

Entrepreneurial Financial Practices in Pakistan: The Role of Access to Finance and Financial Literacy

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The main purpose of this study is examine entrepreneurial financial practices in Pakistan. The research has employed, resource-based view to analyse the impact of entrepreneur orientation on SMEs performance. Moreover, the role of access to finance has been analysed as a mediator in the relation between the performance of SMEs and entrepreneur orientation. Finally, the moderating role of financial literacy in the relationship between access to finance and firm performance of SMEs is examined. The study has employed a survey-based methodology to answer the research questions. The partial least square is used to analyse the data. A total of 441 questionnaires were received with complete responses, a response rate of 63 per cent. The study concludes that the impact of individual components of entrepreneur orientation on performance and access to debt is neglected in this approach. Financial literacy is one factor that can help the owner of an SME to decide the optimum financial level and also help them to devise strategies for fundraising. The study, which is among the pioneering studies on the issue, provides policy guidelines to entrepreneurs and researchers with regard to understanding the finance-related issues relevant to entrepreneurs in Pakistan.

Key words: *Entrepreneur orientation, access to finance, financial literacy, entrepreneurial finance, Pakistan.*

Introduction

Job opportunities are created by small and medium-sized enterprises (SMEs), which lead to innovation and economic growth (Ayandibu & Houghton, 2017). A number of issues are experienced by SMEs in emerging countries, including the lack of availability of banking finance, limited financial and capital information, and an inability to identify opportunities

for financial products. There has been significant constraint in the development of SMEs because of a lack of financial management abilities in Ghana. Skilled managers are attracted by SMEs, but they cannot compete with big firms in the industry (Fang, Memili, Chrisman & Penney, 2017). The growth of SMEs in the emerging economies is significantly impacted by limited financial management abilities.

The financial crisis in both the flow of equity finance and debt to SMEs has led to a considerable decline in small business (Raposo & Lehmann, 2018). Recent research studies have emphasised the need for financial inclusion of entrepreneurs. The focus of policy debates has been on the growth and financing of SMEs in most of the emerging economies (Ayyagari, Demirgüç-Kunt & Maksimovic, 2017).

SMEs have considerable socio-economic importance. The government considers small business to be a priority in Pakistan, for increasing job opportunities and reducing unemployment. The country is currently facing about 6 per cent unemployment (Statistics Pakistan, 2018). Moreover, SMEs play a crucial role in improving economic growth and reducing inequalities of wealth in Pakistan (Ali & Malik, 2017). It has been noted by Simpasa and Pla (2016) that the rate of failure of SMEs in Pakistan is about 70 to 80 per cent, irrespective of the significance of this sector. These scholars point to the inability of the SME sector to reduce poverty and create employment opportunities. Hyder and Lussier (2016) state that it has become essential to explore the causes of this high failure rate in order to improve SMEs and their performance.

Carbo-Valverde, Rodriguez-Fernandez and Udell (2016) note that a major cause of SME failure is the unavailability of external finance for SMEs. Chrisman, Chua, De Massis, Minola and Vismara (2016) suggest that the possible reasons for SME failure include the strategic framework's inability to complement the entrepreneurship strategy of the firm. The firm managers in this era are experiencing rapid changes in a competitive business environment. To deal with such challenges, there is a need for an entrepreneurial approach to designing strategy to achieve success. The process of designing entrepreneurial strategy is referred as entrepreneur orientation (EO). This exists for the organisations that are involved in market innovations and that take risks to compete with their rivals. Silva, Dacorso, Costa and Serio (2016) note that firms aiming for a competitive advantage can use EO, which can be considered as a solution to the problems faced by businesses. EO is used to describe the circumstances that exist in the big firms, but it is equally important for small firms.

It is therefore important to understand EO with reference to the SME sector. Lent, Anderson, Yunis and Hashim (2019) suggest that large firms exert severe competitive pressures on SMEs in Pakistan. This implies that the SMEs work in a hostile rather than a benign environment. The performance of the SMEs can improve through EO, which can reduce the

failure rate of SMEs in the country; however, no single conclusion can be derived through the empirical literature regarding the influence of EO on the performance of a firm. Some studies have revealed that firms can perform better with an orientation that is more EO than that of others (Brouthers, Nakos & Dimitratos, 2015). On the other hand, no significant positive influence of EO has been found on the growth of the firm.

