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The Influence of "Sin Tax" on the Economic Sustainability of Small, Medium and Micro Liquor Store Enterprises in the Northern Suburbs of the Cape Metropolis, South Africa

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ABSTRACT In South Africa, Small Medium and Micro Enterprises (SMMEs) are imperative in providing employment opportunities and alleviating poverty. As such, the contribution of SMMEs towards economic growth is highly valued. SMMEs constitute 97 percent of all businesses in South Africa; contributing 35 percent to the national Gross Domestic Product. Despite the latter, research shows that 70 percent of SMMEs fail within their first three years of operation; caused by numerous factors that affect their overall sustainability. A major factor these entities face is high taxation rates; making it difficult for SMMEs to become sustainable. The main objective of this study was to determine the extent to which customs and excise duties influence the economic sustainability of SMMEs. The study was exploratory and quantitative in nature and non-probability sampling was used to obtain data from respondents. It was found that SMMEs' economic sustainability was adversely affected by customs and excise duties.

INTRODUCTION

According to the *National Small Business Act No 102 of 1996*, in South Africa, SMMEs are regarded as business entities that are managed and/or owned by one or more owner(s) while operating in any sector and/or sub-sector of the national economy (South Africa 1996). In addition, in the latter *Act*, SMMEs are also obliged to aid in the attainment of two major socio economic objectives, namely:1) job-creation, and 2) poverty alleviation (Smit and Bruwer 2015; Sibindi and Aren 2015). Hence, it is of no surprise that prior research found these entities to be major role players in the stimulation of the economy of South Africa – generally regarded as the main driving force of the national economy (Olawale and Garwe 2010; Muzondi 2014; Lisita et al. 2015) and greatly responsible for stimulating an "entrepreneurial spirit" within the perimeter of the country (Musara 2010).

A couple of years after the publication of the *National Small Business Act No 102 of 1996*, by the early 2000s, between 1.6 million and 3 million SMMEs were in operation in South Africa (Rogerson 2004). All in all, during this timeframe, these entities contributed approximately 35 percent towards the national Gross Domestic Product[1] of South Africa, and also provided employment opportunities to an estimated 56 percent of the workforce in the private sector (Berry et al. 2002; Mccord 2005). In more recent times however, since 2010, the number of South African SMMEs that are in existence are believed to be more than 3.5 million (Bruwer 2010; Urban 2012; Ponelis 2014); responsible for absorbing approximately 80 percent of the national labour force in the private sector, and contributing up to 40 percent to the national Gross Domestic Product (Ngary et al. 2014; Prinsloo et al. 2015).

Notwithstanding the above facts and figures, prior research found that SMMEs do not have a sound "track record" in relation to their existence (Fatoki 2014). The latter view is fully justified by the fact that between 40 percent and 60 percent of SMMEs fail within their first two years of existence (Bowler et al. 2007; Chimucheka and Rungani 2011); by the third year, approximately 70 percent of SMMEs are believed to fail (Kemp et al. 2015). From the above, one can infer that due to the failure rate of SMMEs their overall sustainability[2] is very poor.

Prior research studies suggest that the failure rate of SMMEs (and these entities' overall sustainability) is greatly caused by economic factors (Beck 2007; Olawale and Garwe 2010; Ngary et al. 2014), and examples of these economic factors include *inter alia* interest rates,

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exchange rates, inflation rates, crime, and staff competency (Cant and Wiid 2013). Though all economic factors have some type of influence over the wellbeing of SMMEs, one of the greatest economic factors, with the greatest influence, is that of taxation (Smulders 2006; Siwangaza et al. 2014; Salie et al. 2014).

With the above in mind, it is imperative to take into account that, in South Africa, the *Companies Act No 71 of 2008* requires that all business entities, regardless of their size, have to register with the South African Revenue Services[3] (SARS) for taxation purposes (South Africa 2008). By registering with SARS, it subsequently compels businesses (including SMMEs) to pay registration fees, licensing fees and (ordinary) taxation (Huxham and Haupt 2010); placing excessive pressure on the economic sustainability of such businesses (Darrol and Corrigan 2013). In addition, businesses that trade with undesirable goods that are fast moving, high-volume and non-essential in nature (for example, cigarettes, alcohol, plastic bags, etc.) are also subject to paying customs and excise duties[4] (Lemboe and Black 2012), which has an adverse influence on the overall sustainability of such entities (Salie et al. 2014).

Problem Statement

Emanating from the above, the authors formulated the broad perception that "sin tax" has an adverse influence on the economic sustainability of South African SMMEs that trade with undesirable goods that are fast moving, high-volume and non-essential in nature. The latter, in turn, negatively affects the overall existence rate of such South African SMMEs.Within the ambit of this research study, emphasis was only placed on small, medium and micro liquor store enterprises due to certain limitations. Hence, for the sake of this paper, the problem statement read as follows:

Small, medium and micro liquor store enterprises' economic sustainability is adversely influenced by "sin tax" as levied on products that are traded with.

