

**Publisher**

Sustainability for Regions

THE ROLE OF INTERNAL CONTROLS IN PROMOTING GROWTH AND SUSTAINABILITY OF SMALL AND MEDIUM ENTERPRISES IN SOUTH AFRICA***Awonke Geqeza ^{1*}, Enathi Qanga ²**^{1*,2} *iYunivesithi Walter Sisulu, Faculty of Economic and Financial Sciences, Department of Auditing, Republic of South Africa**E-mails:*^{1*} ageqeza@wsu.ac.za (Corresponding author); ²eqanga@wsu.ac.za*Received 25 May 2026; accepted 5 August 2026; published 30 September 2026*

Abstract. Small and Medium Enterprises (SMEs) play a crucial role in South Africa (SA) in creating employment, driving economic development, and alleviating poverty. Even though their importance is acknowledged, high failure rates among SMEs persist; weak governance structures, improper financial management, exposure to fraud, and inadequate risk assessment practices sometimes cause them. This study assesses the role of internal controls in promoting the growth and sustainability of SMEs within the Free State province. The study employed structured interviews as a data-collection instrument and a thematic approach to analyse the data. The results of this study demonstrate a clear maturity gradient of internal controls. Micro-SMEs rely on owner-driven, informal controls, whereas medium-sized enterprises use structured governance and risk management systems. Control activities such as the approval process and cash reconciliations are mostly implemented, while proper risk management, monitoring mechanisms, and internal audit functions are absent due to limited resources. This study suggests that internal controls not only serve as compliance mechanisms but also play a vital role in enhancing the sustainability and growth of SMEs. The study recommends establishing a policy to support SME growth and providing training in internal controls and digitalisation to strengthen the sustainability of SMEs in South Africa.

Keywords: SMEs; internal controls; sustainability; growth; risk management; South Africa

Reference to this paper should be made as follows: Geqeza, A., Qanga, E. 2026. The role of internal controls in promoting growth and sustainability of small and medium enterprises in South Africa. *Insights into Regional Development*, 8(3), 42-54. <http://doi.org/10.70132/k6697789267>

JEL Classifications: M10, M13, M40**1. Introduction**

It is widely acknowledged that SMEs are a vehicle for realising economic development in South Africa (Shava, 2024). The literature also affirms the role played by SMEs in job creation and economic growth (Aziz et al., 2024; Okoye et al., 2024). There is, however, a high failure rate among SMEs, which is associated with the absence of a proper governance structure, poor financial management, heightened exposure to fraud, and inherent risks that affect SME sustainability (Shipanga et al., 2022; Su et al., 2022). To curb these challenges, there is a need for implementing proper internal controls (tto, 2024). Historically, internal controls have been associated with established corporations because of resource considerations; however, they are increasingly recognised for the sustainability of SMEs as well (Tam & Le-Anh, 2021).

* *This research study was funded by New Generation of Academics Programme (nGAP), under research Studies Costs, South Africa.*

The Committee of Sponsoring Organisations (COSO) framework provides a solid foundation for establishing effective internal control components. These are control environment, risk assessment, control activities, information and communication, and monitoring activities (Purba et al., 2022). Collectively, these components are fundamental for designing and evaluating the functioning of internal controls in both established organisations and SME settings (Tam & Le-Anh, 2021). Yet SMEs continue to suggest that resource constraints are among the reasons they can only implement informal controls, even though some are fully aware of formal frameworks. This has the potential to limit their growth and sustainability (Musikavanhu & Nqala, 2024). Against this backdrop, this study sought to understand how implementing internal controls enhances SME growth and sustainability. The study draws on empirical data indicating a high failure rate among SMEs operating in the Free State province. The study sought to answer the following questions: (1) How do SMEs conceptualise internal controls? (2) What types of internal control systems are implemented? (3) How do internal controls influence business growth and sustainability? (4) What challenges hinder effective implementation? The purpose of this study is to contribute to a better understanding of how adopting formal controls can enhance SME growth and sustainability, and to demonstrate practical implications for good governance, risk management, and policy support.

The core internal control components are rooted in the COSO framework and in the literature underpinning research on SMEs in emerging markets (Tam & Le-Anh, 2021). The implementation of internal controls associated with SME performance and growth is further informed by empirical studies conducted across Africa and other regions. The literature revealed consistent patterns that demonstrate a positive correlation between internal controls and better performance, highlighting a contextual understanding that formal internal controls provide greater protection than informal controls (Ajala et al., 2023; Mukarromah et al., 2020). The absence of internal controls allows operational risks, fraud, and governance issues to thrive, which negatively affects the sustainability of SMEs, necessitating the implementation of practical and relevant internal controls even for emerging SMEs (Ololade, 2024; Hatab et al., 2020). Various South African studies demonstrate that cash flow management and good governance practices are fundamental to the growth and sustainability of SMEs, with adherence to internal control processes, even though this is not regular, an enabler in metropolitan contexts such as Cape Metropole and Pretoria (Musikavanhu & Nqala, 2024). Collectively, these elements call for an exploration of the implementation of internal controls by SMEs in the Free State province.

