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Entrepreneurial Orientation and Small and Medium-sized Enterprises' Performance; Does 'Access to Finance' Moderate the Relation in Emerging Economies?

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Abstract

The main objective of the underline study is to examine the influence of entrepreneurial orientation (EO) on financial and non-financial performance of small and medium-sized enterprises (SMEs) with the moderating role of access to finance. Because SMEs—due to fair reasons such as lack of resources and lack of managerial skill—are often unable to succeed in their mission, the managers look for much less risky and convenience factors to compete in the market. A variety of factors has been tested but the role of finance in this perspective has received minor attention. Hence, the underline study tested finance as a moderator between firm resources and their performance. To test the model, a structured questionnaire is used to collect data from 326 Pakistani SMEs. Structural equation modelling in AMOS is used to test the hypotheses. Our finding suggests that EO significantly enhances SME's financial and non-financial performance in emerging economies. On the other hand, access to finance significantly moderates the relationship between EO and SME's financial performance while it is not significantly moderating between EO and non-financial performance.

This research recommends policymakers and practitioners to focus on accessing adequate finance while Small and Medium-sized Enterprises Development Authority encourages banks and financial institutions to facilitates SMEs. Furthermore, the possible implications have been discussed.

Key Words

Entrepreneurial Orientation, Access to Finance, SMEs, Financial Performance, Non-financial Performance, Pakistan

Introduction

Despite the increasing importance of small and medium-sized enterprises (SMEs) to all economies, entrepreneurs and top managers are struggling on how to get easy access to resources compared to their competitors (Fowowe, 2017). SMEs are important for economic growth which can be seen in the case of Pakistani economy where SMEs' contribute 40 per cent to its gross domestic product while providing more than 70 per cent of employment opportunities (Aminu & Shariff, 2015; Egena et al., 2014; SMEDA, 2016). However, regardless of their economic importance,

SMEs in emerging economies are facing many obstacles, which becomes a serious fence for gaining their objectives. Some of the most important challenges for them are lack of strategic information, lack of infrastructure, uneducated employees, lack of resources, unskilled human resources and low levels of financial literacy (Hassan et al., 2018; Rohra & Panhwar, 2009).

Hence, the main objective of the current study is to examine the impact of entrepreneurial orientations (EOs) on SMEs' financial and non-financial performance because EO supports the strategic behaviour of an organization to get in touch with employees' strategic orientations—such

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as innovation, risk-taking and proactiveness—which eventually affects firm performance (Cui et al., 2018; Yavarzadeh et al., 2015). EO is most widely used as an organizational intangible resource to assess firm's entrepreneurial capabilities (Miller, 1983), while the researchers mostly use it as a scale to measure the organizational inclination to entrepreneurship (Lages et al., 2017; Rauch et al., 2009), in addition, it is a very crucial factor for organization profit maximization (Anderson & Eshima, 2013). Hence, in previous studies (Doshmanli et al., 2018; Fellnhofner, 2019), the organizational backgrounds and performance (financial and non-financial) related to EO have been broadly underlined, theoretically and empirically, whereas EO and firm performance relationship is currently lacking (Gupta & Barua, 2018; Zhai et al., 2018).

In addition, from last two decades, EO has received a substantial focus of researchers (Iqbal & Malik, 2019; Shah & Bhutta, 2013), while on the relationship between EO and firm performance, a vast literature is available in developed (Martin & Javalgi, 2016; Soininen et al., 2012) and underdeveloped economies (Jiang et al., 2018). Whereas many meta-analyses have also been conducted on the EO and SMEs' performance (Rauch et al., 2009; Saeed et al., 2014). The overabundance of research has been conducted on the relationship between EO and SMEs' financial performance (Anwar et al., 2018; Jiang et al., 2018; Rezaei & Ortt, 2018), while several studies conducted on base to evaluate the financial and non-financial performance (De Clercq & Rius, 2007; Wiklund & Shepherd, 2003). Hence, both financial and non-financial have been evaluated (Keh et al., 2007) but there is a contradiction among the previous results because the previous researchers have not mentioned the importance of the EO on SMEs' financial and non-financial performance, instead just mixed the aspects without effectively focusing on either. Furthermore, a lot of studies are conducted in manufacturing industries, whereas the trading and services industry have received minor attention. In addition, the role of EO on firm performance is frequently debated in the developed economies, while it is rarely correlated with firm performance in emerging economies (Bhutta & Ali Shah, 2015; Reijonen et al., 2015).

Hence, the underline study bridges the gap and unchecked the significance of EO impact on SME's financial and non-financial performance in manufacturing, trading and services industries in Pakistan. Whereas due to the lack of internal and external (tangible and intangible) resources, the organization cannot gain a competitive advantage (Barney, 1991). Therefore, due to organizational internal challenges, SMEs are needed to must rely on external resources (Brenes et al., 2014; Yuliansyah et al., 2016); previous literature have suggested various external resources such as government support (Songling et al., 2018), strategic flexibility (Wei et al., 2017) and access to finance (Tran et al., 2019). Hence, Tran et al. (2019) argue that EO and organizational external resource ability can

build the models within recent entrepreneurship research. These both construct correlation is very corresponding for maximizing organizational performance; as per resource-based view theory (RBVT; Barney, 1991), organizational in-hand tangible and intangible resources are unique weapons for sustainable competitive performance. Thereby, the current study plugs the second gap to dissever the character of access to finance in the financial and non-financial performance of SMEs.