Research Questions

In order to shed light on the identified research problem above, the following research questions were asked: 1) How aware are the management of small, medium and micro liquor store enterprises of "sin tax"?, 2) What products do small, medium and micro liquor store enterprises trade with that are taxable in terms with "sin tax"?, and 3) How does "sin tax", as imposed on these products, influence the economic sustainability of small, medium and micro liquor store enterprises?

Literature Review

The literature review provides relevant information, in a structured manner, as to where the authors' perception stems from in relation to the identified research problem. Relevant discussions take place under the following headings below: 1) SMMEs in South Africa, 2) economic factors influencing South African SMMEs, 3) a brief overview of taxation in South Africa, and 4) "sin tax" in South Africa.

SMMEs in South Africa

In South Africa, SMMEs are officially defined by the *National Small Business Act No 102 of 1996* as separate and distinct business entities, including co-operative enterprises and non-governmental organisations, which are managed by one or more owner(s), including its branches and/or subsidiaries, and are predominantly carried on in any sector and/or sub sector of the national economy (South Africa 1996). In this same *Act*, SMMEs are demarcated into four categories of size, which is based on: 1) the number of full-time employees they employ, 2) their annual turnover made, and 3) their gross asset value, excluding fixed property. Due to the fact that emphasis is placed on small, medium and micro liquor store enterprises, in Table 1 a summary is provided as to how liquor store SMMEs are classified in terms of their respective sizes.

Even though the *National Small Business Act No 102 of 1996* has only been amended once, to some extent, through means of the *National Small Business Amendment Act No 26 of 2003*, nothing has changed in relation to the definition of SMMEs and the classifications of their respective sizes (South Africa 2003). Notwithstanding the latter, over the course of more than two decades after the passing of the initial

Table 1: The classification of liquor store SMMEs in terms of their respective sizes

Size	*Number of full time employees employed*	*Annual revenue made*	*Gross asset value, excluding fixed property*
Micro	Between 0 and 5	Between 0 and R150 000	Between R0 and R100 000
Very Small	Between 6 and 10	Between R150 001 and R3 000 000	Between R100 001 and R500 000
Small	Between 11 and 50	Between R3 000 001 and R15 000 000	Between R500 001 and R2 500 000
Medium	Between 51 and 100	Between R15 000 001 and R30 000 000	Between R2 500 001 and R5 000 000

Source: South Africa 1996

Act pertaining to SMMEs, these entities are still regarded as vital to the national economy of South Africa (Ngary et al. 2014; Siwangaza et al. 2014); particularly as they assist in the attainment of the three main socio economic objectives: 1) creating employment opportunities, 2) alleviating poverty, and 3) distributing wealth in an equal manner (Bruwer et al. 2013; Chimucheka 2013). To place the latter into perspective, over 90 percent of business that are in operation in South Africa are regarded as SMMEs (Van Scheers 2011; Ladzani 2012); absorbing close to 80 percent of the national labour force (Ngary et al. 2014) and contributing approximately 35 percent to the national Gross Domestic Product (De Jongh et al. 2012; Gordon et al. 2014).

Albeit the above, South African SMMEs are believed to have one of the weakest existence rates in the world (Fatoki and Odeyemi 2011). This is especially disconcerting as prior research found that close to 75 percent of South African SMMEs fail within their first two years of operation (Fatoki and Smit 2011). Moreover, to make matters even more perplexing, the probability of a newly established South African SMME to exist beyond 42 months is very low (Olawale 2010) as the majority of these entities fail within their first three years of existence (Van Eeden et al. 2003; Olawale and Garwe 2010; Jansen Van Vuuren 2011; Jassiem et al. 2012; Cant and Wiid 2013).

Based on the aforementioned, it is evident that SMMEs are of paramount importance to the South African economy, specifically due to their support in the attainment of core socio-economic objectives. Unfortunately, SMMEs have dismal existence rates, with most of these entities failing after being in operation for a maximum of three years. Prior research suggests that the *raison d'etre* for the latter dispensation is the influence which economic factors have on South African SMMEs. In the section that follows, emphasis is placed on economic factors which influence these entities.

Economic Factors Influencing South African SMMEs

In fundamental nature, economic factors can be described as factors, which stem from internal and/or external sources, which have a significant influence on the holistic development and/or performance of a business (Kunene 2008; Bruwer et al. 2013; Ingle 2014). Economic factors are generally categorised into two groups, namely that of: 1) macro economic factors (factors which influence the economic sustainability of a business and over which a business' management has very little control), and 2) micro economic factors (factors which influence the economic sustainability of a business and over which a business' management has a fair amount of control over).

