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Research Final

Topic :

The impact of the Rand depreciation on the risk management practices of small, micro and medium-sized enterprises (SMMEs) in Johannesburg.

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Abstract

This research report is for the purposes of the exploration in the use of strategies utilised by small medium and micro enterprises (SMME's), in managing the risks associated with foreign-exchange rate exposure and the depreciation of the rand against other foreign currencies. Depreciation rate poses the risk on hindering company's purchasing power and competitive advantages .The research is to discover the reasons as to why SMME's make use of these specific strategies as well as weather or not the chosen strategies have proven to be successful and effective when managing the incurred risk of the rand depreciation and foreign exchange rate risks. Research has found that smaller enterprises are more vulnerable to fluctuations concerning the rand versus the larger firms due to the accessibility and capital resources that are available.

Extensive and exploratory research designs were used to answer the research questions. It was determined that hedging the most commonly used form as a risk management strategy among SMME's, however there was also a hybrid method of combing hedging and spot rates in order to better secure future purchasing power capability of the company. Even though companies did find this method to be a successful means of risk management, the reason for this method being so popular was that the participant was not aware of many alternatives as well as the fact that the company had a limited budget, but are willing to further their knowledge and become familiar with new and innovative methods.

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The impact of the Rand depreciation on the risk management practices of small, micro and medium-sized enterprises (SMMEs) in Johannesburg.

1. Introduction

1.1 Contextualisation

This document is for the purpose of evaluation and assistance with regard to the impact that the Rand depreciation has on SMME's in Johannesburg. The document delves into the operations and capabilities of SMME's when importing products for the purpose of re-sale as well as the availability of strategies made available to SMME's when faced with challenges related to the depreciation of the Rand.

Besides looking into the operations, challenges and capabilities of SMME's, this document also looks at the comparison between SMME's and their larger counterparts as it can be seen further in the study that the strategic options made available are generally better suited for larger firms and are not always a cost effective or conducive option for smaller SMME's trying to maintain a competitive advantage or even just trying to survive during the Rand depreciation time period or in difficult economic circumstances (Mahapa, 2016).

The volatility of the Rand impacts risk management strategies because companies are unable to forecast or predict exactly the future exchange rates. This means that companies need to be easily adaptable to deal with the uncertainties that come with the Rand volatility, SMME's are found to be comfortable and seem to focus mainly on their commonly used hedging strategies that is successful in cushioning the risks but does not completely absolve the company of the risks associated with the rand depreciation (Kaplan, 2012).

Risk management strategies that are effective in larger companies do not directly correlate with what is effective in SMME's. There is a lack in literature available to how the Rand depreciation impacts on the SMME's in a crisis. Given that SMME's are important for the development and improvement of; poverty alleviation and job creation in the economy, it would be beneficial to investigate how the Rand depreciation affects the strategies SMME's use to alleviate risks. How the company manages their risk management will determine whether or not they are able to overcome the difficult time period (Kaplan, 2012).

The document includes a conclusion relevant to the findings as well as offers recommendations. The recommendations will be based on factual findings as well as comparative literature as to determine the best possible solutions as well as highlight the best possible process made available for SMME's trading in Johannesburg.

1.2 Research Rationale

One of the most important obstacles of operating a business is to ensure that a competitive advantage is maintained and this means being able to overcome economic fluctuations (Scott, 2019). The company needs to maintain its ability to offer a constant means of supply of their products and meet the existing demands. All companies, large or small, need to be able to overcome such an event by implementing risk management strategies (Scott, 2019). Unfortunately there is insufficient information available relating to the impact that the Rand has on the SMME's as well as risk management strategies they implement. The main focus seems to be directed more at larger firms instead. This is especially concerning as the SMME sector constitutes for 47% of South Africa's employment and contributes 27% towards the country's Gross Domestic Product (GDP) as well as 6% towards paying the countries corporate taxes (Liedtke, 2019).

Currencies in emerging markets such South Africa are the most volatile making them difficult to predict, South Africa had the third lowest performing currency in 2016 (Lings, 2016).This places small businesses in South Africa at risk because they face difficulties in developing long lasting risk management strategies. Large companies operations are relatively more complex meaning that it is more difficult to manage the risks, unlike small businesses who require a more coherent strategy (Toa, 2014).The strategies available to SMME's are Hedging and non-Hedging strategies. However, it is important for SMME's to follow a risk management process that involves: Risk identification; Risk analysis; Selection of techniques; Strategy implementation and Control (Falkner, 2015).

This study requires the selection of techniques used to alleviate the risk associated with the depreciation of the Rand. The importance of this study is to understand how the Rand depreciation will affect the risk management strategies chosen by an SMME. The study also offers insight into the different risk management strategies SMME's use and how effective they are in managing these strategies.

The study uses a quantitative approach to determine factual information on how the Rand Depreciation will affect the risk management strategies employed by SMME's in Johannesburg, South Africa.

1.3 Problem Statement

Established research shows how large businesses and organisations are impacted by currency depreciation. They often have predetermined strategies that they have

implemented to reduce the amount of risk associated with these currency fluctuations. However, the problem lies in that smaller firms are more vulnerable to these fluctuations than larger firms, mainly due to financial constraints and extensive extra costs of implementing a risk management strategy (Leboea, 2017).
It is important to understand what risk management strategies are available to SMME's to increase their sustainability and profitability in emerging markets. Therefore their vulnerability increases the impact of foreign exchange on the risk management strategies the SMME's employ (Mahapa, 2016).

The volatility of the Rand impacts risk management strategies because companies are unable to forecast future exchange rates. This means that companies need to be easily adaptable to deal with the uncertainties that come with the Rand volatility.

Risk management strategies that are effective in larger companies do not directly correlate with what is effective in SMME's. There is a lack in literature available to how the Rand depreciation impacts on the SMME's in a crisis. Given that SMME's are important to the development; poverty alleviation and job creation in the economy, it would be beneficial to investigate how the Rand depreciation affects the strategies SMME's use to alleviate risks. How the company manages their risk management will determine whether or not they are able to overcome the difficult time period (Kaplan, 2012).

1.4 Purpose Statement

The growth and development of SMME's from a local and global view is essential in the pursuit of economic growth and stability of countries. SMME's contribute to a large part of job creation and assists with the prospectus of alleviating poverty by offering more job opportunities to the poorer communities (Gibson, 2008). In the tough economic times, recessions or global pandemics it is generally the SMME's that struggle the most due to the lower rates of capital investment and limited resources available (Reed, 2020).

The objective of this study is to explore the risk management strategies undertaken by SMME's during difficult economic struggles as the Rand depreciates, in order to remain profitable and avoid liquidation, this document explores the best risk management strategies that are available for SMME's when enduring the Rand depreciation time period. Therefore it is advised that companies explore the various hedging and non-hedging strategies in order to overcome difficult economic time periods and maintain competitive within the market environment (Reed, 2020).

1.5 Research Question

1. What strategies do SMME's have to combat the risk exposure to the Rand depreciation?

2. Have the management strategies been effective in managing the impact of the rand depreciation?

1.6 Research Goals and Hypotheses

Research Goal

The end goal of this study is to provide SMME's with a greater in depth knowledge and understanding of one; how important it is to be able to forecast the events that may cause a sudden depreciation in the Rand to ensure that the entity is prepared as well as two; this document will be able to assist SMME's with the processes and risk management strategies that are available to ensure the company remains profitable and hold a competitive advantage in the current market. This document will assist SMME's with various strategies that can be chosen to best suit their current financial position as well as offer the best possible outcome that will ensure the success and continuation of the brand (Mahapa, 2016). The goal of this document would be to fulfil objective such as; to identify the risks to SMMEs associated with the Rand depreciation, to examine the established risk management practices of SMMEs, to investigate the effect of the Rand depreciation on the risk management strategies in SMME's in Johannesburg and to make recommendations to SMME's on how to adapt their current risk management strategies to alleviate the impact of the depreciation of the Rand

Hypothesis:

As the Rand depreciates it will substantially impact the risk management strategies of SMME's in Johannesburg.

Null Hypothesis

As the Rand depreciates there will be no effect on the risk management strategies of SMME's in Johannesburg.

2. Literature review

This document was conducted for the purposes in assisting SMME's in Johannesburg South Africa monitor as well as cope with the high Rand volatility rate, as the problem discovered is that SMME's do not often have the same capabilities mainly financial capabilities that larger firms have at their disposal, as well as accessibility and maximised use of the strategies that are made available to companies to use when trying to cope with the sudden depreciation rates in the Rand (Kaplan, 2012).

The problem can be seen in common risk management strategies that are effective in larger companies and do not directly correlate with what is effective in SMME's. There is a lack in literature available to how the Rand depreciation impacts on the SMME's in a crisis regarding currency depreciation. Given that SMME's are important to the development; poverty alleviation and job creation in the economy, it would be beneficial to investigate how the Rand depreciation affects the strategies SMME's use to alleviate risks. How the company manages their risk management will determine whether or not they are able to overcome the difficult time period (Kaplan, 2012).

This section outlines the current literature published in the field of foreign exchange exposures. It also examines the way in which companies are able to adapt to and counteract the fluctuations in currency exchange rates when dealing with the selling of imported goods. It delves into the risk management strategies and different types of risks found when dealing with foreign exchange rate fluctuations and its impact on businesses specifically in Small, Medium and Micro Enterprises (SMME's) (Mahapa, 2016).

In this research the exposure of companies involved with the importing of goods to sell in the local market will be explored, the main focus will be on (SMMEs) trading in Johannesburg. This document has reviewed the available literature pertaining to the management of foreign exchange rate risks from various articles and takes into account the views of relevant people or companies dealing with imports as well as the exchange rate fluctuations (Mahapa, 2016). An essential part was to evaluate the various strategies that are available to companies and their abilities to adapt to processes and opportunities regarding risk management that arose when dealing with the exchange rate. It is also essential to evaluate how adaptable the company is in implementing the risk management strategies in order to be able to continue to trade competitively and have continuous cash flow. To further comprehend the literature the definition of SMMES will further be examined, continued by an overview on the volatility of the Rand over the past five years as well as a future forecast on the expected variations in the exchange rate of the Rand.

Current literature available on the manner in which SMMEs are able to manage and adapt to the risks associated with the Rand volatility is limited. There is more research available regarding larger businesses' strategies and processes, therefore it may be beneficial to evaluate such companies and relate the literature to SMME's that are involved in the importing of products for resale and adapt the business processes and strategies to SMME's (Mahapa, 2016).

2.1 Theoretical foundation and how it links to the research problem

A theory is known to be a general or plausible principle or group or principles developed to explain a certain phenomenon. What is expected from a theory is a model or design intended to predict future occurrences or observations of which is tested throughout the experiment in order to be validated (Benetti, 2009).

The risk management theory can be used to understand the Rand volatility and be able to select the best suited risk management strategy to protect the competitive advantage and profitability of the company moving forward, it is about providing value for money. It can be used as it measures the consumers demand for a product as it works on the basis that the extent of the demand for the products increase is directly proportionate to the acceptance of paying a higher price for a product (Morwitz, 2014).

Risk management theory is based on the ideology that the company should have strategies in place to compensate or resist a potential future risk that can be forecasted, in this ensures the protection and future continuation of profitability of the company in maintaining a competitive advantage by mitigating and offering a solution to a potential damaging risk brought upon the company by currency depreciations when referring to this study (Hopkin, 2013).

It can be said that risk management is not just a topic to be considered by the professionals alone but managers and directors should also be familiar with the concept, being familiar with the concepts and strategies made available is seen to strengthen companies resources and foundation and could very well be the reason for rescuing a company and preventing liquidation (Hopkin, 2013).

This theory would be imperative in ensuring a constant cash flow and ensuring that the company maintains its market share and maintains a competitive advantage mainly in its ability to hold a competitive pricing as well as maintain a matched inventory holding relative to the needs of the market, as this is all about understanding your markets needs and being able to forecast and being able to predict a sudden market or economic change, this is imperative because this is a prerequisite to the next decision that will need to be made (Danijela, 2014).

The next step will be consisting of what would be the best strategy to implement for the market or economic condition that is expected to come, the strategy chosen needs to be cost conducive as well as best suited for the company in its current financial ability (Danijela, 2014), a company with more than one person that is aware of the risk management strategies and processes may be able to brainstorm and conclude the best strategy moving forward to combat the expected challenges that may lie ahead (Danijela, 2014). Such information corresponds to research conducted by Mahapa (2016) in saying that the more educated the staff is on risk management strategies the better the support and reactive impulse will be of the company as a whole.

Another theory that can be used would be **Rudiger Dornbusch theory of exchange rates and prices** which is based on the concept that the retraction of models of industrial organisation to elaborate on price adjustments relative to the degree of market concentration (Dornbusch, 1985), this theory conceptualises simple macroeconomic framework for the study of the movements in the exchange rates, the extent of the price adjustment is very dependent on the product sustainability, labour costs, market structures and the amount of relevant domestic foreign firms (Dornbusch, 1985). This theory will assist with helping understand foreign exchange rates and make it easier to forecast and appoint relative risk management strategies.

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These two theories will assist with the understanding of the market as well as the ability to adapt and manipulate the ways of conducting business to remain profitable and avoid liquidation.

