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The Conduciveness of the South African Economic Environment and Small, Medium and Micro Enterprise Sustainability: A Literature Review

Juan-Pierré BRUWER* and André VAN DEN BERG

Cape Peninsula University of Technology, South Africa

Since the early 1980s Small, Medium and Micro Enterprises (SMMEs) have been regarded as the driving forces of both developing and developed economies around the world. In a South African dispensation, SMMEs are responsible for adding imperative socio-economic value to the country, particularly in terms of eradicating poverty and diminishing unemployment levels. By doing so, these business entities are believed to contribute at least 50% to the national Gross Domestic Product. Albeit the aforementioned, previous research studies report that up to 75% of South African SMMEs fail after being in existence for only 42 months. Though the latter dispensation has been blamed on many economic factors, over the years the sustainability of South African SMMEs has not improved to a great extent. In order to provide insight on the latter dispensation, this literature review paper was conducted to ultimately formulate two hypotheses for further empirical testing.

Keywords: *Small, medium and micro enterprises, SMMEs, South Africa, economic environment, economic factors, failure*

JEL Classification: *M20, M21, N17*

1. Preamble

Between the late 1880s and the early 1900s, while many countries were still becoming accustomed to the changes effected by the industrial revolution, newer technologies were both invented and introduced (Perez, 2004). These inventions (e.g. plastics, electronics and automobiles) stimulated the technological revolution (Drucker, 1961; Perez, 2002). One of the major contributions of the technological revolutions was the realisation of large-scale production with minimal human intervention, better known today as "mass production" (Macrae, 1951; Cowan, 1976). As a result, between the early 1900s and the mid-1920s, many organisations around the world started to make use of mass production (Rapping, 1965).

* Corresponding Author:
Juan-Pierré Bruwer, Cape Peninsula University of Technology, Cape Town, South Africa

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Although mass production positively impacted on the medium-term profitability of many organisations in an international dispensation (Curran and Blackburn, 1991; Brey et al., 2012), it did however start to have an adverse influence on global unemployment rates (Hancock, 1960; Jenkins, 1965; Gillespie and Owen, 1981). Even with the scarcity of employment opportunities during this timeframe, largely attributed to mass production, the global human population increased by an approximate 500 million people – to a total estimated 1.99 billion people (Cohen, 2003; Caselli et al., 2006; Ramankutty et al., 2002). Taking the latter into account, it is not surprising that by the late 1920s, global unemployment rates, on average, exceeded 30 percent which resulted in fewer citizens being able to partake in their respective countries' economic activities (Vedder and Gallaway, 1993; Ahamed, 2011).

Notwithstanding the fact that global economic conditions were bad, they further deteriorated owing to the 1929 Great Depression, as spurred on by the NYSE stock market crash (Crouch et al., 1982; Romer, 1993; Shea et al., 2007; Granados and Roux, 2009). A major repercussion of the Great Depression was an extreme increase in global unemployment rates – increases in unemployment rates ranging between 10 percent and 20 percent were reported around the world (Benjamin and Kochin, 1982; Crafts, 1989; Margo, 1993) which, in turn, caused extreme global poverty (Hibbs, 1979; Larson, 1980; Singh, 1999). This poignant reality remained constant for the remainder of the 1930s, with no radical changes reported in global unemployment rates and poverty levels (Lucas and Rapping, 1972; Margo, 1993).

Approximately ten years after the 1929 Great Depression, by the late 1930s, many countries had already started to recoup from the repercussions of the Great Depression (Romer, 1993). In the same vein, during 1939, the Second World War (WWII) commenced and lasted for six years until 1945, marking a period where almost all countries around the globe participated in a single war to restore peace. To finance their WWII expenditure, governments of WWII participating countries made use of an array of financing methods, such as increasing taxes, borrowing money, and/or printing money (Koistinen, 1973; Ohanian, 1997; Rockoff, 2000). As global unemployment rates were high, most governments opted to finance their WWII expenditure by borrowing money from central and/or reserve banks (Toniolo, 1988; Goodfriend, 2011), but regardless of the financing methods used by WWII participating countries to finance their WWII expenditure, WWII had a deleterious influence on the economies of most WWII participating countries (Ruttan, 1978; Bożyk, 1986; Franke, 1987; Kindleberger, 1995; Kai-Sun, 1997; Brown et al., 2012; Panfilov, 2012), resulting in the accumulation of mammoth amounts of debt (Blanchard and Fisher, 1992; Conti et al., 1994; Gropman, 1997; Mundell, 2011).