Although a plethora of economic factors exist, prior research studies (Beck 2007; Kunene 2008; Bruwer 2010; Olawale and Garwe 2010; Kemp et al. 2015) have identified that the core economic factors which have an adverse influence on the existence of South African SMMEs pertain to, *inter alia*, the following: 1) interest rates, 2) inflation rates, 3) market conditions (economic environment), 4) supply of goods and/or services, 5) demand for goods and/or services, 6) crime, 7) government legislation, 8) access to finance, 9) management competency, 10) staff competency, 11) availability of performance measures, and 12) taxation.

Due to the fact that taxation is inevitable, one can deduce from the above that taxation will, more often than not, have a negative influence on the overall economic sustainability of South African SMMEs (as taxation is payable on the profits that such businesses earn) and, evidently, on the existence of these entities (the payment of taxation is mandatory in South Africa). For this very reason it is imperative to place focus on taxation in a South African dispensation.

A Brief Overview of Taxation in South Africa

Taxation can be defined as a compulsory levy and/or payment that is imposed on taxable entities (that is, individuals and/or businesses), in a particular economy, as per relevant government, for the main purpose of raising money to run the affairs of the applicable economy (Bakar and Rahman 2007). Apart from the latter, taxation can also be used to both discourage and encourage the use of particular goods and/or services within a particular economy (Enríquez and Elson 2012).

In a South African dispensation, taxation is payable by both natural persons (that is, human beings) and non-natural persons (for example, businesses). More often than not, South African businessesare subject to the following taxation, *inter alia*: 1) Capital Gains Tax, 2) Corporate Income Tax, 3) Personal Income Tax[5], 4) Value Added Tax (VAT), 5) Unemployment Insurance Fund, 6) Skill Development Levy, and 7) Provisional Tax (SARS 2014, 2015a). Albeit the aforementioned, due to strict legislation pertaining to taxation, most South African businesses, particularly SMMEs, have to incur compliance costs in order to strictly comply with such legislation (Smulders and Naidoo 2013), which has an adverse influence on their overall sustainability (Smulders 2013); in turn, their existence for the foreseeable future (Coolidge et al. 2008; Evans et al. 2014).

Although taxation and "compliance costs" are regarded as great burdens for SMMEs in South Africa, it is imperative to take note that some forms of taxation are directly imposed by SARS, while others are indirectly imposed by SARS (SARS 2012). In core, direct taxation is levied on the income, property and wealth of South African entities (Business Dictionary 2015), while indirect taxation is levied on transactions pertaining to goods and/or services to discourage and/or encourage the purchase and/or use thereof; leading to an overall increase of the price(s) of such goods and/or services (Investopedia 2015). The importance of indirect tax is substantiated by the South African National Treasury (2013) who determined that during the 2013 fiscal year, indirect taxation made up 43.5 percent of all money received by SARS. Of the latter 43.5 percent, a total of 4.8 percent (equivalent to R38.99 billion) pertained to "sin tax".

Though "sin tax" is relatively small when compared to other types of indirect taxation, such as VAT – 26.4 percent of total money received from SARS (National Treasury 2013) – it is however material. In the section that follows, emphasis is placed on "sin tax" in South Africa.

"Sin Tax" in South Africa

"Sin tax" was first introduced to the South African economy through means of the *Customs and Excise Act No 91 of 1964* (South Africa 1964). This *Act* specifies that taxation should be levied on an array of products, to help raise money on behalf of a government, in order to finance government spending (Sadowsky 2014), with the moral intent to discourage the consumption of such products as they are harmful to human health and/or the natural environment (Salie et al. 2014). Examples of these products include, but are not limited to: 1) malt beer, 2) traditional African beer, 3) spirits and or liquor products, 4) wine, 5) tobacco products, 7) fuel (petrol), and 8) plastic bags (SARS 2015b).

In fundamental nature, businesses that trade with products, which are taxed in relation to "sin tax", generally add the applicable portion of "sin tax" to their applicable mark-ups (profits) on such products; in most cases businesses indirectly pass on their burden of "sin tax" to theircustomers. Albeit the fact that "sin tax" is supported by legislation, the actual taxation levied on applicable products is adjusted each year as per the *National Budget Speech*. For example, during the 2014 *National Budget Speech* of South Africa (Gordhan 2014) "sin tax" was adjusted as follows: 1) "sin tax" on malt beer at 7.82c per litre, 2) "sin tax" on wine (including fortified wines) at R9.11 per litre, 3) "sin tax" on unfortified wine at R2.87 per litre, 4) "sin tax" on fortified wine at R5.21 per litre, 5) "sin tax" on sparkling wine at R9.11 per litre, and 6) "sin tax" on fermented beverages (unfortified) at R9.11 per litre. With the adjustment (normally increased) of "sin tax" on an annual basis, the presumption exists that it will decrease the consumption of certain products (Badenes-Plá and Jones 2003), however this is not always the case (Salie et al. 2014). The latter sentiment is supported by the economic principal of the cross-price elasticity of demand (Riley 2012).