2. Literature Review

Internal Control Framework

The COSO framework underpins the implementation of sound internal controls. COSO is a framework established in 1992 and last revised in 2013; it provides a comprehensive approach to integrating internal controls and organisational risk management (Makaš, 2023; Pelei & Benedek, 2024). Despite the acknowledged importance of the COSO framework in the implementation of internal controls, SMEs are still not exploring this advantage (Igbojiyibo, 2024; Ngan, 2024). Instead, SMEs are mostly implementing informal controls, even though some are aware of the COSO framework, due to limited resources and a perceived burden associated with compliance with the formal framework (Tam & Le-Anh, 2021). Various research studies have demonstrated how the components of internal control apply to SME performance.

The study conducted by Ajala et al. (2023) in Nigeria demonstrates a positive association between an improved organisational performance and compliance with adopted internal control systems. Including sustainability, growth, and operational efficiency, illustrating that SME's broader performance is supported by proper implementation of internal controls. In agreement, the study by Oyelakin & Abdullahi (2022) found that various components of internal controls are positively associated with sound financial management in SMEs, while control activities significantly enhance SME growth and sustainability.

Relevant internal controls reinforce SME performance, while sales and profitability growth are often associated with how internal controls monitor differences between targets and prompt timely remedial actions (Appah, 2025). However, the extent and trodden path of the effects can differ; control activities dimensions in certain sectors or countries may have a stronger relative impact (Appah, 2025).

Operational efficiency, growth, and sustainability are enhanced by a properly functioning system of internal controls across various business settings (Ololade, 2024). The strength and relevance of the components of the COSO framework vary by size and sector; for instance, reactive or semi-formal internal control practices are frequently implemented by SMEs, which sometimes limit operational effectiveness (Ololade, 2024).

In the South African context, various scholars have conducted numerous studies on the relationship between internal control and SMEs' outcomes. The studies revealed that SMEs are experiencing challenges in designing, implementing, and maintaining internal control systems (Musikavanhu & Nqala, 2024). This is more prevalent among SMEs operating in semi-urban settings in the Free State province; these SMEs emphasise practical challenges related to resource constraints, government alignment compliance, and expertise (Baloyi & Khanyile, 2022; Magodi et al., 2023). These SMEs have limited knowledge of the potential of internal controls to ensure effective financial management and sustainability when embedded in governance and sound financial management procedures (Musikavanhu & Nqala, 2024).

SMEs and Sustainability in South Africa

The SMEs are considered economic growth drivers in SA; however, their sustainability is impacted by challenges associated with risk exposure as a result of inadequate formal controls, which also lead to weak governance and regulatory non-compliance, complicating survival and scaling for many SMEs (Maela et al., 2024; Efile & Neethling, 2025). Other factors that impede the sustainability of SMEs include operational risks, which encompass processes, employees, systems, and external events, especially in manufacturing SMEs (Shipanga et al., 2022). These highlight the need for systematic risk assessment and adherence to implemented internal controls to mitigate adverse outcomes. Scholars highlight that the absence of internal controls allows fraud risk to thrive; this can be mitigated through proactive internal controls and good governance mechanisms, thereby reducing fraudulent activities and financial losses (Efile & Neethling, 2025). The scholars further revealed a relationship between sound cash flow management and the sustainability of SMEs (Efile & Neethling, 2025).

SME sustainability and growth are linked to governance-related dynamics and sound cash flow management; good governance and vigorous cash flow management practices enhance the sustainability prospects of retail sector SMMes (Zeng et al., 2020; Iwara, 2024; Molohe et al., 2024). This is a practical process for implementing relevant internal control systems for business continuity, safeguarding assets, and improving the performance of SMEs in SA (Rahayu et al., 2024). The majority of recent SA studies focused on metropolitan municipalities (e.g., large urban municipalities). It revealed capacity constraints and the need for governance processes designed and aligned with the size of SMEs and the sector. These studies further suggested a potential gap between SME realities and the adoption of the formal components of the COSO framework. Ethical culture and governance, as well as internal controls, were identified as fundamental mechanisms that enhance the reliability of financial reporting, operational efficiency, and trust in studies conducted in SA and other regions, emphasising their links to the sustainability of SMEs (Aray & Alcívar, 2025). The view that proper functioning internal controls influence SME sustainability and growth is widely supported by the literature. However, the type and strength of the influence vary by sector, business size, governance procedures, context, and the extent to which components of COSO are implemented and monitored (Oyelakin & Abdullahi, 2022).