From an economic perspective, many WWII participating countries saw WWII as an opportunity to address the problem of increases in global unemployment (Eichengreen and Hatton, 1988; Guender and Oh, 2006), particularly in the sense that unemployed citizens of WWII participating countries could be easily absorbed into their respective militaries; effectively increasing the size of national militaries to aid in their respective countries' fight in the war. As a result, many national militaries around the globe between 1939 and 1945 started to absorb their respective countries' unemployed citizens to fight in WWII as soldiers (Giersch, 1985; Higgs, 1992) but unfortunately, and inevitably, an inordinate number of soldiers were killed during this war (Hoff, 1994; Desjarlais et al., 1996; Kaldor, 2005).

After WWII ended in 1945, it was reported that global unemployment rates had improved, but only to a marginal extent (Romer, 1999). Despite the loss of many lives in WWII, it was reported that, in effect, the global human population still managed to grow to an estimated two billion people between 1939 and 1945 (Nierenberg, 2005), with no visible signs of this figure decreasing and/or stabilising in the foreseeable future (Lima and Berryman, 2011).

2. Introduction

Two years after the end of WWII, during the course of 1947, economist and political scientist Joseph Schumpeter published a seminal research paper titled 'The Creative Response in Economic History'. In this research paper, Schumpeter raised the point that even though global unemployment rates were stabilised after WWII to some extent, an increase in global unemployment rates would be inevitable as long as two variables existed, namely: 1) expected increases in the global human population size, and 2) limited supplies of employment opportunities: "*Sometimes an increase in the population actually has no other effect than that predicated by classical theory – a fall in per capita real income ... [A]n economy ... adapts itself to a change in its data in the way that traditional theory describes, whenever, that is, an economy reacts to an increase in population by simply adding the new brains and hands to the working force in the existing employments*" (Schumpeter, 1947).

In the same research paper Schumpeter proposed the theory of creative response as a means to limit potential increases in global unemployment rates, particularly by embracing innovation. Essentially, Schumpeter emphasised that the role of innovation (i.e. enhancing the effectiveness of an existing idea) was more important than the role of invention (i.e. the creation of a new idea): "*[W]henever the economy ... do[es] something else, something that is outside of the range of existing practice, we may speak of creative response ... Creative response changes social and economic situations for good, or, to put it differently, it creates situations for which there is no bridge to those situations that might have emerged in its absence ... and [it is] coterminous with a study of entrepreneurship*" (Schumpeter, 1947).

Schumpeter's theory of creative response suggested that the concept of entrepreneurship should assume a more innovative approach (Wong et al., 2005) whereby individuals should be allowed to strive towards creating their own wealth, particularly by starting their own businesses through means of enhancing existing ideas, while simultaneously adding socio-economic value to the economies of the countries in which they operated – a notion strongly relative to individual capitalism (Jones and Wadhwani, 2006). Unfortunately Schumpeter's theory of creative response garnered very little attention and popularity, particularly since his radical views were not widely accepted by society (Fagerberg, 2003). By the start of the 1950s however, the revised concept of entrepreneurship did take some of Schumpeter's views into account. The improved definition of entrepreneurship, in the early 1950s, read as follows: "*Entrepreneurship ... [is] the purposeful activity of an individual or group of associated individuals, undertaken to initiate, maintain, or aggrandize a profit-oriented business unit for the production or distribution of economic goods and services with pecuniary or other advantage the goal or measure of success, in interaction with the internal situation of the unit itself or with the economic, political, and social circumstances of a period, which allows an appreciable measure of freedom of decision*" (Waters, 1952).

During the early 1950s, the USA was the only country to formally recognise the potential value of entrepreneurship (based on the above definition), especially entrepreneurship in the form of small business entities. In the USA the national government saw small business entities as tools that could address the core socio-economic objectives of decreasing the national unemployment rate and alleviating national poverty. As a result, the Small Business Administration (SBA) was formally established as an independent government agency in 1953 (Tolley, 1974) to aid, counsel and protect, to the greatest possible extent, the interest of USA-based small business entities (SBA, 2015). Apart from the USA, between the early 1950s and 1960s, majority of countries around the globe did not see the need for entrepreneurship as many economies flourished during this timeframe (King and Levine, 1993; Chang, 2011).