The cross-price elasticity of demand has to do with the relationship that exists between the price of a certain product and its demand (Spirits Europe 2012). When, for example, taxation on Product A is increased and Product A has a relatively inelastic demand, a relatively stable revenue source shall be provided to the business as consumers will continue to consume Product A, but in smaller amounts, despite the increased price on Product A. In some cases, consumers will look for an alternative product(s) to Product A, which should be a reasonably close substitute(s) (Hoffer et al. 2013).

With the above in mind, prior research shows that (in a SMME dispensation especially) with the increase of "sin tax" on an annual basis, the phenomenon of including "sin tax" in the mark-ups of applicable goods may result in businesses having to lower their own mark-ups in order to pay "sin tax" (McGee et al. 2005). Although the latter implication will have a positive influence on customers, it will have a negative influence on SMMEs, particularly in terms of their economic sustainability (Salie et al. 2014).

RESEARCH DESIGN AND METHODOLOGY

In a business context, a research study's design can be characterised by its purpose, process, logic and outcome (Collis and Hussey 2009). For this research study, the following research design was evident:

1) *Purpose:* This research study was exploratory in nature as few prior research studies have been conducted on the identified research problem as a whole,
2) *Process:* This research study fell within the positivistic research paradigm and constituted quantitative research. In core, quantitative research methods were used to collect qualitative data in order to shed light (provide insight) on the identified research problem,
3) *Logic:* This research study was largely deductive in nature. Due to the fact that few research studies have been conducted on the identified research problem, the authors obtained their initial insight by observing empirical reality to build the basis of their perception. This initial insight, in turn, was fortified by existing literature pertaining to the identified research problem, and
4) *Outcome:* This research was regarded as basic research as the main outcome of this research study was aimed at improving the universal understanding of the identified research problem.

In addition, this research study was deemed as survey research as data were gleaned from a sample of respondents, which represented a particular population, through means of a questionnaire-tool where their perceptions on the identified research problem were adequately recorded (Leedy and Ormrod 2010). Due to the quantitative nature of this research study, the questionnaire-tool that was deployed consisted of 14 closed-ended questions – respondents were required to fill in numerical digits and/or mark an 'x' in the most appropriate boxes and/or rate statements through means of providing relevant ratings on a Likert-scale.

The size of the population was unknown and, as such, the authors made use of non-probability sampling, specifically that of purposive sampling. In order to shed light on the identified research problem, purposive sampling was used to obtain rich data from respondents (SMME management) who have had to adhere to strict delineation criteria. A total of 50 respondents were targeted by means of physical questionnaire distribution (face-to-face) however the responses of only 35 respondents were valid. The validity of responses was based on their adherence to the following strict delineation criteria. Below, the delineation criteria: 1) respondents should have been in a managerial position in their respective businesses, 2) businesses of respondents should have been regarded as a "SMME" as per the definition of the *National Small Business Act No 102 of 1996*, 3) businesses of respondents should have been non-franchised entities, 4) businesses of respondents should have been regarded as sole proprietors, 5) businesses of respondents should have been regarded as small medium and/or micro liquor enterprises (this includes liquor stores, licensed bars, restaurants with bars and pubs), 6) businesses of respondents should have been situated in the Northern Suburbs of the Cape Metropolis in the Western Cape, South Africa, particularly Bellville, Durbanville, Goodwood, Parow, Brackenfell and/or Kraaifontein, and 7) businesses of respondents should have employed between one[6] and 50 employees.

In addition to the aforementioned, relevant ethical considerations were taken into account during the data collection phase of this research study: 1) all respondents were informed on what the research study entails, 2) all respondents opted to voluntarily participate in the research study and they were informed that could, at any time, withdraw from the research study if they should so wish, 3) all respondents were safeguarded from physical harm, and 4) all respondents were assured that information provided by them will be treated with the strictest levels of confidentiality and privacy; their anonymity was also guaranteed.

RESULTS

In order to address the posed research questions, the results stemming from the data collection phase of this research study, after applicable data have been analysed; discussions take place under the following headings: 1) general description of respondents, 2) respondents' awareness of "sin tax", 3) products SMMEs traded with, and 4) the influence of "sin tax" on the economic sustainability of SMMEs.

