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**DETERMINANTS OF SMES OWNER-MANAGER BEHAVIORAL  
INTENTION TOWARDS USAGE OF FINANCIAL PRODUCTS**

**RABIA RASHEED**



**UUM**  
Universiti Utara Malaysia

**DOCTOR OF PHILOSOPHY  
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2018**

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**By**

**RABIA RASHEED**



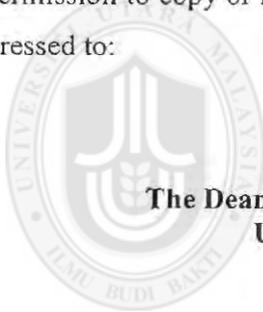
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**Thesis submitted to  
School of Business Management,  
Universiti Utara Malaysia,  
In Fulfillment of the Requirement for the Degree of Doctor of Philosophy**

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## ABSTRACT

Evaluation of socio-psychological determinants of SMEs financial behavior have often been prescribed as an important research direction, particularly in developing economies. In accordance with the above, this study based in Pakistan investigated socio-psychological determinants of SMEs owner-managers' attitude, subjective norms and perceived behavioral control towards usage of financial products. The antecedents of these socio-psychological determinants are depicted as motivation, awareness, perceived usefulness, perceived ease of use, perceived risk; social beliefs and religious beliefs; and self-efficacy. Moderating influences of demographic characteristics of owner-managers have also been analyzed in order to explain the scenario with enhanced precision and possibilities. The study proposed an extended model by combining Theory of Planned Behavior (TPB) and Technology Acceptance Model towards understanding financial behavior of SME owner-managers. Relying on a survey research design, and following a stratified sampling method, 375 SMEs owner-managers were surveyed from Punjab province of Pakistan. Descriptive analysis was done using SPSS, and inferential analysis using Smart PLS 3.2.2. The findings revealed that awareness, perceived usefulness, perceived ease of use, social and religious beliefs possess significant positive relationships with owner-manager attitude and subjective norms which further significantly predicts behavioral intention. However, perceived risk was found to have a significant negative influence on the attitude of SMEs owner-manager. The results revealed that gender exerts no moderation effect on attitude, subjective norms and perceived behavioral control whereas age, education and experience moderate the relationship of attitude only. As SMEs owner-managers exhibit serious concern towards formal financial products usage, it is recommended to the financial institutes that they ensure fairness in their offerings, marketing communications and the way they make products available to SMEs owner-manager. It is also suggested that policy must focus to create awareness among SMEs regarding financial products availability and usefulness, in addition to instituting desirable regulations.

**Keywords:** financial products, financial institutes, SMEs owner-manager, socio-psychological determinants

## Abstrak

Penilaian terhadap penentu sosiopsikologi ke atas tingkah laku kewangan PKS sering kali dianggap sebagai hala tuju penyelidikan yang penting, terutamanya bagi pembangunan ekonomi. Oleh itu, kajian ini yang berpusat di Pakistan ini, menyelidik penentu sosiopsikologi sikap pengurus-pemilik PKS, norma subjektif dan tanggapan kawalan kelakuan terhadap penggunaan produk kewangan. Penentu bagi faktor-faktor sosiopsikologi ini terdiri daripada motivasi, kesedaran, tanggapan kebergunaan, tanggapan kemudahan penggunaan, tanggapan risiko; kepercayaan sosial dan kepercayaan agama; serta efikasi sendiri. Pengaruh pengantaraan ciri demografi pengurus-pemilik juga dianalisis untuk menjelaskan senario peningkatan daripada aspek ketepatan dan kemungkinannya. Kajian yang dicadangkan ini adalah berasaskan model yang terdiri daripada kombinasi Theory of Planned Behaviour dengan Technology Acceptance Model. Teori ini bertujuan memahami gelagat kewangan pengurus-pemilik PKS. Bersandarkan reka bentuk kajian soal selidik, dan kaedah persampelan pelbagai peringkat seramai 375 orang pengurus-pemilik PKS dalam lingkungan umur 18 tahun dan ke atas daripada pelbagai bahagian dalam negara Pakistan ditinjau. Analisis deskriptif dilaksanakan dengan menggunakan SPSS, dan analisis inferensi pula dijalankan menggunakan perisian Smart PLS Versi 3.2.2. Penemuan kajian telah mendedahkan bahawa kesedaran, tanggapan kebergunaan, tanggapan kemudahan penggunaan, dan tanggapan risiko mempunyai hubungan positif yang signifikan dengan sikap pengurus-pemilik yang seterusnya meramalkan niat tingkah laku. Faktor sosial bagi kajian kepercayaan sosial dan kepercayaan agama juga didapati dapat meramalkan niat tingkah laku. Dapatan kajian menunjukkan bahawa jantina tidak memberi kesan pengantaraan terhadap sikap, norma subjektif dan kawalan tanggapan kelakuan, manakala umur dan pengalaman mengantarakan hubungan sikap, dan pendidikan pula secara signifikannya mengantarakan hubungan norma subjektif. Ini kerana pengurus-pemilik PKS mempamerkan keprihatinan yang tinggi terhadap penggunaan produk kewangan formal, maka disyorkan kepada institusi kewangan supaya memastikan keadilan dalam penawaran, komunikasi pemasaran dan cara mereka membuat produk tersedia kepada pengurus-pemilik PKS. Selain itu, pembuat dasar juga disaran supaya memberi tumpuan untuk mewujudkan kesedaran mengenai ketersediaan dan kebergunaan produk kewangan mereka, sebagai tambahan bagi menginstitusikan peraturan yang diingini.

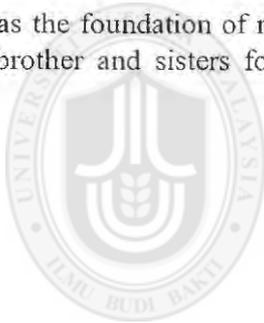
**Kata kunci:** Produk kewangan, institusi kewangan, pengurus-pemilik PKS, penentu sosiopsikologi

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## TABLE OF CONTENTS

Title Page.....	i
Permission to Use.....	ii
Abstract.....	iii
Abstrak.....	iv
Acknowledgement.....	v
List of Tables.....	x
List of Figures.....	xi
List of Abbreviations.....	xii
List of Appendices.....	xiii
<b>CHAPTER 1 - INTRODUCTION.....</b>	<b>1</b>
1.1 Background of Study.....	1
1.2 SMEs in Pakistan.....	12
1.2.1 Challenges to SMEs in Pakistan.....	12
1.2.2 SMEs Intention towards Financing in Pakistan.....	14
1.2.3 Formal Financing.....	14
1.2.4 Informal Financing.....	15
1.3 Problem Statement.....	17
1.4 Research Questions.....	28
1.5 Research Objectives.....	29
1.6 Significance of the Study.....	30
1.7 Scope of the Study.....	32
1.8 Organization of the Thesis.....	34
<b>CHAPTER 2 - LITERATURE REVIEW.....</b>	<b>36</b>
2.1 Introduction.....	36
2.2 SME Industry Overview in Pakistan.....	36
2.2.1 Definition of SMEs.....	37
2.2.2 SMEs Typology.....	38
2.2.3 Nature of Financing.....	40
2.2.4 Financial Products.....	45

2.2.4.1	Leasing .....	49
2.3	Consumer Behavioral Intention .....	53
2.4	Owner-Manager Behavioral Intention .....	57
2.5	Theories of Behavioral Intentions .....	64
2.5.1	Theory of Reasoned Action.....	66
2.5.2	Theory of Planned Behavior .....	68
2.5.3	Technology Acceptance Model.....	70
2.5.4	Decomposed Theory of Planned Behavior (DTPB).....	71
2.6	Socio-Psychological Factors .....	75
2.6.1	Attitude of Owner-Managers .....	75
2.6.1.1	Motivation.....	79
2.6.1.2	Awareness .....	83
2.6.1.3	Perceived Usefulness and Perceived ease of use .....	86
2.6.1.3.1	Perceived Usefulness (Relative Advantage).....	87
2.6.1.3.2	Perceived Ease of Use (Complexity).....	89
2.6.1.4	Perceived Risk.....	91
2.6.2	Subjective Norms and SMEs Behavior.....	94
2.6.2.1	Religious Beliefs .....	98
2.6.2.2	Social Beliefs.....	100
2.6.3	Perceived Behavioral Control towards Intention .....	103
2.6.3.1	Self-efficacy .....	106
2.6.4	Moderating Effect of Demographic Factors.....	108
2.7	Research Framework.....	111
2.8	Hypotheses of Study.....	117
2.9	Summary .....	128
<b>CHAPTER 3 - RESEARCH METHODOLOGY .....</b>		<b>130</b>
3.1	Introduction .....	130
3.2	Research Design.....	130
3.3	Sampling.....	132
3.3.1	Population.....	133
3.3.2	Sampling Frame .....	134
3.3.3	Sampling Methodology .....	135
3.3.4	Sample Size .....	136