Between the early 1960s and the mid-1970s however, global market conditions started to become volatile (Peters, 1996; Jorion, 2002; Karmakar, 2006), which resulted in the failure of many established organisations (Caprio and Honohan, 1999). By the late 1970s, despite all the interventions implemented by relevant stakeholders to minimise risks in and around organisations, global market conditions became extremely volatile; adversely impacting on economies around the world (Buckley and Casson, 1998; Eatwell and Taylor, 2000; Staikouras, 2006). Many countries therefore started to realise both the importance and potential value of entrepreneurship for the first time – specifically entrepreneurship in the form of small business entities. As in the USA, many governments of countries worldwide started to regard small business entities as tools to aid in the achievement of core socio-economic objectives (Stokes and Wilson, 2010).

Since the early 1980s and onward, governments around the world started to place more emphasis on entrepreneurship. This was particularly done through means of developing legislation for Small Medium and Micro Enterprises (SMMEs) – a universal term that refers to small business entities – to both define and govern these business entities and promote and support them to aid governments, worldwide, to decrease relevant national unemployment rates and alleviate poverty (Hill, 2001; Park, 2001; Wren and Storey, 2002; Chepurenko, 2010).

3. Background to the Research Problem

In a South African dispensation, although many small businesses were already in operation between the early 1980s and mid-1990s, the national government only formally recognised SMMEs through the passing of the National Small Business Act No. 102 during the course of 1996. In this Act, SMMEs were officially sanctioned by the South African government, thereby allowing and encouraging these business entities to become actively involved in national economic activities and add socio-economic value to the country (Rogerson, 1997; Visagie, 1997). A few years after the implementation of the latter Act, by the late 1990s, reports indicated that between 1.6 million and 3 million SMMEs were actively operating within the borders of South Africa (Berry et al., 2002).

Albeit the fact that many of these business entities were in operation, research was conducted on their economic sustainability (the ability to attain their internal economic objectives) in the early 2000s, where it was found that between 70% and 80% of South African SMMEs had to close their doors after being in operation for only three years (Cant and Ligthelm, 2002; Van Eeden et al., 2003). As a result of the dismal economic sustainability of these business entities, the South African economy was adversely impacted, resulting in the loss of millions of rands in lost economic opportunities (Steyn and Steyn, 2006). Even though the circumstances surrounding the economic sustainability of South African SMMEs were disconcerting, they did not change for the better, as by the late 2000s approximately 75% of these business entities were reported to have closed their doors after being in operation for a period of only 42 months (Fatoki and Odeyemi, 2010; Mutezo, 2013); in other words, by the late 2000s, an estimated 10 000 South African SMMEs were failing monthly (Biyase, 2009). With the passing of time, by the early 2010s, the economic sustainability of South African SMMEs still did not show any improvement as research studies found that approximately 63% of South African SMMEs had to close their doors after being in operation for a period of only two years (Cant and Wiid, 2013), while a total of 75% of these business entities had to close their doors after being in operation for only three years (Moloi, 2013).

When taking into account that South African SMMEs have received ample support from national government since 1996 (DTI, 2015), it is fair to have expected an improvement in the economic sustainability of these business entities over the years. Major government support agencies include: the Small Enterprise Development Agency (aiding SMMEs with financing opportunities, training opportunities, marketing opportunities and franchising opportunities), the National Empowerment Fund (assisting black-owned SMMEs with funding) and the National Small Business Advisory Council (promoting SMME support at government level). In addition, the Department of Economic Development administers Khula Finance Limited (providing funding to SMMEs), the Industrial Development Corporation (providing funding to SMMEs), and the South African Micro Finance Apex Fund (providing funding to SMMEs (Timm, 2011).

Unfortunately the economic sustainability of South African SMMEs did not improve between the early 2000s and 2010s – in more recent times up to 75% of these business entities have failed after being in operation for only three years (Bruwer, 2016). Therefore, it is reasonable to assume that the disconcerting economic sustainability of South African SMMEs is directly associated with economic factors which, in turn, influence the economic environment of South Africa.

For the remainder of the paper, discussion takes place under the following headings: 1) research design, 2) literature review, 3) conclusion, and 4) avenues for further research.

4. Research Design

Non-empirical research was conducted for this research study. A theoretical investigation into the weak sustainability of South African SMMEs was conducted, particularly in relation to the South African economic environment was. After working through roughly 100 sources, only 41 sources were cited (see Table 1) by the authors.