Synthesis of Literature

The components of the COSO framework do not automatically translate to an improved SME performance; the significance of each component can differ in context, for instance, numerous studies widely regard the control

environment as a foundational component, whereas other scholars find the effects of risk assessment, information and communication and monitoring weaker or inconsistent (Oyelakin & Abdullahi, 2022; Klein et al., 2024). This suggests that there must be controls specifically designed for SMEs, rather than requiring SMEs to adopt formal frameworks wholesale. Empirical studies from emerging economies and Africa generally support a significant relationship between SME performance and growth and the role of well-functioning internal controls. However, the relationship does not exist without differences in size effects and meaningful individual dimensions of COSO (Ololade, 2024). This demonstrates that the implementation of internal controls is uniform across various environments but must be aligned with the operations of specific SMEs and relevant to their risk profiles (Ololade, 2024). Governance and proper cash flow management are closely linked to the sustainability and growth of SMEs in SA (Şenvar & Hamal, 2022). The relationship between financial awareness, budgeting, accounting skills, and the financial sustainability of SMEs in South Africa demonstrates that the effectiveness of internal control depends on complementary capacity building in financial management (Olaewaju & Msomi, 2021). The implementation of a proper system of internal controls remains a general concern for SA SMEs, even though scholars consistently demonstrate that implementing rigorous internal controls and integrating compliance with a control culture mitigate exposure to fraud and enhance the reliability of financial reporting and operational efficacy (Aray & Alcívar, 2025).

In conclusion, the core proposition that SME sustainability and growth are enhanced by implementing internal controls is widely supported in the literature. The literature also acknowledges that their effectiveness depends on the type of business environment. The COSO framework provides a structured lens for evaluating internal controls; successful SMEs have adopted controls that align with their size, the sector in which they operate, governance maturity, and resource constraints. This study contributes to the literature by assessing the implementation of internal controls by SMEs operating within the Free State province and exploring how SMEs can benefit from the system of internal controls within the SA context.

3. Research Methodology

Research Design

To evaluate how internal control can enhance SME sustainability and growth, this study employed a qualitative research design. This design approach was adopted because it is appropriate for the study, which seeks to gather extensive insight into the perceptions, practices, and experiences of SME founders and their managers regarding the implementation of internal control systems. The interpretivist paradigm underpins this study, which holds that institutional realities, such as internal control practices, are context-dependent and socially constructed. This design provides an in-depth understanding of how SMEs implement and conceptualise internal control systems while facing resource constraints.

Research Setting and Context

This research study was carried out with SMEs operating in the Free State province in South Africa. This province was selected because it has a notably high failure rate among SMEs across various sectors, including retail, transport, construction, professional services, and manufacturing. These SMEs sometimes operated under resource constraints, caused by limited access to financial assistance and inadequate professional management expertise. Therefore, it was necessary to conduct a study to evaluate how implementing an internal control system can improve the sustainability and growth of SMEs in this province, while noting the conditions.

Target Population and Sampling Strategy

The 50 SME founders and managers from various sectors were selected as the study's target population. Of the 30 respondents in this study, only 20 showed up for structured interviews. These respondents exhibit the following characteristics: SME owner or founder and SME manager. The chosen sampling technique was used to a greater extent to select respondents with relevant knowledge of implementing internal control practices within their

business. The selected respondents had to meet the following criteria: being an SME founder or holding a managerial role within the SME; being actively involved in financial or operational decision-making; owning or managing an SME with at least 1 year of operations; and operating as a micro, small, or medium enterprise. Once the selection processes were concluded, a sample comprising SMEs with varying numbers of employees emerged, enabling assessment of the internal control maturity gradient, ranging from informal to formal control activities.

Data Collection Methods

Semi-structured interviews were used as a data-collection instrument in this study. It provided flexibility for evaluating respondents' perceptions while ensuring consistency across themes. The interview guide was developed to gather data on the following themes: understanding of internal controls; types of control systems implemented; risk management practices; monitoring and reporting mechanisms; perceived impact on business performance and sustainability; and challenges in implementing internal controls. As such the following questions were asked: what is your conceptual understanding of internal controls, what is the nature of internal controls implemented by your business (guidance are they formal or informal), have you heard about COSO framework, if yes what component of COSO is implemented in your business, what is your understanding of internal controls and business sustainability, in a case where internal controls are implemented, what are the challenges in maintaining internal controls.

During the interviews, the respondents were allowed to elaborate on their internal control practices, demonstrating both formal and informal control mechanisms. Where answers were unclear, probing questions were asked to clarify and gain deeper insights. Data collection continued until the thematic goal was met, as no new significant themes emerged.

Data Analysis

The qualitative data collected for this study were analysed using a thematic process. The thematic analysis approach was used to identify patterns and themes within the data, specifically with regard to internal control practices in line with the COSO framework. The thematic analysis followed the steps below:

- Familiarisation of data – transcripts and recordings were listened to and reviewed several times to get a full picture.
- Initial coding – the relevant segments of the data were coded by the researcher based on recurring concepts.
- Construction of themes – the broader themes and subthemes were constructed by grouping codes.
- Review of themes and modification – to maintain consistency and alignment of themes with research objectives, the themes were modified.
- Interpretation –the internal control theoretical framework and SME sustainability were used to interpret the themes.