3.4	Operationalization and Measurement of Variables.....	138
3.4.1	Behavioral Intention.....	139
3.4.1.1	Attitude.....	139
3.4.1.1.1	Motivation.....	140
3.4.1.1.2	Awareness.....	141
3.4.1.1.3	Perceived Usefulness.....	141
3.4.1.1.4	Perceived Ease of Use.....	142
3.4.1.1.5	Perceived risks.....	142
3.4.1.2	Subjective Norms.....	143
3.4.1.2.1	Religious Beliefs.....	144
3.4.1.2.2	Social Beliefs.....	144
3.4.1.3	Perceived Behavioral Control (PBC).....	145
3.4.1.3.1	Self-Efficacy.....	145
3.4.1.4	Moderating Variable Demographic Factors.....	146
3.5	Data Collection Procedure.....	147
3.6	Questionnaire Design.....	149
3.7	Data Validity and Reliability.....	151
3.7.1	Content and Face Validity.....	151
3.7.2	Pilot Testing.....	152
3.8	Data Analysis.....	156
3.9	Summary.....	158
<b>CHAPTER 4 - DATA ANALYSIS AND FINDINGS.....</b>		<b>159</b>
4.1	Introduction.....	159
4.2	Response Rate.....	159
4.3	Data Screening.....	161
4.3.1	Missing Value Analysis.....	161
4.3.2	Outliers Assessment.....	162
4.4	Profile of Respondents.....	162
4.5	Descriptive Analysis.....	164
4.6	Partial Least Square-Structural Equation Modelling: PLS-SEM Path Model Results.....	165
4.7	Measurement Model Assessment.....	167
4.7.1	Content Validity.....	167
4.7.2	Convergent Validity.....	174

4.7.3	Discriminant Validity .....	176
4.7.4	Predictive Relevance of the Model .....	179
4.8	Structured Model Significance and Hypothesis Testing .....	180
4.8.1	Variance Assessment Explained in the Endogenous Latent Variables .....	184
4.9	Moderating Effect Testing .....	185
4.10	Summary of Hypotheses' Results .....	189
4.11	Summary .....	190
<b>CHAPTER 5 - CONCLUSION AND RECOMMENDATION .....</b>		<b>192</b>
5.1	Introduction .....	192
5.2	Summary of the Study .....	192
5.3	Discussions .....	198
5.3.1	Relationship of attitude, subjective norms and perceived behavioral control with SMEs owner-manager behavioral intention .....	198
5.3.2	Relationship of motivation, awareness, perceived usefulness, perceived ease of use and perceived risk with attitude .....	200
5.3.3	Relationship of religious and social beliefs with subjective norms .....	204
5.3.4	Relationship of self-efficacy with perceived behavioral control .....	206
5.3.5	Moderating effect of demographic factors .....	206
5.4	Theoretical Contribution .....	208
5.4.1	Financial Behavior of SMEs Owner-manager .....	209
5.4.2	Application of TPB and Inclusion of TAM Constructs in Research Model .....	210
5.4.3	Identification of Socio-Psychological Determinants .....	211
5.5	Methodological Contribution .....	217
5.6	Practical Implications .....	218
5.7	Limitation of Study .....	223
5.8	Suggestions for Further Research .....	225
5.9	Conclusion .....	227
<b>References .....</b>		<b>229</b>

## LIST OF TABLES

Table 1.1	Demand and supply side issues in SMEs credit market	13
Table 2.1	Definition of SMEs in Pakistan	37
Table 2.2	Summary of Past Studies on Behavioral Intention	57
Table 2.3	List of Theories to Measure Intention	65
Table 2.4	Summary of selective studies used Theory of Reasoned Action	68
Table 2.5	Summary of selective studies used Theory of Planned Behavior	70
Table 3.1	Geographical Distribution of SMEs	133
Table 3.2	Selected Respondents	136
Table 3.3	Sample size for a given population size	137
Table 3.4	Scale Items used in this study	138
Table 3.5	Owner-Manager Behavioral Intention Measures	139
Table 3.6	Owner-Manager Attitude Measures	140
Table 3.7	Owner-Manager Motivation Measures	140
Table 3.8	Owner-Manager Awareness Measures	141
Table 3.9	Owner-Manager Perceived Usefulness Measures	142
Table 3.10	Owner-Manager Perceived Ease of Use Measures	142
Table 3.11	Owner-Manager Perceived Risk Measures	143
Table 3.12	Owner-Manager Subjective Norms Measures	143
Table 3.13	Owner-Manager Religious Beliefs Measures	144
Table 3.14	Owner-Manager Social Beliefs Measures	145
Table 3.15	Owner-Manager Perceived Behavioral Control Measures	145
Table 3.16	Owner-Manager Self-efficacy Measures	146
Table 3.17	Owner-Manager Demographic Measures	146
Table 3.18	Pilot Study Results	153
Table 3.19	PLS and Co-variance Based Analysis	157
Table 4.1	Questionnaires Response Rate	161
Table 4.2	Respondents Profile	163
Table 4.3	Descriptive Statistics of the Study Variables	164
Table 4.4	Cross loadings of the Items	169
Table 4.5	Factor Loadings Significance	172
Table 4.6	Convergent Validity Analysis	174
Table 4.7	Discriminant Validity Analysis	178
Table 4.8	Predictive Relevance of Model	179
Table 4.9	Structural Model Results	184
Table 4.10	R <sup>2</sup> Values of Constructs	185
Table 4.11	Moderating Results of Demographics	189
Table 4.12	Final Results	189
Table 5.1	Brief Summary of Gaps and Contribution	208

## LIST OF FIGURES

Figure 1.1	Stimulus Response Model	3
Figure 1.2	Extant Framework of Buyer's Mental Processes in the Stimulus-Response Model	4
Figure 1.3	Sources of Financing for SMEs in South Asia	9
Figure 1.4	Access to Credit from Banks in South Asia	10
Figure 1.5	SMEs Financing Status in Pakistan	16
Figure 1.6	Linking SMEs Characteristics and Lower Intentions to Use Formal Finance with Owner-manager's Socio-psychological Factors	20
Figure 2.1	SMEs Ownership Status	38
Figure 2.2	Sector wise Distribution of SMEs	39
Figure 2.3	SMEs Geographical Distribution	39
Figure 2.4	Sector Wise Distribution of Bank Financing in Pakistan	40
Figure 2.5	Cross-Country Comparison of SME Loans as a Share of all Loans	41
Figure 2.6	Share of Banking Groups in Financing SMEs	42
Figure 2.7	Islamic Financing to SMEs	43
Figure 2.8	Facility Wise Composition of SME Financing	44
Figure 2.9	Model of Theory of Reasoned Action	67
Figure 2.10	Model of Theory of Planned Behavior	69
Figure 2.11	Model of Technology Acceptance Model	71
Figure 2.12	Model of Decomposed Theory of Planned Behavior	73
Figure 2.13	Customer Product Adoption Process	84
Figure 2.14	Research Framework	116
Figure 2.15	Model of study	118
Figure 3.1	Questionnaire Development Process	149
Figure 4.1	Path Model Results: Direct Hypothesis	181
Figure 4.2	Path Model Significance Results	182
Figure 4.3	Path Model Results	186
Figure 4.4	Path Model Significance Results	187

## LIST OF ABBREVIATIONS

SMEs	Small and Medium Enterprises
ADB	Asia Development Bank
IFC	International Finance Corporation
SBP	State Bank of Pakistan
SME-FRR	SME Finance Review Report
SME-DFR	SME Development Finance Review
NFIS	National Financial Inclusion Strategy
OECD	Organization for Economic Co-operation and Development
SECP	Securities Exchange Commission of Pakistan
LCC	Lahore Chamber of Commerce
SMEDA	Small and Medium Enterprises Development Authority
FBS	Federal Bureau of Statistics
KPK	Khyber Pakhtunkhwa (Province of Pakistan)
NWFP	North-West Frontier Province
NDLC	National Development Leasing Corporation
IBDs	Islamic Banking Divisions
IPOs	Initial Public Offerings
LC	Letter of Credit
TRA	Theory of Reasoned Action
TPB	Theory of Planned Behavior
TAM	Technology Acceptance Model
DTPB	Decomposed Theory of Planned Behavior
DV	Dependent Variable
IV	Independent Variable
BI	Behavioral Intention
AT	Attitude
MT	Motivation
AWR	Awareness
PU	Perceived Usefulness
PEOU	Perceived Ease of Use
RSK	Perceived Risk
SN	Subjective Norms
SB	Social Beliefs
RB	Religious Beliefs
PBC	Perceived Behavioral Control
SE	Self-Efficacy
PLS	Partial Least Square
SEM	Structural Equation Modelling
SPSS	Statistical Package for Social Sciences
PKR	Pakistani Rupee

## LIST OF APPENDICES

Annexure A Summary of Manufacturing SMEs in Punjab-----	273
Annexure B Research Questionnaire-----	284



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## CHAPTER 1

### INTRODUCTION

#### 1.1 Background of Study

Experts considered consumer behavior as an inseparable part of marketing. Marketing is an activity of organizations in which they create, process, communicate, deliver and exchange products and services to consumers, partners, societies etc. (ama.org). Products and services produced by organizations to fulfill consumer needs, wants and demands. Marketing occurs when consumer decide to satisfy needs and wants through some transaction of desired object from someone by offering something in return. Usually, the transaction involves trading of some goods or services in return for money. For organizations, marketing is to maximize the profit on each individual transaction, similarly, an individual always want to invest or spend money on those products or services from where he/she can get maximum benefit with minimum cost. Thus, it is based on the assumption that if good relationships are built between both parties, profitable transaction will simply follow on both sides (Kotler & Keller, 2011; Blackwell et al., 2006). Marketers always try to attract and convince their target customers towards their products or services they offer in market by using different marketing channels. However, without better understanding of consumer needs, wants and demands it's quite difficult for marketers to identify target customer and sell their product or service. Therefore, it's essential for manufacturers and service providers to comprehend their consumer's behavior that what they actually want, so that their offerings can attract consumers.