Table 1. *Sources which were used to obtain theoretical insight*

Source type	**Quantity**
Journal articles	18
Books	3
Reports	6
Professional websites	8
Newspaper articles	3
Theses / dissertations	3
TOTAL	**41**

These 41 sources were used as foundation to theoretically underpin why the economic sustainability of South African SMMEs is weak, including its association with the South African economic environment. Stemming from the aforementioned, two hypotheses were formulated pertaining to the sustainability of South African SMMEs and the South African economic environment.

5. Literature Review

For the remainder of this section, discussion takes place under the following headings: 1) the South African economic environment, and 2) economic factors which influence the South African economic environment.

5.1. The South African Economic Environment

The economic environment of a country refers to its overall state or condition (Guilhoto et al., 2002) which is generally measured through means of key economic indicators (Borghi et al., 2010; Pepple, 2012). Even though an array of economic indicators can be used to measure the economic environment of South Africa, only six economic indicators were used for this literature review – the fundamental indicators of measuring the economic environment of any country (Furdell and Wolman, 2006), namely:

- Gross Domestic Product (nominal): The total monitory value of all completed goods and/or services which are produced within the borders of a country, within a period of 12 months, which is expressed in US$ (Schmitt-Grohé and Uribe, 2001; Račickas and Vasiliauskaitė, 2010).
- Gross Domestic Product per capita (nominal): The gross domestic product (nominal) of a country is an indication of the GPD divided by the estimated population size of the relevant country (Akiba et al., 2012). Otherwise put, this economic indicator represents the value which the average citizen contributed to the gross domestic product (nominal) of a country and/or what the average annual salary of the average citizen should have been – expressed in US$ (Mas-Colell, 2013).
- Poverty line: The degree of poverty in a country can be explained by an array of poverty lines (e.g. the food poverty line and the lower bound poverty line). For this study, the upper bound poverty line was chosen as it depicts the rand-value, per month, at which a citizen of a country can purchase both adequate food and non-food items – expressed in South African rand (Statistics South Africa, 2014c).
- Inflation rate: A measurement of the cost of goods and/or services, in a percentage format, within a specific country; representing a fair depiction of the cost of living in the particular country (Mohr and Fourie, 2004).
- Population size: The number of people that make up the population of a country.
- Unemployment rate: An indicator of the number of citizens in a country, in percentage format, who have been unemployed for between one and four weeks, including those who have not searched for employment opportunities for between one and four weeks (Kingdon and Knight, 2000).

A summary of these economic indicators are provided for the South African economy in Table 2 for the years 2011 to 2015:

***Table 2**. Summary of South African economic indicators for 2011 to 2015*

Economic indicator	**2011**	**2012**	**2013**	**2014**	**2015**
Gross Domestic Product (nominal)	US$ 446 billion	US$ 399 billion	US$ 356 billion	US$ 357 billion	US$ 329 billion
Gross Domestic Product per capita (nominal)	US$ 8 656	US$ 7 621	US$ 6 698	US$ 6 608	US$ 5 994
Inflation rate	5.0%	6.0%	5.9%	6.0%	4.4%
Poverty line	R620	R670	R700	R753	R779
Estimated population size	51.6 million	52.3 million	53.2 million	54.0 million	54.9 million
Unemployment rate	24.8%	24.9%	24.7%	25.1%	25.4%
Gross Domestic Product (nominal)	US$ 446 billion	US$ 399 billion	US$ 356 billion	US$ 357 billion	US$ 329 billion

Sources: Statistics South Africa, 2014c; World Bank, 2015; ASSAF, 2015; Van Rensburg, 2016; Trading Economies, 2016

Stemming from the statistics in Table 2, the following inferences can be made:

- The South African Gross Domestic Product (nominal) experienced a net decline of US$ 117 billion (-26.23% growth) between 2011 and 2015. Specifically there was a decrease of ±US$ 47 billion between 2011 and 2012, a decrease if US$ 43 billion between 2012 and 2013, a slight increase of US$ 1 billion between 2013 and 2014, and a decrease of US$ 28 billion between 2014 and 2015. Essentially, these fluctuations are two-fold in the sense that it could have been influenced by demand-side factors (e.g. increases in interest rates, increases in inflation rates, etc.) and/or supply-side factors (e.g. lack of

infrastructure, lack of scarce skills, etc.) (Bikker and Hu, 2002). It also becomes apparent that consumer confidence decreased from 2011 to 2015 as less money was spent on the production of local goods and/or services – implying potential increases in national unemployment.

