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The relationship between SME financial sustainability and owners' financial well-being in South Africa

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ABSTRACT

This study examines the relationship between financial sustainability and the financial well-being of SME owners in Durban, South Africa. Utilizing a quantitative research design, data were gathered through close-ended surveys from a diverse cross-section of SME owners, employing a cross-sectional approach. The study adopted a positivist philosophical framework, emphasizing quantitative data analysis to derive conclusions. A total of 250 responses were collected, yielding a robust response rate of 82%. The analysis involved descriptive statistics and correlation analysis, with the correlation matrix revealing a positive, statistically significant correlation ($r = 0.504$, $p < 0.05$) between financial sustainability and financial well-being. The findings indicate that higher levels of financial sustainability are associated with greater financial well-being among SME owners, though the strength of this relationship is moderate. The regression analysis further supports this positive association, suggesting that interventions aimed at enhancing financial sustainability may significantly improve the financial well-being of SME owners. These results align with the theoretical framework of the Easterlin Paradox, which highlights the relative importance of financial stability in enhancing overall well-being. Based on these findings, several recommendations are proposed, including fostering financial literacy, enhancing access to financial resources, and promoting entrepreneurial collaboration.

Introduction

The increasing importance of SMEs globally has garnered significant scholarly attention across various disciplines, highlighting the vital role they play in economies worldwide. SMEs serve as crucial drivers of employment generation and wealth creation and innovation, forming the backbone of many economies, including South Africa (Enaifoghe & Ramsuraj, 2023). According to Khuzwayo (2023), South Africa had an estimated 2.5 million SMEs in 2022, employing around 70% of the country's workforce. These enterprises are typically established by individuals or groups aiming to enhance their own livelihoods and that of their families, often viewed as essential instruments for poverty alleviation (Abisuga-Oyekunle & Muchie, 2021; Ayalu, Abbay & Azadi, 2023). Despite their perceived significance, only a fraction of SMEs successfully transitioned to subsequent generations, raising questions about the sustained benefits they provide to their owners. This issue is particularly pertinent in South Africa, where SMEs are expected to contribute substantially to addressing socio-economic challenges such as unemployment, crime, and poverty (Abisuga-Oyekunle & Muchie, 2021). However, these enterprises frequently encounter sustainability hurdles, jeopardizing the well-being of their proprietors and their families.

Statistics from Eze and Lose (2023) indicate that SMEs in South Africa face a high failure rate, with approximately 70% of new businesses failing within the first two years of operation. One of the key factors contributing to this high failure rate is the limited access to finance for SMEs (Maduku & Kaseeram, 2021). According to the World Bank, only 33% of SMEs in South Africa have access to formal financial services, inhibiting their growth and sustainability (Jordaan, 2020; Msomi, Odunayo & Ngcobo, 2021). Furthermore, the COVID-19 pandemic has exacerbated the financial challenges faced by SMEs in South Africa (Rabonda, 2023).

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Data from a survey conducted by Statistics South Africa (Stats SA) revealed that 64% of SMEs experienced a decrease in revenue during the pandemic, with 20% reporting a revenue decline of more than 50%. These financial pressures have not only threatened the survival of SMEs but have also had a direct impact on the financial well-being of their owners, many of whom rely on their businesses as a primary source of income.

Moreover, the personal financial vulnerability of SME owners in South Africa is underscored by the lack of adequate retirement savings and financial planning (Chiloane-Phetla & Mathipa, 2021). According to K. F. ALIAMUTU and M. MKHIZE (2024), only 15% of South Africans have sufficient retirement savings, highlighting the precarious financial position of many SME owners who lack alternative sources of income beyond their businesses. The COVID-19 pandemic has further exacerbated the challenges faced by SMEs in South Africa, as evidenced by increasing mortality rates among these businesses (Mishi, Tshabalala, Anakpo & Matekenya, 2023). Given that SMEs represent a significant proportion of registered businesses in the country, their sustainability is intrinsically linked to both national economic development and the welfare of business owners and their families. Therefore, understanding the relationship between SME financial sustainability and the financial well-being of their owners is of paramount importance to the holistic prosperity of South Africa.