General Description of Respondents

In essence, all respondents' businesses were situated in the Northern Suburbs of the Cape Metropolis, in the Western Cape. A total of 25.7 percent of businesses were situated in Goodwood, while 25.7 percent of businesses were situated in Brackenfell. Furthermore, 20 percent of businesses were situated in Bellville, while the remaining 28.6 percent of businesses were situated in Durbanville, Kraaifontein and Parow. A map of these locations is shown in Figure 1.

Although all businesses were sole proprietorships and non-franchised in nature, respondents were asked to describe the type of businesses in which they hold managerial positions. Total of 42.86 percent of respondents regarded their businesses as "bars, pubs or taverns", while 28.57 percent of respondents indicated that their businesses are "liquor traders". Moreover, 17.14 percent of respondents mentioned that their businesses are "restaurants with bars", and the remaining 11.43 percent of respondents indicated that their businesses are "sports bars, hotels with a bar or wine boutiques".

When respondents were asked to provide information as to how long their respective entities have been in existence, on average, respondents mentioned that their businesses (in which they hold managerial positions) have been in existence for 15.21 years. In addition, respondents were asked how many employees they employ within their respective businesses. The following dispensation emerged in Table 2.

Table 2: The size of respondents' businesses

Type	*Number of employees*	*Percentage*
Micro	Between 0 and 5	71.43
Small	Between 11 and 50	25.71
Medium	Between 51 and 100	2.86

In essence, a total of 71.43 percent of respondents indicated that they employed between zero and five employees (micro enterprise), while 25.71 percent of respondents mentioned that they employed between 11 and 50 employees (small enterprise). Only 2.86 percent of respondents employed between 50 and 100 employees (medium enterprise). None of the business, for this research study, employed between six and 10 employees (very small enterprise).

Based on the above, the deduction can be made that, on average, respondents' businesses were regarded as "bars, pubs or taverns" that were situated in either Goodwood or Brackenfell. These businesses, on average, provided employment opportunities (apart from providing for themselves) for between zero and five people and have also been in existence for an average of 15.21 years.

Lastly, respondents were asked about the positions they held in their respective businesses, including the number of years that they have been in the applicable positions.

It was found that 68.57 percent of respondents were "managers" (employees with decision-making power) in their respective businesses, while only 31.43 percent of respondents were "owners" and "owners and managers" of their respective businesses (Table 3). On average, respondents had at least five years of experience in their respective managerial positions.

Fig. 1. A map of Goodwood, Brackenfell, Parow, Bellville, Durbanville and Kraaifontein

Table 3: Positions of respondents in their respective businesses

Position	*Percentage of respondent*	*Average experience (years)*
Owner	17.14	8
Manager	68.57	7
Owner and manager	14.29	5

Respondents' Awareness of "Sin Tax"

In order to answer the first question posed in this research study, respondents were asked to indicate their awareness of "sin tax" as levied on alcoholic products. This was done through means of asking respondents to rate a statement starting with "I am aware that 'sin tax'is levied on…" by making use of a Likert-scale (1 = "completely unaware", 2 = "unaware", 3 = "unsure", 4 = "aware", and 5 = "completely aware"). A collaboration of the responses received is shown in Table 4.

Based on the statistics in Table 4, majority of respondents were aware of "sin tax" as levied on alcoholic products. In essence, respondents were very well aware that "sin tax" is levied on rum, vodka, liqueurs and spirits (aware 83.4 percent of the time), beer and ciders (aware 82.2 percent of the time), and wine (aware 78.8 percent of the time). This finding also provides evidence that respondents have, at least, been aware of the latter for five years (see previous heading), which is maybe a reason that their businesses, on average, have been in existence for 15.21 years. With an average standard deviation of 1.22 and an average calculated mean-score of 4.13, one can deduce that respondents' awareness surrounding the phenomenon of "sin tax" that is levied on alcoholic products were between "aware" and "completely aware".

Products SMMEs Traded With

Although respondents were well aware of "sin tax" levied on alcoholic products, it was important to understand which alcoholic products, that are taxable in relation to "sin tax", respondents traded with – all with the intent to answer the second research question posed.

Before the latter could be done, it was important to first understand who the customers were of respondents. Hence, respondents were asked to indicate the age group of their most frequent customers. This was done through means of asking respondents to tick the most appropriate answer with an "x" from a list of options. A summary of the findings made is shown in Table 5.