Thematic analysis revealed numerous key themes as follows: internal controls as financial safeguards; formal vs informal control systems; COSO components in practice; internal controls and sustainability outcomes; and challenges in implementation.

4. Findings and Discussion

4.1. Characteristics of the Respondents

The SMEs in various sectors constituted the sample frame for this study. The characteristics of the respondents included owners and managers from various sectors such as retail, construction, agriculture, IT Services, transport, manufacturing, tourism, pharmacy, hospitality, security services, online Retail, and the Informal sector (spaza shops). These sectors are categorised as small, medium, or micro, with different numbers of employees and years of operation. This diversity provided a broad perspective on internal control practices across different industries. Further information is provided in Table 1 below.

Table 1. Demographic Characteristics of Respondents

Respondent	Position/Role	Sector	Years in Operation	Number of Employees	SME Category
R1	Owner-Manager	Retail (Clothing)	6	8	Small
R2	Financial Manager	Construction	12	35	Medium
R3	Owner	Catering	3	5	Micro
R4	Operations Manager	Agriculture	15	20	Small
R5	Owner	IT Services	4	6	Small
R6	Owner	Transport	10	18	Small
R7	Managing Director	Manufacturing	20	50	Medium
R8	Owner	Hair & Beauty	5	7	Small
R9	Partner	Accounting Practice	8	12	Small
R10	Owner	Spaza Shop	2	3	Micro
R11	Owner	Cleaning Services	7	14	Small
R12	Owner	Tourism	9	10	Small
R13	Owner	Pharmacy	11	9	Small
R14	Owner	Auto Repairs	6	6	Small
R15	Owner	Printing & Branding	4	8	Small
R16	Owner	Daycare Centre	5	5	Micro
R17	Manager	Wholesale	13	25	Medium
R18	Owner	Restaurant	7	15	Small
R19	Managing Director	Security Services	14	40	Medium
R20	Owner	Online Retail	3	4	Micro

4.2 Understanding of Internal Controls

Internal Controls as Financial Safeguards

The majority of the respondents understood internal controls to mean processes used to manage cash flow properly, procedures followed to prevent fraud, processes to safeguard their stock, and approval procedures. To the greatest extent, the system of internal controls is associated with procedures to ensure the accuracy of financial reporting and processes to safeguard assets, not necessarily mechanisms that enhance broader governance structures (*"I think controls help to report correct information about how much money the business has made in a given time. In my business, the controls assisted me in preventing theft and loss of money and stock, and, in some instances, helped identify stale or expired products. For example, we now do a stock take, which is part of applying internal control activities"*).

Limited Strategic Interpretation

The system of internal control was described only by well-established, professionally managed SMEs in terms of risk management, compliance, governance, and control activities that align with the COSO framework. Whereas within smaller SMEs, internal controls are equated with daily cash checks and the owner's approval. It is therefore concluded that there is an existing maturity gap between micro-SMEs and medium-sized businesses in conceptual understanding.

4.3 Nature of Internal Control Systems

Predominance of Informal Controls

The empirical results revealed that businesses with three to ten employees mostly rely on owner supervision, daily cash counts, trust-based systems, and manual bookkeeping. These, however, were undocumented and experience-based controls. (*"Look, we are not like those big businesses, we cannot afford some of the things, we rely on cash up daily, the employees here have worked quite some time, and we have developed some level of trust, we like family now"*).

Formalisation in Growing SMEs

The interviews revealed that the medium-sized business documented its control procedures; approval processes require at least two signatures; in some instances, a cloud accounting system is used; and risk assessments are conducted quarterly. There was an observed pattern: as the formalisation of internal controls increases, SME size also grows.

4.4 COSO Components in Practice*Control Environment*

The SME founders spoke strongly against theft, emphasising zero tolerance for employee and customer theft and a clear leadership authority. The owners, however, stressed the hindrances posed by the separation of duties and the duplication of roles in small enterprises. Structural limitations also weaken the effectiveness of the existing ethical culture. (*"We have installed cameras in strategic areas. When the new staff assume their duties, they are shown around, cautioned about stilling, and informed about the consequences of being found stilling. Due to the limited number of staff, it is not always easy to assign them to different roles. At times, you will find one employee having to perform three duties that are supposed to be done by two different employees"*).

Risk Assessment

Informal, reactive, and experience-based risk assessment approaches are predominantly used in the operations of SMEs. Fewer SMEs document proper risk assessments and formal financial risk analyses. It was also identified that there is a gap in the structured risk assessment process.

Control Activities

It was revealed that SMEs perform daily cash reconciliation (an example of reconciliation and verification control activity); all payments are approved by the owner (authorisation and approval control activity); and the stock count is performed by a staff member and reported to the owner on what is out of stock. The control activities found in the business operations of SMEs were operational and transactional. (*"Before we knock off at work, we do a recalculation of the amount of money in the cash register or till and confirm it on the till slips on the manual sale order. The stock shortages are brought to the attention of the manager and the owner for authorisation to request stock delivery from the suppliers. This is normally done every Monday morning for a delivery on the next Monday"*).