This indicates a need for EO as an appropriate strategy and shows its positive association with performance. Yet there is a need for financial capital to implement EO. The growth of SMEs has been shown to be based not just on internal financial capital; it requires external financial capital. Debt and equity are two basic sources of external finance for SMEs, which are unable to easily achieve external equality. For this reason, many SMEs depend on debt (Wasiuzzaman & Nurdin, 2019). A positive relationship has been found between social capital and EO. Resources can be acquired through social capital, which can support the entrepreneurs. Access to financial resources can improve through EO (Boso, Oghazi, Cadogan & Story, 2016). In Pakistan, a meta-analysis of the empirical literature on EO showed large firms are the focus of majority of research studies.

Kriel (2008) examined the nature of EO in the Pakistan liquor industry. The EO of companies listed in Johannesburg Stock Exchange was examined, along with that of companies working in the ICT industry (Jeong & Harrison, 2017). The entrepreneurial intention and level of innovation were assessed in the short-term insurance industry of Pakistan. Very few empirical studies have focused on the influence of EO on the performance of SMEs in Pakistan. The research studies found a positive and significant association between performance and the difference components of EO. The positive influence of EO on access to debt finance by SMEs has not been empirically found by any research study in Pakistan; moreover, it has still not been determined that access to debt finance could play a mediating role in the association between the performance of SMEs and EO.

It is universally assumed that capital access has a positive influence on the growth of a firm, and managers have to make complex decisions about finance for organisational success (Adomako, Danso & Ofori Damoah, 2016). Financial decisions are made by managers in the form of retirement plans, investment and savings (Basheer et al., 2018; Basheer et al., 2019; Hidthii et al., 2019). Certain activities are undertaken by firms to acquire resources and develop these resources further. In order to perform these activities efficiently, firms can depend on dynamic capabilities, including financial knowledge, to use resources effectively. Firms can turn resources into different uses such as extension, creation or modification (Basheer et al., 2018). Cognitive skills and knowledge are required by financial literacy (FLR) along with certain behaviours, desirable attitudes and external supportive factors (Drever et al., 2015). FLR has been conceptualised in this study as knowledge acquisition to manage finances, customer market planning and use financial services to achieve the set

financial objectives (Hafeez et al., 2018). Skills such as bill payment, budgeting, management of consumer issues, comparison-shopping and payment are included in this (Adomako et al., 2016). SMEs must attain these skills in the emerging economies. For instance, according to the 2014 World Bank Global Development Report, financial inclusion was incorporated as a main theme. The report showed that significant constraints in financial management are faced by SMEs in developing markets, influencing their ability to contribute in terms of productivity, employment, innovation and growth. It suggested that financial education is regarded by financial sector practitioners as the most effective way to deal with financial exclusion of the firms.

The need for financial education is not a new agenda; however, the focus grew after the financial crisis, with a push for greater financial inclusion to improve the financial ability of entrepreneurs. Yet there is limited understanding about the role of FLR in transforming finance access to increased growth output. From a different perspective, additional capabilities are required to effectively utilise access to finance. These factors have not been analysed in the research on firm growth and access to finance (ATF), which transform the finance access of the firm to achieve growth outcomes. It is based on scholars incorporating the moderating influences of the relationship between ATF and growth of a firm for a clear depiction of the situation in which favourable outcomes can be achieved. The previous literature has been extended by this research through analysing how ATF deals with individual capabilities to enhance the growth of a firm. A key role is played by dynamic capabilities in transforming finance access to improve the growth of firms.

In this research, a resource-based view has been used to analyse the role of EO in SMEs' performance (Adomako et al., 2016). Moreover, the role of ATF has been analysed as a mediator in the relationship between SMEs' performance and EO. the moderating role of FLR in the relationship between ATF and firm performance of SMEs is examined.

Theoretical Framework of Access to Finance, Financial Literacy, Entrepreneurial Orientation and SMEs' Performance

EO and ATF by SMEs

EO has been established by some researchers as a disposition of management involved in decision-making (Alarifi, Robson & Kromidha, 2018). Some important decisions are involved in EO, and these are made for the entire organisation. In this way, EO is an organisational process. In relation to the philosophy of operation management and strategic decisions of the firm, the entrepreneurial firms are considered as those in which entrepreneurial management styles are adopted by top management. Al Ghamdi, Samarji and Watt (2016) point out that a major issue faced by entrepreneurs in Pakistan is ATF. One cause of the failure of SMEs and weak performance in Pakistan is a lack of financial support.

This research uses a resource-based perspective to show the significance of financial capital to improve the performance of SMEs.