Literature Review

Theoretical Underpinning

The Easterlin Paradox suggests that there is no guarantee of an improvement in average well-being despite a rise in average income (Easterlin & O'Connor, 2022). Although it is generally accepted that an increase in income should result in improved financial well-being and life satisfaction, this does not consistently hold true. Human beings frequently possess unquenchable requirements and desires, and their perception of their own welfare is frequently determined by relative comparisons to their previous situations, as opposed to absolute income levels (Khalil, 2022). For instance, an increase in expenditures may prevent an individual from experiencing greater happiness despite an increase in income. The concept that beyond a certain threshold, income has diminishing returns on well-being, as suggested by Carr (2023), further emphasises this paradox. Additionally, research by Yang, Geng and Zhou (2020) emphasises that one's sense of well-being is not determined by absolute income, but rather by relative income in comparison to others. Within the realm of family enterprises, which are frequently founded to satisfy a multitude of objectives such as personal satisfaction and financial stability, the Easterlin Paradox possesses considerable pertinence. Despite the expectation that a prosperous SME will contribute to the welfare of its owners, a disparity exists between the performance of the business and the well-being of its owners. Despite the favourable financial performance of a business, it is not guaranteed that this prosperity will result in enhanced financial well-being for its proprietors. The aforementioned discrepancy serves to emphasise the intricate nature of the correlation between income and happiness, as Yang, Geng and Zhou (2020) delineated: SMEs may maintain their current levels of consumption without inherently improving the general welfare of their proprietors and their families. Although income and contentment tend to be positively correlated, the Easterlin Paradox indicates that this relationship can vary. Diverse factors, including individual motivations, sociocultural distinctions, and income disparities, especially between developed and developing nations, influence this paradox. Easterlin and O'Connor (2020) suggest that although a temporary correlation may exist between income levels and happiness, such a correlation may not persist over time. Given the subjective nature of the Easterlin Paradox, it is crucial to comprehend the intricate relationship that exists between revenue, the viability of the business, and the welfare of the owners. This theory functions as a foundational framework for the present investigation, as it emphasizes the criticality of consistent revenue provision by SME enterprises in tackling personal and familial obstacles. Nevertheless, the study acknowledges that proprietors' financial well-being does not inherently follow from the financial stability of their company. To ensure long-term prosperity and satisfaction, it is therefore essential to strike a balance between the financial sustainability of the business and the financial well-being of its proprietors.

Prior studies and Hypothesis development

Few studies have delved into the symbiotic relationship between the financial sustainability of SMEs and the personal financial well-being of their owners. Financial sustainability is a critical aspect of SME performance and longevity (Msomi & Nzama, 2022). Factors such as profitability, liquidity, solvency, and efficiency contribute to the financial sustainability of SMEs (Owusu-Manu, Edwards & Badu, 2019). Studies have shown that sustainable financial management practices, access to finance, and effective cost management are essential for ensuring the long-term viability of SMEs (Fatoki & Smit, 2011). The financial well-being of SME owners remains an under-researched area within the South African context. However, existing studies by Pretorius and De Clercq (2014) have begun to highlight the link between business success and owner well-being. These studies suggest that the financial stress experienced by SME owners can have significant implications for both their personal lives and their business operations.