Table 5: The age group of customers

Age group of customers	*% of respondents*
18 - 25	5.71
26 - 35	42.86
36 - 50	42.86
51 +	8.57
Total	100

Based on the statistics in Table 5 one can infer that 42.86 percent of the time respondents' customers were either between the ages of "26 and 35 years" or "36 years and 50 years". For the remaining 14.28 percent of the time, respondents' customers were either between the ages of "18 years and 25 years" or "over 51 years". In order to expand on the latter, respondents were asked tocategorise their customers in accordance with their (respondents') own perceptionsof socio-economic class. This was also done through means of asking respondents to tick the most appropriate answer with an "x" from a list of options. A summary of the findings made is shown in Table 6.

Table 4: Respondents' awareness of "sin tax" as levied on alcoholic products

Alcoholic product	*Completely unaware (in percent)*	*Unaware (in percent)*	*Unsure (in percent*	*Aware (in percent))*	*Completely aware (in percent)*	*Mean*	*Std Dev*
Beer and Ciders	5.7	8.6	2.8	34.3	48.6	4.11	1.18
Wine	11.4	5.7	5.7	31.5	45.7	3.94	1.34
Spirits	8.6	2.8	2.8	34.3	51.5	4.17	1.20
Whiskies	8.6	2.8	2.8	34.3	51.5	4.17	1.20
Liqueurs	8.6	2.8	2.8	34.3	51.5	4.17	1.20
Vodka	8.6	2.8	2.8	34.3	51.5	4.17	1.20
Rum	8.6	2.8	2.8	34.3	51.5	4.17	1.20
Average	4.13	1.22					

Table 6: The perceived socio-economic class of customers according to respondents

Socio-economic class	*% of total responses*
Affluent/Wealthy	8.57
Middle Class	45.71
Working Class	42.86
Poor	2.86
Total	100

From the statistics in Table 6, it is evident that respondents' customers, based on respondents' perceptions, more often than not, were either "middle class" (45.71 percent of the time) or "working class" (42.86 percent of the time). In essence, to some extent at least, this finding is associated with the statistics in Table 5 – one can draw the analogy that the average customer of respondents (based on respondents' perceptions) was between the ages of 26 and 50 years; taking on the socio-economic class of either "middle class" or "working class".

With the above in mind, respondents were asked with which alcoholic products they traded with. This was done through means of asking respondents to rate a statement starting with "My business trades with the following alcoholic products…" by making use of a Likert-scale (1 = "strongly disagree", 2 = "disagree", 3 = "neither agree nor disagree", 4 = "agree", and 5 = "strongly agree"). A collaboration of the responses received is shown in Table 7.

From the Table 7 it is apparent that the six most popular alcoholic products which respondents traded with were: 1) beer (traded with 92 percent of the time), 2) brandy and/or whiskey (traded with 90.8 percent of the time), 3) ciders (traded with 85.2 percent of the time), and 4) vodka (traded with 82.2 percent of the time), 5) spirits (traded with 81.2 percent of the time), and 6) rum (traded with 78.8 percent of the time). When this finding is equated back to the type of businesses respondents had managerial positions in, then it makes sense as to why these alcoholic products were so popular – a total of 42.86 percent of businesses were regarded as "bars, pubs or taverns", while 28.57 percent of businesses were "liquor traders". Therefore, it is clear that the nature of these businesses had a direct influence on the type of alcoholic products they traded with. Additionally, the type of alcoholic products that were traded with can also be directly linked to the type of customers of relevant businesses (see Tables 5 and 6).

The Influence of "Sin Tax" on the Economic Sustainability of SMMEs

Firstly, respondents were asked to provide their opinions on two statements: 1) "The increase of 'sin tax' on an annual basis has a negative influence on my business' sales made (in Rand)", and 2) "The increase of'sin tax' on an annual basis has a negative influence on my business' sales made (number of sales)". These statements were rated through means of asking respondents to make use of a Likert-scale (1 = "strongly disagree", 2 = "disagree", 3 = "neither agree nor disagree", 4 = "agree", and 5 = "strongly agree"). A summary of the responses received is shown in Table 8.

Given the statistics in Table 8, it is clearly evident that respondents' businesses were adversely influenced by the annual increase in "sin

Table 7: Alcoholic products which respondents' traded with

Alcoholic product	*Strongly disagree (in percent)*	*Disagree (in percent)*	*Neither agree nor disagree (in percent)*	*Agree (in percent)*	*Strongly agree (in percent)*	*Mean*	*Std dev*
Beer	0	3	0	31	66	4.6	0.65
Ciders	0	6	6	46	42	4.26	0.82
Spirits	0	9	11	46	34	4.06	0.91
Wine	6	9	23	28	34	3.77	1.19
Fortified Wine	31	6	14	26	23	3.03	1.60
Sparkling Wine	37	8	6	23	26	2.91	1.70
Liqueur	3	12	20	40	26	3.74	1.07
Brandy/ Whiskey	0	0	3	40	57	4.54	0.56
Vodka	0	8	17	29	46	4.11	0.99
Rum	0	12	17	37	34	3.94	1.00
Average						3.90	1.05