- The Gross Domestic Product per capita (nominal) reflects an overall net decline of US$ 2 662 (-30.75% growth) between 2011 and 2015. In particular there was a decrease of US$ 1 035 from 2011 to 2012, a decrease of US$ 932 between 2012 and 2013, a decrease of US$ 90 between 2013 and 2014, and a decrease of US$ 614 between 2014 and 2015. The latter serves as evidence that the average income per South African citizen decreased from year-to-year over the applicable period, justifying the limited investment made in the production of local goods and/or services. Moreover, the aforementioned also suggests that the standard of living in South Africa has deteriorated from 2011 to 2015 which, in turn, may have been caused by increases in national unemployment. The Gini coefficient shows how well money is disseminated among citizens of a country. It is depicted as a number between 0 (absolute equality) and 1 (absolute inequality). The Gini coefficient of South Africa was estimated at 0.77 in 2014; among the highest Gini coefficients in the world. (Statistics South Africa, 2014c).

When taking into account the statistics pertaining to inflation, clear tangent planes emerge that the cost of living in South Africa has increased from 2011 to 2015, which decreased citizens' abilities to engage in economic activities. To place the inflation in South African in better perspective, a product with a cost price of R10.00 on 1 January 2011 costed approximately R13.04 on 31 December 2015. Alternatively stated, the accumulated increase in the cost of living, between 2011 and 2015 is estimated at 27.3%. Taking the aforementioned into account, the shrinking Gross Domestic Product per capita (nominal) becomes even more disconcerting – through the cost of living in South Africa increased, the average remuneration of a South African citizen decreased from 2011 to 2015. Therefore, it is highly probable that national unemployment and/or poverty increased during the same period

The South African poverty line (upper bound) experienced a net increase between 2011 and 2015, of R159 (+25.65%). This just means that in order to make ends meet, the average South African citizen had to earn more money year-on-year from 2011 to 2015. Although this net increase is lower than the net increase for inflation, clear tangent planes start to emerge that South African citizens' abilities to engage in economic activities were impeded during the same timeframe (see footnote 4). The aforementioned supports the inference made that the poverty increased in South Africa between 2011 and 2015.

South Africa is believed to have one of the worst unemployment statistics in the world (Business Tech, 2016). Based on the statistics in Table 2, it is apparent that the unemployment rate underwent a net increase of 1.61% between 2011 and 2015. Although this net increase may not appear as substantial, it is placed in better perspective when the unemployment rate for every year is multiplied by the estimated population size. By doing so, the conservative inference can be made that between 2011 and 2012 12.8 million South African citizens were unemployed, between 2012 and 2013 13.02 million South African citizens were unemployed, between 2013 and 2014 13.14 million South African citizens were unemployed, and between 2014 and 2015 13.94 million South African citizens were unemployed. Hence, the net increase of unemployed South African citizens between 2011 and 2015 can be estimated at 1.14 million people (+8.91%). The latter supports the inference made that the unemployment increased in South Africa between 2011 and 2015.

From the above, it can be concluded that the South African economy is not very conducive for business entities to become sustainable in, particularly supported by negative growth of the Gross Domestic Product (nominal) and the Gross Domestic Product per capita (nominal) and the positive growth of inflation, national poverty and national unemployment. This sentiment is supported by previous studies (Lazzeretti and Petrillo, 2006; Herington and Kew, 2013, Bruwer et al., 2013) where it was concluded that the South African economic environment can be described as "harsh" as it is influenced by an array of economic factors, serving as a type of breeding ground for risks to realise in. To understand what may have potentially caused the South African economic environment to become so non-conducive, focus has to be placed on key economic factors which influenced it.

5.2. Economic Factors which Influence the South African Economic Environment

Economic factors can be regarded as those factors which have a direct influence on the economic environment of a country and its relevant legal persons and natural persons (Wessels, 2000; Cant and Wiid, 2013). They are generally demarcated into macro-economic factors and micro-economic factors (Brink et al., 2003):

- Macro-economic factors: Those economic factors that have a significant influence on the economic environment of a country (and its citizens and business entities) that cannot be managed and/or controlled to a great extent. Macro-economic factors predominantly stem from global, national, regional and/or local

economies and have a significant influence on countries' economic environments, which, in turn, have a direct influence on their citizens, business entities and relevant economic activities.

- Micro-economic factors: Those economic factors that have a less significant influence on the economic environment of a country that can be managed and/or controlled to some extent at least. Micro-economic factors mainly stem from customers, buyers, vendors and business entities alike, in a national dispensation, and impact more on countries' citizens and business entities as opposed to the economic environment.