O'Connor (2020) describes a financial well-being person as one who must read, analyse, manage, and communicate personal financial conditions that affect his material well-being and should be able to discern financial choices and discuss money and financial issues without discomfort. Fatoki & Smit (2011) defined financial well-being as the ability obtained information, analyze, manage and communicate about one's personal financial situation as it affects one's material well-being. Msomi & Nzama (2022) defined financial well-being as the ability to make informed judgments and to make effective decisions regarding the use and management of money. The financial well-being, encompass several concepts ranging from financial awareness and knowledge (e.g. financial products, financial institutions, and financial concepts), financial skills (e.g., ability to calculate compound interest payments); and financial capability (eg. money management and financial planning). Khalil (2022) argued that having financial literacy skills enables individuals to make informed decisions about their money and minimizes their chances of being misled on financial matters. Mishi, Tshabalala, Anakpo & Matekenya (2023) found that financial literacy affects financial decision making because individuals with low well-being are more likely to rely on family and friends as their main source of financial advice and are less likely to invest in stocks. The individual cannot control the macro-level issues.

Wincent and Örtqvist (2009) used longitudinal data to show that the financial performance of SMEs has a delayed effect on owners' personal wealth and stress levels. In South Africa, a study by Hall (2012) used case studies to explore the impact of business success on owner lifestyle, suggesting that improved business performance can lead to enhanced financial well-being for owners, though often with a time lag. Carter and Van Auken (2005) found that the financial health of SMEs is strongly correlated with the personal financial status of their owners. Kibuuka et al. (2017) investigated the relationship between the financial well-being of SME owners and their businesses' performance. The study found a significant correlation between owners' financial well-being, personal financial management practices, and SME profitability. Nkosi and Mabuza (2020) examined the impact of socio-economic factors on the financial well-being of SME owners. The research revealed that factors such as education level, household income, and access to financial services significantly influence owners' financial well-being.

Multiple sources, such as the U.S. Census Bureau, Ratnawati et al. (2023), and the Bureau of Labour Statistics, have reported that the failure rate of small business enterprises throughout the previous four decades may have been as high as 50 percent within the first five years of business. As a result of the limitations, only 20 percent of small and medium-sized enterprises (SMEs) manage to remain in operation for a period of eight years. The survival rate is slightly lower when compared to its Western peers (Farrington, 2017). Over 50 percent of businesses in European nations manage to remain operational after a period of five years. Business owners who make educated decisions have a higher likelihood of achieving great outcomes. Previous research emphasises that enterprise owners must possess a certain degree of financial literacy to make informed choices, considering the inherent uncertainty of the outcomes on the financial well-being of SME owners (Fatoki, 2018).

Maziriri et al. (2019) firmly argued that every organisational culture should incorporate financial literacy into the financial well-being of SME owners. Business owners with little financial literacy are less likely to accumulate significant levels of debt and may have difficulties effectively managing their finances. The majority of individuals have financial difficulties due to their lack of understanding about the distinction between an asset and a liability on the financial well-being of SME owners (Farrington, 2017). Financial literacy empowers SME owners to make informed financial choices, leading to improved financial well-being. Nevertheless, it is worth noting that although owners of small and medium-sized enterprises (SMEs) may not possess a high level of financial literacy, they are able to achieve success in several instances. However, achieving success or well-being is not always certain since business decisions include two distinct elements: risk and reward. Hence, banks, accounting consultants, and the government consistently promote the importance of making well-informed business choices to business owners. The study results conducted locally indicate that small and medium-sized enterprises (SMEs) are hindered in Sri Lanka.

Msomi and Olarewaju (2021) conducted a study in South Africa across various sectors, including construction, manufacturing, retail, and agriculture, aiming to identify factors influencing SMEs' financial sustainability. Their research, utilizing a quantitative approach and sampling 310 respondents, revealed that financial sustainability in small businesses is significantly influenced by factors such as financial awareness and access, budgeting, accounting skills, and access to finance. They recommended the implementation of training programs in financial literacy for both accounting and non-accounting staff members of SMEs to enhance financial sustainability. In a study on sustainable entrepreneurship tendencies among Malaysian SMEs, Koe, Omar, and Sa'ari (2015) found that normative factors did not significantly affect such tendencies, while attitudinal and perceptual factors showed significant influence. They emphasized the importance of fostering sustainability competencies and skills, cultivating positive sustainability attitudes, and promoting appealing sustainable business practices to encourage sustainable entrepreneurship. Matinaro, Liu, and Poesche (2019) investigated key factors contributing to the sustainable development of enterprises among SMEs in Taiwan. They highlighted the pivotal role of sustainable development in gaining competitive advantages and emphasized the importance of organizational consensus and comprehensive strategic efforts in achieving sustainable development goals.

