategies some food stores owners use to access capital to increase profitability and reduce bankruptcy. The findings conveyed in this research has some assumptions, limitations, and delimitations. There were two limitations to this study. First, participants may have felt uncomfortable disclosing information about failures or successes of their business and may not have truthfully conveyed their experience in conducting business. A potential solution to minimize the limitation in future research would be to investigate how different questioning strategies could reduce potential embarrassment and increase accurate recall of events. For example, one possibility would be to allow the participant time to prepare a written response in advance

in addition to an interview, thereby allowing them to verify their memory. If the interviewer warns the participants that they would be providing a written and verbal response, participants may have less uncertainty and hesitation in their accounts.

The second constrains of this study is that it is not comprehensive to include all types of businesses in different regions of the country. This study took place in the Midwest and did not involve interviewing food stores owners in other geographical parts of the country. Future researchers could expand the current research to different geographic locations to understand whether the same themes would emerge, or strategies might appear.

Reflections

My journey of conducting this study has been great with both challenges and strengthens that led to acquiring new skills and important skills. From the study, I have learned to appreciate the challenges that developed along the way because they made me stronger. The main challenge that occurred frequently was finding the time to complete the study especially during data collection. There are many sources of data, mainly from different libraries, and from respondents. The challenges that I faced were in finding a source that provided the most useful, accurate, and reliable information. Other sources have incomplete information which made me look for more sources to get complete information to enable completion the research on time.

The process of collecting data from different respondents was not easy as well. I needed a lot of time to do an extensive research on the most suitable participants and find their contact information for easy communication. Other challenges that I faced I the

process of data collection was that some of the participants I found took a lot of time before replying to my messages or emails. Some contacts were incorrect so I had to find the correct ones and initiate the communication. Also, finding the best time to communicate with them was difficult because they were busy at their workplaces. This made to a delay in data collection. Although it took a long time to get the contacts and schedule the best time to collect data, the respondents participated in the best way they could and helped me in getting the information I needed.

Apart from the challenge of getting the right time to have the interviews done, it was challenging for me as well because of my work at Stericyle, Inc as I do my DBA program. Fixing time that I would be free together with the 10 of my participants was a challenge. The main challenge with scheduling appointments to do the interview was that the participants could sometimes confirm some appointments and then change them in the end due to last minute emergencies concerning their food store businesses. This occurred with about four participants but the best thing about them was that they always scheduled for some other convenient time until the interview was done. Also, having to spend a lot of time contacting them and bearing with them whenever they cancelled appointments was difficult but paying because in the end, they provided the best insights.

After completion of the interviews, I got important insights about the food store owners. They were mainly on the strategies they use to improve profitability in their businesses and prevent bankruptcy. Although the process was challenging for them, there were times that it was good and that provided them the strength they need to keep pushing. Most businesses have different sources of capital and are successful because

they are able to manage the capital and ensure the business grows in terms of profitability. Many complaints surrounding sources of capital like financial institutions such as banks were mainly on how difficult it was to get a sustainable source of income. From the study it was quite clear that all they need is to understand how the banking system works and meet all their requirements, for instance, they should have their annual financial statements because they are needed.

Knowledge acquired from this study through the different insights from data collection and using theories led to a broader reflection especially on the findings. The process of analyzing the various strategies that food store owners use to improve profitability and decrease bankruptcy was challenging but gave a deeper learning and provided so much knowledge. Documenting all the steps involved in this study made me value the power of competency in conducting a trustworthy and reliable research. The peer review process helped in getting skills in the research process. A doctoral study requires someone to have communication skills, research, experience, good relationship with participants, and flexibility. Finally, it is important to be patient because it requires time and determination to achieve the objectives in the end.

Conclusion

This section of the study was about presentation of findings, discussing the correlation to the literature, applications to professional practice, implications for actions and the recommendations for further research in the study. Also, it provides results of the discussions and reflections on the entire study process. Comparison of the results was

provided in the Correlation to the literature which consisted of insights given by participants and their relation to the literature reviewed.

Data on the strategies was collected from ten participants who were chosen based on their experience as food store owners. The interview was a success as they provided answers to all the questions asked. They mainly provided information on the strategies they use to access capital to increase profitability and prevent bankruptcy. After collection it was recorded and used in analysis to get the most needed information. Data collection and triangulation to enhance credibility was conducted. Also, the data was analyzed to get insights on the most useful strategies that most businesses use to increase profitability and prevent bankruptcy in their businesses.

The research question for the study is: What strategies do small retail food stores owners use to access capital and manage it to improve profitability and prevent bankruptcy? Three themes emerged from the study to help in answering the research question. The first one was on the financial strategies they used to get finances for their business. Most of them stated that they get capital from friends and banks while others relied on financial institutions such as banks. The main strategy they use was to understand the requirements needed to get the right capital from the financiers.

The second theme was on the different management strategies they use to ensure effective management of funds. Effective management means that they can use the capital they have to run business operations in a way that they increase business profitability and reduce bankruptcy. The third theme was on the different communication strategies that small retailer food store owners use to ensure they access finances to help

in improving profitability. The findings from this multiple case study revealed that food stores owners succeeded by establishing good relationships between their customers, friends, and families, and themselves, creating long-term financial strategies, and staying committed to their businesses.

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Appendix: Interview Protocol

Name of Signer:

During the course of my activity in collecting data for this research: "Small Business Owners Strategies for Accessing Capital and Improving Financial Performance" I will have access to information, which is confidential and should not be disclosed. I acknowledge that the information must remain confidential, and that improper disclosure of confidential information can be damaging to the participant.

By signing this Confidentiality Agreement, I acknowledge and agree that:

1. I will not disclose or discuss any confidential information with others, including friends or family.
2. I will not in any way divulge, copy, release, sell, loan, alter or destroy any confidential information except as properly authorized.
3. I will not discuss confidential information where others can overhear the conversation. I understand that it is not acceptable to discuss confidential information even if the participant's name is not used.
4. I will not make any unauthorized transmissions, inquiries, modification or purging of confidential information.
5. I agree that my obligations under this agreement will continue after termination of the research that I am conducting.
6. I understand that violation of this agreement will have legal implications.
7. I will only access or use systems or devices I'm officially authorized to access, and I will not demonstrate the operation or function of systems or devices to unauthorized individuals.

Signing this document, I acknowledge that I have read the agreement and I agree to comply with all the terms and conditions stated above.

Signature: **Date:**

Yao Pierre Agboh

Interview Protocol	
Observations	**Script**
• **Non-verbal cues** • **Paraphrase if needed** • **Follow-up Questions**	1. What are the most successful strategies your organization uses to access capital?

Interview Protocol	
Observations	**Script**
• **Non-verbal cues** • **Paraphrase if needed** • **Follow-up Questions**	2. What are some of the strategies your business has employed to manage working capital successfully?

Interview Protocol	
Observations	**Script**
• **Non-verbal cues** • **Paraphrase if needed** • **Follow-up Questions**	3. What were the key challenges in improving relationships with financial institutions to access needed capital?

Interview Protocol	
Observations	**Script**
• **Non-verbal cues** • **Paraphrase if needed**	4. What successful strategies did your business use to cultivate relationships with banks and other funding sources?

• **Follow-up Questions**	

Interview Protocol	
Observations	**Script**

• **Non-verbal cues** • **Paraphrase if needed** • **Follow-up Questions**	5. What other information can you provide to help explain your company's strategies?