2.2 Review of previous literature

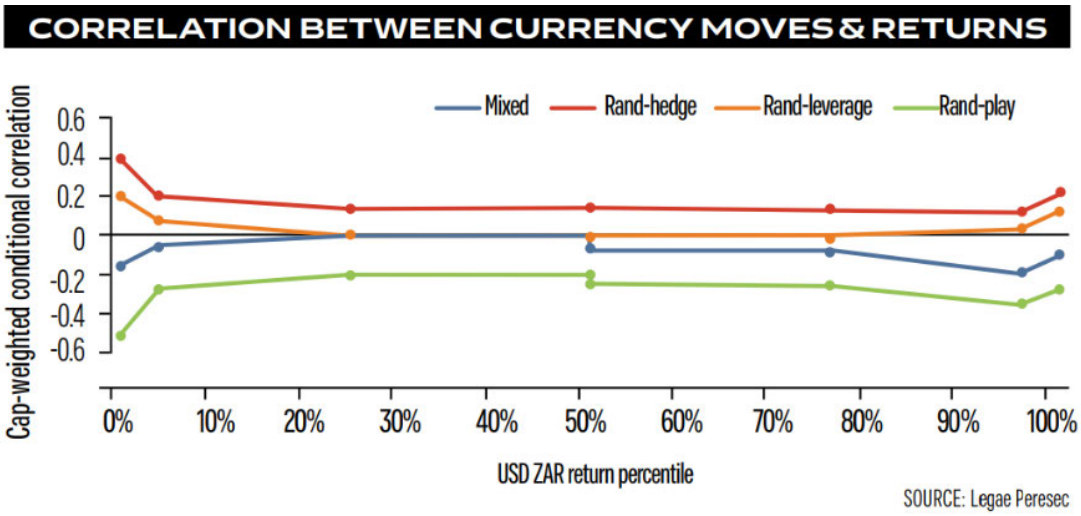
Small medium and microenterprise (SMME) is a business that maintains revenues, assets, or number of employees below the standard level rated as per that counties ratings/legislation (Ward, 2019). We look into SMME's as there are fewer opportunities available to them to counteract such economic struggles and Rand depreciation over the larger corporate companies. As per previous research (Leboea, 2017) (Mahapa, 2016).

The most prominent factor found was that there was mainly a financial gap between the two, where larger corporations are able to withstand larger time periods of difficult economic struggles as well as withstand greater levels or severities in economic struggles due to the financial positioning in the environment they operate in, larger corporations generally have reserve funds or more investors that are there to assist during difficult times (Maduku, 2019). According to Mapha (2016) it corresponded to the limited information regarding risk management strategies within SMME's, it was discovered that the smaller companies followed restrictive hedging methods most commonly.

Risks relative to the depreciation of the Rand that SMME's find themselves facing in difficult times is the ability to import goods into the country at a competitive price that will allow them to remain competitive against other firms, especially larger firms that possibly have the ability to hold greater stock quantities to carry them through a difficult economic situation, SMME's have to ensure that they have other risk management strategies that will assist them in maintaining their own competitive advantage as proved by Maduku (2019).

Rand depreciation affects the purchasing ability of companies, most importantly companies should always try to preserve and grow their wealth in hard currency terms (Bulkin, Adam; Urbani, Peter ; Phillips, Mark, 2019). Over 2018 alone, these goals were quite difficult to achieve as the Rand had lost up to 14% to the dollar (Bulkin, et al., 2019), making it difficult for companies to maintain order quantities as well as for SMME's to remain competitive against their more dominant competition (Bulkin, et al., 2019).

According to as well as conforming to research as well as previous literature conducted by Bulkin, Adam; Urbani, Peter ; Phillips, Mark (2019), Mahapa (2016) and Leboea (2017) , severe depreciation in the Rand does cause South African shareholders in general as well as many companies including SMME's to suffer wealth destruction and limit the purchasing ability, forcing them to hedge against the Rand depreciation, something that they would not have to do if there were not to be a depreciation in the Rand but rather yet a Rand appreciation (Bulkin, et al., 2019), to be used for the purposes of the study and possible third party viewers such as supervisors to the study. Respondents are able to withdraw participation at any point as participation in this study is voluntary.



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In the above graph according to previous literature, the returns of a Rand-hedge group of stocks indicate a greater correlation to currency moves, but then indicate a more stable pattern of less than 20% correlation for the greater of the time period, following a climb to under 40% in only the 5% in the most extreme time periods of the Rand weakness (Bulkin, et al., 2019). The relationship between the currency and the returns is not direct and linear meaning it is very difficult to predict (Bulkin, et al., 2019).A firm trading imported goods has to be able to accommodate for all the fluctuations depicted in the graph above in order to maintain a competitive advantage and make a surplus in revenue when holding stocks.

When Establishing the risk management strategies within SMME's, a firm needs to consider all that is available to them in order to select the best suitable alternative to combat the depreciation of the Rand and its effects as best as possible (Renault, et al., 2018). As identified by previous literature as well as other research, risk management frameworks are mainly designed for large enterprises and are generally found to be too complex as well as too financially constraining for SMME's to inhabit (Renault, et al., 2018) (Mahapa, 2016). SMME's are said to lack risk management knowledge, skills and capabilities, as well as SMME owners are generally quite knowledgeable about their ventures but lack the ability to forecast risks that may arise, which is to a certain state conflicting to research found by Leboea (2017),as it was found that SMMEs due to restricted risk management strategies are constantly aware of potential risks. However there are hedging and non-hedging that is available for companies to use, this consists of;

Hedging strategies:

Hedging strategies can be thought of as a form or an insurance where companies hedge, they are essentially insuring themselves against a negative impact on their finances due to movements in the exchange rates , most importantly the Rand depreciation (Butnariu, et al., 2018). In accordance and confirmation with previous literature (Mahapa, 2016), firms use hedging to reduce or offset the risks of financial destruction they may potentially suffer due to price variations in assets, liabilities or accruals, the most common form of hedging is by utilising a financial instrument to minimise the firms forex exposure (Butnariu, et al., 2018).

Most firms make use of financial hedging as a means of managing their forex risks, as this has proven to be the most effective strategy in protecting foreign risk exposure, it is also easy as well as cost effective, but if used over a long period of time it has the potential to hold the firm in an unfavourable contract (Butnariu, et al., 2018) (Mahapa, 2016).

SMME's may look at hedging their foreign exchange exposure as to maximise shareholder wealth or value, to decrease the possibility of financial destruction, to take advantage of any investment opportunities that may arise, to combat any expected or unexpected tax liabilities and too ensure the organisational wealth continues to increase while still being risk averse. (Butnariu, Anca; Luca, Florin-Alexandru; Apetrei, Andreea, 2018) Previous literature as well as research suggests that SMME's have been found to make use of hedging strategies more often that their larger rivals but these strategies more often than not expect high fixed cost rates that makes it difficult for the smaller SMME's to utilise and maximise on (Mahapa, 2016) (Leboea, 2017) (Bulkin, Adam; Urbani, Peter ; Phillips, Mark, 2019). With this it can be seen that SMME's are more vulnerable to fluctuations with the exchange rates over the larger firms (Bulkin, et al., 2019).

The different forms of hedging are commonly known as; future contracts, forward contracts, options and swaps (Butnariu, et al., 2018);

Future contracts

Also known as currency futures, these contracts offer firms the opportunity to purchase foreign currency at the current rate but with the intent to be used at a future date (Catlere, 2009) future contracts are generally standardised for a fixed period of time, normally at the end of the financial quarter and are aimed at gaining smaller amounts of money as compared to forward contracts (Catlere, 2009).

Benefits of future contracts are that they are liquid in nature, they are fairly easy to acquire, these contracts are cost conducive and they are not overly complex (Catlere, 2009). The disadvantages of this contract is that the premiums involved could be higher than the benefit gained, they falter in flexibility, gains and losses are experienced daily and the partner in the dealing country must ensure a good reputation (Mahapa, 2016) (Catlere, 2009).

Forward contracts

Otherwise known as forward cover like a future contract is one that is acquired for the future purchasing of a foreign currency at a fixed current rate on the date the contract is signed (Hulleberg, 2019) difference from the future contract is that, in this contract allows firms to trade forex at a definite rate and at a specified future date (Hulleberg, 2019).

Even though this may be the most common strategy used it does have its downfalls such as these contracts may fault if and when the payment date and the maturity ate do not match, however firms may use forward window contracts with allow for payments to be made at a specific point in time are able to counteract this fault (Hulleberg, 2019) (Mahapa, 2016).

Keeping in mind that the pros of this contract is that they have a fixed rate as well as date of payment and allow for the mitigation of risk, however compared to future contracts they do require substantial deposits and in the event of the firm faulting there are significant penalties involved (Hulleberg, 2019).

Options

This offers SMME's an advantageous alternative over purchasing foreign currency, as this offers the firm the option to purchase foreign currency at a specific future date and price, the firm is not obligated to do so (Smith, 2008). One of the greatest advantages of this strategy is that the firm is able to let the option expire if the economic conditions are not favourable to the firm at the set time and price (Smith, 2008), the con in the strategy is the substantial deposit that is required for the option strategy that may not even be used when the time comes (Smith, 2008).

Swaps

This accommodates firms when they have long-term debt, then they are able to swop their debts with a counterpart in the country where the debts currency is originated (Mahapa, 2016). This is used by firms to exchange local liabilities to foreign liabilities, with the intent of matching foreign debt with it commitments (Mahapa, 2016).

As like majority of these financial hedges, this strategy requires a financial intermediary to execute it and is mostly utilised by large firms that have international household subsidiaries (Hobson & Kimmek, 2012). This strategy works best when the when the foreign exchange risk is known and the firm is able to take affirmative action, it is not flexible but is useful as a long-term strategy (Hobson & Kimmek, 2012). This strategy is not possible without a viable credit history with the proof a credible transaction periods (Hobson & Kimmek, 2012).

Natural hedging

This is executed by companies basing their operations within the country that their sales occur, this makes it easier for companies to adapt by having viable options available to assist with matching their cash outflow with relative cash inflows, ensuring the survival and competitive advantage of the company (Mahapa, 2016).

Non-hedging strategies

Price mechanisms

Three available mechanisms; pass-though, partial pass through and no pass-through where pass-through is the movement of currency through its customers, no pass-through is where the firm chooses to absorb the variations in the currency and partial pass-through Is in-between the two (Hassin & Islam, 2017). This is known to be one of the easiest and most commonly used according to previous literature (Mahapa, 2016) (Leboea, 2017).

Operational strategies

When a firm is known to have foreign exchange rate exposure there are various ways operational strategies, such as (Hassin & Islam, 2017),passing on the risk associated with the currency onto the customer; this is highly dependent on the market demand , there is the option of relocating the production structure to countries with lower-cost structures, this would entail countries will weaker currency than the country the company operates in, possibly a developing country as well, supply chain and revenue diversification (Hassin & Islam, 2017).

The firm can also explore the opportunity to improve productivity as a long-term solution, this may not be enough to manage completely against foreign currency exposure but operating in countries that poses lower costs are generally also easier to manage (Filbeck & Baker, 2015).

Take no action

The firm would also have the choice to do nothing and rather absorb the depreciation of the Rand (Filbeck & Baker, 2015). This method is best utilised when there are minor fluctuations experienced in the Rand value, this method is also known to be the least costly method of the available options (Filbeck & Baker, 2015). However, taking some action and being prepared is always a safer and better option.

2.3 Recommendations and conceptualization to the problem being investigated

Key Concepts

1) Currency depreciation; is a downward adjustment of the value of a countries money relative to another currency (Majaski, 2019).

Currency depreciation relates to this research by examining how an increase in the value of a currency would positively affect an SMME's but a decrease in the value would negatively affect an SMME. The South African Rand is less valuable than many other currencies making it a risk for SMME's that import goods from more advanced economies (Bulkin, et al., 2019). This then requires SMME's to implement risk management strategies to counteract the greater cost of good imported.

2) Managing business risks: being able to evaluate the risks that arise during the business operations, systems and procedures. This is aimed at identifying, prioritising and addressing risks to minimize unexpected incidents (Kaplan, 2012). In accordance with other literature as well this is imperative to the survival, continued growth and avoidance of wealth destruction of the firm (Maduku, 2019).
3) Small medium and microenterprise (SMME); a business that maintains revenues, assets, or number of employees below the standard level rated as per that counties ratings/legislation (Ward, 2019). It can be found that SMME's are more vulnerable to the Rand depreciation fluctuations in that they do not have the financial capability of being able to maximise the usage of the risk management strategies which is why they need to be able to find other sources of capital influx and growth in times of need (Mahapa, 2016).
4) Risk management strategies: the processes that are implemented to manage an identified risk in a business (Kaplan, 2012). There are various strategies that are available for the prevention of wealth destruction (Bulkin, et al., 2019).

In the event of compiling recommendations for SMME's relating to how they can adapt their current risk management strategies to alleviate the impact of the depreciation of the Rand. Such as most literature suggests that the opportunities or resources are available to SMME's but are limited mainly due to financial constrain, some other research may disagree and suggest that the limitations are not as prominent and is a thought process of the past, as now with the use of technology there are more platforms that are made easily accessible to source information as well as lore investors for times when financial relief is needed (Newlands, 2015).