Table 8: The opinion of respondents on the negative influence of "sin tax" on their businesses

The increase of "sin tax" on an annual basis ...	*Strongly disagree (in percent)*	*Disagree (in percent)*	*Neither agree nor Disagree (in percent)*	*Agree (in percent)*	*Strongly agree (in percent)*	*Mean*	*Std dev*
Has a negative influence on business sales made (in Rand)	20	6	17	23	34	3.46	1.52
Has a negative influence on business sales made (number of sales)	20	11	11	17	40	3.46	1.60

tax" (as levied on alcoholic products sold) – in essence, respondents agreed to both statements 57 percent of the time. Based on the average calculated means (3.46 in both cases) and a standard deviation ranging between 1.52 and 1.6 for both statements, it is apparent that in 69.2 percent of the time, "sin tax" had an adverse influence on the sales made by businesses, both in Rand and quantity of sales made.

In order to better understand what constitutes the negative influence that "sin tax" had on respondents' businesses (as shown in Table 8), respondents were asked to rate a statement starting with: "Because of the increase in 'sin tax', my business has experienced and/or is experiencing ..." by making use of a Likert-scale (1 = "strongly disagree", 2 = "disagree", 3 = "neither agree nor disagree", 4 = "agree", and 5 = "strongly agree"). The responses received are collaborated in Table 9.

From the statistics in Table 9, it is evident that respondents had mixed opinions regarding

Table 9: The influence of increases in "sin tax" according to respondents

Influence	*Strongly disagree (in percent)*	*Disagree (in percent)*	*Neither agree nor Disagree (in percent)*	*Agree (in percent)*	*Strongly agree (in percent)*	*Mean*	*Std dev*
Decreased the number of customer visits	23	14	14	14	35	3.23	1.61
Increased customer complaints about higher prices	17	3	11	46	23	3.54	1.36
Customers are buying less	26	8	14	23	29	3.20	1.59
Customers are still buying the same products	11	9	14	26	40	3.74	1.38
Customers are buying cheaper / alternative products	23	14	14	23	26	3.14	1.54
Decrease in the number of sales made	23	11	11	29	26	3.23	1.54
Difficulty in achieving desired profits	14	5	29	23	29	3.46	1.36
Labour cost cuts to remain profitable	35	17	20	17	11	2.54	1.42
Overhead cuts to remain profitable	23	11	17	26	23	3.14	1.50
Average						3.25	1.48

the actual influence of "sin tax" on their businesses in a holistic sense. In core, respondents were in agreement that the increase of "sin tax", on an annual basis, resulted in: 1) increased customer complaints about higher prices (69% of respondents agreed), 2) customers continuing to buy the same products (66% of respondents agreed), 3) a decreased number of sales made (55% of respondents agreed), 4) customers buying less products (52% of respondents agreed), 5) difficulties to achieve desired profits (52% of respondents agreed), 6) customers were visiting businesses less frequently (49% of respondents agreed), and 7) customers buying cheaper and/or alternative alcoholic products (49% of respondents agreed). Although the mean scores for most influences ranged between 3.5 and 2.5 (closely ranged to 3 = "neither agree nor disagree"), the one aspect which is certain is that "sin tax" did have some sort of an influence on respondents' businesses in a holistic sense.

Lastly, in order to answer the final research question and understand how "sin tax" influenced the economic sustainability of respondents' businesses, respondents were asked to provide an opinion on a question starting with: "How negatively does 'sin tax influence' your business in relation to ... " by making use of a Likert-scale (1 = "no negative influence", 2 = "slight negative influence", 3 = "average negative influence", 4 = "above average negative influence", and 5 = "severe negative influence"). A collaboration of the responses received is evident in Table 10.

The responses in Table 10 are, again, mixed as respondents had different experiences in relation to "sin tax". Notwithstanding the latter, it is evident that "sin tax" had an "average negative influence" on total income (mean score of 3.03), while it had between an "average negative influence" and an "above average negative influence" on total expenses (mean score of 3.29), gross profit (mean score of 3.23), and net profit (mean score of 3.26). On average, a mean score of 3.20 was calculated, along with an average standard deviation of 1.33, which serves as an indication that although "sin" tax did not severely influence the economic sustainability of businesses in a negative manner, it still did however negatively influence the economic sustainability of businesses between "average" and "above average" manner.