Consumer behavior is a study of individuals and groups regarding buying, usage or disposing of products, services, ideas and experiences to satisfy their needs and wants (Kotler & Keller, 2011;

Schiffman, 2007). An individual have many needs, viz., physical, social, spiritual needs etc. and wants which are the form taken by needs as they are shaped by an individual personality and culture. Wants can be described in terms of objects that satisfy needs and it's vital for organizations to fully understand actual needs and wants or behavior of their customers for mutual benefits and economic development. As Egen, (2007) stated that better understanding of consumer buying behavior is a positive contribution to any country's economy.

The focus of present study is also consumer behavior more specifically the behavior of Small and Medium Enterprises (SMEs) owner-manager towards adoption of financial products. In order to understand consumer behavior scholars of marketing thoroughly studied sciences of psychology and sociology. The expert of psychology Kurt Lewin developed a formula in 1935 to find out the influential factors towards consumer buying behavior. According to Lewin, (1935)  $B=f(P,E)$ , where; B stands for individual's overt, publicly observable behavior, P for all causal factors, an individual's mental states such as cognitive, emotional and motivational and E stands for external factors including socio-cultural and aspects of physical ecology (temperature, humidity, altitude, etc.). Moreover, in marketing Kotler, (1997) presented stimulus response model of consumer behavior to understand consumer buying behavior, figure 1.1 presenting that how marketing and environmental stimuli influence consumer behavior towards his/her choice to adopt and use some product.

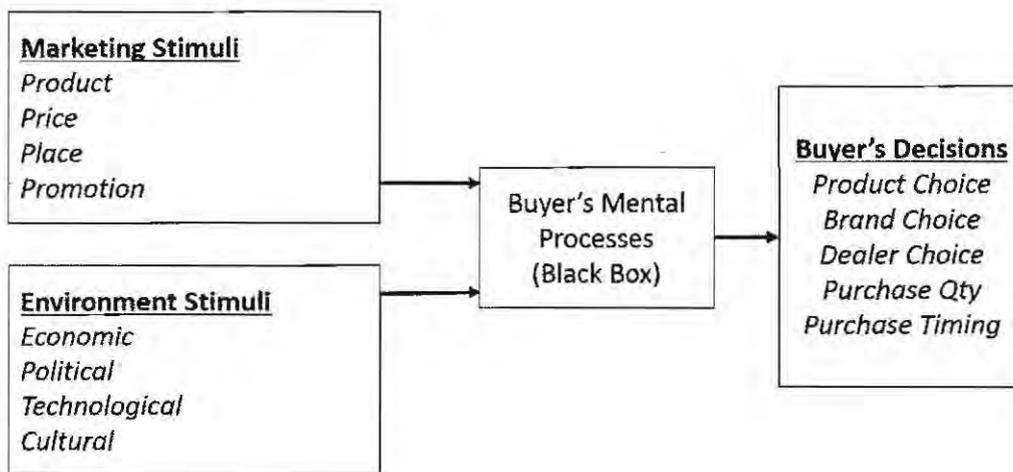


Figure 1.1  
*Stimulus Response Model*  
 Source: Kotler, (1997)

Similarly, various other consumer behavioral models have been developed by the marketing experts such as Marshallian Economic Model, discussed about the influence of price factor; Pavlovian Learning Model talked about advertising strategies; Freudian Psychoanalytic Model, explained the importance of intrinsic motivation of an individual towards buying any product and Veblenian Social-psychological Model, stated that man is a social animal and his/her attitude and behavior influenced by several levels of society, culture, sub-culture, social class, reference groups and face-to-face groups (Kotler, 1965). Schewe, (1973), summarized the models of socio-psychological determinants to analyze the adoption process of buyers. The first model was McClelland Model discussed about the theory of achievement motivation and towards predicting an individual behavior when he/she is confronted with an achievement oriented task. Model explained that an individual behavior will be the result of the conflict between the tendency to achieve success and the tendency to avoid failure. Further, the Goffman Model implies the

theory of role and elaborated that each product conveys a symbolic representation through its perceived appearance and effective marketers should mold their product into an image that will fit properly into the "setting" surrounding the consumer's perceived role expectations. Moreover, Riesman Model explained about the influence of personal, social and cultural factors on an individual behavior towards buying any product or service. According to Kotler and Keller, (2009) various factors influence the buying behavior of consumer such as personal, social, psychological and cultural factors.

In addition, Kotler and Keller, (2016) presented extant framework of buyer's mental processes in the Stimulus-Response Model figure 1.2;

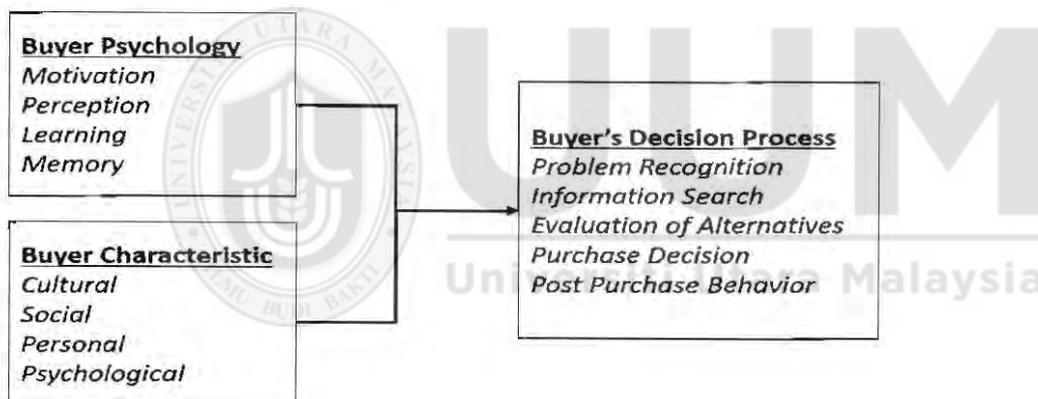


Figure 1.2  
 Extant Framework of Buyer's Mental Processes in the Stimulus-Response Model  
 Source: Kotler and Keller, (2016)

The extant model of Kotler and Keller, (2016) representing the two parts of consumer decision making towards adoption of products or services. Consumer's psychology and characteristics have strong impact on their decision to buy any product or services, hence, for better understating of consumer buying behavior it's essential for marketers to first investigate the psychological factors and characteristics of their consumer (Okolo, 2017).

As a part of the marketing consumer behavior has been explored by various studies, the main objective of scholars was to learn the way how the individuals, groups or organizations select, buy use and dispose the products. Moreover, which factors such as psychological, cultural, situational, economic and social on which consumers base their purchasing decisions (Kotler and Keller, 2012). It has been established that consumer buying behavior is the outcome of his/her needs and wants and they purchase different products and services to satisfy these needs and wants. Though it is clear that these are various needs depends on consumer personal factors such as age, psychology and personality as well as various other external factors exists which are broad and beyond the control of the consumer.

Academics and scholars have been carried out a number of researches to identify and analyze factors which have affect consumer buying behavior, as a result, various types of factors have been identified. Scholars have classified these factors into different types and categories, such as some classified as internal and external factors and others divided into social, personal and psychological factors (Wiedermann et al., 2007; Winer, 2009), however, these factors were similar with respect to scope and purpose. Khaniwale, (2015); Kotler and Keller, (2016) and Okolo, (2017) also concluded that consumer buying behavior led by his/her culture, subculture, social class and psychological factors.

Furthermore, Hoyer et al., (2012) divided these factors in four categories personal, social, cultural and situational. Personal factors impacting consumer behavior may include personal financial circumstances, taste preferences and related factors. Usually businesses addressed, personal factors impact on consumer decision-making during targeting and positioning practices

by grouping individuals, market segmentation, based on consumer personal circumstances along with other criteria. As it's necessary for development of products and services that accommodate consumer personal circumstances in the most effective manner. Moreover, Hoyer and Stokburger-Sauer, (2012) discussed that social factors that impact consumer behavior arise as a result of consumer interactions with others in various levels and circumstances. Targeting members of society perceived as opinion leaders usually proves effective strategy when marketing products and services, due to the potential of opinion leaders to influence behavior of other members of society as consumers (Ramya & Mohamed Ali, 2016). In addition, the cultural factors effect consumer behavior in case of cross-cultural differences among consumer on local and global scales and in situational factors location, timing, environment and even weather conditions impact consumer behavior.