There are platforms such as Angel networks, crowdfunding sites as well as incubators and accelerators, small business administrators, professional social networking sites, private equity firms, online lending platforms Personal marketing effort and lastly friends and family (Newlands, 2015). These platforms have made it easier for companies to source funding when needed to maintain a competitive advantage and maximise the usage of risk management strategies.

In the past, for the time being and for the near future the Rand remains volatile and SMME's continue the battle in being vulnerable and having to outperform and be ahead of the fluctuations but as long as SMME's are competent regarding technological advancements and are determined, then maintaining a competitive advantage is possible and these risks can be managed.

3. Research Design and Methodology

3.1. Research Paradigm

A research Paradigm is known as a tradition which “describes a cluster of beliefs and dictates which for scientists in a particular discipline influence what should be studied, how research should be done and how results should be interpreted,” (Maree, 2020). These traditions are positivism, interpretivist and critical realism (Maree, 2020) for the purpose of this research it will be guided by a Quantitative approach and will follow a Positivism paradigm.

A Positivism paradigm relates to the valid knowledge gained from objective, observable evidence to discover causal relationships in order to predict and control events (Maree, 2020). This paradigm will study the relationship between the risk management strategies available to SMME’s and how these strategies are affected by the Rand depreciation. A quantitative research approach is a process that is systematic and objective in its own ways, meaning it is not influenced by personal opinions and bias. Quantitative research rather relies on data gained from a subgroup of a population, this is to generalise the findings to the population being studied (Maree, 2020)

Positivism paradigm together with a quantitative methodology would be best suited for this research not only because both quantitative and positivism rely on objective data and factual information, therefore, both achieve a common goal when studying a population (Giquira, 2019) (Mahapa, 2016) (Leboea, 2017). This approach promotes the ideology that experimentation, observation as well as reason must be drawn from the researcher’s personal experience and observations (Ryan, 2015). Taking into consideration that this research looks into the risk management strategies of SMME’s with regard to the impact that the Rand depreciation may have on the strategies these companies have implemented. Data will need to be collected and observed, in order to determine the impact of the Rand depreciation on risk management strategies and to suggest recommendations for SMME’s to minimize the impact (Ryan, 2015).

A deductive method will also be used as this approach starts with developing the research concepts and questions from the literature reviews and quantitative data to test these concepts (Almalki, 2016).descriptive statistics will be used to analyse the data according to the mode, median and mean this will also enable the categorization of the relevant data.

The epistemological perspective of positivism suggests that the only valid knowledge is knowledge prescribed by means of empirical observation (Cronje, et al., 2019). Positivists believe that valid knowledge can only be discovered by objective empirical evidence, this suggests that the researcher has been reliant primarily on what he or she has been able to measure and observe (Cronje, et al., 2019). The main aim of the researcher is to interpret the causal relationships so that they are able to predict and control the natural and social world (Cronje, et al., 2019), thus a positivist researcher wants to determine how the world or system works in order to predict and control it as best as possible (Cronje, et al., 2019). Such as if a company was able to predict depreciation in the value of the Rand then they would be able to have an early advantage to take action and implement risk management strategies such as buying stock before hand or known as hedging and non-hedging (Parrish, 2018). If SMME's were able to forecast it would minimize the impact of the Rand depreciation on the risk management strategies.

The Ontological perspective of positivism suggests that reality is external and objective and the laws that govern it can be discovered (Cronje, et al., 2019). Positivists believe that it is possible to measure and observe reality, therefore it can be known (Cronje, et al., 2019), for positivists reality holds order and regularity (Cronje, et al., 2019). Such as it has been proven over past observable and measurable instances where risk management strategies are able to resist and counteract the negative impacts on SMME's trading imported goods, due to regularity it is possible to somewhat predict the turn of events that may be approaching, such as a sharp depreciation in the Rand value (Cronje, et al., 2019) (Giquira, 2019).

The Metatheory perspective of positivism suggests that by establishing causal relationships researchers or relevant parties are able to predict the effects and therefore take action to manipulate or control a certain phenomena (Cronje, et al., 2019). This theory bases itself off other relative theories as causal relationships between other relevant theories that may assist with implementing strategies that have worked in the part or best suited for a similar situation the company may encountered (Ryan, 2015). The hypothesis in this study would be to establish whether the risk management strategies (independent variable) is relative to the depreciating rand value (dependent variable) as well as how the strategy can be manipulated to best counteract the situation (Parrish, 2018) (Ryan, 2015).

Methodology perspective of positivism suggests that reliability is imperative; this is where objective, quantitative research is used (Cronje, et al., 2019). In this study reliability and validity will be deduced through fair and thorough data collection as well as detailed representation of factual results (Cronje, et al., 2019).

The Axiology perspective of positivism suggests that objective research, truth as well as reason is valued (Cronje, et al., 2019).When conducting the research a quantitative approach ensures that data collected is free from bias or personal opinion. It relies on honesty from the participants and researchers, therefore results can be regarded as true and valid. This will ensure that the study will be able to be used by companies in the importation sector.

3.2.Design and Conceptual approach

A quantitative approach would be suitable for this research as we require factual information that supports the causal relationship between Rand depreciation and risk management strategies and to be able to predict and control certain risks as best as possible (Mahapa, 2016). This research delves into the impacts that the depreciation of the Rand will have on SMME's as well as the risk strategies they may use to counteract the situation as a solution (Mahapa, 2016).

Data will be collected in the form of questionnaires. The questionnaires will contain close-ended, multiple choice questions together with Likert scales, to provide us with factual and concise data that can be used to represent the population. The data collected will assist us in making recommendations to SMME's as well as concluding the research.

This approach is suitable for the study as it allows the researcher to obtain the relative information needed in a precise, time and cost effective manner that will be beneficial to the researcher as well as the participants in the answering the questionnaire (Cronje, Franci; Cronje, Johannes; Enslin, Carla; Howard, Ghita Michelli; Khan, Ross, 2019). The questionnaire will play an important role in collecting real-time data from SMME's that are currently taking part in risk management during the current Covid-19 pandemic and essentially the falling of the world economy (Mahapa, 2016). Deductive theorising will be acquired as a suitable approach as this method consists of deducing general assumptions and narrowing them down to reach a conclusion that is more direct and specific to the study (Cronje, et al., 2019). This approach will allow for the establishment and confirmation of the causal relationship between the risk management strategies relative to the depreciation of the Rand, essentially affecting the ability of companies to import goods and be sustainable and profitable (Cronje, et al., 2019).

The time frame of the research will be **cross-sectional**; it will be better suited to conduct the research over a dedicated time frame rather than longitudinal as the information needed will be collected over a shorter time period the facts collected will be of around the same time frame (Cronje, et al., 2019).

Quantitative approach is a process that is systematic and objective in its own ways, with the use of numerical data gained from a subgroup of a universe/population, this is to generalise the findings to the population being studied (Maree, 2020).

A deductive method will also be used as this approach starts with developing the research concepts and questions from the literature reviews and quantitative data to test these concepts (Almalki, 2016).descriptive statistics will be used to analyse the data according to the mode, median and mean this will also enable the categorization of the relevant data.

In the examination process pertaining to the impact of the Rand depreciation on the risk management practices of small, micro and medium-sized enterprises (SMMEs) in Johannesburg. This document will examine and illustrate the key process that had to occur for the purposes of collecting and identifying information. The population as well as sample size will be identified as well as critically analyzed in who and what was questioned in the data gathering process. The way in which the data was collected and analyzed will also be identified and evaluated. The task in the collection of data was compiled over two companies and 20 employees.

For the purpose of evaluation and assistance with regard to the impact that the Rand depreciation has on SMME's in Johannesburg. The document delves into the operations and capabilities of SMME's when importing products for the purpose of re-sale as well as the availability of strategies made available to SMME's when faced with challenges related to the depreciation of the Rand.

Besides looking into the operations, challenges and capabilities of SMME's, this document also looks at the comparison between SMME's and their larger counterparts as it can be seen further in the study that the strategic options made available are generally better suited for larger firms and are not always a cost effective or conducive option for smaller SMME's trying to maintain a competitive advantage or just trying to survive during the Rand depreciation time period or in difficult economic circumstances (Mahapa, 2016).

The volatility of the Rand impacts risk management strategies because companies are unable to forecast or predict exactly the future exchange rates. This means that companies need to be easily adaptable to deal with the uncertainties that come with the Rand volatility (Kaplan, 2012).

Risk management strategies that are effective in larger companies do not directly correlate with what is effective in SMME's. There is a lack in literature available to how the Rand depreciation impacts on the SMME's in a crisis. Given that SMME's are important for the development of; poverty alleviation and job creation in the economy, it would be beneficial to investigate how the Rand depreciation affects the strategies SMME's use to alleviate risks. How the company manages their risk management will determine whether or not they are able to overcome the difficult time period (Kaplan, 2012).

3.3.Population

3.3.1. Population

All the sample groups together is called a population, a research question is always related to a specified sample group of people which together forms the population, this group will have the characteristics to match that being asked in the research question (Maree, 2020). The population with regard to the research would be the employees within the two companies being examined that have a need to understand and apply risk management strategies. This is the majority of the company excluding the cleaning staff as well as the delivery staff.

3.3.2. Unit of Analysis

The unit of analysis is the major entity that is being analysed in the research study, this could comprise of individuals, groups, artefacts, geographical units as well as social interactions (Trochim, 2020).

For the purposes of this study the unit of analysis is the individuals of the 20 employee's across the two companies that were examined, the employees were selected randomly across the hierarchical structure of the companies trading imported goods within Johannesburg. This is excluding members of staff that have no need for the knowledge of risk management practices, such as delivery and cleaning staff. 20 participants were expected to complete 15 questions referenced according to the objective and hypothesis of the study. The Research was collected over 20 questionnaires as well as information collected over email and telephonically.

3.3.3. The Target Population

Target population for a survey is the entire set of units in which the survey data are to be used to make inferences, therefore the target population defines those units for which the findings of the survey are required to answer for whereas accessible population is the total amount of companies or participants that can be contacted or reached (Draugalis & Plaza, 2009).This comprises of a maximum of 20 people would be any individual(s) within an SMME trading in Johannesburg that would be willing to answer questions and share information pertaining to their risk management strategies, and how the strategies are impacted by the Rand depreciation, this will be based on SMME(S) trading goods that have been imported into South Africa and for the purposes of re-sale (Maree, 2020).

The selected participants randomly selected were chosen based on the fulfilment of the required criteria of which the study is based, being SMME's in Johannesburg as well as the participant having a need in understanding risk management based on their position within the companies hierarchal structure, example such as randomly selected participants in managerial positions. The companies were selected based on being in existence over a recession as to explore means of risk management and it success.

3.3.4. The Accessible Population,

This relates to companies in and around 25kms from Sandton that are willing to convey information regarding risk management strategies and or financial information pertaining to the companies being examined. This refers to the actual segment of the population that the researcher is able to access and infiltrate in order to gather data for the purposes of the research (Maree, 2020).

There may be times where the population or units that for the population is too widely spread out or have no means of access to the researcher. The two companies being examined are accessible as they are in a reasonable distance from Sandton and the companies offer easily accessible online interactions with the individuals that form part of the population. The researcher also made use of platforms such as emails and telephonic measures as a means of efficient and effective communication.

3.3.5. Population parameters

This relates to the culture, size as well as the special population characteristics that form part of the research characteristics (Maree, 2020).

- Employees of the companies exercising the importation of goods.
- Employees that do not fall within the cleaning and deliver departments.
- Individuals that re expected to have an understanding of risk management strategies.

3.4. Sampling

The sample would be the subset of the population or the groups that make up the population (Maree, 2020).Sample size would be SMME's in approximately 25km radius from Varsity collage whom are distributers of any product that they import into South Africa for re-sale purposes.

The sample in the 20 people across different companies being asked to fill questionnaires will be conducted by means of a stratified random sampling method as to avoid bias and maintain a high level of accuracy. The research was done as a Stratified random sampling method where the questionnaire was randomly sent out to a randomised set of email addresses that was linked to the two companies. Questions were also closed ended which assisted in any misinterpretation of information. The researcher was able to access a large portion of the sample easily and efficiently with the use of this method.

3.4.1. Probability or non-probability sampling

There are two methods of sampling that can be carried out, namely probability sampling or non-probability sampling (Elliott, 2020). In probability sampling the respondents are selected to take part in a survey or alternative mode of research, in order for the sample to be considered as a probability form of sampling then the means that each respondents or unit within the company has had an equal chance in being chosen to respond and form part of the sample, probability sampling is generally associated with quantitative research (Elliott, 2020). Non-probability sampling is where the respondents were specifically selected and not every individual or unit has a chance to form part of the sample, this method is generally associated with qualitative research methods (Elliott, 2020).

For the purposes of this study taking on a quantitative approach as well as it being beneficial to make use of a stratified random sampling method as to avoid bias, retain accuracy as well as have a need to analyse the extent to how many people within the company have some understanding of the concept pertaining to the risk management strategies, avoidance and mitigation thereof, this research has taken a probability approach to the method(s) in sampling.