The current study demonstrates major contributions. First, this study examines access to finance's support to the relation between EO, SME's financial and non-financial performance. Previous literature suggested that finance in-hand can help to maximize organizational performance (Jiang et al., 2018; Rogo et al., 2017) because small firms are persistently trying to gain superior performance over competitors, and the possible source to compete the competitors is to launch a new product (Palmer et al., 2001), which is not possible without access to external resources. Therefore, access to finance is a key element for SMEs' success in emerging economies (Alejandro et al., 2011; Mokaya, 2012). Executives, top manager and policymakers are required to build the connection for easy access to the external resources to compete with the competitors in the market as all businesses have financial resources, which can significantly contribute to firm performance (Bongomin et al., 2017). Therefore, this study is defined to evaluate the moderating role of access to finance on the relationship between EO, SMEs' financial and non-financial performance in the emerging economy of Pakistan because organizations have a priority to gain non-financial performance in a dynamic market, which in turn helps them to enhance their organizational financial performance. Therefore, in sum up, testing both financial and non-financial performances at the same time, in the Pakistani context, testing the moderating role of access to finance and finally going beyond only manufacturing industry are among the novelties of this research.

In this article, after a review of the literature and hypotheses development part, methodology, results and conclusion parts are presented and more implications of our research and future research suggestions are described.

Literature Review and Hypothesis Development

Theoretical Background

The objective of the current study is to examine the moderating effect of access to finance in the relationship between EO and SMEs (financial & non-financial) performance in Pakistan. Hence, it supports RBVT. RBVT covers the existing organizational resources—tangible and intangible that are influenced by a firm to facilitate the value-creating strategies for getting to effectiveness and efficiency (Barney, 1991). Firms with unique resources, value-creating

strategies and ability to grasp on market gain sustainable competitive performance easier. The organizational strategic orientations such as EOs can evolve employee performance and attractive market opportunities (Pratono & Mahmood, 2015). Moreover, Barney (1991) and Ortega (2010) findings postulate that organizations can gain a competitive advantage through both internal and external capabilities. Hence, RBVT provides the foundation of our research model in the framework of EO and access to finance these factors are deemed to be organizational internal and external capabilities to show positive performance and survival for the long-term.

When organizations possess various resources, for example, tangible and intangible, this either directly or indirectly influences their performance and sustains competitive advantage and survival (Omerzel & Gulev, 2011). EO regarded as an intangible resource within an organization can outgrowth its performance (Shirokova et al., 2016). It is argued that organizational strategic orientation policies such as EOs can help to gain the highest performance, but due to conflicts in previous researches (Jiang et al., 2018; Rezaei & Ortt, 2018; Shu et al., 2019), we can see a kind of inconsistency in this regard. Hence, it means that the relationship between EO and firm performance is affected by an external factor (McGee & Peterson, 2019). Considering the indirect effect of EO on SME's financial and non-financial performance, we argued that access to finance can tight the relationship between EO and SMEs performance. Because access to finance is an organizational ability to use financial resources from external sources to maximize the internal organizational tangible and intangible resources (Chatterjee & Wernerfelt, 1991). Thus, RBV suggests that organization needs both internal and external resources to gain sustainable performance in the market, so here in the current research model, access to finance plays a role as an external resource (Anwar et al., 2018). Hence, both internal and external resources are merged here and are in line with RBVT. Barney (1991) suggested that organizational internal and external resources and capabilities significantly influence their performance.

SMEs Definition in Pakistan

SMEs are available in every corner of the world; they play a vital role in the economic development of the countries. Approximately 30 per cent of employment creation, growth and development of the country are on the shoulders of SMEs in Pakistan (Akhtar et al., 2015). SMEs perform

their duty like the backbone of the Pakistani economy and significantly contribute to employment creation and poverty reduction. As an example, Hafeez et al. (2012) highlight that in the Pakistani economy, 95 per cent of SMEs in the agriculture sector provides 80 per cent of the overall employment in this sector.

Although there are lots of different definitions for SMEs, we have followed the definition presented by SMEDA (2016) which has two main criteria (number of employment and assets) as shown in Table 1, where if there is a clash on classification between the number of employees and assets criteria, the employment-based definition should be taken as the priority (SMEDA, 2016).

Entrepreneurial Orientation

As defined by Hisrich and Peters (1992), EO is the process of generating new ideas with new value by dedicating the effort and specific period, presumptuous of financial, social and psychological risks and gain any financial or self-satisfaction rewards. However, normally in literature, the researcher applies some recommended EO dimensions such as innovativeness, risk-taking and proactiveness (Lumpkin & Dess, 1996). While some recent literature used additional dimensions; for instance, corporate venturing, strategic renewal and autonomy (Bierwerth et al, 2015; Karimi & Walter, 2016; Zhang & Zhang, 2012).

Access to Finance

Normally, to finance a new venture, entrepreneurs have to choose the best opportunities from internal or external sources using particularly the pecking-order theory. Considering various past investigations, access to money-related assets would give various advantages to the businesses. Financial resource availability can be one of the driving elements for the operation of a new venture cycle (Eriksson et al., 2009; Hussain et al., 2007). In this stage, the capability of the business to get the financial standard is difficult. The accessibility of monetary assets for SMEs as obligation and value is very important for invigorating and supporting entrepreneurial action.