To purchase current and fixed assets, it is important for firms to have access to financial capital to sustain competitive advantage. A number of SMEs depend on internal finance provided by friends, family and self (Quartey, Turkson, Abor & Iddrisu, 2017). The growth of SMEs is limited because of their dependence on internal finances. The firms using external finances are able to show a higher rate of growth compared with those using internal finances. External capital sources are important for the growth of SMEs (Muneer et al., 2019). There are two primary sources of external finance for SMEs: debt and equity. In Pakistan, almost 65 venture capital funds control about R29 billion, with an average investment of R15.4 million.

Investment in SMEs represents about R1.1 billion, which is just 3.8 per cent of the total funds. This shows that SMEs face limited access to external equity. Several SMEs depend on debt finance, particularly trade credit and bank loans, because of a lack of external equity. It has been argued that all the strategic intentions are likely to fail without sufficient resources. Dimitratos, Johnson, Plakoyiannaki and Young (2016) point out that that high levels of resources are involved in the dimensions of EO. Cavusgil and Knight (2015) note that large resource commitments are made by the firms, which take risks to avail themselves of the opportunities in the market.

Moreover, entrepreneurs are more willing to take risks to obtain resources, including external finance. A forward-looking perspective is shown by the firms, which are competitively aggressive and proactive. Proactiveness is highly important in the establishment of relations with different finance sources. Moreover, Saebi and Foss (2015) point out that the ability of a firm to support and be engaged in innovative ideas, experimentation and novelty is seen as innovative. Further, it requires commitment to financial resources. Huggins, Prokop and Thompson (2017) argue that firms with EO are focused and make efforts to avail themselves of opportunities such as relations with the capital providers. For a successful EO, there is a need for a firm to show a commitment to obtaining financial resources. Moreover, firms with EO are able to access debt capital because of better relations with the providers of capital debt. Alternatively, it can be hypothesised that a positive association exists between ATF debt and EO in SMEs. Based on the literature, we propose the following hypothesis

H1: The EO has significant impact on the ATF

EO and the Performance of SMEs

Lungeanu, Stern and Zajac (2016), Hmaeed et al. (2019) and Hmaeed et al. (2018) have all observed that researchers have emphasised EO for improving the financial performance of firms. This is due to the support provided by the key factors of EO in pursuing and identifying market opportunities. This enables firm to achieve a competitive position through being in a position to recognise opportunities.

Lungeanu et al. (2016) note that firms are able to achieve diversified markets and products, along with improved financial performance, through EO activities. Moreover, there is positive relationship between EO and intangible outcomes such as skill development, knowledge and job satisfaction. Nieto, Santamaria and Fernandez (2015) point out that the likelihood of a firm to take risks is linked with its ability to become competitive. Some researchers have identified that a firm can achieve sustainable competitive advantage through the development of new processes, products and services. However, the research studies empirically analysing the influence of EO on performance of firms have not reached any conclusions. Stenholm, Pukkinen and Heinonen (2016) found no direct association between the growth of firms and EO. Matchaba-Hove, Farrington and Sharp (2015) discovered that the success of a firm is not positively influenced by all dimensions of EO. Still, the influence of EO on the performance of firm is not conclusion in empirical literature. This study is based on the argument that EO dimensions such as innovation and competitive aggressiveness can give a competitive edge to the SME. Alternatively, a positive association has been hypothesised between the performance of SMEs and EO.

H2: The EO has significant impact on the performance of SMEs in Pakistan.

ATF and Performance of SMEs

Sørensen (2017) argues that tax is deductible on interest payments of debt. However, this advantage is not available on equity. Considering this fact, debt can be used by firms to reduce their capital cost and maximise profitability. It can be referred to as the leverage effect of debt. A financial risk factor is introduced by leverage. The use of debt can be negative or positive. It is positive in terms of the higher return on assets earned by a firm, which is higher than the rate of interest on debt. When return on assets is low compared with the rate of interest on the debt, leverage is negative. The influence of debt on firm performance is inconclusive in the literature.

Studies have found a negative influence of debt on firms' profitability. Some have discovered a positive and significant relationship between the performance of a firm and debt (Lusardi & Mitchell, 2017; Aziz, Hasnain, Awais, Shahzadi & Afzal, 2017). The price at which the cash is

lent by a central bank to the banking system is referred to as the repo rate. Short-term interest rates are indicated by the repo rate. Over the years, the repo rate has decreased in Pakistan to 5.5 per cent (Khalid, 2017). According to Haque, Das and Rahman (2017), there has been a significant reduction in borrowing costs in Pakistan, with the prime interest rate reaching 9 per cent – the lowest in 30 year. This shows that a positive leverage can be obtained by SMEs with access to debt. Alternatively, a positive relationship between SMEs' performance and use of debt has been hypothesised.

H3: The ATF has a significant impact on the performance of SMEs in Pakistan.