3.4.2. Sampling Method

There are various techniques that are available to researchers, in each method, the respondents each have a chance of being selected to participate within the study, the various methods comprise of; simple random sampling, stratified random sampling, cluster sampling and systematic sampling (Elliott, 2020).

For the purposes of this research the researcher made use of the stratified random sampling method, the unit of analysis being each of the 20 participants whom filled the questionnaire.In this method the population is divided into sub-groups such as male and female or in the case of the research task, units with an imperative need to understand the risk management strategies such as the majority of the members of staff and the other sub-set being the cleaning department and cafeteria staff that have no need to have the knowledge pertaining to the risk management strategies. This assisted in collecting data that was more relevant and allowed for further increasing reliability and validity of information gathered due to the research being quantitative.

3.4.3. Sample Size

The sample size is the amount of people or sub-set from your population that are selected to take part in the research study (Elliott, 2020), for the purposes of this study being quantitative as well as descriptive the sample size was 20 individuals from a total population size of around 67, the individuals are examined over two separate companies. The sample size of 20 participants is recommended for the purposes of this research at an honours level as the amount of responses are manageable especially during the Covid-19 pandemic, to ensure that the results once analysed will be enough to correlate data as well as being accurate and non-bias (Maree, 2020).

The researcher sent out a questionnaire using the google forms document, the document consisted of a brief description of the study being done and asked for the participation of the individuals randomly selected in the two companies to participate. The form was electronically delivered to the relevant people and was designed in a time effective manner for the purposes of the participant as well as the researcher. With the use of probability sampling the researcher was able to understand the amount of people required to participate and allowed the researcher to gain a better understanding of the research problem, the researcher constructed a closed ended questionnaire with only one open ended question that was introduced to the respondents that fell within the population parameters of the research study.

3.5.Data collection

3.5.1. Data Collection methods

Data will be collected by means of a quantitative questionnaire-as a questionnaire is a set of printed or written questions with the intent of being answered, this is conducted as to collect data for statistical study (McLeod, 2018). The questionnaire will consist of closed ended questions that are aligned with the positivistic and quantitative approach being followed in the study. The questions are directly related and designed around the objectives as well as the hypothesis of the research. This is done as to examine the understanding as well as the level at which employees or individuals are familiar with regards to the topic concerning risk management and the mitigation strategies. The questionnaires were be sent by email most preferably due to the Covid19 pandemic or alternatively if willing by the company it may be handed to them and filled out on the same day.

Objectives of the research consisted of; identifying the risks to SMMEs associated with the Rand depreciation, examining the established risk management practices of SMMEs, investigating the effect of the Rand depreciation on the risk management strategies in SMME’s in Johannesburg and to make recommendations to SMME's on how to adapt their current risk management strategies to alleviate the impact of the depreciation of the Rand.

The research hypothesis consisted of; As the Rand depreciates it will substantially impact the risk management strategies of SMME’s in Johannesburg.

Observations will also be made of the company’s financial statements which are made publically available. This is the preferred method as it is a form of collecting the most data in the short time frame available as well as it is the most conducive for the study at hand as it is simple enough to get to the people necessary as well as it is easy and quick enough for them to willingly give feedback (Maree, 2020).

The limitations pertaining to this questionnaire comprises of the fact that during the Covid-19 pandemic direct and easily accessible routes to the respondents were made more difficult, online surveys had to be conducted over face-to-face contact, making the gathering of data more time consuming and eliminating the ability to gain further information upon conversation, eliminating the aspect of gaining better understandings and insights of the individuals as well as elimination of the emotional aspects that can be gathered on a more personal basis. However the fact that information was gathered over online questioners meant that the collection of data was less time consuming and that there was less opportunity for bias, miss judgement as well as errors in coding and decoding data observed (Maree, 2020).

The pandemic was also the reasoning for delays in communication due to changes within the companies such as people working from home or being stranded in foreign countries due to flight restrictions. The social distancing regulations made the online surveys a more viable option, it consisted of 15 closed ended questions as well as 1 open ended question, and this was a successful tool in obtaining the relevant data pertaining to the quantitative research topic.

3.5.2. Data Collection Application

It was mainly due to the Covid-19 pandemic that the questionnaires were created and designed to be conducted on an online platform called google forms, this was done as to eliminate face-to-face interactions and to remain as safe as possible and conform as best as possible to the social distancing parameters set by the government under the lockdown regulations. Within such times the researcher is pushed towards making use of technological advancements, where research is able to be conducted, collected and analysed without the need of personal fate-to-face interactions but rather through telephonic as well as online methods.

There was telephonic as well as emailed communication between the researcher and the relevant parties of the company as to convey the purpose of the research, what was expected and as to request permission for the use of the company's name as well as for data to be collected and analysed. The two companies were requested to complete a consent form pertaining to the allowed use of the data to be collected from the companies in question, if the relevant person were to agree to the terms presented by the researcher.

The questionnaire was compiled using the google forms platform where the questions were strategically designed as to be directly relatable to the objectives of the study, these four objectives being; to identify the risks to SMMEs associated with the Rand depreciation, to examine the established risk management practices of SMMEs, to investigate the effect of the Rand depreciation on the risk management strategies in SMME's in Johannesburg and to make recommendations to SMME's on how to adapt their current risk management strategies to alleviate the impact of the depreciation of the Rand. There were also general questions that could assist in the determination pertaining to geographic locations and general knowledge regarding aspects of the research topic. The questionnaire was complete with 15 closed-ended questions and 1 open ended question which best suited the guidelines positivistic approach, also conforming to the requirements and expectations of quantitative probability research methods. The questionnaire before being sent to the respondents the questions were revisited to eliminate any errors.

Once the consent forms as well as the questionnaires were complete the email addresses requested from the company were randomised and an electronic questionnaire as well as consent form and briefing on the research purpose were sent out to the relevant companies. The google forms document was sent to 50 employees on the 17^{Th} of August and were expected to be completed by the 24^{th} of August, emails thanking the companies for their participation as well as a general reminder of the date of expected completion pertaining to the questionnaire was sent out on the 22^{nd} of August. Upon distribution of the questionnaires to the individuals there was an agreement with one of the companies stating that the questionnaire were to be sent to the general sales email and then it would be internally distributed, whereas the second company 12 questionnaires were sent to individual members of staff individually. In both instances in dealings with the two companies data was able to be collected by members of staff that were in a different country temporarily working or stranded due to the Covid-19 pandemic.

The forms are automatically updated on the researchers account once completed. Upon return of the first 20 questioners the responses as well as the graphed information was briefly analysed as to ensure that all questions were appropriately answered, thereafter the allowance for questionnaires to be filled out was terminated and the data analysis began.

Reponses and participation of the companies were good and successful, both companies welcomed the research task and were fully compliant throughout the process, any information being deduced by the companies was completely voluntary across all individuals and there were no major issues in the data collection process.

3.6.Data Analysis

3.6.1 Data analysis methods

Data collected will be experimental as the data will be assessed before and after the currency depreciation as well as the effect it had on the success rate of risk management strategies of the company. A deductive method will also be used as this approach starts with developing the research concepts and questions from the literature reviews and quantitative data to test these concepts (Almalki, 2016).descriptive statistics will be used to analyse the data according to the mode, median and mean this will also enable the categorization of the relevant data. Descriptive statistics is used to describe the basic features of the data in a study, this method provides simple summaries about the sample and its measures directly indication of units and results (Trochim, 2020). This is such as the percentage units compiled from a quantitative closed-ended questionnaire responses.

The objective would be to analyse how SMMES's are able to cope under their normal current conditions and how they implement any risk management strategies to compensate for the depreciation in the Rand, as in what risk management strategies do they use at the moment, why it was chosen specifically, how it is expected to help, what was the process in selecting the risk management strategy and how easily adaptable the company was to implementing such a risk management strategy.

When analysing the quantitative data there will be three steps than are required to be followed this being; data validation which is the process by which the data is converted into a readable and understandable platform, the data must be executed without bias and done as per the pre-set standards, this was ensured as the questionnaire was sent out to the companies as a stratified random data sampling method and examined anonymously over two different companies. Step two is data editing which is the process where the raw data is edited as to identify and clear out any points that may negatively affect the accuracy of the data collected, this is ensured as the data was collected by the companies with a moderate sample size as to find an equilibrium in the total amount of information collected and ensure accuracy, all data questionnaires received were overlooked and all necessary questions that were needed to be answered were ensured that they were answered. Step three is the assignment of data values to the data values collected, for which the data is demonstrated as percentages from a pie chart.

From a quantitative point of view the data will be analysed by means of descriptive analysis, this method allows for the summarization of the data collected as finding patterns in the information collected. This will help conclude the research and makes the information more accessible, leaner and easier to understand. Descriptive analysis is compiled of the mean which is the numerical average of the data set values, the median which is the most commonly occurring data value in the set, the mode is the most often occurring value in the data set, percentages is the value allocated to the set as to describe the rate of the respondents had to a specific value in the data set, frequency is the amount of times the a specific value is found and range is the variation in the highest and lowest values in the data set.

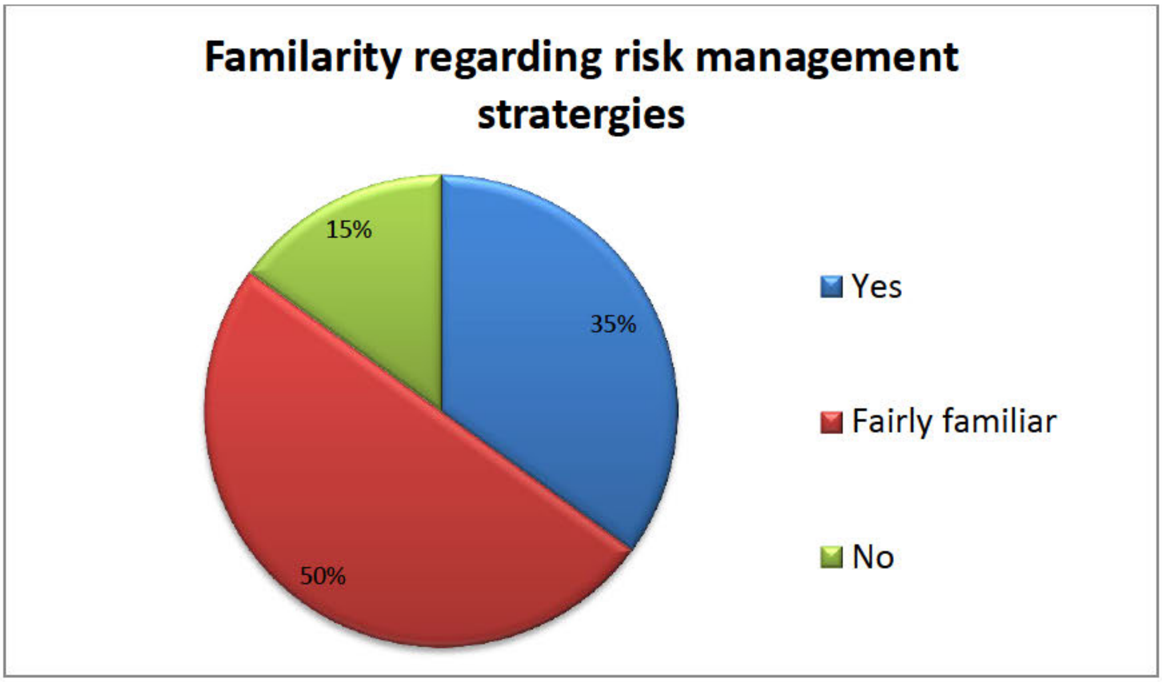
Fort the purposes of the research at hand the percentage of the data value within the set will be examined. This data will be demonstrated in the form of graphs.

3.6.2. Data Analysis Application

This research being conducted has taken a quantitative approach in conjunction with the data being analysed using a descriptive data analysis method, making use of the percentages derived from the different responses gathered from each question individually from the questionnaire. Each pie graph being used for the analysis and demonstration of the gathered results comprises of the 20 participants that took part in the questionnaire and that are employed over the two separate companies that consented to being a part of the study.

Data will be analyses from a quantitative view point by means of descriptive analysis, as this was best suited to gather large amounts of information. This allows for the statistical information to be used efficiently and demonstrated effectively by means of graphs represented by percentages.

Regarding the question; “Are you familiar with the term risk management and all the strategies associated with it?” the response was;



With regard to the answer provided above it can be seen that 35% of the 20 participants examined are familiar with term risk management strategies as well as the tasks and processes associated with it, 15% are not familiar with the strategies and 50% of the 20 participant's claimed to be fairly familiar. The results were fairly accurate to what was expected due to the fact that the sample followed a stratified random sampling method, this also meant that the data collected was non-bias.

There was an expectation for majority of the participants to have some sort of understanding regarding the risk management strategies and the basis in what the concept entails, there was also an expectation that there would be a minority percentage value in the lack of knowledge of the actual concept but less knowledge on the actual strategies that risk management mitigation has to offer.