Besides, finance is a core factor for SMEs' performance, and eventually, it has advantages for the country's economy in the turbulent market. In that capacity, obtaining a profitable range of financial assets is a significant variable that burst SMEs' entrepreneurial exercises in an economy (Aminu & Shariff, 2015; Kuntchev et al., 2012). SMEs can

Table 1. Definition of SMEs in Pakistan

| Sl. No | Size Category | Number of Employees | Assets (Excluding Land and Building) ₹ |
|--------|-------------------|---------------------|--|
| 1 | Small enterprise | 10–35 | 2–20 million |
| 2 | Medium enterprise | 36–99 | 20–40 million |
| 3 | Large | 100–250 | Productive assets |

Source: SMEDA (2016).

be influenced either emphatically or contrarily by the accessibility of money-related assets. Effectively, SME's performance is utilized by the abnormal state of use (Klonowski, 2012). Similarly, Gedajlovic et al. (2013) expressed that access to social and monetary capital will probably empower the new SMEs to contend in a much comparable way than their competitors in the business environment.

Entrepreneurial Orientation and SMEs Performance (Financial Performance and Non-financial Performance)

EO reviews the organizational performance through different strategies, for instance, style, decision and action (Zhai et al., 2018). The government rules and regulations and external market uncertainty significantly affect business performance (Harabi, 2005). In previous literature, the researchers suggested that organizational strategic policies, like EO, significantly contribute to the firms' performance in the emerging economies (Covin & Wales, 2012; Roxas et al., 2017). Hence, Zampetakis et al. (2011) scrutinized that highly entrepreneurial-oriented firms would demonstrate a significant contribution to their firm performance (Arzubiaga et al., 2018). Thereby, several researchers suggested that there is curvilinear overlapping between the EO and firm's performance in developed economies (Jiang et al., 2018; Martinez-Conesa et al., 2017). While some literature findings suggest that EO has a positive significant correlation with firm financial performance in developed countries (Jiang et al., 2018) because developed economies' organizational policies and culture are different from the emerging economies (Rogo et al., 2017). In developed economies, organizational structure is very strong due to sufficient tangible and intangible resources, for instance, stable market, low inflation, better decision making and a positive future plan for long-term (Bierwerth et al., 2015), while in emerging economies, firms experience high inflation rate; many managers cannot make a confident decision and face many more challenges as compared to developed economies (Karimi & Walter, 2016).

Hence, the overwhelming perspective of EO research is because it is a vital source for competitive financial performance (Gomes & Wojahn, 2017; Saeed et al., 2014). The impact of EO on non-financial performance is especially remarkable for developing and emerging economies because in emerging economies, the employers usually are not providing CSR incentives or rewards (Hafeez et al., 2012; Saeed et al., 2014), therefore, in emerging economies, SMEs' financial and non-financial performance is very essential to gain sustainable competitive performance, thereby following the (Barney, 1991) RBVT suggestion, that is, organizations' internal and external resources are very important for competitive advantage. Besides these, many studies explored that EO has a strong positive relation with SMEs' non-financial

performance (Ahmadi et al., 2012; Al-Dhaafri et al., 2016; Gomes & Wojahn, 2017; Hoque, 2018; Hoque & Awang, 2019; Ibrahim et al., 2017; Ibrahim & Mas'ud, 2016; Kantur, 2016). According to the previous literature, EO has a significant positive impact on SME's financial and non-financial performance in the emerging economies.

H_1 : EO is significantly related to SMEs' financial performance

H_2 : EO is significantly related to SMEs' non-financial performance.

The Moderating Role of Access to Finance Between Entrepreneurial Orientation and SMEs' Performance

For the growth of small and medium enterprises, easy access to external resources is very important (Wiklund & Shepherd, 2011). In a turbulent market, the organizational internal resources are not enough to compete well in the market (Caglayan & Demir, 2014); therefore, the organizations move towards the external resources such as government intuitions and technological support to maximize their performance. Hence, in our research, the organizational strategic orientation is an intangible resource that significantly enhances the SME's financial and non-financial performance. But in the case of a dynamic market, the venture internal intangible resources are not enough to compete in the market, so, it needs any external resource to strengthen the relationship (Barron & Kenny, 1986). Hence, Fowowe (2017) suggested that organizational easy access to the external resources can play a vital role to strengthen the organizational internal resources and their outcome. Therefore, researchers postulate that free access to finance is one of the most important factors to enhance venture performance. (Masa'deh et al., 2018)

In addition, the easy access to finance is an external tangible resource (Songling et al., 2018), which has a significant contribution to firm performance maximization (Fowowe, 2017). However, this correlation is linked through the RBVT because RBVT suggested that organizational internal and external resources bundle could sustain competitive performance. Furthermore, according to Fatoki (2012), the unreachability to finance plays a vital role in failure and weak financial and non-financial performance in developing countries. Therefore, the study findings show that access to finance has a positive relationship with EO and SME's performance (Fatoki, 2012; Fowowe, 2017; Song et al., 2018). As mentioned by Lumpkin and Dess (1996), EO includes strategic actions such as proactiveness and risk-taking, which play a very important role in firms' operations. Many researchers showed that access to finance has a strong positive relationship with firm performance (Fatoki, 2012; Song et al., 2018), and the firms which have the above strategic actions are more likely to find a way to easily access to finance. While Lin et al.