Information and Communication

The SMEs are relying only on manual bookkeeping, verbal and telephonic communication, and assistance from accountants to communicate their financials for funding purposes. Their information is typically communicated verbally to those who need to perform their daily duties. (*"Duties of the staff are normally circulated on WhatsApp; say we notify them about the changes on their shift or the duties that they need to perform on a given day. We sometimes from time to time require accountants' services to assist in compiling financial statements to apply for government funding"*).

Monitoring Activities

The empirical results revealed that, due to resource constraints, the SMEs are unable to conduct monthly financial reviews, quarterly reviews, and external audits as a means of oversight. They also cannot afford to employ an internal auditor or outsource internal auditing services, except for two medium-sized enterprises, which indicated that they outsource internal auditing services once a year. The observation made was that the SMEs focus more on financial reporting than on the evaluation of internal control effectiveness. (*"We know the value injected by the role of internal auditors, see or rather, we hear about it from the well-established business, not to brag, but my daughter is an internal auditor to those big companies. You know, the issue is that we cannot afford to pay them"*).

4.5 Internal Controls and Business Sustainability

Loss Prevention

The participants' understanding was that the system of internal controls assists in preventing the procurement of unneeded stock, the theft of stock and cash, payments to fictitious suppliers, and the misuse of business cars and petrol. The majority of respondents consider preventing losses to be the most important role of internal controls. (*"Even though we don't have intense or formal controls, the informal ones that we have assist us a lot in preventing losses in our business. We haven't experienced loss of either money or stock, as we don't bother that much about implementing formal controls; the controls are meant to prevent losses, that's my understanding. I would like to formalise internal controls to prevent losses from occurring, it is better to safeguard than to be sorry"*).

Improved Financial Stability

The results revealed that it is within medium-sized enterprises that the value of internal controls is realised through better profitability tracking, enhanced supplier trust, and increased client credibility. This medium-sized enterprise aligns its structure controls with the long-term growth.

Operational Efficiency

The results revealed monitoring of equipment, management of the booking system, improvement in job costing and data security controls as the operational activities prevalent within the SMEs—the system of internal controls we found to be improving both operational and financial performance.

4.6 Challenges in Maintaining Internal Controls

Resource Constraints

The respondents revealed that they can only employ a limited staff, face exorbitant compliance costs they cannot afford, and incur automation expenses. (*"It is expensive to implement compliance structures, policies, procedures. As we speak, we are struggling with tax compliance requirements. There is a lot of cost one must incur to be compliant, ranging from audit professional fees, its infrastructure and equipment, all of which require a lot of money, which my business does not have. The government also requires many documents; some of you must pay to obtain them. For example, one of the requirements for government funding is a proposal that must meet certain standards, with a financial statement, and the costs to employ someone who would assist with that"*).

Skills and Knowledge Gaps

The results identified an inadequate accounting background and knowledge, insufficient risk management training, and limited knowledge of internal control frameworks, revealing a major gap in knowledge and skills.

Monitoring Difficulties

The SMEs are grappling with resource constraints, such as an inability to employ sufficient staff to implement internal control activities effectively. This was identified as the fundamental barrier to effective implementation of internal controls.

5. Cross-Cutting Analytical Observations

Internal Control Maturity Gradient

The above results revealed that the respondents understand the conceptualisation of internal control systems in the context of SMEs as a continuum that progresses from informal financial controls to formal, governance-influenced controls. The respondents understand that the effectiveness of internal controls depends on the size of the SME, resources and managerial capacity. The study provides a suitable graphical model illustrating an internal control conceptual maturity model for SMEs. A Conceptual Model of Internal Controls and SME Sustainability is provided in Figure 1 below.