With concern to the research being of a quantitative data approach there will be three steps than are required to be followed this being; data validation which is the process by which the data is converted into a readable and understandable platform offered as a pie chart based from information gathered off of google forms, the data must be executed without bias and done as per the pre-set standards, this was ensured as the questionnaire was sent out to the companies as a stratified random data sampling method and examined anonymously over two different companies.

The second step is data editing which is the process where the raw data is edited as to identify and clear out any points that may negatively affect the accuracy of the data collected, this is ensured as the data was collected by the companies with a moderate sample size of 20 individuals as to find an equilibrium in the total amount of information collected and ensure accuracy, all data questionnaires received were overlooked and all necessary questions that were needed to be answered were ensured that they were answered. Step three is the assignment of data values to the data collected, percentages were assigned to the individuals responses as to understand the values and comparisons in the data pool.

Once all the data is collected it will be compiled into the median, mode and mean as to further code and understand the correlations in the data being collected.

4 Findings and Interpretation of findings

Findings

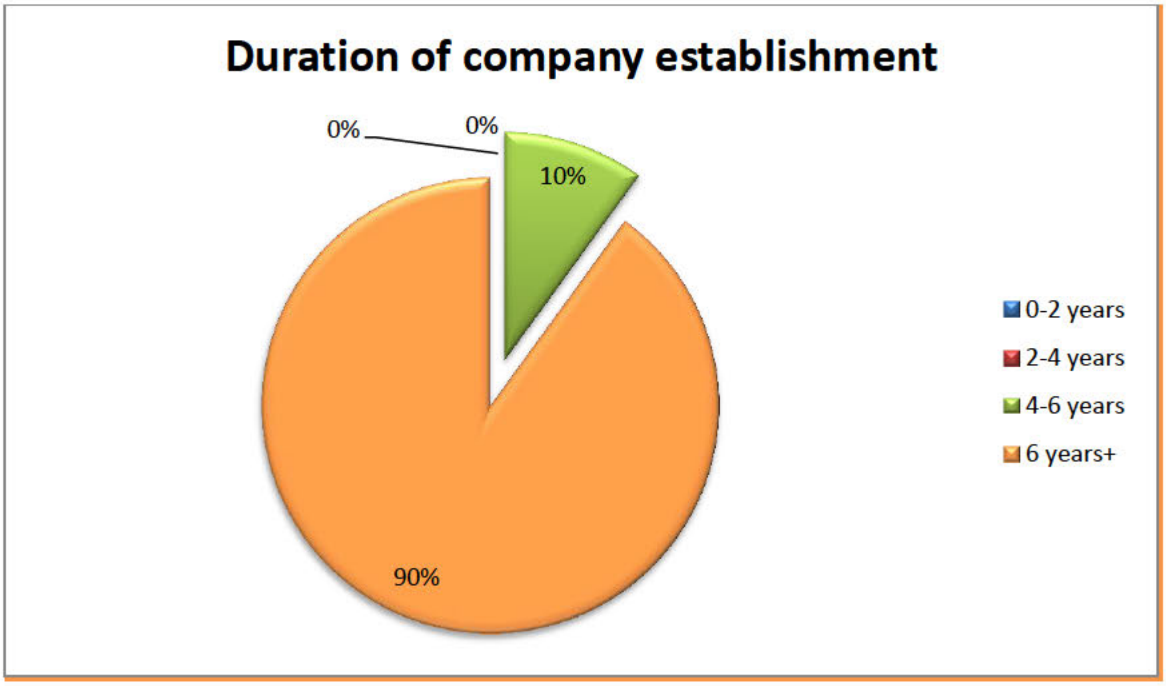
2.1 Are you a company based in Johannesburg, South Africa?

As depicted in the above the participants that were analysed were trading in Johannesburg South Africa, in the pie graph illustrated above there is a clear indication of a 100% answer result of “yes”, therefore it is clearly concluded that the participants are based in Johannesburg, South Africa. This result was answered by all 20 participants requested by in the study. This was done according to the target population as well as sample size parameters relating to the quantitative nature of the research study.

2.2 Is this company in question dealing with the importation of goods from another country with a different currency to that of South Africa?

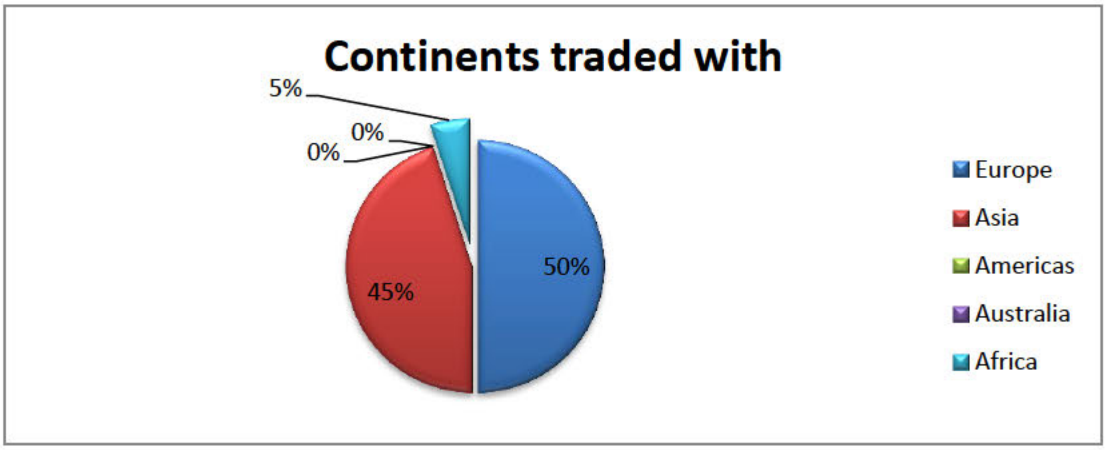
In the above graph it can be determined that across the 20 participants that 95% of the participants had agreed the companies were involved with the importation of goods from another country holding a different currency to that of South Africa, and there is an indication of a 5% from the 20 participants that the company is not dealing with the importation off goods from a different country with a different currency to that of South Africa. The researcher took into consideration the participants relating to the research tasks which are those that are involved with the importation of goods from a foreign country and exchanging opposing currencies, as similarly done by Mahapa (2016). The fact concerning the 5% of the participants stating that the company is not importing products for the re-sale of goods is of a concern as is indicates a portion of staff members that do not understand the fundamental operations of the company with which they are working in, company orientation and human resource management should be re-evaluated.

2.3 How many years has the company in question been operating in South Africa for?



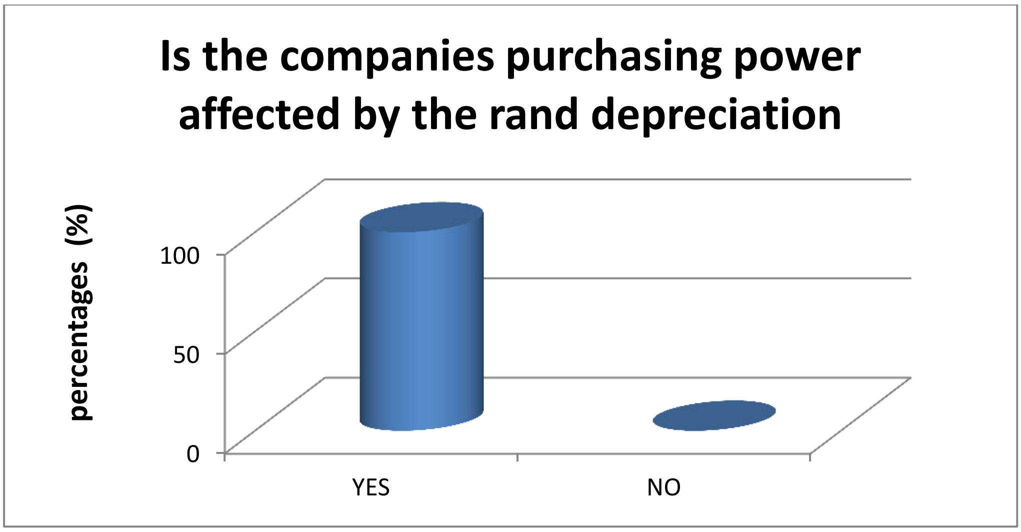
From the above depiction off the results pertaining to the question regarding the amount of years the company has been in operation it can be determined that there is a clear indication that the across the 20 participants there is a 90% result indication of the companies trading for more than 6 years and a 10 % result of the companies trading between 4-6 years, however it can be determined that both companies have been trading for over 4 years as the is a 0% result for less than 4 years. The fact that there is a minority of 10% in participants that limited the establishment of the company to 4-6 years, this is a concern such as in question 2.2 where there is a small percentage of participants that are not familiar with the company. The researcher targeted the companies based on the years of experience that would guarantee the history of passing through a recession or known difficulty concerning the Rand depreciation over previous years, both companies have experienced the recession that shook the world in 2009 as well as the recession experienced in 2018 (Stats SA, 2020). Both companies used minimalistic hedging strategies to counter the depreciation of the rand, common strategy as confirmed by Mahapa (2016).

2.4 Which continent is majority of your trade done in or with?



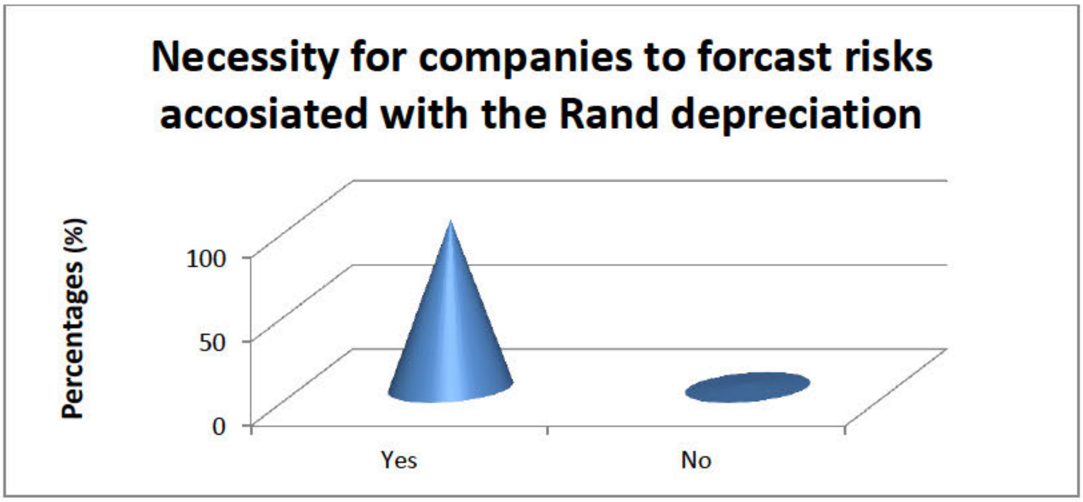
From the above illustration it can be determined that there is a majority in trading of goods between the companies in South Africa and the European continent which holds the Euro currency constituting of 50%, secondly there is a 45% result in the trading rates between the companies in South Africa and the Asian continents consisting of the Yen and Hong Kong Dollar. Lastly a 5% result of trading amongst the African continent is indicated by the participants in the research. There is a 0% result seen in the countries trading with America as well as Australia. This was expected as the Asian continent and Europe contents are well known locations for manufacturing of goods as well as importation hotspots. Such as confirmed by Zhong-Ping , Lai; Fuling , Alexander ; Ludwig, Zoiler (2017). As noted in previous years the Rand value is a lot more volatile and not as stable as the rand such as in 2018 the rand was at a decrease of 7.7% against the US Dollar (Investing.com, 2020). And there was a depreciation rate of negative 0.04% with regard to the US Dollar to the Euro (Investing.com, 2020). It can further be confirmed that the ZAR is more severely affected opposed to the USD, making companies in South Africa at a higher risk and affected more severely opposed to other countries with stronger and more stable economies.

2.5 Do you find that the depreciation of the Rand has a negative impact on the purchasing power of your company?



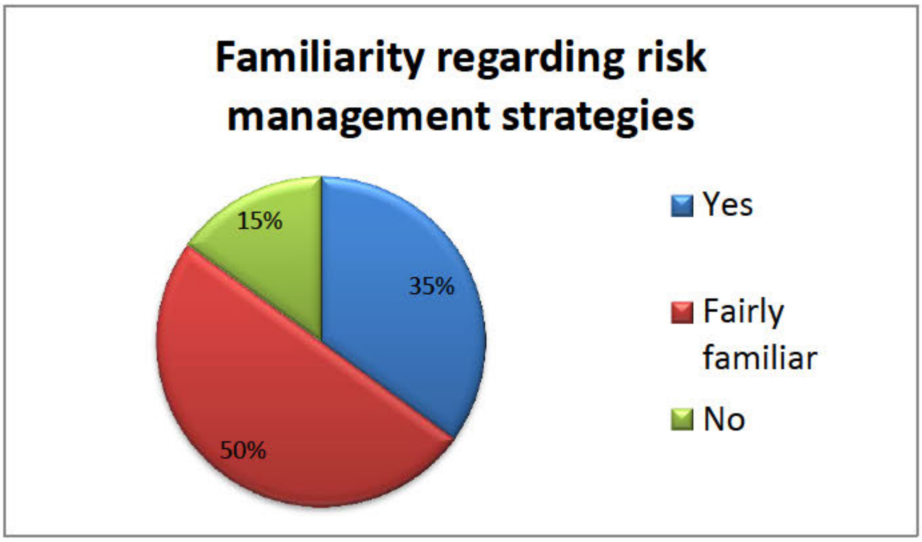
There is a clear indication in that the Rand depreciation does have a negative impact on the purchasing power of the 2 companies I question with a 100% result concluded by the 2 companies and across all 20 participants, a clear indication that the depreciation in the rand does negatively affect companies and does pose a problem to companies importing goods for re-sale in South Africa. This result confirms the research conducted in Mahapa (2016), that the Rand depreciation does have a negative impact on purchasing capabilities of companies as the value of the Rand depreciates it holds less value against opposing currency and companies essentially buy less for their normal currency amounts that they use to purchase inventory, as confirmed by Yoon, Jong Cheol; Min, Dai Hong ; Jei, Sang Young (2019).