Current study focus is to investigate the factors which have impact of consumer behavior towards usage of financial products, thus, in line with stimulus response model Kotler and Keller, (2016), current study has investigated both psychological and social determinants which influence financial behavior of SMEs owner-manager. In Pakistan where people are more religious and socially active these determinants have strong impact on SMEs owner-manager decisions towards adoption of financial products. Furthermore, informal financing sources are more popular among SMEs owner-manager and they avoid usage of formal financial products because of various reasons e.g. social pressure, religion boundaries, lack of financial knowledge etc. Furthermore, in context of Pakistan few studies have investigated the determinants which influence owner-managers financial behavior. Therefore, in Pakistan where SMEs owner-managers facing more challenges towards development and survival, it crucial for policy makers

to understand the mental state and process of owner-managers towards adoption of financial products. Besides, the importance of socio-psychological determinants towards understanding consumer behavior cannot be denied as experts of marketing in various studies have suggested the same.

In addition, because of poor economic conditions in developing countries, now, consumers are smarter and wiser than before, therefore, it is prerequisite for marketers to pay attention on their consumer needs and wants. Scholars also emphasized that marketers must understand their consumer psychology towards purchasing of goods and services before designing their product strategies (Kotler, 1965,1997; Schewan, 1973; Kanagal, 2016). Moreover, to serve customers better it is prerequisite for financial institutes to develop better understanding of those factors which have impact on their target market customers before initiating any marketing communication programs. Moreover, experts of human psychology and consumer behavior emphasized that in order to formulate better marketing strategies to sell products and services, businesses have to understand the behavior of their customer towards adoption of products. Current study focus is to highlight those socio-psychological factors which influence financial behavior of SME owner-manager in Pakistan.

SMEs plays an important role in economic growth, particularly in emerging economies. SME sector served as a breeding ground for entrepreneurs, also provide solutions to address problems of unemployment and poverty alleviation. SMEs represent 90 to 95 percent of all enterprises globally (Katua, 2014; Uma, 2013). Around 28.7 million formal SMEs are operating worldwide and around 18.6 million in emerging markets. Moreover, approximately 325.5 million employees

work in formal SMEs and in emerging markets account for 148.3 million (Gonzales et al., 2014). Despite higher in numbers than large firms and major contributors towards economic growth, globally SMEs are facing several constraints such as higher transaction costs, inability to compete against large firms, lack of entrepreneurial zeal and lack of resources such as technology, skilled labor, market information and finance (Harvie & Charoenrat, 2015). For development and growth of SMEs supply of financial sources are compulsory, however, access to finance is one of the major obstacle facing by SMEs across the world. The total credit gap for formal SMEs estimated to be US\$ 1.2 trillion (worldbank.org, 2015). The situation in emerging economies is more worst, according to the report of Asian Development Bank (ADB), (2014) the total credit gap in East Asia was US\$ 706 billion and US\$ 206 billion in South Asia as compare to Latin America and Sub-Saharan Africa where credit gap was US\$ 620 billion and US\$ 132 billion respectively (ADB, 2014).

Both demand and supply side issues preventing SMEs towards their evolvement as self-sustaining enterprises and realizing it's potential (Rossi et al., 2016). From supply side, financial institutions show reluctant behavior towards SMEs as they consider this sector riskier due to unstructured business setups and non-professional behavior of SMEs owner-managers. As only 15 percent of Asian SMEs have bank credit lines as compare to Latin America where it is 24 percent (ADB, 2014).

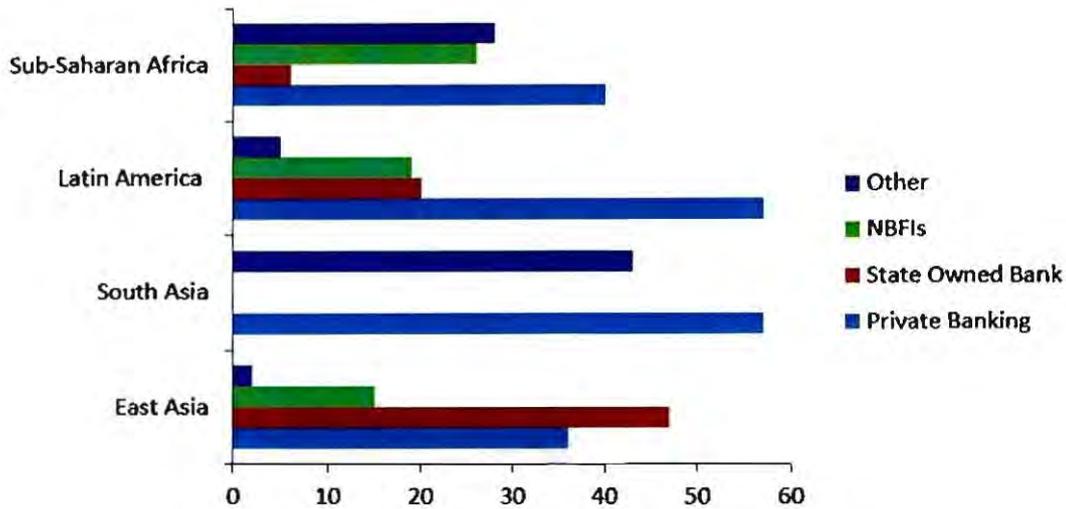


Figure 1.3  
*Sources of Financing for SMEs in South Asia*  
 Source: ADB, (2014)

Figure 1.3 depicting that in South Asia, SMEs are more dependent on private banking and informal sources (e.g. personal savings, credit from friends and family etc). Moreover, ADB, (2014) report highlighted that in Asia access to bank credit in developed countries is relatively higher. Figure 1.4 representing the picture of Asian countries regarding their access to credit from banks.

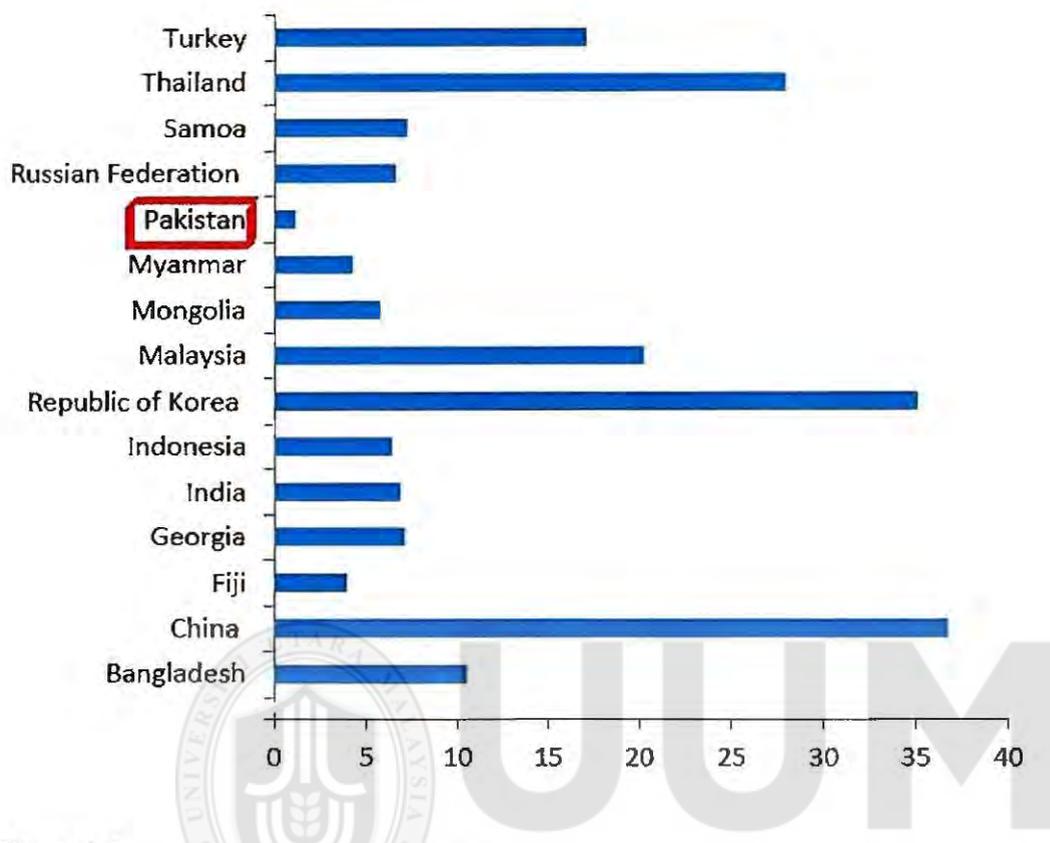


Figure 1.4  
*Access to Credit from Banks in South Asia*  
 Source: IFC, (2014); ADB, (2014)

The issue of access to finance is more critical in Pakistan as compare to other countries highlighted in Figure 1.4. Among other countries Pakistan is on the lowest getting financing from banks.

Current study has been conducted in Pakistan because of its critical position among Asian countries in context of financing issue. Financial constraints severely affect development of SMEs even its difficult for new startups and small firms to survive in a long run (Sherazi et al., 2013). Therefore, for the survival of these small and medium firms and to achieve objective of inclusive finance for SME sector in Pakistan it's essential for policy makers and financial

institutions to understand SMEs owner-manager financial behavior. Focus of current study is specifically on socio-psychological factors of SMEs owner-manager financial behavior causing low intention towards formal financial products in Pakistan. Various social, economic, psychological, and personal factors which influence the behavioral intention of SMEs owner-manager. However, in present study focus is behavioral intention of SME owner-manager, thus, its essential to investigate psychological determinants for better understanding of behavior. Moreover, the inclusion of social determinants also necessary because of country's strong social bindings. Additionally, Kurt Lewin, (1935) stated that the understanding of consumer mental state is prerequisite to understand consumer behavior, also, Kotler and Keller, (2016) in their extended stimulus model highlighted the importance of social and psychological determinants towards understanding consumer behavior to buy products and services.