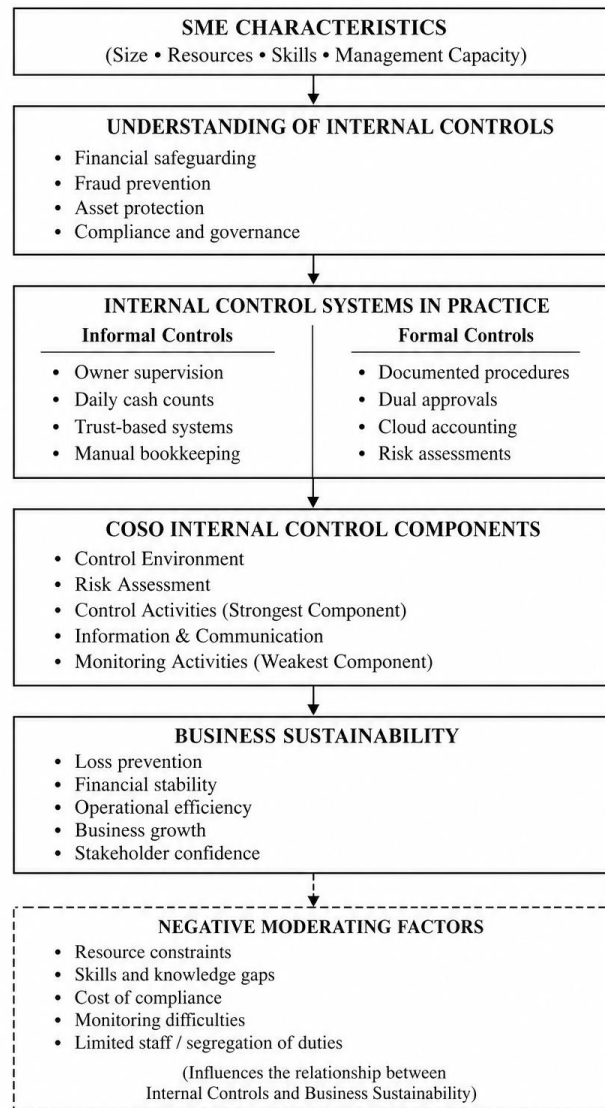


Figure 1. Conceptual Model of Internal Controls and SME Sustainability

The data analysis revealed the following internal control maturity gradient:

- Micro SMEs → Informal, owner-driven controls
- Growing SMEs → Semi-formal financial systems
- Medium SMEs → Structured governance and risk systems

This maturity gradient of internal controls reveals that effective implementation depends on the SME's growth and size.

Weak Risk Assessment and Monitoring

The respondents of this study revealed that control activities are the best-applied component of the COSO framework; risk assessment and monitoring are the least applied; and the services of the internal audit function are not used at all due to financial constraints. This demonstrates an imbalance that limits long-term sustainability.

Internal Controls as Growth Enablers. The respondents acknowledged that internal controls play a role that is more than just a compliance tool, serving as mechanisms for SME sustainability, growth, and risk mitigation. Investor confidence is enhanced by compliance with internal controls, improving resilience during economic recessions.

6. Policy and Practical Recommendations

The results of this study demonstrated that the importance of internal controls is recognised by SMEs; however, they face various constraints that prevent their implementation. The constraints include limited resources, inadequate formalisation of internal controls and skills gaps. A multi-stakeholder approach is required to improve the sustainability and growth of SMEs; it should include government funding support, financial institutions, SMEs, and various industry bodies. This collaboration will equip SMEs with all the necessary skills, knowledge and resources. The policy and practical implications that are underpinned by empirical findings are expanded in this section.

The government should increase funding for SMEs, simplify the application process, and digitise the required information. The government may consider subsidising compliance programmes, simplifying internal control frameworks to align with SMEs' operations and needs, and financial literacy campaigns. The maturity gap could be bridged by a simplified COSO framework tailored for SMEs. The findings of the study revealed that the SMEs require financial support through government funding to purchase affordable accounting software; government-led ME indaba workshops focusing on bookkeeping training; internal control toolkits; digitalisation of grants; cybersecurity training; mentorship programmes designed to enhance their managerial skills; and sector-specific guidelines.

Limitations of this study. This study evaluated the role of internal controls in promoting the sustainability and growth of SMEs operating in the Free State province in South Africa. The study demonstrated that the implementation and effectiveness of internal controls vary with SME size and resilience. The data was collected from one province, which limits the generalisation beyond the scope of this study. The study employed a qualitative research approach; future studies may consider using a quantitative approach to statistically confirm whether a relationship exists between internal control maturity and the sustainability of SMEs across SA provinces.

7. Conclusion

This study argued that the sustainability and growth of SMEs are enhanced by the critical role of the implementation of internal control systems in SA. The implementation of internal controls by SMEs depends on the entity's size and resource capacity, even though the importance of internal control is acknowledged. The SMEs are primarily implemented to prevent misuse and losses, protect assets, improve operational efficiency, and ensure reliable financial reporting. There is, however, a need for structured and risk assessment, monitoring in activities and the aof user-level audit usage. The study suggested that the system of internal controls applied by SMEs should be strengthened by targeted policy support, digitalisation initiatives and training to significantly improve sustainability and decrease SME failure rates. The study suggests repositioning internal controls from a bureaucratic burden to a strategic tool for the long-term sustainability and growth of SMEs in SA.