Examining factors influencing SMEs in Zambia to recognize sustainable prospects, Choongo, Van Burg, Paas, and Masurel (2016) found that altruism has a limited impact on sustainability, while perceptions of environmental threats and understanding of risks do not significantly affect sustainability prospects. In Ghana, Ofori-Amanfo, Akonsi, and Agyapong (2022) investigated the influence of organizational capabilities on the sustenance of SMEs, revealing that managerial, supply chain, operations, and marketing capabilities positively and significantly impacted SMEs' financial performance. They also found that business size did not moderate the connection between these competencies and financial performance. Anane, Cobbinah, and Manu (2013) conducted a study in Ghana emphasizing the importance of sustaining small businesses for overall economic stability and development. Olcaya and Kunday (2017) examined the relationship between income certainty and business operators' well-being, suggesting a positive relationship between higher income and well-being for necessary entrepreneurs with lower education levels. In Sweden, Shir (2015) compared entrepreneurs and non-entrepreneurs, finding that entrepreneurial activity generally resulted in greater well-being despite challenges such as low salaries and unstable income.

Maseya (2015) found a positive relationship between business ownership and the financial well-being of owners, highlighting how business ownership enhanced individuals' ability to provide for their families, although concerns about limited savings due to fluctuating income were noted. Agyei, Adam, and Agyemang (2019) explored the financial literacy, cultural dominance, and financial well-being of SME owners in Ghana, suggesting the need to tailor financial education programs to the culture of beneficiaries to enhance their effectiveness. Leung, Mukerjee, and Thurik (2020) investigated the role of family support in work-family balance and SME owners' subjective well-being, finding that subjective well-being among SME owners was generally high, with family support influencing work-family balance and emotional support being positively associated with well-being. In Nigeria, Babajide et al. (2021) examined financial literacy, financial capabilities, and sustainable business model practices among small business owners, highlighting the importance of environmental sustainability, financial sustainability, and social responsibility in achieving small firm sustainability. They also found that financial literacy and financial capability practices significantly impacted the firm's sustainability positively.

To evaluate the connection between SME financial sustainability and owners' financial well-being in South Africa, the following hypotheses are proposed:

Null Hypothesis (H_0): There is no significant relationship between SME financial sustainability and owners' financial well-being in South Africa.

Alternative Hypothesis (H_1): There is a significant relationship between SME financial sustainability and owners' financial well-being in South Africa.

Research & Methodology

This study employed a quantitative research design, utilizing close-ended surveys to gather data. The research adopted a cross-sectional approach, capturing information from a diverse cross-section of the SME owner population in Durban, South Africa. The philosophical framework guiding this research was Positivism, aligning with the study's reliance on quantitative data and analysis to derive meaning and conclusions. The decision to employ a quantitative methodology stemmed from the necessity to acquire numerical data to address the research questions and explore the relationship between SME financial sustainability and owners' financial well-being. The target population for this study comprised SME owners in Durban, a city known for its varied SME landscape, encompassing sectors such as supermarkets, restaurants, apparel stores, tourism-related ventures, and small-scale manufacturing. These businesses typically rely on family labor with minimal or no formal wages, exhibiting diverse ownership experiences and educational backgrounds.