Moreover, several studies have explored the socio-psychological factors and financial behavior of individuals towards selection of financial products (Kanchanatane, Suwanno & Jaremvongrayab, 2014 and Bhakar, Bhakar, & Dubey, 2015). Yet, in context of owner manager of SMEs, there is need to elaborate this area, particularly in Pakistan. Additionally, owner-managers' dominant role in firms depicts that the SMEs' decision making and owner managers' decision making coincide while taking financial decisions of their firms. Thus, after extensive and critical literature review, current study assumes that socio-psychological determinants which effect individual behavioral intention can influence SMEs owner-manager financial behavior. So, these determinants related to owner-managers' attitude, subjective norms and perceived behavioral control ultimately effect behavioral intention of SMEs towards usage of financial products. Before looking deep into this, the following paragraphs look into the economic

presence of SMEs in Pakistan and that may enable to better understand dynamics of financial challenge faced by them.

## **1.2 SMEs in Pakistan**

In Pakistan, around 3.2 million SMEs are heavily contributing in Gross Domestic Product (GDP) which is around 30 percent. Moreover, approximately 25 percent towards manufactured goods export and 78 percent in non-agriculture workforce employment (Chughtai, 2014). Geographically, a large population of SMEs located in province of Punjab and Sindh 65 percent and 18 percent respectively. Mainly, three types of enterprises namely sole proprietorship, partnership and societies are established, however, the ownership pattern is highly skewed towards sole proprietorship which is 74 percent of overall enterprises in Pakistan. The main reason behind this high preference is minimum regulatory requirements towards establishment of proprietorship firms. Furthermore, sector-wise manufacturing unit dominating with 49 percent of share followed by service sector with 40 percent (IFC, 2014a). In terms of value addition, manufacturing firms have high impact on economy, however, as much these firms are contributing in economic development, in return not getting enough support to grow further. Next section is shedding light on both supply and demand side obstacles facing by these firms in Pakistan.

### **1.2.1 Challenges to SMEs in Pakistan**

An unfavorable business environment and inadequate access to finance effect SMEs performance and prevent them to operate efficiently. In Pakistan access to finance is one of the key obstacle for SMEs development. However, it may be due to the mismatch in demand and

supply between SMEs and financial institutions. As on supply side financial institutions are reluctant to fund SMEs and from demand side products and procedures are not according to SMEs requirements resulting a big no to formal finance (Khan, 2015b). Table 1.1 shows the both side issues.

Table 1.1  
*Demand and supply side issues in SMEs credit market*

<b>Supply Side</b>	<b>Demand Side</b>
High interest rate	Lack of awareness
Lengthy procedures	Poor documentation skills
Restriction of credit to SMEs	Misalignment between banking products and consumer needs
Underdeveloped legal and financial infrastructure	Religious beliefs
	Lack of Professionalization
	Lack of Formalization

Source: Khan, (2015b)

Banks high interest rates and lengthy procedures in providing finance to SMEs show negative attitudes of banks. Due to non-supportive behavior of financial institutions, SMEs owner-manager shows lower intention towards formal financial products, they do not have any choice except to adopt informal finance. Moreover, misalignment between financial products and SMEs owner-manager financial needs may be one of the reasons behind their lower intention. In a Muslim country, like Pakistan religious beliefs and strong social bindings of entrepreneurs disapproved the interest based financial products. It implies that socio-psychological factors have strong impact on individual financial decisions. Thereby SMEs owner-manager financing decisions are influenced by their socio-psychological determinants (Jasra et al. 2012; Khan, 2015a).

### 1.2.2 SMEs Intention towards Financing in Pakistan

It is prerequisite for survival and efficient performance of SMEs to have easy access to finance. In Pakistan, financial market is composed of three main sources of finance, through which SMEs meet their business financial needs. These are:

- Formal Sources - Banks and non-banking financial institution
- Informal Sources – Family and friends, advance payments from customers and credit from suppliers
- Personal Savings – Internal funds, retained earnings and equity (Khan, 2015b)

### 1.2.3 Formal Financing

Formal financial services are those offered by financial institutions which are registered and licensed by the central bank of country (Mungiru & Njeru, 2015). In Pakistan, State Bank of Pakistan have authority to give permission to financial institutions for offering financial products in market. Main providers of formal financial products in Pakistan are commercial banks, development banks, microfinance banks, specialized banks, international development agencies and leasing & insurance companies. However, there are only 7 percent of SMEs in Pakistan who would obtain formal credit from banks. This percentage is much higher in neighbor countries like India and Bangladesh where it is 33 and 32 percent, respectively (Khan, 2015b).

Khan, (2015a) stated that 54 percent portfolio of total advances by banks and other financial institutions comprise of corporate sector and only 19 percent of SMEs. Financial institutions consider SMEs as riskier sector to lend money due to various reasons such as informal set up and less experience of SMEs. Most of the enterprises are considered young and unable to meet compliance requirements. Such limitations place this sector as a high risk borrower and the

banks show reserved behavior in lending to SMEs. Moreover, banks have very lengthy procedures in providing credit to SMEs (e.g. they take 2 to 10 months in credit approvals). This delay is also because of State Bank of Pakistan (SBP) strict policies and regulations, as banks are not permissible to provide financing to SMEs on an unsecured basis (Dasanayaka, 2011; Sherazi et al, 2013). Therefore, SMEs faced a lot of problems and tiring efforts in getting finance from formal sources. However, they never give up on their business financial needs and they move towards informal financial market, which is an easy, affordable and quick way for them to meet their business financial needs.

#### **1.2.4 Informal Financing**

Informal financial sector consists of individuals such as friends, relatives, money lenders, neighbors, traders, landlords, and group of individuals that operate mainly in rural setting (Mungiru & Njeru, 2015). Approximately 61 percent of informal finance is based on friends, relatives and family members followed by 30 percent landlords, professional money lenders, shopkeepers and merchants 2.12 percent. In informal financial sector small amount credit for short period of time given by lender on 0% interest rate if borrowed from friends and family members. On the other hand, if borrowed from money lenders then they give finances on an unfair and a very high rate of interest. Approximately, 90 percent of rural areas SMEs such as farmers obtain finances from informal sources or money lenders. These money lenders offer finance mostly for the rental machinery, purchase of fertilizers and working capital requirements. They never require any collateral like financial institutions but at time of harvesting they take share in profit. Moreover, they offer higher interest rate as compare to interest rate offered by formal sector or financial institutions (Khan, 2015a; Sherazi et al, 2012).

Despite this injustice, SMEs prefer informal market because of equity opportunity cost which is very low as compare to formal financing. Small businesses who have good business proposal they never approach financial institutions for financing purpose because of inflexible attitude of managers, strict policies and lengthy procedures to process loan proposals. Additionally, researchers agreed that SMEs intention towards informal finance is higher than formal finance as well as owner-managers have lower intention towards formal finance (Kouser et al, 2012; Nkuah et al, 2013; Sherazi et al, 2012). Further, Figure 1.2 representing latest data displaying that SMEs lower intention towards formal financing.

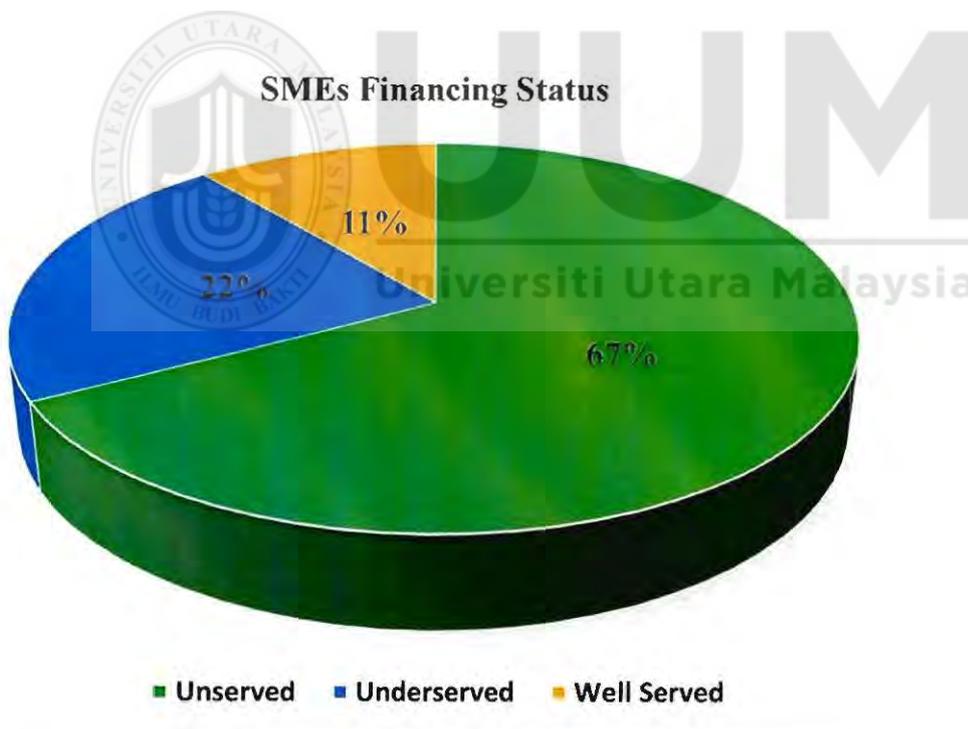


Figure 1.5  
*SMEs Financing Status in Pakistan*  
Source: IFC, (2014a)

Approximately 67 percent of SMEs are unserved in Pakistan, means they are not getting any finance facility from financial institutions. Further, 22 percent are getting formal financing facilities from financial institutions, however, out of 22 less than 20 percent of SMEs are satisfied (IFC, 2014a). Thus, only 11 percent SMEs are well served who are properly using formal finance. Moreover, 67 percent of SME population have lower intention towards formal financial products because of various reasons (IFC, 2014b).