(2008) suggested that financial resources support the relationship between EO and performance. While Butzbach and Sarno (2019) examined that organizations with the state of EO can take part in vital arranging, recognize client needs and can distinguish new opportunities easier. Moreover, easy access to finance can enhance their performance. Along these lines, access to financial resources is a variable that helps to strengthen the relationship between EO and SMEs' financial and non-financial performance (Rogo et al., 2017). Finally, as aforementioned, there is some inconsistency in relationship between EO and performance (financial and non-financial) which is a symptom that there might be a moderator between them, and according to aforementioned evidences, we have decided on access to finance as this mediator. Thus, below hypotheses are developed:

- H_3 : Access to finance moderates the relationship between EO and SMEs' non-financial performance.
 H_4 : Access to finance moderates the relationship between EO and SMEs' financial performance.

According to what is explained in the hypothesis's development part, Figure 1 shows the final simplified conceptual model of current research.

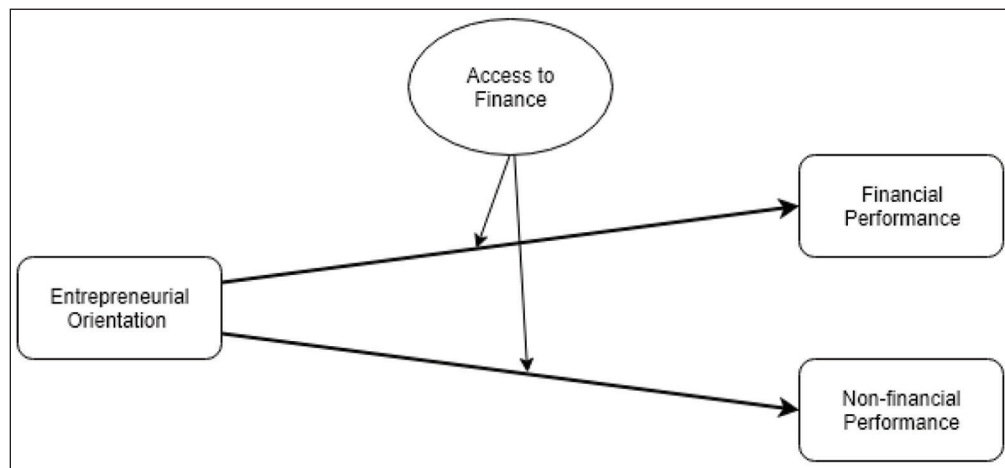


Figure 1. Research Model

Source: The authors.

Methodology

Sample Size and Data Collection

As a sampling frame, the Rawalpindi Chamber of Commerce & Industry (RCCI) and Islamabad Chamber of Commerce & Industry database are used, which are verified by Small and Medium-sized Enterprises Development Authority (SMEDA). Overall, 9,160 manufacturing companies were listed in above-mentioned databases and we have chosen them as the population of our research. The estimated needed sample size is 380 SMEs questionnaires were distributed. A total of 356 responses received back from respondents, while incomplete responses are excluded. Thus, a total of 326 usable questionnaires are included for the final analysis of the study. From the population of 9,160 SMEs, the data are collected by a simple random selection method through probability-based sample size formula of the total population with 95 per cent confidence. The survey length was three months. We have collected the data via self-reported questionnaires from top managers and middle managers as they play a vital role in improving companies' performance, growth and competitive advantage (Tajeddini & Mueller, 2012). For the structure of our research's questionnaire, refer to Table 2.

Table 2. Practical Definition of Variables

| SI No | Name of Variables | References | Number of Questions |
|-------|-----------------------------|--|---------------------|
| 1 | Entrepreneurial orientation | Covin and Slevin (1989) Miller (1983) | 9 |
| 2 | Access to finance | Cooper, Gimeno-Gascon, and Woo (1994) Wiklund and Shepherd (2005) | 7 |
| 3 | Financial performance | Huo et al. (2014) Aktan and Bulut (2008) | 7 |
| 4 | Non-financial performance | Ryu et al. (2014) Huo et al. (2014) | 3 |

Source: The authors.

Regarding the missing values, we examined the frequencies in SPSS 23 to find the percentage of missing values. The results of missing value analysis indicate that there are only few items (less than 3%) replaced by an imputed method with 'Mean' in SPSS.

Control Variables

Previous studies suggested that the age and size of the firms have a significant impact on SME's performance. Kraus et al. (2012) scrutinized that these variables have a significant contribution to firm financial and non-financial performance. While some of the previous literature suggested that these variables support more fruitful results for the firm (Bojica & Fuentes, 2012; Dai et al., 2014; Lechner & Gudmundsson, 2014; Shirokova et al., 2016; Wiklund & Shepherd, 2011). Hence, we apply these variables including the size and age of the firm to identify their role in SMEs' performance in Pakistan.

Results and Discussions

Profile of the Firms

The profile of the firm's analysis shows that there are 238 male respondents which are equal to 75.2 per cent and 88 female managers who are equal to 28.8 per cent of total participants in this study. A total of 254 firms have between 10 and 35 employees which are 80.5 per cent of our total sample and 72 firms were having employees between 36 and 99 which is equal to 19.5 per cent of total participants. Moreover, the age of the firm shows that 161 firms were less than 10 years old and 165 firms were between 11 and 20 years old. As it is shown in Table 3, in the current study, data are collected from 108 chief executive officers (35.6% of our samples) and 95 administrative staff (31.4% of our samples) and 123 finance managers (33.0% of total participants).

Having CEOs and financial managers as most of our respondents helped to higher the reliability of our gathered data as they are the closest people in the organization who work in the condition which makes them aware of our studied constructs.