The Role of ATF as a Mediator

According to Semrau, Ambos and Kraus (2016), there is a strong relationship between EO and performance. However, EO does not have a positive influence on performance; rather, it is always based on the context. There is a need for EO to be linked with some business activities to improve its positive influence on the performance of firm. The influence created by access to debt as a mediating variable has been analysed in the empirical literature on the relationship between EO and performance. Altinay, Madanoglu, De Vita, Arasli and Ekinici (2016) have found that the association between performance and EO is mediated through the creation of knowledge. Zehir, Gurol, Karaboga, and Kole (2016) show that the role of EO on the relationship of firm performance and EO is as a mediator. High levels of EO in firms make strategic planning possible, and enable them to explore the needs of customers as well as avail themselves of new opportunities. Moreover, performance can be improved by firms that have debt access. Therefore, a significant role is played by debt finance as an intermediate variable in the association of EO and SME performance. Alternatively, it can be hypothesised that the relationship between the performance of SMEs and EO is mediated through access to debt finance.

H4: ATF mediates the relationship between EO and SMEs performance.

Influence of FLR as a Moderator

The theoretical framework has been provided by RBV to understand the concept of FLR and ATF. Now the theoretical arguments have been developed related to the success of SMEs, increasing the FLR of entrepreneurs. This study supports the theory that a high level of finance access results in increased benefits for firms, which has been endorsed by showing that multiple levels of financial knowledge or literacy influence the impact of finance access on the growth of the firm in emerging or less developed market environments.

Researchers have attempted to analyse the relationship between financial decision-making and FLR (Lusardi & Mitchell, 2017). Most studies have found a strong relationship between financial outcomes and FLR. Recent empirical research suggests that a strong relationship also exists between behaviour and FLR. FLR is considered a crucial determinant of participation in the stock market (Lusardi & Mitchell, 2017). The literature shows that high levels of financial knowledge enable individuals to engage in a wide range of activities. Business finance can be managed through use of FLR as a tool (Lusardi & Mitchell, 2017).

Recently, the issue of developing the capability of financial management for owners of small businesses in emerging countries has attracted increased attention (Adomako et al., 2016). Business managers are supported by FLR to make effective financial decisions, investment plans and saving plans, and to create budgets. Moreover, the financial practices of a firm, sales revenue and quality of objective reporting improve through FLR (Lusardi & Mitchell, 2017). Research evidence has revealed a direct association between financial knowledge and self-beneficial behaviour. In order to overcome the issues in managing the financial capital of a firm, strong financial understanding is required. Effective decisions such as debt management and payment of bills on time can be made through FLR, enhancing the value of borrowers and improving the performance of a firm (Lusardi & Mitchell, 2017). It is important to argue that owners or managers of SMEs with no financial knowledge can overlook the risks or fail to identify them. This results in an inability to interpret the risks properly and on time. It can also restrict the ability of ATF to enhance the growth in positive ways. There is therefore a need to acquire financial knowledge to convert finance access to improved growth in a firm.

An important source of failure for SMEs is the unavailability of debt finance in Pakistan. It reflects a positive relationship between access to debt finance and EO. This can reduce the financial limited experienced by SMEs. Moreover, there is a positive relation between EO and SME performance, which can result in a reduction in the SME failure rate in Pakistan (Aziz, Hasnain, Awais, Shahzadi & Afzal, 2017). The results show, however, that the relationship of SME performance and EO is partially mediated by access to debt. These results are in line with the theoretical framework, which suggests that the performance of a firm improves through EO.

Moreover, these results are consistent with the literature, which empirically supports the view that access to debt finance is improved through EO for SMEs. The aim is to contribute to the existing research studies related to dynamic capabilities and entrepreneurship by analysing such a contingency. The moderating role between the relation of firm growth and ATF has been analysed under the concept of RBV. Huang, Dyerson, Wu and Harindranath (2015) suggest that competitive advantage can be achieved through resources that are rare, valuable and inimitable.

Financial capability is a valuable, inimitable and rare resource, which can help firms to achieve and sustain competitive advantage (Vomberg, Homburg & Bornemann, 2015). The

degree to which the managers can make finance decisions is influenced by the availability or limitation of valuable resources, including access to finance. FLR has been incorporated as a mediator between the relation of growth and ATF under the concept of RBV. A theoretical rationale has been developed for the relationship of FLR and ATF as a major dynamic capability for improving firm growth. ATF has been linked with the dynamic capability theory. This article aims to explain the capabilities that add to the growth of firms. SMEs' experience with ATF is limited in emerging economies. This research is unique, as it incorporates the role of FLR between the relation of growth and ATF as a mediator in the context of an emerging economy (Eniola & Entebang, 2016).