Over the years, according to previous research studies (Kunene, 2008; Swart, 2011; Statistics South Africa, 2014a; Statistics South Africa, 2014b; Trading Economics, 2014; SAICA, 2015), an array of macro-economic factors and micro-economic factors have been found to independently and/or interdependently influence the South African economic environment. A non-exhaustive list of these identified economic factors is shown in Table 3.

***Table 3**. Non-exhaustive list of economic factors which influence the South African economic environment*

Macro-economic factors	**Micro-economic factors**
Economic uncertainty	Bad business infrastructure
Extensive red tape	Bad pricing strategies
Frequent electricity outages	High levels of internal/external competition
High costs of credit	High overhead costs
High disruption rates in public transportation services	Inability to deal with red tape
High electricity costs	Incompetent human resources
High inflation rates	Lack of business infrastructure
High interest rates	Lack of business knowledge
High levels of crime	Lack of business planning
High levels of external competition	Lack of business skills
High taxation rates	Lack of customer relations
High water costs	Lack of external funding
Rapid changes to government legislation	Lack of financial knowledge
Rapid technological advancements	Lack of internal financial resources
Strict government legislation	Lack of mentoring
Volatile demands for products/services	Lack of proper marketing strategies
Volatile exchange rates	Limited knowledge of markets
Volatile market conditions	Non-payment of debtors/customers
Volatile supplies of products/services	Poor cash flow management
Weak service delivery by government	Substitute products/services
	Weak business location(s)

When taking into account the analysis of the economic indicators (Table 2), as well as the economic factors which influence the economic environment (Table 3), it becomes apparent that the "harsh" South African economic environment may be directly influenced by a range of economic factors:

- The decrease in the Gross Domestic Product (nominal) may have been caused by inter alia extensive red tape, high costs of water and electricity, high levels of crime, high levels of taxation, volatile supplies and/or demands for products and/or services, and weak government service delivery.
- The decrease in the Gross Domestic Product per capita (nominal) may have been caused by increases in unemployment. A range of factors inter alia economic and political instability, lack of adequate infrastructure, corruption, illiteracy and inflation attracts less foreign investment which may have spurred the latter dispensation.
- The increases in inflation may have resulted from inter alia, economic uncertainty, weak service delivery by government, volatile exchange rates, and high interest rates.
- Although there was an increase in the poverty line, it did not keep up with inflation. Possible reasons for the latter include inter alia high levels of crime, unemployment, high taxation rates, and economic uncertainty.
- The increase in unemployment may have been caused by an array of factors which include, inter alia economic uncertainty, high taxation rates, skill shortages, volatile demands for products/services, volatile market conditions, rapid changes in government legislation, and rapid technological advancements.

Hence using the above points as basis, the inference can be made that economic factors had a predominant adverse influence on the South African economic environment which, in turn, may have had an adverse influence on South African SMME sustainability. When taking into account that the South African economic environment has been "harsh" from at least 2011 to 2015, it is highly probable that it may be the reason by the sustainability of South African SMMEs have not improved to a great extent over the years.

6. Conclusion

In a South African dispensation, SMMEs are key role-players in the stimulation of the national economy – adding value mainly in the stimulation of the national economy through alleviating national poverty and reducing national unemployment. Albeit the latter, approximately 75% of these business entities after being in existence for 42 months. More often than not, the latter has been blamed on economic factors.

Upon further investigation into the South African economic environment, it was found that this particular economic environment is non-conducive for these business entities to operate in – often described as "harsh". This view is further justified when emphasis is placed on statistics pertaining to the six economic indicators between 2011 and 2015: 1) decreases in figures for the national GDP and the GDP per capita, and 2) increases for figures for inflation, poverty and unemployment. Moreover, literature also provides validation that the South African economic environment may have been adversely influenced by a range of economic macro-economic factors and micro-economic factors which, in turn, may have adversely influenced South African SMME sustainability.

Using the above as basis, it is therefore highly plausible that the sustainability of South African SMMEs may be directly influenced by the overall conduciveness of the South African economic environment. Therefore, the following theories are proposed for further empirical testing:

Theory 1: There is a positive association between the weak South African SMME sustainability and the non-conduciveness of the South African economic environment.

Theory 2: There is a positive association between South African SMME sustainability and the conduciveness of the South African economic environment.

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