In Table 4, the skewness values for all our variables are presented. The values for skewness and kurtosis are laid in the accepted range as it is recommended that these values in the range of (-2, +2) indicate the normality of our data (George & Mallery, 2010; Khan, 2019). Hence, data of the

Table 3. Profile of Firms Description

| Description | Frequency | Percentage of Total |
|--------------------|-----------|---------------------|
| Gender | | |
| Male | 238 | 75.2 |
| Female | 88 | 24.8 |
| Size of firm | | |
| 10–35 employees | 254 | 80.5 |
| 36–99 employees | 72 | 19.5 |
| Age of firm | | |
| 10 years and less | 161 | 49.8 |
| 11–20 years | 165 | 50.2 |
| Employees position | | |
| CEO | 108 | 35.6 |
| Administrative | 95 | 31.4 |
| Finance manager | 123 | 33.0 |
| N | 326 | 100 |

Source: The authors.

study are normally distributed that allows us to use AMOS-based hypothesis testing.

Common Method Bias

The data are collected from a single factor while giving the green signal to the common method bias (CMB; Podsakoff & Organ, 1986). Consequently, we apply Hamon's one-factor test in SPSS and run exploratory factor analysis (EFA) for any potential problems. Hence, our results explained with 4 eigenvalues greater than 1 where the first factor explains the 29.74 per cent out of 69.61 per cent variance of all the factors. Therefore, the results explain that there is no CMB problem, as the first factor does not explain the major variance (Hsu et al., 2013; Podsakoff & Organ, 1986). The results indicated the significant relationship between the hypothesized measurement items and their respective factors, which ensures the absence of CMB in this study.

Confirmatory Factor Analysis

Confirmatory factor analysis (CFA) using AMOS.21 is used to test items' standard loading, validity and reliability of main construction and hypothesis. This is the final step for the measurement of the model on all the constructs to ensure the validity, reliability and fitness of the model. Table 5 shows the result of the standardized regression weight of our research constructs.

Table 4. Descriptive Data and Internal Consistency Values

| Construct | Mean | Std. Deviation | Skewness | Kurtosis |
|-----------------------------|--------|----------------|----------|----------|
| Entrepreneurial orientation | 3.7589 | 0.35242 | -0.934 | -0.151 |
| Financial performance | 3.7600 | 0.24197 | -0.889 | 0.223 |
| Access to finance | 3.7870 | 0.29091 | -1.180 | 0.167 |
| Non-financial performance | 3.7332 | 0.33602 | -0.848 | -0.693 |

Source: The authors.

Table 5. Standardized Regression Weights

| SI No | Estimate | VIF | AVE | \sqrt{AVE} | CR |
|-------|----------|------|-------|--------------|-------|
| | 0.803 | 1.65 | 0.681 | 0.825 | 0.923 |
| 1 | 0.743 | 2.28 | | | |
| 2 | 0.756 | 1.92 | | | |
| 3 | Dropped | – | | | |
| 4 | 0.760 | 2.20 | | | |
| 5 | Dropped | – | | | |
| 6 | 0.751 | 2.03 | | | |
| 7 | Dropped | – | | | |
| 8 | 0.671 | 2.05 | | | |
| 9 | | | | | |
| | 0.784 | 1.89 | 0.953 | 0.667 | 0.817 |
| 1 | 0.712 | 2.26 | | | |
| 2 | 0.844 | 1.79 | | | |
| 3 | 0.758 | 1.95 | | | |
| 4 | 0.804 | 1.74 | | | |
| 5 | 0.801 | 1.97 | | | |
| 6 | 0.804 | 2.06 | | | |
| 7 | | | | | |
| | 0.774 | 2.29 | 0.917 | 0.720 | 0.849 |
| 1 | 0.728 | 1.37 | | | |
| 2 | 0.754 | 1.82 | | | |
| 3 | 0.694 | 2.19 | | | |
| 4 | Dropped | – | | | |
| 5 | 0.645 | 1.49 | | | |
| 6 | 0.707 | 2.25 | | | |
| 7 | | | | | |
| | 0.715 | 2.37 | 0.883 | 0.767 | 0.875 |
| 1 | 0.867 | 2.02 | | | |
| 2 | 0.731 | 2.05 | | | |
| 3 | | | | | |

Source: The authors.