To sum up this section, decisions of SMEs owner-manager towards selection of formal and informal financing options depend on behavior of SMEs' owner-manager. It can be rightly assume that like any individual SME owner-managers' socio-psychological determinants effect their intention towards adoption of formal financial products. Due to dominant role of owner manager in firm's decision making in SMEs, there is need to study these individual socio-psychological determinants to better understand these SMEs owner-manager' financial behavior.

### **1.3 Problem Statement**

Scholars considered SMEs as core sector to resolve social and economic problems of society, i.e. poverty trap and unemployment trap, which are growing rapidly in Pakistan and other developing countries (Chughtai, 2014). However, SMEs' contribution both socially and economically has not reached to its optimal level due to many issues including lack of finance (Harvie & Charoenrat, 2015; IFC, 2014a). According to Khan, (2015a) and Sherazi et al, (2012) the extensive usage of informal finance revealed that in Pakistan SMEs owner-manager have lower intention towards formal finance and majority prefer informal finance to meet their business financial needs. Based on International Finance Corporation (IFC, 2014a) report, 74

percent of firms managing by single owner-managers and they have dominant role in firm's financial decision making. In sole-proprietorship firms owner-managers individually perform as main leaders, where socio-psychological determinants influence their behavioral intention (Abdulsaleh & Worthington, 2013). Hence, to better facilitate this sector, financial institutions have an urge to understand financial behavior and those factors which influence SMEs owner-manager intention towards adoption of formal financial products (IFC, 2014b & Xiang et al, 2011).

To implicate and hypothesize consumer behavior, intention based theories and models have potential to explain SMEs owner-manager financial behavior. According to Jin et al. (2012), Theory of Planned Behavior (TPB) has been used by scholars to predict individual behavior and it is also appropriate to measure behavioral intention of business or small firms. Similarly, Southey (2011), stated that few studies are available who have used Theory of Reasoned Action and TPB to examine firms' behavior towards financial, strategic and professional decision making. Both studies, Southey, (2011) and Jin et al., (2012) concluded that there is gap towards utilization of these behavioral intention models in context of small and medium enterprises.

Moreover, Ajzen, (2015) stated that goal of TPB is to provide comprehensive framework for understanding the determinants of consumer behavior, thus, to understand and predict human behavior TPB is one of the most popular socio-psychological models. To fill in the gap of TPB utilization to examine SMEs owner-manager behavior as well as by considering it appropriate towards understanding the socio-psychological determinants of owner-managers behavioral intention, current study has adapted the TPB model. Furthermore, in accordance to the nature of

current study existing TPB model has been modified by combining Technology Acceptance Model (TAM) because of complexity associated with financial products. Inclusion of two important constructs of TAM model, perceived usefulness and perceived ease of use were essential to examine owner-managers behavior. According to Lukonga, (2016), consumer never invest in those products which are not understandable for them with respect to usage, benefits and actual investment. It is also observed that SME owner-managers feel hesitant towards usage of formal finance due to complex nature of financial products and procedures (Lumpkins, 2013). Therefore, in order to better understand SMEs owner-manager behavior towards financial products usage the addition of TAM constructs were requisite. Thus, researcher has combined both TPB and TAM to theorize and empirically validate the model of intention to use financial products by SME owner-managers in current study.

Previously, researchers used TAM model only to examine the behavior of individuals and owner-managers in context of technology. Thus, there's a gap towards application of TAM model to predict owner-manager behavior towards complexity of financial products. Furthermore, few studies have been done so far to examine owner-manager financial behavior in context of Pakistan. Earlier, researchers emphasized on SMEs owner-managers' personal characteristics or demographic factors. However, few studies explored the behavioral factors that have impact on financial decision making of SMEs owner-manager. Yet, limited research work has been done so far regarding SMEs owner-managers' financial behavior. Figure 1.6 has highlighted some points/issues which are connected with each other and stating main problem of current study.

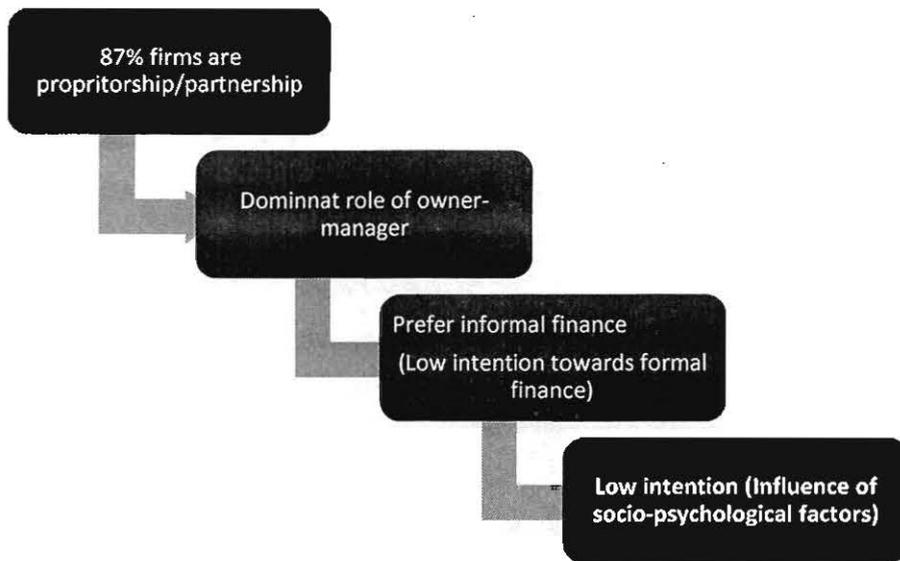


Figure 1.6

*Linking SMEs Characteristics and Lower Intentions to Use Formal Finance with Owner-manager's Socio-psychological Factors*

Source: IFC, (2014a); Nkuah et al., (2013)

Behavioral intention assumed to be determined by three types of beliefs; behavioral beliefs, perceived expectations/behavior of important referrals and control beliefs (Ajzen, 2015). The behavioral beliefs refer to positive or negative attitude of consumer to perform some particular behavior, perceived expectations/behavior of important referrals refers to perceived social pressure regarding performing some behavior and control beliefs concerned with an individual personal ability (Ajzen, 2015). Thus, it can be said that, the favorable attitude, subjective norm engaged in behavior and greater perceived control motivate an individual towards forming an intention to perform a particular behavior. Moreover, attitude, subjective norms and perceived behavioral control positively influence SMEs owner-manager financial behavior (Jaffar & Musa, 2013; Tolba, 2015). However, in Pakistan SMEs owner-manager attitude has been found negative towards financial products (Siddique, Saleem & Abbas, 2016; Khan, 2015b).

Moreover, norms have strong impact on SMEs owner-manager financial behavior (Koropp, 2013; 2014).

In Pakistan, 67 percent of SME population not using any formal financial products which indicate their lower intention (IFC, 2014b). Scholars and experts assumed that it is because of misalignment between SMEs owner-managers financial needs and institutions financial products offering. Yet, not clarified that whether need of taking formal financial products among SMEs owner-manager exist or not, whether they are enough motivated towards formal financial products or satisfied with usage of informal finance. Banking and non-banking institutes not paying attention towards actual financial needs of SMEs owner-manager might be one of the reasons behind this lower intention of owner-managers. According to Lee and Kotler, (2015) motivation is ranked first among the psychological factors which affect consumer behavior. Further, stated that motive is a need that is sufficiently pressing to direct person to seek satisfaction and its first step towards understanding owner-mangers behavioral intention (Akala, 2015). As per Wahlgrén and Virtanen, (2015) owner-manager's internal motivation (need of achievement) positively affect the firm growth. As it shows owner-managers eagerness to earn enough and to avoid economic failure associated with growth of their business. Moreover, motivation is an important driver of attitude, therefore, towards understanding attitude of owner-manager, scholars emphasized on significance of motivation (Cho & Perry, 2012). Previously, Solesvik, (2013) in context of entrepreneurial intention found that intrinsic motivation of owner-managers could lead towards higher intention. In the similar context other studies also explored the construct of motivation (Carsrud & Brännback, 2011; Fayolle & Liñán (2014). Moreover, Abduljalil and Zainuddin, (2015) examined the influence of motivation on attitude towards

adoption of Accounting Information System and found strong influence of both intrinsic and extrinsic motivation on attitude. However, the foremost determinant towards understanding owner-managers financial behavior still needs to be studied. As there's shortfall exist towards investigating the determinant of motivation in area of SMEs owner-manager financial behavior. By considering motivation as vital determinant to understand the behavior of owner-manager present study has examined it as an antecedent which influence owner-managers attitude towards their behavioral intention to use financial products.