References

- Ajala, T. O., Ololade, B. M., Olaleye, J. O., & Abass, K. B. (2023). Internal control systems and organisational performance in Small and Medium Enterprises (SMEs) in Nigeria. *African Journal of Business Management*, 17(4), 65-73. <https://doi.org/10.5897/ajbm2023.9445>
- Appah, E. (2025). Enterprise Risk Management Practices and Financial Performance of SMEs: Moderating Role of Management Competence in Nigeria. *British Journal of Multidisciplinary and Advanced Studies*, 6(5), 21-45. <https://doi.org/10.37745/bjmas.2022.04956>
- Aray, E., & Alcívar, I. (2025). Control interno y gestión financiera de las PyMEs de servicios del Cantón Manta. *Horizon Nexus Journal*, 3(2), 214-227. <https://doi.org/10.70881/hnj/v3/n2/67>
- Aziz, Z. D. A., Rahman, N. A. A., Omar, M. K., & Hussein, N. (2024). Empowering Entrepreneurial Ecosystem: A Conceptual Paper on Exploring the Impact of Government Support on SMEs in Malaysia. *Information Management and Business Review*, 16(3S(1)a), 573-583. [https://doi.org/10.22610/imbr.v16i3s\(i\)a.4151](https://doi.org/10.22610/imbr.v16i3s(i)a.4151)
- Baloyi, F., & Khanyile, M. B. (2022). Innovative mechanisms to improve access to funding for the black-owned small and medium enterprises in South Africa. *The Southern African Journal of Entrepreneurship and Small Business Management*, 14(1), 1-14. <https://doi.org/10.4102/sajesbm.v14i1.578>
- Efile, J., & Neethling, A. (2025). Factors Contributing to the Existence of Undetected Fraud Within Retail SMEs in the Cape Metropole. *International Journal of Applied Research in Business and Management*, 6(1). <https://doi.org/10.51137/wrp.ijarbm.2025.jefs.45695>
- Hatab, A. A., Lagerkvist, C. J., & Esmat, A. (2020). Risk perception and determinants in small- and medium-sized agri-food enterprises amidst the COVID-19 pandemic: Evidence from Egypt. *Agribusiness*, 37(1), 187-212. <https://doi.org/10.1002/agr.21676>
- Igbojiyibo, R. P. (2024). The Impact of Internal Control Systems on Asset Protection and Financial Reporting Accuracy in SMEs. *Asian Journal of Economics Business and Accounting*, 24(12), 65-80. <https://doi.org/10.9734/ajeba/2024/v24i121592>
- Iwara, I. O. (2024). SMME efficacy: an in-depth analysis of key constructs in rural context. *International Journal of Entrepreneurial Knowledge*, 12(1), 1-23. <https://doi.org/10.37335/ijek.v12i1.218>
- Klein, Y., Lubinga, S., & Masiya, T. (2024). Implementation of internal controls in supply chain management: A case study. *Journal of Transport and Supply Chain Management*, 18(0), 1-10. <https://doi.org/10.4102/jtscm.v18i0.1083>
- Maela, K. D., Matloga, S. T., & Zitha, H. E. (2024). Nurturing Development Administration in South African Local Government. *International Journal of Social Science Research and Review*, 7(3), 170-188. <https://doi.org/10.47814/ijssrr.v7i3.1987>
- Magodi, A. Y., Daniyan, I., & Mpofu, K. (2023). Development of a Conceptual Framework for Quality Management System Implementation in Small and Medium Enterprises in South Africa. *Industrial Engineering and Applications*, 33, 708-716. <https://doi.org/10.3233/atde230098>
- Makaš, A. (2023). Governance, risk and compliance frameworks applicability in the organisations. *International Journal of Science and Research Archive*, 10(2), 716-724. <https://doi.org/10.30574/ijrsra.2023.10.2.1024>
- Molope, G. E., Ladzani, W., & Seeletse, S. M. (2024). Why do some government support structures fail to aid the growth of SMEs in the Gauteng Province of South Africa? *International Journal of Research in Business and Social Science*, 13(3), 448-452. <https://doi.org/10.20525/ijrbs.v13i3.3210>
- Mukarromah, D., Jubaedah, J., & Astuti, M. (2020). Financial Performance Analysis on Micro, Small, and Medium Enterprises of Cassava Product in Cibadak, Lebak Regency. *Jurnal Economia*, 16(2), 257-268. <https://doi.org/10.21831/economia.v16i2.31232>
- Musikavanhu, T., & Nqala, L. (2024). Exploring challenges in designing and implementing internal control systems: A case study of small and medium enterprises in the Cape Metropole, South Africa. *Business and Finance Journal*, 9(1), 75-84. <https://doi.org/10.33086/bfj.v9i1.5721>
- Ngan, N. T. (2024). Factors affecting the effectiveness of internal control systems in small and medium enterprises operating in the trade and service sector in Binh Duong Province. *International Journal of Management & Entrepreneurship Research*, 6(10), 3577-3588. <https://doi.org/10.51594/ijmer.v6i10.1680>

Okoye, C. C., Nwankwo, E. E., Usman, F. O., Mhlongo, N. Z., Odeyemi, O., & Ike, C. U. (2024). Accelerating SME growth in the African context: Harnessing FinTech, AI, and cybersecurity for economic prosperity. *International Journal of Science and Research Archive*, 11(1), 2477-2486. <https://doi.org/10.30574/ijrsra.2024.11.1.0231>

Olarewaju, O. M., & Msomi, T. S. (2021). Factors Affecting Small and Medium Enterprises' Financial Sustainability in South Africa. *African Journal of Inter/Multidisciplinary Studies*, 3(1), 103-117. <https://doi.org/10.51415/ajims.v3i1.893>