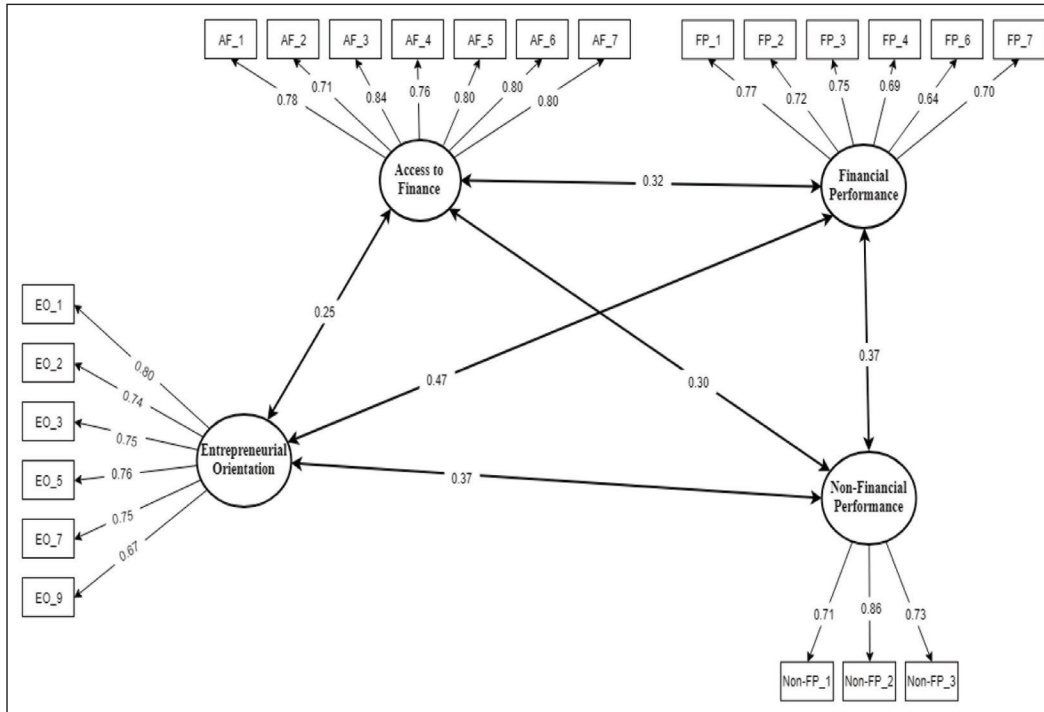


Figure 2. Measurement Model

Source: The authors.

Table 6. Cross Loading of Latent Constructs

| Items | Entrepreneurial Orientation | Access to Finance | Financial Performance | Non-financial Performance |
|-------|-----------------------------|-------------------|-----------------------|---------------------------|
| EO1 | 0.715 | 0.485 | 0.476 | 0.465 |
| EO2 | 0.833 | 0.588 | 0.523 | 0.548 |
| EO3 | 0.786 | 0.572 | 0.564 | 0.558 |
| EO5 | 0.806 | 0.621 | 0.622 | 0.552 |
| EO7 | 0.590 | 0.801 | 0.534 | 0.508 |
| EO8 | 0.649 | 0.791 | 0.543 | 0.577 |
| AF1 | 0.459 | 0.737 | 0.509 | 0.469 |
| AF2 | 0.590 | 0.835 | 0.577 | 0.577 |
| AF3 | 0.629 | 0.787 | 0.626 | 0.655 |
| AF4 | 0.536 | 0.532 | 0.754 | 0.479 |
| AF5 | 0.403 | 0.397 | 0.695 | 0.356 |
| AF6 | 0.572 | 0.586 | 0.827 | 0.554 |
| AF7 | 0.583 | 0.530 | 0.822 | 0.506 |
| FP1 | 0.696 | 0.600 | 0.635 | 0.884 |
| FP2 | 0.723 | 0.585 | 0.577 | 0.816 |
| FP3 | 0.723 | 0.585 | 0.577 | 0.816 |
| FP4 | 0.593 | 0.543 | 0.521 | 0.780 |
| FP5 | 0.619 | 0.618 | 0.745 | 0.824 |
| NFP1 | 0.589 | 0.593 | 0.591 | 0.832 |
| NFP2 | 0.439 | 0.637 | 0.579 | 0.649 |
| NFP3 | 0.620 | 0.735 | 0.677 | 0.617 |

Source: The authors.

Table 7. Model Fitness Index

| Models | Chi ² /df | GFI | AGFI | CFI | TLI | NFI | RMR | RMSEA |
|--------------------------|----------------------|--------|--------|--------|--------|--------|--------|--------|
| Measurement Model | 1.513 | 0.91 | 0.89 | 0.97 | 0.96 | 0.91 | 0.016 | 0.037 |
| Acceptance Range | 1-3 | > 0.90 | > 0.80 | > 0.95 | > 0.90 | > 0.90 | < 0.09 | < 0.08 |

Source: The authors.

In Figure 2, the schematic version of the measurement model is presented.

Table 6 explains the latent constructs' cross loading among each other; the results explain that all factors are linear loading, which suggest that we can further go towards next stop of hypothesis analysis, and our study constructs loading insights that are in acceptance range (Jalali et al., 2014).

Moreover, in Table 7, the results of the model fitness are presented.

These results show that our suggested research model has a good fit as all criteria are in the accepted range as mentioned for each one in Table 7.

Correlation

Correlation analysis is performed in SPSS. The values of correlation provided initial support for the proposed hypotheses of the study. All the constructs have significant positive correlation values (refer to Table 8) which indicates a positive connection between EO, access to finance, non-financial performance and financial performance. The values for correlation between EO and access to finance, financial performance and non-financial performance,

Table 8. Correlation Coefficients for 326 Samples

| Variables | 1 | 2 | 3 | 4 |
|-----------------------------|---------|---------|---------|---|
| Entrepreneurial Orientation | 1 | | | |
| Access to Finance | 0.452** | 1 | | |
| Financial Performance | 0.489** | 0.479** | 1 | |
| Non-Financial Performance | 0.430** | 0.356** | 0.382** | 1 |

Source: The authors.

Note: ** Correlation is significant at the 0.01 level (2-tailed).

display a positive connection between EO and firm performance and non-financial performance. Similarly, the value between access to finance and financial performance ($r = 0.479, p < .01$) and between access to finance and non-financial performance ($r = 0.356, p < .01$) indicates a positive relationship. There is also a positive relationship between financial performance and non-financial performance ($r = 0.382, p < .01$). Overall results indicate that there are no multi-collinearity issues as the highest value is 0.66, which is less than 0.80 (Jalali et al., 2014; Khan & Ghufraan, 2018).