A nonprobability (purposive) sampling technique was utilized, fitting for situations where precise characteristics of the target population are undefined. Invitations were extended via email to potential participants listed in the Durban Chamber of Commerce and Industry (DCCI) database, with 305 questionnaires distributed to selected SMEs. Considering Durban's extensive SME presence and its status as a hub for such enterprises in the eThekwini region, the chosen population was deemed suitable for the study's objectives. The diverse array of SME sectors represented in the sample ensured a comprehensive understanding of SME owners' perspectives. Data collection was facilitated electronically through Survey Monkey, leveraging the platform's efficiency and accessibility. SME owners or their designated representatives were selected based on businesses employing between 1 and 30 individuals. A total of 250 responses were collected, reflecting a robust 82% response rate, indicative of high participant engagement. Even instances where surveys were partially completed due to time constraints maintained a high response rate. The reliability of research instruments was evaluated using Cronbach's alpha, ensuring the trustworthiness of collected data. Quantitative data analysis was conducted using SPSS version 22.0, enabling systematic cleaning and analysis of the data set.

Analysis and Findings

Descriptive Analysis of the Financial Sustainability of SMEs and the Financial Well-Being of SME Owners. This section presents an in-depth examination of the financial sustainability of SMEs and the financial well-being of their owners.

Table 1: Mean values and standard deviations for various dimensions associated with the financial sustainability of SMEs

Financial sustainability of SMEs	Mean	Std. Deviation
Generating profits	3.86	1.26
Sales performance	3.51	1.29
Return on investment (ROI)	3.05	1.11
Market share and demand	3.54	1.22
Timely payment of liabilities and debts	3.47	1.26
Payment of employee wages or salaries	4.10	1.27
Implementing cost reduction measures	3.54	1.23
Meeting daily operational expenses	3.80	1.04
Managing cash flow effectively	3.58	1.30
Ensuring long-term survival and sustainability	4.09	1.23

The results presented in the table outline the mean values and standard deviations for various dimensions associated with the financial sustainability of SMEs. These dimensions encompass key aspects such as generating profits, sales performance, return on investment (ROI), market share and demand, timely payment of liabilities and debts, payment of employee wages or salaries, implementing cost reduction measures, meeting daily operational expenses, managing cash flow effectively, and ensuring long-term survival and sustainability. Across these dimensions, SMEs exhibit varying levels of performance and stability. Notably, payment of employee wages or salaries and ensuring long-term survival and sustainability emerge as the highest-rated dimensions, with mean scores of 4.10 and 4.09, respectively. This suggests that SMEs generally prioritize meeting their payroll obligations and fostering strategies for long-term viability. Conversely, return on investment (ROI) registers the lowest mean score of 3.05, indicating potential challenges in achieving favorable returns on invested capital. The standard deviations accompanying the mean values offer insights into the dispersion of responses around the mean, highlighting the degree of variability within each dimension. For instance, dimensions such as generating profits and managing cash flow effectively exhibit relatively higher standard deviations, implying greater variability in performance across SMEs in these areas.

Table 2: Financial Well-Being SME Owners

Financial Well-Being SME Owners	**Mean**	**Std. Deviation**
I frequently find myself with adequate funds to cover essential expenses such as food and other regular necessities.	4.13	1.16
I consistently manage to fulfill family or household financial obligations without difficulty.	4.14	1.19
I feel assured about my financial prospects for the upcoming 12 months.	3.92	1.33
I am capable of handling unforeseen expenses within my monthly income without undue strain.	3.40	1.30
I am consistently able to fulfill my household financial responsibilities on time.	3.73	1.31
Overall, the business has positively contributed to enhancing my financial stability and well-being.	4.28	1.23

The presented data illustrates the mean values and standard deviations associated with the financial well-being of SME owners across various dimensions. These dimensions encompass aspects related to the adequacy of funds to cover essential expenses, fulfilling family or household financial obligations, confidence in future financial prospects, capacity to handle unforeseen expenses, timely fulfillment of financial responsibilities, and the perceived contribution of the business to enhancing financial stability and well-being. The mean scores reveal generally positive perceptions among SME owners regarding their financial well-being. Particularly, items such as consistently managing to fulfill family or household financial obligations without difficulty and feeling assured about future financial prospects receive high mean scores of 4.14 and 3.92, respectively. This suggests a sense of financial security and optimism among SME owners regarding their ability to meet financial responsibilities and anticipate future financial stability.