H5: The FLR moderates the relationship between ATF and SMEs' performance.

Methodology

This study has employed a survey-based methodology to answer the research questions. The partial least square is used to analyse the data. World (1982) states that the partial least squares (PLS) technique is known as second-generation structural equation modelling. According to Gustafsson and Johnson (2004), PLS is more suitable for structural equation models that have cause-and-effect relationships and latent variables. Moreover Ringle, Wende and Will (2005) found that the best technique for prediction and statistical model building was PLS. There are many reasons for using this technique in our study, including that using PLS is beneficial for real-world applications and more suitable for handling complex models (Fornell & Bookstein, 1982; Hulland, 1999). We will define the relationship between the dependent variable and independent variables and study the indirect effects on them. The second reason for using this technique is to establish whether the data is normally or abnormally distributed. PLS path modelling can be used for both (Chin, 1998). The social sciences have an issue with abnormal data, which can be addressed with the help of PLS. The foremost reason for using PLS, however, is that it estimates the association among constructs (Duarte & Raposo, 2010), and for this reason PLS is known as one of the most effective statistical techniques. We have therefore used PLS to evaluate the reliability and construct validity of the assumed relationships.

The population was estimated to be 21,000 based on a five-technique criterion. A sample of 700 respondents was used. The questionnaire survey was formulated and distributed among the respondents. Out of the total questionnaires, 510 questionnaires were received with complete responses. The response rate turned out to be 63 per cent. Based on the acquired response rate, the responses can be used for further analysis. The standard response rate is considered to be 49 per cent. The analysis of the questionnaire survey found that the average age of respondents was 44 years. Most of the employees had work experience of 12 to 14 years, and the majority (59%) was working in the operating departments. Most employees

had higher educational degrees, and 301 were male and 79 female. The sample size of 375 is considered suitable and acceptable. The stratified random sampling design was used in the research. The population is divided into sub-groups or strata, from which random samples are in proportion to the entire population. Questionnaires were distributed with the help of stratified random sampling. The response rate is provided in Table 1.

Table 1: Response rate

Response	Frequency/rate
Total questionnaires distributed among students	700
Total questionnaires received as filled	510
Total questionnaires identified as true responses	441
Total questionnaires excluded due to errors	69
The total rate of response	72.85%
Total rate of valid response	63.00%

Results

The first step in PLS-SEM path model is basically the evaluation of measurement model, which leads us to the structural model (Deal, 2017). Validity and reliability are the main standards for the determination of the measurement model in PLS analysis. Hair, Sarstedt, Hopkins and Kuppelwieser (2014), and Henseler, Hubona and Ray (2016) suggest using the evaluation of measurement model. The outer model of current study is mapped in Figure 1.

The reliability of individual item was evaluated by determining the loading for each item, as suggested by many researchers (Hair et al., 2016). The threshold for loadings is 0.70 and the values below that level are omitted by following the study of Hair et al. (2014) (Table 2).