From the effect size point of view, it is clear that EO has the strongest effect on financial performance and non-financial performance. Therefore, according to Schober et al. (2018) or Nishimura et al. (2016) or Mukaka (2012), values in the range of 0.00–0.10 are negligible correlation, 0.10–0.39 value is weak and 0.40–0.69 value is a moderate correlation, while 0.70–0.89 value shows a strong relation. Hence, following Schober et al. (2018) findings, our constructs have a moderate correlational effect.

Structural Model

The hypotheses of the current study notions further analyse via structural equation model while item scales fitted in the model for analysis. The structural equation finding is presented in Figure 3.

The results of the structural equation model are shown in Table 9. It is shown that EO has a significant impact on SME's performance (financial; $\beta = 0.180, p < .05$), hence H_1 is supported. EO has also a significant relationship with the non-financial performance of SMEs ($\beta = 0.126, p < .05$), hence H_2 is also supported. According to this analysis, we found that access to finance does not moderate the association between EO and SME's non-financial

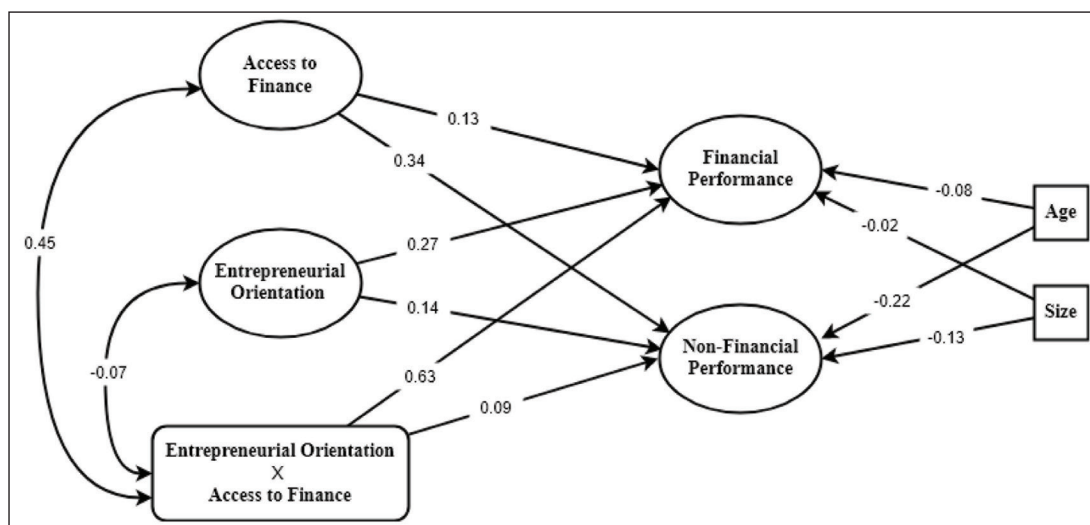


Figure 3. Structural Equations Model from AMOS Software

Source: The authors.

Table 9. Hypothesis Testing

| | | | Estimate | SE | CR | P |
|-----|---|---------|----------|-------|--------|-------|
| NFP | ← | EO | 0.126 | 0.034 | 3.761 | 0.00 |
| FP | ← | EO | 0.180 | 0.019 | 9.657 | 0.00 |
| NFP | ← | AF | 0.384 | 0.046 | 8.442 | 0.00 |
| FP | ← | AF | 0.104 | 0.025 | 4.113 | 0.00 |
| NFP | ← | EO × AF | 0.017 | 0.053 | 0.326 | 0.745 |
| FP | ← | EO × AF | 0.430 | 0.022 | 19.888 | 0.00 |
| NFP | ← | Age | -0.075 | 0.012 | -5.998 | 0.00 |
| FP | ← | Age | -0.021 | 0.007 | -2.983 | 0.073 |
| NFP | ← | Size | -0.070 | 0.019 | -3.707 | 0.00 |
| FP | ← | Size | -0.009 | 0.010 | -0.835 | 0.404 |

Source: The authors.

Note: EO: Entrepreneurial orientation, AF: Access to finance, FP: Financial performance, Non-FP: Non-financial performance.

performance ($\beta = 0.017, p > .05$), while access to finance moderates the relationship between EO and SME's financial performance ($\beta = 0.43, p < .05$), which supports H_4 . Access to finance has a significant impact on SME's financial performance ($\beta = 0.104, p < .05$) and also a positive influence on SME's non-financial performance ($\beta = 0.384, p < .05$).

Two control variables are also incorporated into our basic study. In this regard, our results show that the effect of the company's age on non-financial performance is significant, while the effect of the company's age on financial performance is not significant. The size of the firm has also a significant impact on non-financial performance and it has no significant impact on the financial performance of SMEs.

As we can see in Table 9, three out of our four main hypotheses are accepted and half of our hypotheses related to control variables are accepted as well. On the 'main' hypotheses, EO influences both financial and non-financial performances. On mediating hypotheses, we found that access to finance only influences financial performance and has no significant impact on non-financial performance. Two control variables (age and size) are only correlated to financial performance and there is no significant relationship between them and non-financial performance.

Conclusion

The current study results contribute to developing countries like Pakistan where SMEs are facing a huge number of problems. One of the biggest problems that they are experiencing is a lack of finance. The study discussed that access to finance moderates the relationship between EO and SMEs Performance (financial performance and non-financial performance).