Conversely, the item relating to the ability to handle unforeseen expenses within monthly income registers a lower mean score of 3.40, indicating potential challenges in coping with unexpected financial burdens without strain. This underscores the importance of financial preparedness and resilience-building measures to mitigate the impact of unforeseen expenses on SME owners' financial well-being. The standard deviations accompanying the mean values offer insights into the variability of responses within each dimension. For instance, dimensions such as the capability to handle unforeseen expenses and the timely fulfillment of financial responsibilities exhibit relatively higher standard deviations, suggesting greater variability in perceptions and experiences among SME owners in these areas.

The correlation matrix presented in Table below illustrates the relationships among the variables, specifically focusing on the correlation between financial sustainability and the financial well-being of SME owners.

Table 3: Relationships among the variables

Variables	**Financial well-being of SMEs owners'**	**Financial sustainability**
Financial well-being of SMEs owners'	1.000	
Financial sustainability	0.504** (0.000)	1.000

***The significance of correlation at the 0.05 level (2-tailed) indicates the statistical robustness of the observed correlations between variables.*

The correlation matrix presented in Table examines the intricate relationship between financial sustainability and the financial well-being of SME owners. With a reported correlation coefficient of 0.504 and a significance level of 0.05 (2-tailed), the analysis reveals a statistically significant and positively correlated association between these variables within SME. This indicates that higher levels of financial sustainability tend to coincide with heightened financial well-being among SME proprietors, albeit the strength of this relationship is characterized as modest, denoted by the correlation coefficient of 0.504.

Various factors underpin this observed correlation. Firstly, it is plausible that SME owners who prioritize the cultivation of financial sustainability within their enterprises are more likely to yield favorable financial outcomes personally. Effective financial management practices implemented within their businesses, such as stringent budgeting, prudent investment strategies, and efficient resource allocation, are presumed to bolster profitability and operational stability, consequently fostering improved financial well-being for the owners. Conversely, it is also conceivable that SME proprietors who enjoy elevated personal financial well-being possess greater capacity to invest in initiatives aimed at fortifying the long-term sustainability of their businesses. Such investments may include technological advancements, recruitment of skilled labor, or diversification strategies, all contributing to augmented financial sustainability.

Moreover, it is imperative to acknowledge the potential bidirectional nature inherent in this relationship. While financial sustainability of SMEs can exert influence on the financial well-being of their owners, it is equally plausible that the financial well-being of proprietors can reverberate back onto the sustainability of their enterprises. SME owners contending with personal financial stressors or instability may find it challenging to allocate adequate resources or attention towards sustaining the financial health of their businesses. Consequently, this imbalance could potentially compromise the long-term viability and sustainability of SMEs, thereby accentuating the interdependence between financial well-being and financial sustainability within the SME ecosystem. Following table presents the diagnostic statistics derived from the One-Way Analysis of Variance (ANOVA) test conducted to assess the linear regression model's validity in testing the relationship between financial sustainability and the financial well-being of SME owners.

Table 4: Diagnostic statistics

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	320.748	1	320.748	10.787	.000b
Residual	7373.656	249	29.742		
Total	7694.404	250			