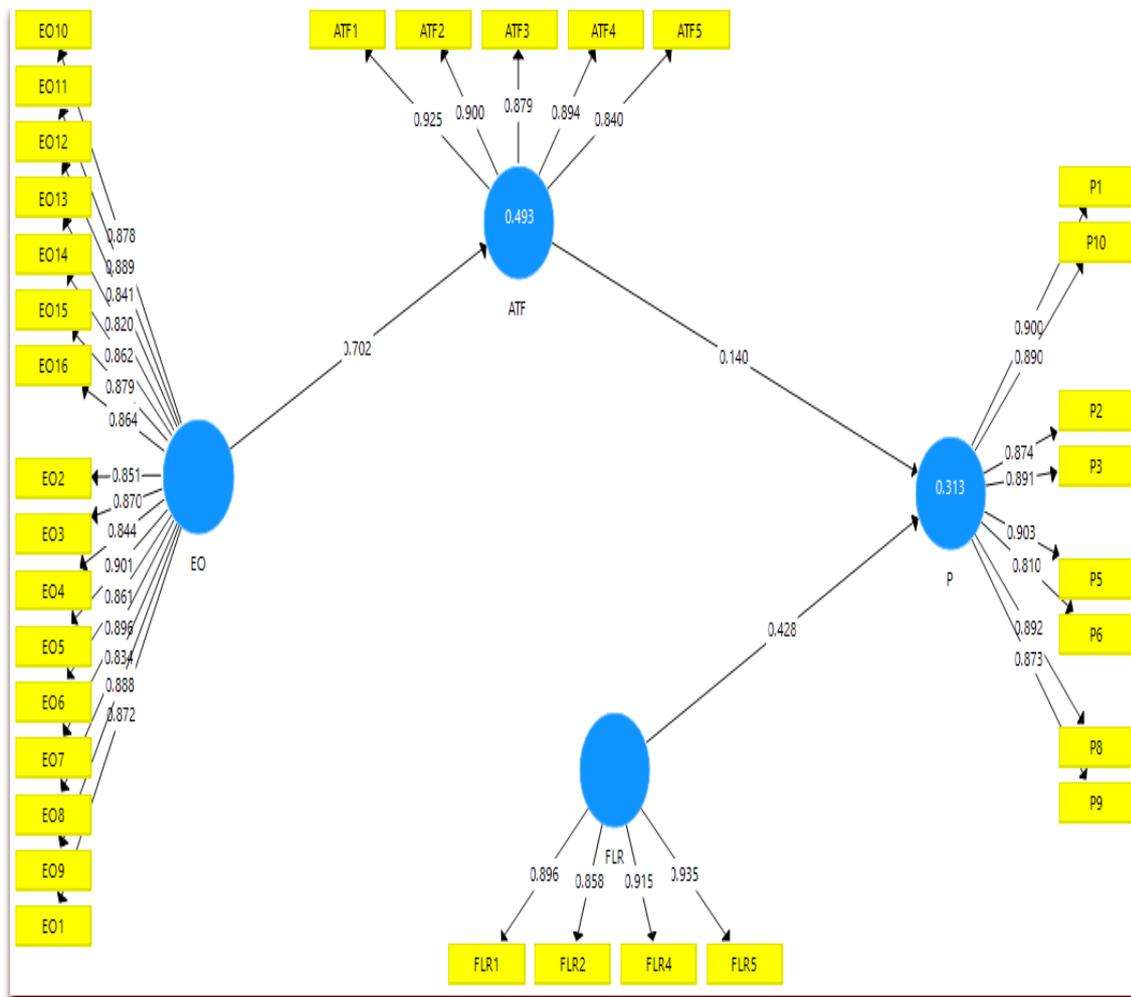


Figure 1: Measurement model

Composite reliability (CR) is a suitable way to evaluate internal reliability in a PLS path model (Wong, 2016). which can be explained as a Cronbach's alpha. According to Lonia and Carter (2015), the value of CR must be greater than 0.70. Table 3 shows the information about the variables of the CR range from 0.844 to 0.985, which are greater than the threshold of 0.70. Results show the acceptable reliability used in this study. Ngah, Zainuddin and Thurasamy (2017) describe the CV at that level where the same variable is measured by several items. Based on the endorsement of Tzempelikos and Gounaris (2017), with the measurement of the average variance extracted (AVE), we have checked the convergent validity in this study. For all variables, the value of AVE should not be less than 0.5, so the values less than 0.5 are omitted from data for the improvement of AVE value.

Table 2: Outer loadings

	ATF	EO	FLR	P
ATF1	0.925			
ATF2	0.900			
ATF3	0.879			
ATF4	0.894			
ATF5	0.840			
EO10		0.878		
EO11		0.889		
EO12		0.841		
EO13		0.820		
EO14		0.862		
EO15		0.879		
EO16		0.864		
EO2		0.851		
EO3		0.870		
EO4		0.844		
EO5		0.901		
EO6		0.861		
EO7		0.896		
EO8		0.834		
EO9		0.888		
FLR1			0.896	
FLR2			0.858	
FLR4			0.915	
FLR5			0.935	
P1				0.900
P10				0.890
P2				0.874
P3				0.891
P5				0.903
P6				0.810
P8				0.892
P9				0.873
EO1		0.872		

Table 3: Reliability

	Cronbach's alpha	rho_A	CR	AVE
ATF	0.933	0.934	0.949	0.789
EO	0.978	0.978	0.980	0.750
FLR	0.923	0.929	0.945	0.813
P	0.958	0.963	0.965	0.774

Measurement of different concepts or degree of differentiation of items between the constructs is known as discriminant validity. Phillips, Barnes, Zigan and Schegg (2017) explain this as the variables used in each study being different from those in the other studies. Hair et al. (2016) suggest the two measures for checking the discriminant validity: cross-loadings and the Fornell-Larcker's criterion. The square roots of AVE for each variable must be greater than the association between all variables in Fornell-Larcker's measure (Tzempelikos & Gounaris, 2017).

