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**12 December 2011**

## **UCT research aims to smooth finance hurdles for SMMEs**

New research out of the University of Cape Town offers guidelines for improving bank creditworthiness assessment processes for financing the small, medium and micro-enterprise (SMME) sector, which has been identified as a critical growth area for the country's economy.

Accounting PhD candidate Jeremy Esekow's thesis, *An exploratory study of behavioural finance insights in the Small, Medium and Micro-Enterprise creditworthiness assessment process*, explores the notion that the most predominant bank creditworthiness assessment processes often generates uninformative information when SMME businesses are evaluated. Alternative sources of entrepreneurial information, specifically insights grounded in the field of Behavioural Finance, may aid the loan officer in reducing the information opacity.

To test the hypotheses, 50 SMME loan applicants answered several internet-based business case studies as part of a loan application process. The presence of cognitive biases and heuristics that emerged among the entrepreneurs was then correlated against commonly available creditworthiness information. Entrepreneurs who were found to be more risky, based on this externally available creditworthiness information, were often also found to exhibit a tendency to irrational decision making.

The study also demonstrated that Behavioural Finance insights that are useful to the creditworthiness assessment process can be generated in a commercially viable manner. In addition, marked differences in the tendency to rational decision-making were identified when comparing nascent to more established entrepreneurs. The implications of this research brings to the fore a practically useful commercial methodology that offers promise within the SMME finance sector.

Esekow is a chartered accountant (South Africa) with 10 years commercial experience. He holds an Honours Degree in Accountancy, a Master's Degree in Commerce and a Higher Diploma in Taxation. His previous research has focused on business performance measurement and share based payments. His supervisor is Professor Enrico Uliana of the Department of Accounting at UCT.

***ENDS***

**Please note:** Information in this release is based on the supervisor's citation for the PhD thesis. UCT advises journalists to obtain a copy of the thesis and/or interview the PhD graduate to verify and expand on this information.

***Issued by: UCT Communication and Marketing Department***

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