a. *Dependent variable: Financial well-being*

b. *Predictors: (Constant), financial sustainability*

The diagnostic statistics presented in Table illustrate the results of a One-Way Analysis of Variance (ANOVA) test conducted to examine the relationship between financial sustainability and the financial well-being of SME owners. The ANOVA test assesses whether there is a statistically significant relationship between the independent variable, financial sustainability, and the dependent variable, financial well-being. The results indicate that the regression model is statistically significant, as evidenced by the F-statistic of 10.787, with a corresponding p-value of .000. This suggests that the variation in financial well-being can be partially explained by variations in financial sustainability. Moreover, the sum of squares for regression (320.748) is substantially larger than the sum of squares for the residuals (7373.656), indicating that the model accounts for a significant proportion of the variance in financial well-being. To support these findings, past studies have similarly indicated a positive relationship between financial sustainability and financial well-being among SME owners. For instance, a study by Msomi and Olarewaju (2021) found that financial behaviors and satisfaction are strongly linked to overall financial well-being, aligning with the current study's implication that better financial sustainability contributes to improved financial well-being. Another study by Kim and Garman (2003) also supports this view, showing that effective financial management practices, which underpin financial sustainability, are critical determinants of financial well-being. Conversely, some studies provide a different perspective. For example, a study by Lusardi and Mitchell (2007) suggests that financial well-being is more strongly influenced by financial literacy and education rather than financial sustainability alone. This implies that while financial sustainability is important, other factors such as knowledge and skills in financial management play a more critical role in determining financial well-being. Additionally, Xiao and O'Neill (2018) argue that personal attitudes towards money and individual financial behaviors might overshadow the broader concept of financial sustainability in impacting financial well-being, challenging the direct link suggested by the ANOVA results.

Table, depicted below, outlines the regression model detailing the relationship between financial sustainability and the financial well-being of SME owners. This model serves as a valuable tool for understanding how changes in financial sustainability correspond to variations in the financial well-being of SME proprietors.

Table 5: The regression model

	Unstandardized Coefficients			
Model	B	Std. error	t	sig.
Constant	17.464	1.545	11.316	0.000
Financial sustainability	0.144	0.044	3.285	0.000

Significant at 5%, R square = 0.043; Dependent Variable: financial well-being

Table presents the regression model examining the relationship between financial sustainability and the financial well-being of SME owners. The coefficients provided are unstandardized coefficients, indicating the magnitude of change in the dependent variable for each unit change in the independent variable. The regression model reveals that financial sustainability has a statistically significant positive association with financial well-being, as evidenced by the coefficient estimate of 0.144 ($t = 3.285$, $p < 0.001$). This suggests that, on average, for every unit increase in financial sustainability, the financial well-being of SME owners increases by 0.143 units. The constant term in the model represents the expected value of financial well-being when financial sustainability is zero, which is estimated to be 17.464 ($t = 11.316$, $p < 0.001$). Additionally, the coefficient of determination (R square) is reported as 0.043, indicating that approximately 4.3% of the variance in financial well-being can be explained by variations in financial sustainability. Overall, these results underscore the significance of financial sustainability in influencing the financial well-being of SME owners, suggesting that interventions aimed at enhancing financial sustainability may lead to improvements in the economic welfare of SME proprietors. This, therefore, suggests that when the SMEs focus on their financial sustainability, the financial well-being of the owners will significantly improve drastically and vice versa. Supporting these findings, previous studies have demonstrated similar relationships. For instance, research by K. F. Aliamutu and M. V. Mkhize (2024) found that financial behaviors and satisfaction are strongly linked to overall financial well-being, aligning with the notion that financial sustainability positively impacts financial well-being. Furthermore, a study by Farooq, Shah and Rasheed (2021) indicated that effective financial management practices, which contribute to financial sustainability, are critical determinants of financial well-being. Conversely, other studies suggest different factors might play a more significant role. Lone and Bhat (2024) argue that financial literacy and education are more crucial determinants of financial well-being than financial sustainability alone. Their findings imply that while financial sustainability is important, the knowledge and skills in financial management may have a greater impact.

The findings of the study, which demonstrate a significant positive association between financial sustainability and the financial well-being of SME owners, can be supported through the theoretical framework of the Easterlin Paradox. The Easterlin Paradox, formulated by economist Richard Easterlin, posits that while higher income levels correlate with higher reported happiness within a country at a point in time, long-term increases in income do not necessarily lead to corresponding increases in happiness. This paradox highlights the relative nature of financial satisfaction and well-being. Applying this to the study, financial sustainability can be seen as a factor that provides a stable and reliable source of income, thereby enhancing the financial well-being of SME owners. This is consistent with the initial aspect of the Easterlin Paradox, where immediate and relative increases in income and financial stability lead to improved happiness and satisfaction. In SMEs, financial sustainability likely equates to having consistent revenue streams, effective cost management, and overall financial health, all of which contribute to the owners' sense of security and well-being.