Table 4: Discriminant validity

	ATF	EO	FLR	P
ATF	0.888			
EO	0.702	0.866		
FLR	0.821	0.712	0.901	
P	0.534	0.662	0.657	0.880

The evaluation of the inner structural model is the second step in PLS after measurement model assessment. By following the Henseler et al.'s (2016) suggestions, this study is evaluating the implication of path coefficients, effect size, level of R^2 values, the moderating effect and the predictive relevance. Figure 2 shows the structural model.

The standard bootstrapping procedure can be used for the measurement of the significance of the path coefficients, which includes a sample of 5,000 bootstraps and 441 cases suggested by Henseler et al. (2016) and Basheer et al. (2019). The results of the study have provided support for the argument that ATF is in a significant relationship with SME performance (Eniola & Entebang, 2016). The EO appears to be a significant determinant of ATF. The financial literacy is in a significant relationship with the SMEs' performance as well as appearing as a significant moderator (Table 5).

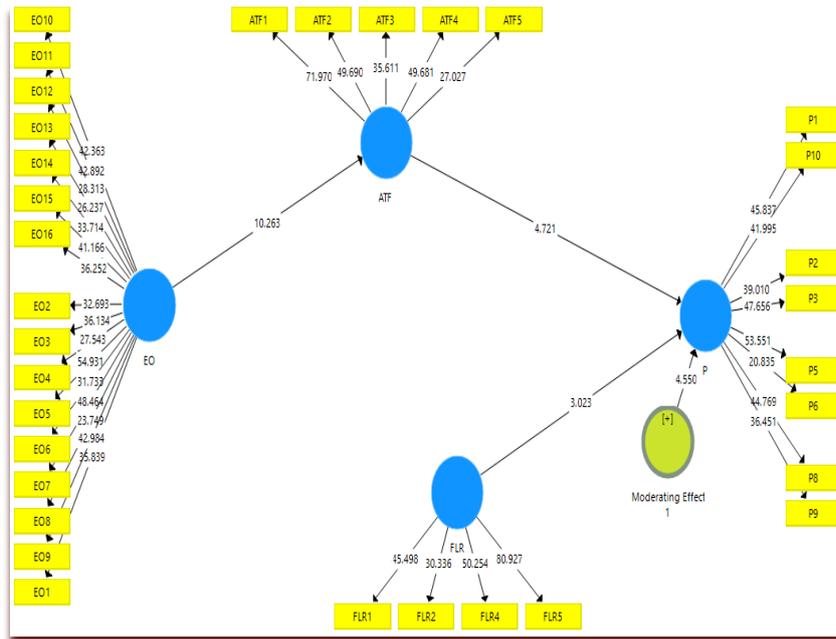


Figure 2: Structural model

Table 5: Direct and moderation results

	(O)	(M)	(STDEV)	(O/STDEV)	P values	Status
ATF -> P	0.513	0.508	0.109	4.721	0.000	Accepted
EO -> ATF	0.702	0.705	0.068	10.263	0.000	Accepted
EO -> P	0.361	0.360	0.090	4.016	0.000	Accepted
FLR -> P	0.369	0.376	0.122	3.023	0.001	Accepted
Moderating Effect 1 -> P	0.358	0.359	0.079	4.550	0.000	Accepted

The results shown in Table 6 confirm the ATF as a significant mediator in the relationship between EO and SME performance.

Table 6: Mediation

	(O)	(M)	(STDEV)	(O/STDEV)	P Values	Status
EO -> ATF -> P	0.361	0.360	0.090	4.016	0.000	Accepted

According to Hair et al. (2016), the variance in the endogenous variable (R^2) is the main criteria for the evaluation of structural model in PLS-SEM. The percentage change in the dependent variable that can be described by one or more forecasted variables will be determined by value of R^2 variable (Hair et al., 2014; Hair et al., 2016). In the structural model, the R^2 values of 0.25, 0.75 or 0.50 can be described as moderate, substantial or weak separately for the dependent variable (Table 7).

Table 7: R²

	R Square
ATF	0.493
P	0.313

Following the recommendations of Hair et al. (2010), using PLS-SEM, the following measures must be applied; this indicates the analytical significance for the evaluation of a model's quality. This study depends on Stone-Geisser's test analytical significance by using the procedures of blindfolding (Carrión, Henseler, Ringle & Roldán, 2016). In PLS modelling, this test is used for checking the goodness of fit (Phillips et al., 2017). The only measure for the endogenous latent variables is blindfolding procedure, which has a multi-dimensional model. Describes the latent variable as a reflective measurement model which creates differences in the set of indicators. Therefore, due to the reflective nature of the study, the blindfold procedure is used because of the endogenous latent variable. For the evaluation of analytical significance of the research model, a cross-validated redundancy measure (Q²) was applied (Hair et al., 2014; Hair et al., 2016).