Highlighting H_1 , according to the findings, EO has a positive and significant association with SMEs' performance (financial performance), which is similar to the results from some past studies (e.g., Adomako et al., 2016; Agyemang & Ansong, 2017; Cucculelli & Bettinelli, 2015;

Dai et al, 2014). The concept of EO includes (a) to be innovative, (b) to be autonomous decision-makers, (c) to be aggressive in the competitive moves, (d) to be a risk-taker within the territory of the firm and (e) to be proactive in expecting change. The EO has new added value for the business to be successful in the competitive environment that directly affects firm performance.

The current study reveals that EO has a positive association with SME's non-financial performance, as reported in results, H_2 is also supported. As highlighted in the previous studies conducted by Aziz and Samad (2016) or Engelen et al. (2014), the EO has a positive and significant relation with SME's non-financial performance. As discussed above, the EO has the specification such as adding innovation, risk-taking in policymaking, competitive strategies and proactiveness. In addition, all dimensions of EO help the firm to improve its performance.

Our study results show that access to finance has a positive and significant association with SME's financial performance and non-financial performance. In the prior studies, researchers (Beck & Demircuc-Kunt, 2006; Cecchetti & Kharroubi, 2015; Fowowe, 2017; Mohd Shariff et al., 2010; Swierczek & Ha, 2003) explored that access to finance has a positive and significant association with SMEs' financial performance and non-financial performance. The new venture owners are facing various barriers in the field of growth. However, finance is a major problem for SMEs in developing and emerging economies due to the lack of enough internal resources for the start-up of the venture. So, they need to take debt from any external source such as banks or family members. Even in this situation, they have problems demonstrating collateral or mortgaging internal resources.

H_3 and H_4 , hypothesized in our study, stated that access to finance moderates the relationship between EO and SME's financial performance while not moderating the relationship between EO and SME's non-financial performance. As it is discussed in prior studies (e.g., Fatoki, 2012; Fatoki & Asah, 2011; Mohammed & Obeleagu-Nzelibe, 2014; Zampetakis et al., 2011), access to finance moderates the relationship between EO and SMEs' financial performance. As finance significantly contributes to entrepreneurial orientated business performance (Butzbach & Sarno, 2019; Mohammed & Obeleagu-Nzelibe, 2014), if a firm has easy access to finance, then it can compete with the competitors in the turbulent market of emerging economies.

We also found that the age and size of the company have no significant impact on the non-financial performance of SMEs. We can use this result as a motivating symptom for young and small SMEs showing them that they can easily improve their non-financial performance and there are no limitations for them according to the size and age of their business. On the other hand, bigger and older businesses can know that this characteristic of them can improve their financial performance easily as these variables are

correlated with the financial performance of SMEs in Pakistan.

It is revealed that new ventures have a 19 per cent failure rate during their first 5 years from the start-up stage and the remaining ones can survive up to 25 years in Pakistan. However, besides this high failure rate, no one was interested in finding the solution to this problem. Basically, new ventures in comparison with mature firms are facing the problem of resources (financial and non-financial). But the access to finance is a critical issue for the firms and it is a major issue for new ventures during start-up stages, and if an entrepreneurial-oriented venture gets access to finance, then usually the business targets will be achieved in a short time.

Implications of Research

The current study reveals lots of practical implications for both managers and owners of new ventures. According to our results, it is suggested that any EO of ventures has a significant effect on their financial performance. So, managers/owners of ventures are advised to adopt this approach for firms to be more successful. Moreover, our study revealed that if any new or old venture has easy access to finance, it is also associated with its financial performance. As free access to finance supports the performance of the firm (Fatoki, 2012), it is advised to the government to create such an environment where entrepreneurs can easily get access to finance for their firm operation.

SMEDA, the first institution of the Government of Pakistan under the Ministry of Industries & Production, is playing a very important role in supporting SMEs for development. They need to arrange seminars, training and workshops or free courses for CEOs to enrich the progress of industrial sectors. For instance, Gul and Nouman (2009) and Mustapa et al. (2018) suggested that there is a great need for private and public organizations to support SMEs regarding innovation to enhance the sustainability of the industrial sector. This is because the healthy industrial sector cannot be underestimated in productivity and in a higher standard of living in emerging countries such as Pakistan (Ullah et al., 2011). CEOs are also required to adopt these supporting ideas in their policies and strategies.

Besides the aforementioned implications of our results, we can suggest SMEs some strategies to improve their performance by improving the entrepreneurial mindset, especially among their decision-makers. By the way, some additional findings show that the age and size of SMEs do not influence their non-financial performance and they can work on this part at the same time and do not concentrate on financial performance from the infancy level of their businesses.

Also, on the academic side, there are some implications related to the current research. For example, the correlation between EO and financial performance opens new doors for research on more detailed financial performance criteria

of SMEs. On the other hand, as EO influences non-financial performance but 'access to finance' does not mediate this relationship, there seems a gap in academic literature to find the probable reasons for it. Finally, using the simple but applicable conceptual model in the current research can be a good sample for future researches in this field.

Limitations and Directions for Future Research

In the current study, various statistical tests are applied for data fitness, reliability and descriptive statistics, CFA and structural equation modelling (SEM). For further studies, the researchers may use SPSS or PLS data analysis for different and new results.

In this study, only two cities in the Punjab province of Pakistan were targeted. Therefore, for further studies, researchers can expand the data collection to other provinces as it was demonstrated by many types of research that SMEs vary from area to area and industry to industry. The current study uses EO as a whole; however, for further study, the researchers may use three or five dimensions.

Moreover, considering some more environmental factors affecting SMEs is suggested for future researches. In addition, this study is conducted only in a developing country. Further research can be studied in a developed country, and it can be conducted as a comparative study with any developed country for newer results.

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