2.6 Do you feel it is crucial for companies to evaluate and attempt to forecast the risks associated with international trade?



From the above illustration it can be determined that the companies both have the same perception in the need to focus on forecasting the Rand depreciation with 20 participants resulting in stating yes indicating a result of 100% and 0% stating no, this will help companies prepare themselves and ensure the preventative risk management strategies are administered within the correct time period as to maintain a competitive advantage and protect the image and finances of the company. This confirms the studies conducted in Leboea(2017) as well as in Mahapa(2016) alike.

2.7 Are you familiar with the term "Risk management" and all the strategies associated with it? Familiarity regarding risk management strategies



With regard to the answer provided above it can be seen that 35% of the 20 participants examined are familiar with term risk management strategies as well as the tasks and processes associated with it, 15% are not familiar with the strategies and 50% of the 20 participant's claimed to be fairly familiar.

There was an expectation for majority of the participants to have some sort of understanding regarding the risk management strategies and the basis in what the concept entails, there was also an expectation that there would be a minority percentage value in the lack of knowledge of the actual concept but less knowledge on the actual strategies that risk management mitigation has to offer but the results found indicated a higher percentage of participants that were not familiar with the concept that was anticipated. This confirms Mahapa(2016) research as it was stated that not enough people in the working environment within SMME's are in touch with the strategies.

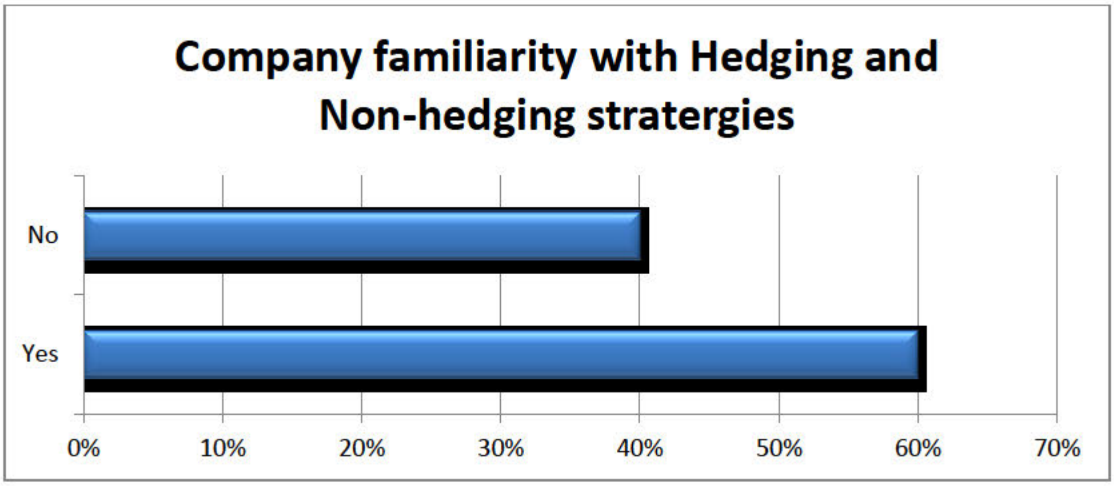
2.8 Does the company in question have predetermined risk management strategies at their disposal as a precautionary measure in the event of a sudden depreciation in the Rand value, where the company would be able to implement a specific strategy to ensure the survival and maintenance of the competitive advantage of the company with regard to the difference created between different currency values?

It is indicated that 55% or the participants stated yes, 5% stated no and 40% of the participants were unsure. From the above illustration it can be determined that both companies have a majority understanding of the risk management principle and the participants do confirm that the company has some sort of measurers in place as a form of mitigating the risks involved with the depreciation of the Rand. The researcher and Mahapa (2016) alike expected and concluded the result respectively, in that the companies (SMME's) do not familiarise themselves enough with all the strategies and options that are available to them mainly due to the costs involved, this being one of the limiting factors to the companies implementation of risk management.

2.8 If the previous question was answered as yes, were the strategies the company used revised or re-examined within the past 5 years so as to ensure they are still a valuable and suitable resource to the company? (if question 1 was "No" simply answer N/A)

Regarding the above result it is determined that the company indicates that there is a majority non-applicable result of 50% and the answer regarding the confirmation of there being revised strategies every 5 years is nether confirmed or denied as there is a 25% result to the confirmation and denial in both cases. Therefor it is still unknown as to what extent the strategies are revised but there is a 25th percentile in the confirmation portion that confirms the revision and updating of risk management strategies. This is an unexpected result as the companies are not seen taking much care in the revision of strategies to ensure they are make the most use of the risk management strategies that are made available to them. However does confirm results concluded by Mahapa (2016) and Leboea (2017) in that SMME's are very limited with strategic options available and are not very explorative regarding various options due to high costs involved and strategies that are more specifically aimed at larger companies.

2.9 Is the person/company in question familiar with the terms Hedging and non-Hedging strategies, with regard to risk management practices?



In the above it can be determined that across participants questioned that it can be clearly noted that there is a majority 60% understanding of the hedging concept as a risk management strategy and there was a 40% result pertaining to the participants whom did not have a clear understanding of the hedging strategy. This was an expected result being that there would be a majority of people being familiar with the commonly known hedging strategy. It also confirms results founded by Chin (2015) that hedging is the most commonly used risk management strategy.

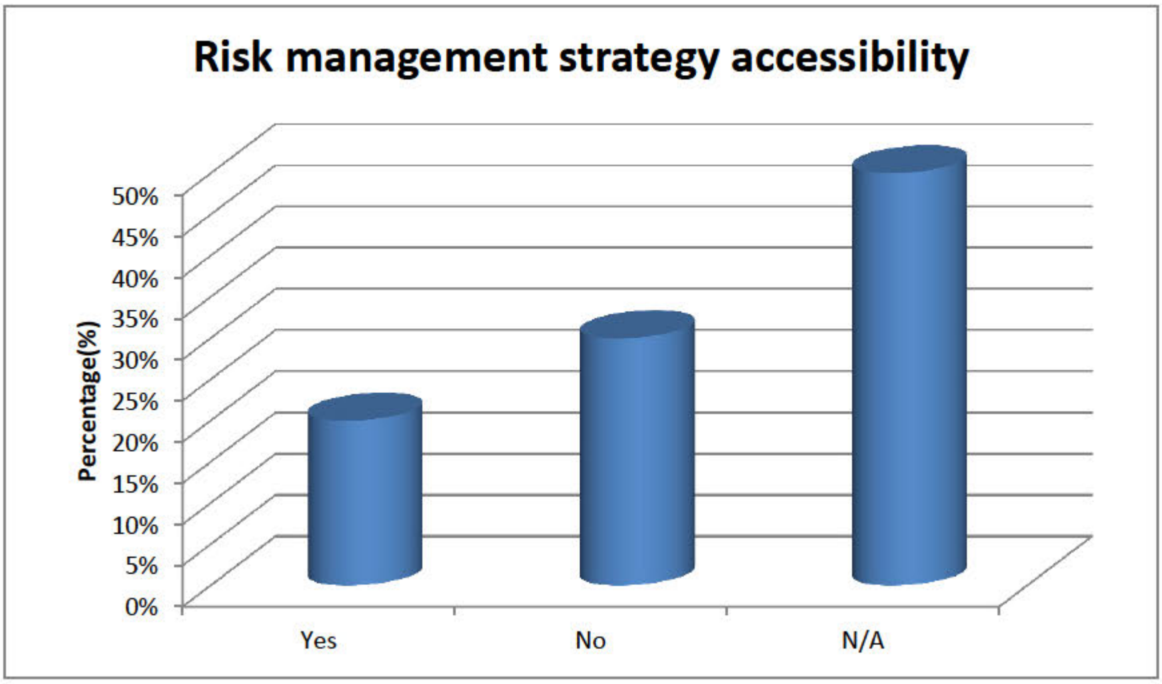
2.10 As an SMME operating in South Africa, would you be interested in finding out more information relating to any Risk Management Strategies that could be best suited to assist the company in question during difficult time periods, where the Rand value affects the purchasing power of the company to acquire inventory from another country for the purpose of re-sale?

In the above it can be determined that the majority of the participants across the 2 companies are willing to learn and take the time as well as the initiative to discover new and further develop on the risk management strategies that are made available to them, with a result of 95% of the participants being willing to further development and learning and 5% not being willing. This is interesting in that the participants do not show signs of willingness to revise and better the existing strategies within 5 year increments. This is however an expected result by the researcher, as most companies are willing to find new means of saving money and maintaining a competitive advantage.

2.11 Has the company found itself at financial risk or in a disadvantageous position in its existence due to the depreciation in Rand value in accordance with opposing currencies and is found to have the need to implement any risk management strategies or would have implemented a strategy if it was a known option?

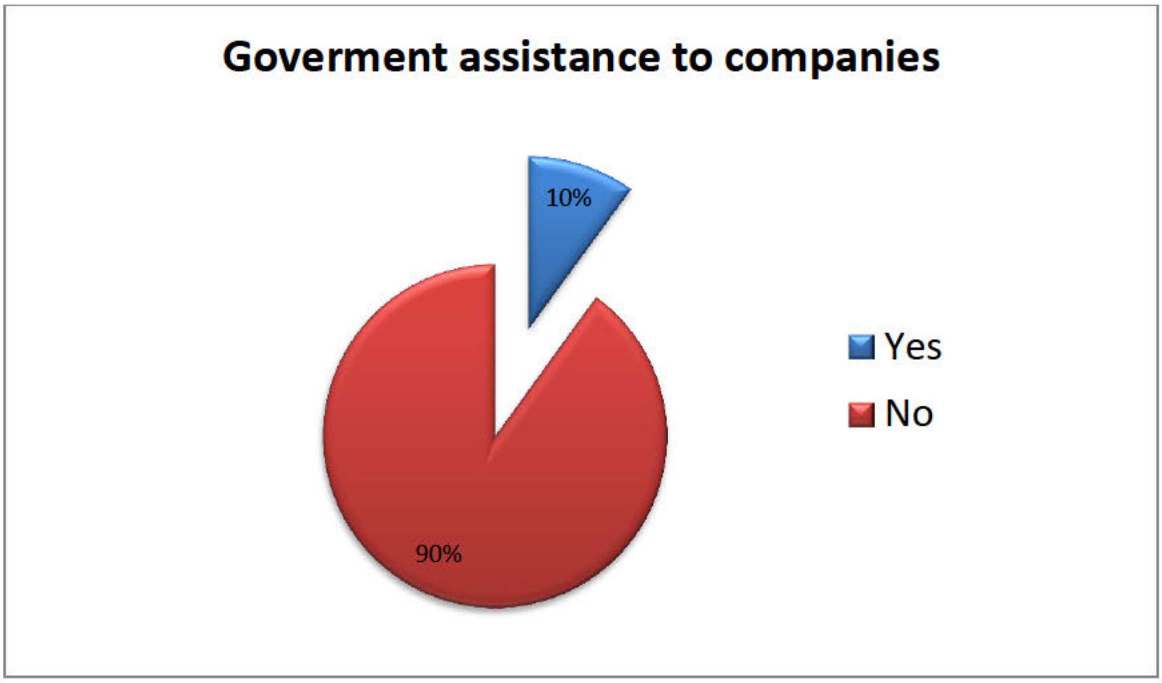
In the above it is indicated that there is a 90% result of the 2 companies finding themselves in financial risk and there is a 10% result of companies stating that they have not been in any financial risk. This result was unexpected by the researcher as companies operation for more than 4 years would have been thought to have had some struggles concerning importation of goods especially when using a currency as volatile as the Rand.