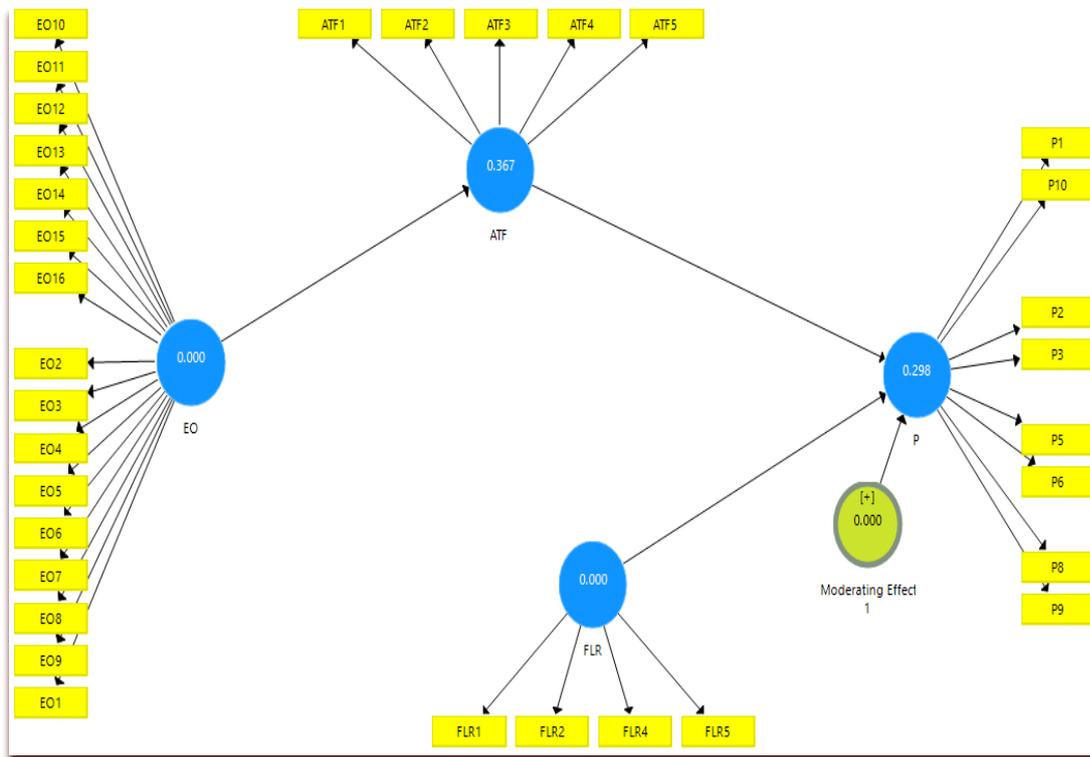


Figure 3: Q²

Table 8: Q²

	SSO	SSE	Q ² (=1-SSE/SSO)
ATF	1,085.000	687.280	0.367
EO	3,472.000	3,472.000	
FLR	868.000	868.000	
Moderating effect 1	217.000	217.000	
P	1,736.000	1,218.257	0.298

Conclusions

SMEs should absorb the EO dimensions such as competitive aggressiveness and risk-taking, proactiveness, autonomy and innovativeness for improving performance and access to debt. The level of EO should be evaluated by SEM before implementing any action. An internal audit can be conducted for this. In case there is a lack of RO, SME is required to identify the factors that need to be developed. SMEs should incorporate EO in their structure through a top-down management style.

Entrepreneurship culture can be developed through the support of SME owners and strategic leadership. Some available space should be left by management of SMEs for autonomy among the workforce, creating initiative and communication for developing EO. Firms should be organised by SME owners in such a way that encourages entrepreneurship to flourish in the form of new ventures, ideas, processes and products.

Entrepreneurship should be encouraged by a reward system (both non-monetary and monetary) for employees of SMEs. Leadership style, which leads to creativity and innovation, should be modelled by SME owners. Seminars and training sessions should be organised for the employees of SMEs on EO dimensions by government agencies responsible for SMEs, including the National Youth Development Agency, the Small Business Development Agency and Provincial Development Corporations.

An aggregated unidimensional measure of EO has been used in this study as an EO measure provided by Mthanti and Ojah (2017). The influence of individual components of EO on performance and access to debt is neglected in this approach. FLR is one of the factors that can help SME owners to decide the optimum financial level for their enterprise, and also help them to devise fundraising strategies.

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