Moreover, regarding misalignment between owner-managers actual financial needs and available products, negligence exist on both demand and supply side. Various studies and reports highlighted that it's not only fault of financial institutions, but also there's low awareness level among owner-managers regarding financial products (IFC, 2014a; Khan, 2015a). Further, Nunoo and Andoh, (2012), pointed out that in developing world financial literacy is an important predictor of financial behavior. Study further observed that firms owner-manager with low level of financial literacy cannot make wise financial decisions as well as they participate less in formal financial system. Moreover, due to lack of awareness regarding financial products owner-managers are not able to recognize preferred available products in market. In Pakistan, literacy rate is very low, as overall it's only 58 percent as per Economic Survey of Pakistan (2016-17) and among SMEs the rate even much lower. In context of SMEs owner-manager financial behavior Tolba et al., (2014) examined the factor of financial knowledge of owner-managers in Egypt and found highly significant, moreover, suggested financial knowledge as one of the core construct to predict owner-manager financial behavior. In a conceptual study Jaffar and Musa, (2013) also proposed financial knowledge of owner-managers as salient factor of attitude,

however no empirical evidences have been provided. The existing empirical evidences (Tolba et al., 2014) are not enough for better understanding of owner-manager financial behavior. Moreover, in Pakistan limited studies provided empirical evidences regarding influence of awareness on SMEs owner-manager behavioral intention towards usage of financial products. However, in Pakistan because of low literacy rate among owner-managers, awareness is one of the most critical determinant which has been ignored and needs to be investigated. The determinant of awareness has been included as one of the antecedent of attitude which ultimately influence the behavior of owner-manager.

Furthermore, due to lower awareness level owner-managers cannot identify the benefits of financial products properly. Its human nature to look for maximum benefits with minimum investment and SMEs owner-manager also behave in the same manner. As they demand for such financial products which are useful for their business growth. Moreover, according to Davis, (1989) perceived usefulness refer to consumer belief of using some particular product through he/she can ultimately grow. Previously, mostly researchers used perceived usefulness construct to examine consumer behavioral intention in context of technology because of systems technicalities and complexity (Ahad et al, 2012; Azam & Quddaus, 2013). However, perceived usefulness developed by Davis (1989) for all products which are complexed by nature and difficult for consumer to understand. Further, TAM model constructs potentially have wider applicability and scholars can use these constructs in other contexts than technology (Jin Ma, Jin Gam & Banning, 2017), though few studies have examined the influence of TAM constructs e.g. perceived usefulness and perceived ease of use in other contexts than technology. SMEs owner-manager feel hesitant towards usage of formal finance because of financial products complexity

(Lumpkin, 2013). The lower education level of SMEs owner-manager halt them towards usage of financial products as they perceive it problematic and tricky to adopt. Perceived ease of use refer to expectation of consumer that the target product adoption and use will be free of effort (Ahad et al, 2012). Similarly, owner-managers prefer financing options which are hassle free for them. However, lower intention and interest towards formal finance keep them away to properly understand the whole procedures and usage of financial products. As they have no idea that use of formal financial products are more easy, useful and less risky than informal financial sources (Khan, 2015b; IFC, 2014). Unfortunately, scholars did not pay attention on this crucial element of financial products “complexity”. As towards understanding owner-manager financial behavior it is important to know that whether they consider formal financial products useful for their businesses as well as whether it’s easy for them to understand the process and procedures of taking financial products. There are lack of studies towards understanding financial behavior of SMEs owner-manager by considering that financial products are complex and not understandable for every person. Also, there’s need to examine both perceived usefulness and perceived ease of use in context of owner-managers behavior. As until now both constructs have been used only to predict behavioral intention of owner-manager by considering technological products as complex.

The complex nature of financial products and unclear procedures of taking finance from institutes also increase the influence of risk on SMEs owner-manager behavior (Lumpkin, 2013). As the risk factor involvement is higher where consumer have less information or knowledge about the particular investment he/she is going to made (Belas et al., 2015). Similarly, SMEs owner-manager perceived that taking formal financial products may cause of financial and time

loss, moreover in Pakistan loss of good reputation also a considerable factor which negatively influence owner-manager behavior towards taking formal financial products. Studies of Lee, (2015) and Safeena and Date, (2015) stated that perceived risk effect the consumer confidence towards adoption of products and services, though, lower risk increase and high risk reduces the chance of customer acceptance to adopt particular product and service. This formed the rational of established link between perceive risk and adoption of some particular product/service. Although, perceived risk has been explored by various scholars to predict financial behavior, however particularly in contexts of individuals (Yahaya et al., 2014). Thus, these evidences cannot be considered valid for SMEs owner-manager to understand the influence of perceived risk on owner-manager attitude. Moreover, in Pakistan for taking financial products SMEs owner-managers mostly rely on the basic information provided by financial institutions staff or their referrals. Thus, the influence of perceived risk on attitude of SMEs owner-manager cannot be ignored. To fill in this gap, the determinant of perceived risk has been included in present study research framework as an antecedent of attitude to examine the financial behavior of SMEs owner-manager.

Regarding suggestions and recommendations of referrals, subjective norms have been found as the most influential factor towards usage of financial products such as; social and religious beliefs (Jaffar & Musa, 2013; Tolba et al. 2014). The role of socio-psychological factors have been supported by report of IFC, (2014a) which has mentioned that 20 to 25 percent of SME population not getting any financing facility due to strong religious beliefs of owner-managers. Likewise, family norms are highly salient element of social control which affects firm decision making (Koropp et al, 2014). In Pakistan, where people are more religious and social ties are

strong, social beliefs may have strong impact on owner-managers behavior as they are more concerned about opinions of their associates. Moreover, in context of Egypt Tolba et al., (2014) found social beliefs as one of the most significant factor which influence owner-manager behavior towards taking financial products. However, towards understanding financial behavior of SMEs owner-manager and identifying the influential factors the area still not explored properly. Particularly, in Pakistan still need to study these crucial determinants towards understanding SMEs owner-manager behavior. Furthermore, with support and positive encouragement from their referrals, owner-managers can take right financial decisions confidently due to high impact of self-efficacy on perceived behavioral control as the higher confidence level motivate an individual towards taking right financial decision (Ya'gobi & Rad, 2015). Previously, Gangwal and Bansal, (2016) studied self-efficacy to examine individual behavior towards M-commerce and found highly significant. Similarly, Altawallbeh et al., (2015) also explored the self-efficacy influence on behavioral intention through perceived behavioral control and suggested that perceived behavioral control can be improved by enhancing self-efficacy. The construct of self-efficacy has been explored by researchers extensively to predict individual consumer behavior in different scenarios, however, there's lack of studies which examined the influence of self-efficacy on SMEs owner-manager financial behavior. To fill in this gap current study has included self-efficacy as an antecedent of perceived behavioral control to examine the influence on owner-manager behavioral intention to use financial products.

Furthermore, various studies in context of SMEs financial behavior examined owner-manager personal characteristics and firm size characteristics such as gender, age, experience, education,

firm age, level etc. (Ogubazghi & Muturi, 2014; Abdulsaleh & Worthington, 2014) and found positive influence on owner-manager financial behavior. Researchers also examined the moderating effect of demographic factors in various contexts (Isa & Wong, 2015; Yadav, 2016), which empirically proved that demographic factors can moderate the relationship between intention and other factors such as gender, education, age, income etc. (Krishanan, Lock Teng & Khalidah, 2017). Prior research (Abdulsaleh & Worthington, 2014; Krishanan, Lock Teng & Khalidah, 2017; Ogubazghi & Muturi, 2014; ) have explored whether the direct effect of demographic on behavioral intention of owner-mangers or in individual context as limited studies have examined the moderating effect of demographic factors in context of SMEs owner-manager financial behavior. Hence, current study has tried to fill in this gap by incorporating demographic factors (gender, age, education and experience) as moderators in present study research framework.

This study fill in this gap such as utilization of TPB, addition of TAM constructs, investigation of socio-psychological determinants and moderating effect of demographic factors in context of SMEs owner-manager behavioral intention towards usage of financial products in Pakistan. Since there has been lack of theoretically grounded empirical studies in this area particularly in Pakistan, current study has tried to extend and utilize these theories in context of SMEs owner-manager's behavioral intention and influence of socio-psychological factors in this process. In addition to its international application, the study offers more specific relevance in context of Pakistan, where there is a serious lack of such studies that may explain this practical issue of lack of use and adoption of financial products by SMEs owner-manager. This study seeks to analyze

the influence of socio-psychological determinants on behavioral intention of SME owner-managers towards usage of financial products in Pakistan.