2.12. As an SMME and having made use of any risk management strategies has it been found fairly easy to find and make use of risk management strategies? (if risk management strategies are not known circle N/A)



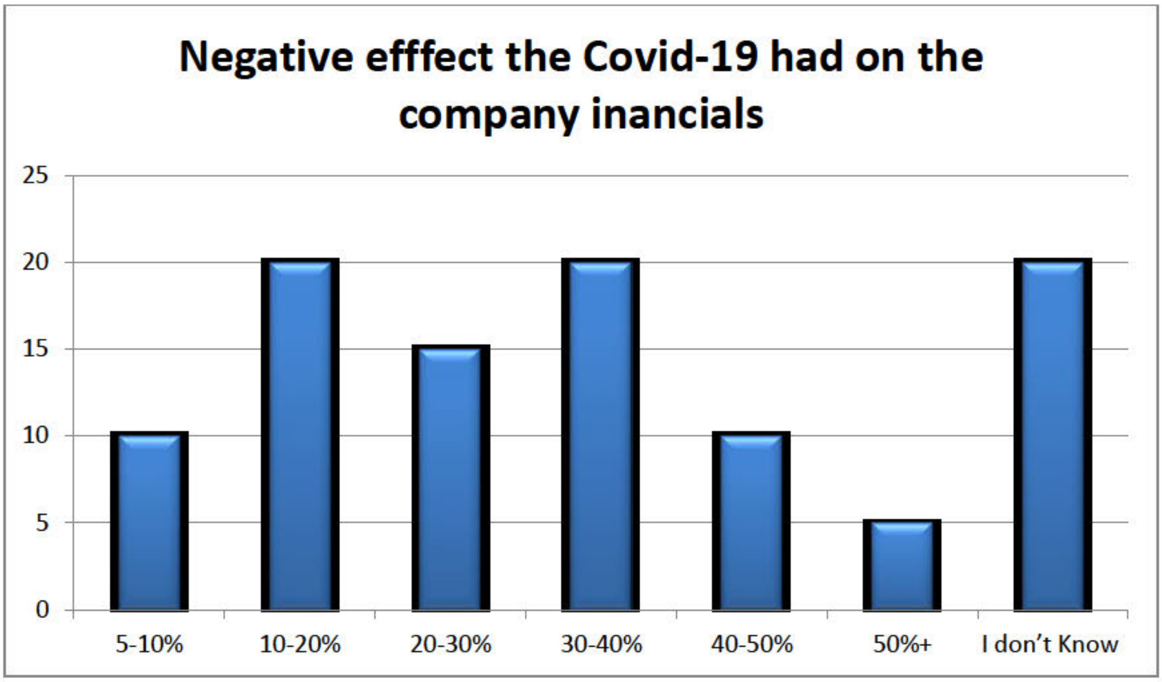
In the illustration above it can be determined that the company finds themselves in a position there is seen to be 50% result of participants stating that the question was not-applicable and there is 20% off participants stating that they found risk management strategies to be fairly easy to make use of as well as fairly accessible, as well as 30% of the participants stating that the use of as well as the accessibility of the risk management strategies are not easily accessible and easy to use. This was an expected result by the researcher as well as a result that conforms to the results found in the research conducted by Mahapa (2016).

2.13 Have you found the government in your country (South Africa) to be of any assistance to you during difficult economic time periods where the Rand value has affected your business badly?



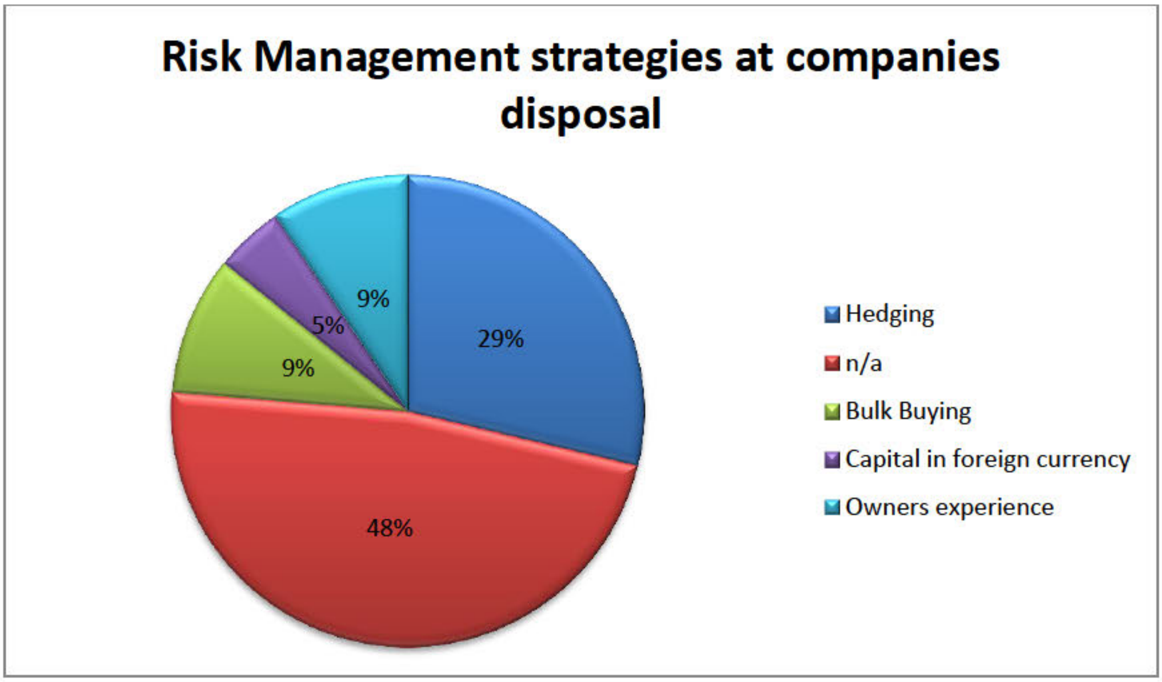
From the illustration in the above it can be noted that the companies recognise very little assistance from the government in that there is a 90% result for there being no response from government sources and a minority of only 10% of participants who agree to the government being there to assist the people and company. This is an expected result by the researcher given the high levels of corruption and lack of interest expressed regarding UIF payments as well as tax fraud. This also relates to (Mahapa, 2016) were the lack of governmental assistance is limited concerning SMME's and risk management. This was important in determining how helpful government organizations are in assisting SSME's with risk management strategies in the even in the depreciation of the Rand and or essentially the economy, as this could help in providing a solution to the lack of resources provided to companies seeking assistance when enforcing risk management strategies.

2.14 To what estimated extent has the Covid-19 pandemic affected your company's profitability in a negative form? Since the pandemic the company has suffered an estimated (%) loss of revenue in the months April- June.



As depicted in the graph above it can be seen that the companies did suffer a loss regarding the pandemic, however the percentages are fairly scattered with a loss of 5-10% at a result of 10%. 10-20% impact at 20%, a 20-30% impact at 15%, 30-40% impact at 20% , a 40-50% impact at 10%, 50% and above at 5% and lastly there is an indication where participants were not sure and the allocated percentage result is at 20%. This is an unexpected result to the researcher as the variation in the results is so much, there was an expectation of a more consistent and better understanding there of the impact on the company. This is a true indication as to the necessity that is required for the preparation of the risk management strategies well as attempted forecasting. Covid-19 led to the depreciation of the Rand to many other currencies and this occurred in an unexpected manner, this result assisted in determining how vulnerable companies are in the event of a sudden depreciation in the rand value.

2.15 What risk management strategies does the company have at their disposal in the event one is needed during a sudden depreciation in the Rand? (if any)



It can be seen in the graph that the most frequent answer given was not applicable to the participant at 48% of the responses. Thereafter the most common strategy used (29% of respondents) was Hedging strategies. 9% of participants said they would use bulk buying as a strategy in case of an emergency, as well as 9% stated that the owners had many years of experience in risk management strategies. Lastly 5% of respondents suggested having capital available in alternative currencies. The researcher was expecting a greater outcome on the number of participants who made use of Hedging as a strategy however relating to the article Mahapa (2016) it can be noted that hedging is one of the most commonly used strategies among SMME's thus confirming the results found.

Interpretation of findings

It is clearly concluded that the companies are based in Johannesburg, South Africa. This result was answered by all 20 participants requested by in the study. This was done according to the target population as well as sample size parameters relating to the quantitative nature of the research study. In question 2 the fact concerning the 5% of the participants stating that the company is not importing products for the re-sale of goods is of a concern as is indicates a portion of staff members that do not understand the fundamental operations of the company.

Further in question 3 it is seen that the companies have been established for more that 4-6 years this was to determine how many economic struggles the company has overcome, however it was seen that the participants were not completely familiar with the companies establishment duration which implies a lack of company knowledge, suggesting that the company requires further employee orientation and human resource practices.

As noted in previous years the Rand value is a lot more volatile and not as stable as the rand such as in 2018 the rand was at a decrease of 7.7% against the US Dollar (Investing.com, 2020), and there was a depreciation rate of negative 0.04% with regard to the US Dollar to the Euro (Investing.com, 2020). It can further be confirmed that the ZAR is more severely affected opposed to the USD, making companies in South Africa at a higher risk and affected more severely opposed to other countries with stronger and more stable economies.

It is noted that the Rand depreciation does have a negative impact on purchasing capabilities of companies as the value of the Rand depreciates it holds less value against opposing currency and companies essentially buy less for their normal currency amounts that they use to purchase inventory, as confirmed by Yoon, Jong Cheol; Min, Dai Hong ; Jei, Sang Young (2019). Results found indicated a higher percentage of participants that were not familiar with the concept that was anticipated. This confirms Mahapa(2016) research as it was stated that not enough people in the working environment within SMME's are in touch with the strategies which further detaches the company from making complete and maximised use of risk management strategies..

It was seen that companies (SMME's) do not familiarise themselves enough with all the strategies and options that are available to them mainly due to the costs involved, this being one of the limiting factors to the companies implementation of risk management. This was confirmed by question 8 as the 25th percentile in the confirmation portion that confirms the revision and updating of risk management strategies. This is an unexpected result as the companies are not seen taking much care in the revision of strategies to ensure they are make the most use of the risk management strategies that are made available to them.

In that it was noted that there would be a majority of people being familiar with the commonly known hedging strategy. It also confirms results founded by Chin (2015) that hedging is the most commonly used risk management strategy. This strategy is seen to be a successful cushion in risk management but is not full proof due to it being minimalistic as a strategy, companies could make use of better and more stable methods such as forward contracts or price mechanisms, however 95% of the participants are interested in further knowledge in risk management strategies.

It can be noted that the history of exposure to financial risk has caused a proportional relationship to the desire to gain further knowledge concerning risk management strategies, this is with a 95% confirmation in the participants agreeing to being exposed to historical financial risk . This is especiayl due to there being a 30% result in the restricted accessibility of risk management strategies opposed to a 20% result in the strategies being accessible and 50% result of not applicable.

It can be deduced that the Rand depreciation has substantially impacted the risk management strategies of SMME's in Johannesburg. The researcher is able to prove the theory based on the information that was gathered. It was noted that the depreciation of the Rand value did negatively affect the purchasing power of majority of the companies questioned. The impact has subsequently forced the companies to forecast the risks associated with international trade. Such that companies incurred losses during the Covid-19 pandemic even with the use of limited risk management strategies, proving that the strategies implemented may cushion the loss but companies (SMME's) are still susceptible to profit loss and do inure it still, as noted in question 2.14.

The companies gave insight into the risk management strategies currently employed in their companies, which assisted in reliving the research question. It was found that the companies (SMME's) mainly used hedging of the Rand otherwise did nothing and held onto large quantity orders as a buffer. These risk management strategies have been moderately effective but they have been inconsistent and are not a full proof strategy to the problem. In our investigations we found that the effect of the rand depreciation on the risk management strategies are that companies are forced to be innovative and quick thinking in their responses to changes in the rand, as well as continuously revise and adapt the current and limited strategies so as to always stay up to date with the ever changing currency and maintain their purchasing power as a company.

Risk management strategies that are not so financially demanding on SMMES's and are assisted by the government need to further explored as to expropriate the damaging risk associated with the depreciation with the rand

5 Validity, reliability and/or trustworthiness

The validity, reliability and trustworthiness is necessary to ensure the document remains ethical and useful to anyone looking to source information relating to the effect that the depreciation of the Rand has had on the ability of SMME's to import goods for the purpose of re-sale (Vera, 2015). This is ensured as the information gathered is obtained from a reliable source and all statistics and figures are supported by the relevant company by a reliable source or individual person or group of people where the information used for the purpose of the assignment is considered valid, reliable and trustworthy.

The research was conducted using a quantitative approach, and a questionnaire using closed ended-questions, this assisted in maintaining validity and trustworthiness as well as avoiding any forms of bias by reducing the misinterpretation of results and ensuring straight forwards answering.

6. Conclusion

In concluding the research, the data generated and collected was successful, the methods of analysis were strenuously executed. Collection and analysis methods were exercised to ensure the validity, accuracy as well as the trustworthiness of the study at hand. The companies and individuals assisting in the research were compliant and made the task pleasant and functional in all the responses gathered.

It was examined how the companies were involved and active with in the risk management practices of managing a sustainable SMME, however did not fully make use of the mitigation strategies that are available the companies and individuals seem to make use of and mainly understand only the basic level of risk management. Companies are however interested in learning about the strategies and improving. Companies are seen taking on more technological means of sourcing strategies as well as funding, but for the time being companies are still content and make do with the limited strategies they know. This will be short lived as technology is seen revolutionising at such a rapid pace.

Although SMME's are limited in risk management strategies companies are delving deeper into different strategies and sources mainly based on technology, increased knowledge and desire to remain completive in the modern world with advanced technology.