CONCLUSION

According to popular literature, it is evident that South African SMMEs (in general) are not sustainable justified by their astronomical failure rate. More often than not, the failure rate of these entities is believed to stem from economic factors; specifically "taxation" as a predominant example. Although many forms of taxation exist in South Africa, taxation can either be levied in a direct manner or in an indirect manner. With indirect taxation constituting 43.5 percent of the total receipts of SARS, for this research study, emphasis was placed on "sin tax" (indirect taxation) and small, medium and micro liquor store enterprises'. As a result the problem that was identified read as follows: "small, medium and micro liquor store enterprises' economic sustainability is adversely influenced by 'sin tax' as levied on products that are traded with". The latter lead to the posing of three research questions, namely: 1) How aware are the management of small, medium and micro liquor store enterprises of "sin tax"?, 2) What products do small, medium and micro liquor store enterprises trade with that are taxable in terms with "sin tax"?, and 3) How does "sin tax", as imposed on these products, influence the economic sustainability

Table 10: The influence of "sin tax" on the economic sustainability of respondents' businesses

How negatively does sin tax influence your business in relation to ...	*No negative influence (in percent)*	*Slight negative influence (in percent)*	*Average negative influence (in percent)*	*Above average negative influence (in percent)*	*Severe negative influence (in percent)*	*Mean*	*Std dev*
Total income	17	20	26	17	20	3.03	1.38
Total expenses	8	17	29	29	17	3.29	1.20
Gross profit	14	17	26	17	26	3.23	1.40
Net profit	8	26	23	17	26	3.26	1.34
Average						3.20	1.33

of small, medium and micro liquor store enterprises?

After conducting a thorough literature review, it was found that the perception(s) of the authors were largely substantiated in relation to the identified research problem. After the latter was executed, the research design and methodology deployed in this research study was provided and followed by the findings made from the data collected.

In core, it was found that respondents of small, medium and micro liquor store enterprises were greatly aware of "sin tax" for at least 5 years, on average. This finding may well provide basic evidence as to why these businesses have been in existence for an average of 15.21 years – management is aware[7] of taxation as major macroeconomic factor.

Moreover, it was also found that respondents' businesses traded with six popular alcoholic products, namely: 1) beer (traded with 92 percent of the time), 2) brandy and/or whiskey (traded with 90.8 percent of the time), 3) ciders (traded with 85.2 percent of the time), and 4) vodka (traded with 82.2 percent of the time), 5) spirits (traded with 81.2 percent of the time), and 6) rum (traded with 78.8 percent of the time). As a total of 42.86 percent of businesses were regarded as "bars, pubs or taverns" and 28.57 percent of businesses were "liquor traders", it is of no surprise that the latter products were the most popular alcoholic products that were traded with. Another view to take into consideration for the first mentioned point is customer demographics – the average customer that traded with respondents' businesses was between the age of "26 years and 50 years"; regarded as either "working class" or "middle class".

It is also apparent that cross-price elasticity of demand (as explained in Section 4) is alive and well in respondents' businesses as customers are showing textbook behaviour(s) in relation to annual increases in "sin tax". Albeit the aforementioned, the increase of "sin tax" did have a negative influence on businesses in a holistic sense (55 percent of the time) and also a negative influence on the overall economic sustainability of businesses (54 percent of the time).

RECOMMENDATIONS

Based on the research conducted, the authors strongly recommend that policy makers take cognisance of the potential destructive influence that additional increases in "sin tax" may have on small, medium and micro liquor enterprises trading with alcoholic products that are subject to "sin tax", in the foreseeable future. Even though "sin tax" is imposed on certain product to discourage the consumption thereof, small, medium and micro liquor enterprises do provide employment opportunities to between one and 100 individuals – meaning that these entities should be allowed to earn enough income in order to cover all necessary expenses in order to exist; remain sustainable.

LIMITATIONS OF THE STUDY

Due to time constraints and money constraints, the scope for this research study was limited. No formal budget(s) was allocated to conduct this research study and the authors only had six months in order to conduct this particular research study.

NOTES

1 The Gross Domestic Product is regarded as the value of all goods produced in a particular economy, in relation to final goods (Schmitt-Grohéand Uribe 2001).

2 Sustainability pertains to the effective execution of social responsibilities, economic responsibilities, and environmental responsibilities (Wolfson et al, 2013; Stubbs, 2013).

3 The South African Revenue Services is the official tax collection agency in South Africa.

4 Customs and excise duties are commonly referred to as "sin tax" in a South African dispensation. The term "sin tax" is used throughout the remainder of this paper.

5 Business entities that are regarded as "sole proprietors" or "partnerships" are subject to Personal Income Tax as these entities do not enjoy a separate legal liability.

6 If respondents were owners and/or managers of businesses, and were the only persons formally employed by their businesses, their responses would still be regarded as valid.

7 Since management is aware of taxation as a major macroeconomic factor, the chances are very good that management is properly managing this economic factor.

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