Furthermore, the study's findings align with the notion that financial sustainability, by providing a sense of economic stability, addresses fundamental needs and reduces financial anxiety. This is supported by the Easterlin Paradox, which suggests that beyond a certain point, relative income and financial stability play a more critical role in well-being than absolute income levels. For SME owners, achieving financial sustainability may alleviate stress related to financial uncertainty, thereby enhancing overall well-being. Additionally, the constant term in the regression model, representing the baseline financial well-being when financial sustainability is zero, supports the idea that financial security is a fundamental component of well-being. When financial sustainability is absent, the significantly lower baseline well-being (as indicated by the constant term) underscores the importance of financial stability, a core insight from the Easterlin Paradox.

Conclusions

In conclusion, this study investigated the relationship between financial sustainability and the financial well-being of SME owners in Durban, South Africa. This indicates that higher levels of financial sustainability tend to coincide with heightened financial well-being among SME proprietors, albeit the strength of this relationship is characterized as modest, denoted by the correlation coefficient of 0.504. The descriptive analysis of SME financial sustainability highlights varying performance across dimensions such as generating profits, sales performance, and return on investment (ROI). Notably, SMEs prioritize meeting employee payroll obligations and ensuring long-term survival. Similarly, SME owners report generally positive perceptions of their financial well-being, particularly regarding the ability to cover essential expenses and fulfill household financial obligations. However, challenges exist in handling unforeseen expenses within monthly income, indicating the importance of financial preparedness.

The regression analysis further supports the positive relationship between financial sustainability and the financial well-being of SME owners. A statistically significant positive association is found, indicating that improvements in financial sustainability correspond to increases in the financial well-being of SME owners. This underscores the significance of interventions aimed at enhancing financial sustainability in improving the economic welfare of SME proprietors. The study's findings align with theoretical underpinnings such as the Easterlin Paradox, which emphasizes the relative nature of financial satisfaction and the importance of economic stability in enhancing well-being. Achieving financial sustainability provides SME owners with a stable income source, reduces financial anxiety, and addresses fundamental needs, contributing to overall well-being.

Based on the findings and insights gleaned from the correlation analysis between financial sustainability and the financial well-being of SME owners, several recommendations emerge to enhance the economic resilience and prosperity of SMEs:

i. Implement initiatives aimed at enhancing financial literacy and management skills among SME owners. By equipping proprietors with the knowledge and tools necessary for effective financial decision-making, such programs can empower them to optimize financial sustainability within their enterprises.

ii. Advocate for the implementation of effective financial management practices, such as stringent budgeting, prudent investment strategies, and efficient resource allocation, to improve profitability and operational stability in SMEs.

iii. Emphasize the importance of personal financial well-being for SME proprietors, as it can contribute to their capacity to invest in initiatives that strengthen the long-term sustainability of their businesses.

iv. Encourage SME owners to invest in technological advancements, skilled labor recruitment, and diversification strategies to enhance financial sustainability and overall business performance.

v. Highlight the bidirectional nature of the relationship between financial sustainability of SMEs and the financial well-being of their owners, emphasizing the need for a holistic approach to managing both aspects.

vi. Provide training and resources to SME owners on how to balance their personal financial well-being with the financial sustainability of their businesses.

vii. Facilitate networking opportunities for SME owners to share best practices and strategies for achieving financial sustainability and improving personal financial well-being.

Future research should consider employing longitudinal study designs to explore the temporal dynamics and causality between financial sustainability and financial well-being. Such studies will provide insights into how changes in financial sustainability over time affect the financial well-being of SME owners.

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