Ololade, B. (2024). Internal control systems of SMEs in Nigeria: a proactive or reactive strategy against employees' fraud? *Journal of Financial Crime*, 32(1), 49-63. <https://doi.org/10.1108/jfc-10-2023-0259>

Oyelakin, O., & Abdullahi, A. (2022). Assessing the efficacy of employee training and internal control system on financial management of small and medium scale enterprises in Nigeria. *African Journal of Economic and Management Studies*, 13(3), 366-384. <https://doi.org/10.1108/ajems-06-2021-0299>

Pelei, A., & Benedek, P. (2024). The role of compliance in the operation of credit institutions. *Pénzügyi Szemle = Public Finance Quarterly*, 70(1), 50-66. https://doi.org/10.35551/pfq_2024_1_3

Purba, S., Muda, I., Lumbanraja, P., & Kholis, A. (2022). Factors that Influence the Organisational Performance in Private Universities: A Review of Literature. *International Journal of Finance Economics and Business*, 1(4), 284-291. <https://doi.org/10.56225/ijfeb.v1i4.107>

Rahayu, D., Hartanto, R., Rohayati, I., & Harni, R. (2024). Fraud prevention strategies in Indonesian msme: the significance of honesty and internal control factors. *Jurnal Akuntansi Keuangan Perpajakan Dan Tata Kelola Perusahaan*, 1(4), 427-440. <https://doi.org/10.59407/jakpt.v1i4.879>

Şenvar, Ö., & Hamal, S. (2022). Examining Fraudulent Financial Statements of Turkish Small and Medium Enterprises (SMEs) from Different Sectors. *European Journal of Science and Technology*, 41, 211-220. <https://doi.org/10.31590/ejosat.1063728>

Shava, E. (2024). Re-engineering local economic development through SMMEs post-COVID-19 in rural municipalities. *International Journal of Research in Business and Social Science*, 13(3), 401-409. <https://doi.org/10.20525/ijrbs.v13i3.3028>

Shipanga, U., Roux, S., & Dubihlela, J. (2022). Operational risk factors and the sustainability of small and medium manufacturing enterprises in South Africa. *Insights Into Regional Development*, 4(4), 126-139. [https://doi.org/10.9770/ird.2022.4.4\(7\)](https://doi.org/10.9770/ird.2022.4.4(7))

Su, W., Guo, X., Ling, Y., & Fan, Y.-H. (2022). China's SMEs Developed Characteristics and Countermeasures in the Post-epidemic Era. *Frontiers in Psychology*, 13, 1-13. <https://doi.org/10.3389/fpsyg.2022.842646>

Tam, N., & Le-Anh, T. (2021). The Impact of Internal Control on Performance of Small and Medium-Sized Enterprises in an Emerging Economy. *Asia-Pacific Management Accounting Journal*, 16(2), 367-389. <https://doi.org/10.24191/apmaj.v16i2-13>

Zeng, H., Li, Y., & Shi, J. (2020). Does the supervisory ability of internal audit executives affect the occurrence of corporate fraud? Evidence from small and medium-sized listed enterprises in China. *International Journal of Accounting and Information Management*, 29(1), 1-26. <https://doi.org/10.1108/ijaim-02-2020-0020>

Funding: These research study was funded by New Generation of Academics Programme (nGAP), under research Studies Costs, South Africa.

Data Availability Statement: due to confidentiality concerns the data can be shared privately on request but it can not be included on this research study.

Author Contributions: Conceptualisation: AG; methodology: AG; data analysis: AG, writing—original draft preparation: AG, writing; review and editing: AG; visualisation: AG, EQ. All authors have read and agreed to the published version of the manuscript.

Dr. **Awonke GEQEZA** is the lecturer in the auditing department at iYunivesithi Walter Sisulu (Faculty of Economic and Financial Sciences). He holds PhD in Commerce specialising with Internal Auditing. His duties include Teaching and learning facilitation, heading departmental Research, Higher Degrees and Ethics Committee, university research ethics committee member and coordinator of extended curriculum programme. Research interests: Digital transformation, governance, internal auditing, risk management and curriculum transformation in higher education and training.

ORCID: <https://orcid.org/0000-0002-0697-9462>

Dr. **Enathi QANGA** is the senior lecturer and HoD for the department of auditing at iYunivesithi Walter Sisulu (Faculty of Economic and Financial Sciences). He holds PhD in Accountancy. His duties include providing a strategic position for the department. Research interests: Digital transformation, governance and risk management.

ORCID: <https://orcid.org/0009-0004-3434-8766>

This is peer-reviewed scientific journal <https://jssidoi.org/ird/page/peer-review-policy>

Copyright © 2026 by author(s). Publishing rights by [UAB Sustainability for Regions](#)

This work is licensed under the Creative Commons Attribution International License (CC BY).

<http://creativecommons.org/licenses/by/4.0/>



Open Access