6.1.Findings

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6.2.Anticipated contribution

Due to the lack of information pertaining to the risk management strategies of SMME's as well as the discovered struggle pertaining to less disposable income, It can be anticipated that SMME's find dealing with the Rand depreciation is a lot more challenging than it would be for a larger firm, mainly due to a greater means of disposable capital that can be utilised to maximise on a larger variety of strategies made available to them. SMME's have to be able to forecast events well and be prepared to act quickly to ensure that they are able to counteract the series of events before it becomes impossible to avoid or too severe for the company to overcome.

This document is made for the purpose of assisting SMME's when faced with Rand depreciation and its volatility in South Africa, this will assist SMME's with strategies that can be used to assist in times of high Rand depreciation as well as offer more insight into processes and capabilities offered when seeking risk management relief and all the added benefits of maximising on risk management strategies that are available.

This document highlight all the strategies that are available as well as the pros and cons of each strategy when exercised, this is to assist SMME's with options that they are not always made aware of as there is a highly regarded ideology that theses risk management strategies are mainly for larger firms but this document indicated options and processes for SMME's to follow and that are made conducive for them.

6.3. Ethical considerations

Data can only be collected once the company/s being studied as well as the members of staff is made aware of the purpose of the questionnaire. The respondents will need to sign consent for the use of the information being provided.

The company as well as Varsity Collage will be informed of the questioners being sent out before hand and a date of expected completion will be attached to the questionnaire. The questions being asked will be made clear that they are not to be used for ill intent as to sabotage the company and are strictly for the purposes of research and this study.

The companies brand and business practices is to be confidential and protected at all times, this includes the names and signatures of staff members that are willing to assist in the research.

6.4. Limitations

It has been found that there is a lack of previous literature and relevant information on the topic, limiting the amount of reliable sources of information made available for the purposes that ensure the factual trustworthiness of this document.

Regarding ethical considerations, people/companies may be hesitant to release information regarding, strategies that ensure their competitive advantage as well as information regarding the profitability and financial status or operations of the financial structure within the company during difficult economic time periods, the restraint may be to protect their investor confidence, not release information that their competitors could use against them and so forth.

Wirth the Covid19 pandemic being experienced around the world as well as the recent economic and business uncertainties, companies may be hesitant to allow face-to-face interviews to take place as well as be more hesitant to release any information pertaining to the financial structure and capabilities of the company at this point in time.

The response rate during the pandemic could be vastly increased due to people not being at work or in quarantine, making the information needed less easily accessible, essentially limiting the data collection process and turnaround times are greater.

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8. Annexures

8.1. Annexure 1: Concept Document Template

PROVISIONAL TITLE: The impact of the Rand depreciation on the risk management practices of small, micro and medium-sized enterprises (SMMEs) in Johannesburg

Research Purpose/ Objective	To identify what measures are best suited for SMME's to carry out in order to make it easier for them to adapt and maintain a competitive advantage when faced with the Rand depreciation and the need to import goods for re-sale.
Primary Research Question	1. What strategies do SMME's have to combat the risk exposure to the Rand depreciation? 2. Have the management strategies been effective in managing he impact of the rand depreciation?
Research Rationale	The study uses a quantitative approach to determine factual information on how the Rand Depreciation will affect the risk management strategies employed by SMME's in South Africa, Johannesburg.
Seminal Authors/ Sources	Scott, J., McLeod, S. Maree, K. Falkner, E. M., Gibson, V. CHAPPELOW, J. Benetti, T. D Kaplan, R. S. Hassin, B. M. & Islam, S. N Hobson, D. & Kimmek, M.
Literature Review – Conceptual Framework	1.To identify the risks to SMMEs associated with the Rand depreciation 2.To examine the established risk management practices of SMMEs 3.To investigate the effect of the Rand depreciation on the risk management strategies in SMME's in Johannesburg 4. To make recommendations to SMME's on how to adapt their current risk management strategies to alleviate the impact of the depreciation of the Rand.
Paradigm	Positivism paradigm relates to the valid knowledge gained from objective, observable evidence to discover casual relationships in order to predict and control events (Maree, 2020)
Approach	Quantitative approach is a process that is systema ic and objective in its own ways, with the use of numerical data gained from a subgroup of a universe/population, this is to generalise the findings to the population being studied (Maree, 2020). **Population** The population a maximum of 21 people would be any SMME trading in Johannesburg.
Data Collection Method(s)	Questionnaire-as a questionnaire is a set of printed or written questions with he intent of being answered, this is conducted as to collect data for statistical study (McLeod, 2018). Observations will also be made of he company's financial statements which are made publically available.
Ethics	Data can only be collected once the company/s being studied as well as the members of staff is made aware of the purpose of the questionnaire. The respondents will need to sign consent for the use of the information being provided
Anticipated Finding	That is more difficult for SMMES"s to adapt and maximise on risk management strategies mainly due to financial constraint that larger firm have at their disposal.
References	Juta, 2018. research paradigms and traditions . In: research matters . Cape town: Juta, p. 19. Dornbusch, R., 1985. EXCHANGE RATES AND PRICES. NBER WORKING PAPER SERIES, pp. 20-26. Maree, K., 2020. The quantitative research process. In: K. Maree, ed. First steps in research 3. Pretoria : Van Schalik, p. 184.

Research Problem	Problem is that there is a lack of information pertaining to the risk management strategies made available to SMME's, there is more challenged in the way of SMME's due to financial constraints.
Secondary Questions/ Hypotheses/ Objectives	Hypothesis: As the Rand depreciates it will substantially impact the risk management strategies of SMME's in Johannesburg. Null Hypothesis: As the Rand depreciates there will be no effect on the risk management strategies of SMME's in Johannesburg.
Key Concepts	1.Currency depreciation 2.Managing business risks: 3.Small medium and microenterprise (SMME); 4.Risk management strategies:
Key Theories	1.Rudiger Dornbusch theory 2.risk management theory
Sampling	The sample would be the subset of the population or the groups that make up the population (Maree, 2020).Sample size would be SME's in approximately 25km radius from Varsity collage whom are distributers of any product that they might import into South Africa for re-sale purposes.
Data Analysis Method(s)	Data collected will be experimental A deductive method will also be used.
Limitations	Lack of previous information Covid19 Unwillingness to reveal to much informa ion relating to financial status Unavailability of people during Covid19
Anticipated Contribution	This document is made for the purpose of assisting SMME's when faced with Rand depreciation and its volatility in South Africa, this will assist SMME's with strategies that can be used as well as offer more insight into processes and capabilities offered when seeking risk management relief.

8.2 Annexure A: Consent form for participants

I, ____, agree to participate in the research conducted by Daniel Ferreira about the research pertaining to the exploration of the risk management strategies undertaken by SMME's during difficult economic struggles as the Rand depreciates, in order to remain profitable and avoid liquidation, this document explores the best risk management strategies that are available for SMME's when enduring the Rand depreciation time period.

This research has been explained to me and I understand what participation in this research will involve. I understand that:

1. I agree to be interviewed for this research.

2. My confidentiality will be ensured. My name and personal details will be kept private.

3. My participation in this research is voluntary and I have the right to withdraw from the research at any time. There will be no repercussions should I choose to withdraw from the research.

4. I may choose not to answer any of the questions that are asked during the research interview.

5. I may be quoted directly when the research is published, but my identity will be protected.

_____________________ ____ ______________________

Signature Date

8.3 Annexure B: Questionnaire

Daniel Ferreira
Varsity College Sandton
Contact number: 0761103549
Student number: 1801473
Research assignment

Name of company in question…………………………………………………………………………………………..

Please circle the chosen answers;

1. Are you a company based in Johannesburg South Africa?
    - Yes
    - no

2. Is this company in question dealing with the importation of goods from another country with a different currency to that of South Africa?
    - Yes
    - no

3. How many years has the company in question been operating in South Africa for?
    - 0-2years
    - 2-4years
    - 4-6years
    - 6 years and above

4. Which continent is **majority** of your trade done in or with?
    - European continents
    - Asian continents
    - American continents

5. Do you find that the depreciation of the Rand has a negative impact on the purchasing power of your company?
    - Yes
    - no

6. Do you feel it is crucial for companies to evaluate and attempt to forecast the risks associated with international trade?
   - Yes
   - no
7. Are you familiar with the term “Risk management” and all the strategies accosted with it?
   - Yes
   - Moderately
   - Not at all

8. Does the company in question have predetermined risk management strategies at their disposal as a precautionary measure for in the event of a sudden depreciation in the Rand value, where the company would be able to implement a specific strategy to ensure the survival and maintenance of the competitive advantage of the company with regard to the difference created between different currency values?
   - Yes
   - No
   - I don’t know

9. If the previous question was answered as yes, were the strategies the company uses revised or re-examined within the past 5 years as to ensure they are still a valuable and suitable resource to the company? (if question 1 was no simply answer N/A)
   - Yes
   - No
   - N/A
10. Is the person/company in question familiar with the terms Hedging and non-Hedging strategies, with regard to risk management practices?
    - Yes
    - No

11. As an SMME operating in South Africa would you be interested in finding out more information relating to any Risk management strategies that could be best suited to assist the company in question during difficult time periods where the Rand value affects the purchasing power of the company to acquire inventory from another country for the purpose of re-sale?
    - Yes
    - No

12. Has the company found itself at financial risk or in a disadvantaged position in its existence due to the depreciation in Rand value in accordance with opposing currencies and is found to have the need to implement any risk management strategies or would have implemented a strategy if it was a known option?
    - Yes
    - No

13. As an SMME and having made use of any risk management strategies has it been found fairly easy to find and make use of risk management strategies? (if risk management strategies are not known circle N/A)
    - Yes
    - No
    - N/A

14. Have you found the government in your country (South Africa) to be of any assistance to you during difficult economic time periods where the Rand value has affected your business badly?
    - Yes
    - No

15. To what estimated extent has the Covid-19 pandemic affected your company's profitability in a negative form? Since the pandemic the company has suffered an estimated ……. Loss of revenue in the months April- June.
    - 5%-10%
    - 10%-20%
    - 20%-30%
    - 40%-50%
    - 50%+
    - I don't know

16. What risk management strategies does the company have at their disposal in the event one is needed during a sudden depreciation in the Rand? (if any)

<u>Message for Email</u>

I, Daniel Ferreira, am conducting research on "The impact of the Rand depreciation on the risk management practices of small, micro and medium-sized enterprises (SMMEs) in Johannesburg." The aim of this research is to determine what risk management strategies are available to companies. As part of this project I would like to invite you to take part in my research by completing an online survey. The survey will take approximately 5 minutes to complete.

Please note that by completing the accompanying survey you are agreeing to participate in the study.

Researcher:

Supervisor:
Aarifha Razak:

8.4. Annexure C: Clearance letter

THE INDEPENDENT INSTITUTE OF EDUCATION

24 JULY 2020

Student name: Daniel Ferreira
Student number: 18019473
Campus: IIE's Varsity College

Re: Approval of Bachelor of Commerce Proposal and Ethics Clearance

HONOURS ETHICAL CLEARANCE LETTER

Your research proposal and the ethical implications of your proposed research topic were reviewed by your supervisor and the campus research panel, a subcommittee of The Independent Institute of Education's Research and Postgraduate Studies Committee.

There are some aspects that you still need to address in your proposal. You will need to address these aspects in consultation with your supervisor before you may proceed (see below):

Please discuss with your supervisor/navigator/lecturer how you will address these issues listed below:
Please note: **Your fieldwork may only proceed once you address the following issues:**

- Please make all the changes suggested/recommended by your supervisor.
- Change your objectives into sub-questions.
- Reformulate your research question to align with your methodology/research design.

In the event of you deciding to change your research methodology in any way, kindly consult your supervisor to ensure all ethical considerations are adhered to and pose no risk to any participant or party involved. A revised ethical clearance letter will be issued.

We wish you all the best with your research!

GENERAL CONDITIONS TO BE FULFILLED IN RELATION TO RESEARCH

Permission is granted to proceed with the above study subject to the conditions listed below being met and may be withdrawn should any of these conditions be flouted.

Please note: The panel has not considered the merits, accuracy or ethical soundness of the research. The only merits examined are the use of The IIE as a sample.

Permission is granted subject to the following conditions:

1. The researcher(s) will need to obtain informed consent in writing from all of the participants in his/ her sample if the study is not anonymous.
2. The researcher(s) may only use the data collected for research purposes and in no other way.
3. Photographs of human subjects may only be taken if relevant to the research, informed consent was obtained, and even with informed consent, the photographs may not be published on any online platforms.
4. The researcher is responsible for supplying and utilising his/her own research resources, such as stationery, photocopies, transport, faxes and telephones and should not depend on the goodwill of the institutions and/or the offices visited for supplying such resources.
5. No names or identifying information of participants may be used within the research and the research must be voluntary.
6. Please make it clear that the information will not be used punitively in any way and participants may in no way be counselled/advised based on this.

Supervisor:

[redacted]

AARIFAH RAZAK

Campus Postgraduate Coordinator (CPC):

[redacted]

JENNA-LEE RAMNARAIN