#### 1.4 Research Questions

The research problem described above needs to be translated into specific research questions that are to be answered by this research study. To examine the socio-psychological factors of SMEs owner-manager's intention to use financial products, following research questions are identified.

1. Do consumer attitude, subjective norms, and perceived behavioral control predict behavioral intention of SMEs owner-manager towards usage of financial products in Pakistan?
2. Do motivation, awareness, perceived usefulness, perceived ease of use and perceived risk influence SMEs owner-manager attitude towards their behavioral intention to use financial products in Pakistan?
3. Do social and religious beliefs influence SMEs owner-manager subjective norms towards their behavioral intention to use financial products in Pakistan?
4. Does self-efficacy influence SMEs owner-manager perceived behavioral control towards their behavioral intention to use financial products in Pakistan?
5. Do demographics factors (e.g., gender, age, education, and experience) moderate the relationships between attitude, subjective norms, perceived behavioral control and behavioral intention to use financial products in Pakistan?

## 1.5 Research Objectives

The objective of this study is to find out socio-psychological factors which are cause of owner-manager intention influence to use financial products, then the core objective of this study is divided into the following objectives:

1. To determine the influence of attitude, subjective norms, and perceived behavioral control predict behavioral intention of SMEs owner-manager towards usage of financial products in Pakistan.
2. To determine the influence of motivation, awareness, perceived usefulness, perceived ease of use, and perceived risk on SMEs owner-manager attitude towards their behavioral intention to use financial products in Pakistan.
3. To determine the influence of social and religious beliefs of SMEs owner-manager on his/her subjective norms towards their behavioral intention to use financial products in Pakistan.
4. To determine the influence of SMEs owner-manager self-efficacy on his/her perceived behavioral control towards their behavioral intention to use financial products in Pakistan.
5. To determine the moderating influences of SMEs owner-manager demographics (e.g gender, age, education and experience) on relationship between their attitude, subjective norms, perceived behavioral control and behavioral intention to use financial products in Pakistan.

## 1.6 Significance of the Study

The research questions posed in this study have contributed to better understanding of behavioral intention of SMEs owner managers towards usage of financial products in Pakistan. Despite various challenges SME sector contribution towards economic growth is appreciate able. However, government and serving institutes are not paying much attention on this vital sector of country. In this case its responsibility of educational institutes and researchers to highlight the discrepancies needs special attention of policy makers. SMEs owner-managers in Pakistan facing severe problem of access to finance, institutes are not willing to facilitate SME sector, on the other hand SMEs owner-manager also prefer informal financing sources. Therefore, before identifying supply side or other factors it's essential to examine the behavior of SMEs owner-manager towards usage of formal financial products. It is prerequisite to investigate those factors which influence behavioral intention of SMEs owner-manager to use financial products. Thus, present study contributed towards knowledge of SME owner-manager behavior by examine the influence of socio-psychological determinants on SMEs owner-manager financial behavior.

Moreover, theoretically, this research study has added to body of knowledge in the area of consumer financial behavior. The existing literature discussed that SMEs owner-manager better access towards finance has strong potential to contribute towards sustainable GDP growth, inclusive financial markets and people-friendly markets. The study has contributed by explaining the socio-psychological determinants of SMEs owner-manager behavioral intention towards usage of financial products. Moreover, study explains that how these socio-psychological determinants influence SMEs owner-manager financial decision making related to usage of financial products in Pakistan.

Previous studies on behavior of SMEs have studied firm-level determinants of SMEs behavior. However, only few studies focused on impact of SMEs owner-manager's personal characteristics as opposed to firm level characteristics (Abdulsaleh & Worthington, 2013). Studies such as Abdulsaleh & Worthington, (2013); Ogubazghi & Muturi, (2014) and Xiang, (2011) also have taken only demographic characteristics such as gender, experience, education and not considered behavioral factors such as owner-manager's attitude, subjective norms, and perceived behavioral control. Current study contributed by identifying socio-psychological determinants that influence owner-manager's behavioral intention to use financial products. Study also contributed towards the extension of Theory of Planned Behavior (TPB) by combining it with TAM model to investigate into the research problem. As towards understanding consumer behavior researchers used TPB extensively and found it most significant. Moreover, the important constructs of TAM have been added in research model because of financial products complexity.

On practical side, this study has highlighted the socio-psychological factors of SME owner managers influence their financial behavior. The study contributed in enhancing the financial institution's marketing strategies to better serve the vital economic sector of SME. As by understanding owner-managers behavior towards usage of financial products as well as the determinants which influence owner-managers behavior, financial institutes can design better marketing strategies for their customer. The study is also helpful for global and Pakistan financial industry (both banking and non-banking financial institutions) to look into the areas which have been previously ignored and need attention. The understanding of dynamics of demand of financial products by SMEs owner-manager will not only enable the demand-led

growth of both banking and non-banking financial industry but will also contribute to the growth of SMEs and more inclusive financial markets. As after understanding the financial behavior of SMEs owner-manager, financial institutions can design their products as per SMEs owner-managers actual needs.

This study is also helpful for government and central bank of the country to work on new policies and procedures in order to make easy access to finance for SME sector. Moreover, Islamic banks are ignoring this potential sector and can pay attention on un-served and under-served proportion of SMEs who are seeking for Islamic financial products. Also Islamic banks can modernize their systems and increase product range to attract or better serve SME sector. Moreover financial institutions can make their procedures easy and fast along with assurance of quality services

### **1.7 Scope of the Study**

Small and Medium Enterprises (SMEs) constitute bulk of Industrial and economic populace around the world. By that token, they are major providers of employment and contributors towards economic development. Despite the fact, there are several constraints for SMEs and access to finance is very severe one towards development of SMEs. Generally, financial markets provide less financing to SMEs and newly established small and medium firms, particularly in emerging markets (Samans et al., 2017). In Pakistan, SMEs facing similar constraints which limits their growth and development, however, both supply and demand side issues exists which needs to be highlight. Moreover, in Pakistan, prior research majorly focuses the financial inclusion of individuals, though SME sector exclusion not getting enough attention. To better

facilitate SME sector it's crucial to understand actual needs of SME owner-manager so that government, national and international bodies working towards development of SME sector can serve them accordingly. Therefore, current study has been conducted to target an important sector of country currently suffering from various challenges. Pakistan economic growth is associated with development of SME sector and needs attention of government, financial and special institutes as its essential for achievement of inclusive finance growth in country.

Small and medium-sized enterprises (SMEs) are non-subsiary, independent firms which employ less than a given number of employees, however, it varies across countries (OECD, 2015). In Pakistan, State Bank of Pakistan (SBP) defines SMEs as, firms with annual sales of Rs 75 million to 150 million and number of employees from 20 to 50 will be listed under category of small firms. For medium firms SBP set the parameters of annual sales Rs 150 million to Rs 800 million and 51 to 250 employees. SMEs are the powerful source of employment generation and poverty alleviation, therefore this sector importance in any economy cannot be denied for economic development. Particularly, the value and performance of this sector is much higher in developing economies, thus current study has conducted present study in Pakistan for better understanding of issues and factors creating hurdles for SMEs towards growth and development.

Current study focus is only socio-psychological determinants which may influence SMEs owner-manager's behavioral intention to use financial products. Moreover, in this study earlier discussed both demand and supply side issues creating hurdles in SMEs development, yet current study focused on demand side issues specifically, behavioral intention of SMEs owner-manager. Additionally, this study has studied the owner-manager behavioral intention with application of

TPB and TAM model by considering TPB most appropriate in context of examine consumer behavioral intention (Ajzen, 2015). Moreover, TAM constructs have been included in research framework due to complex nature of financial products and not easy to understand for SME owner-managers. Furthermore, highlighted socio-psychological determinants influence SMEs owner-manager behavior in Pakistan, however, these determinants varies according to the environment, culture and economic conditions of any other country. Present study focused on manufacturing SME owner-managers, around half of SME population involved in manufacturing businesses and their value addition to the sector is around 35 percent (IFC, 2014a). Moreover, present study has included fixed asset products, more specifically leasing products because the fixed asset products are more appropriate for long term growth and development of SMEs (OECD, 2015). Furthermore, study investigated fixed asset products because there's low usage of these products among SMEs owner-managers in Pakistan. Additionally, because of financial and time constraints it was not possible to cover all financial products, therefore, present study has focused on those products which are least using by SMEs.

## **1.8 Organization of the Thesis**

In current research study, chapter 1 namely introduction offers background of study, research problem, research questions and objectives of study along with significance and scope of the study. Chapter 2 presents review of key literature for a detailed understanding of study variables, their dimensions and relationships. Underpinning theories of behavioral intention, decomposed theory of planned behavior and other theories to measure the consumer behavioral intention are reviewed and synthesized to theoretically support the research problem. Chapter 3 namely Methodology theorizes the key relationships among study variables and operationalize them for

empirical investigation and subsequent analysis. This chapter also offers details about the research design, methods of inquiry, unit of analysis, sampling, data and analysis tools employed by the study to examine relationships postulated by the theoretical model. Results and Discussion in Chapter 4 tabulate and narrate the descriptive statistical results along with hypothesis testing based on inferential statistics. This chapter interprets the results to elaborate the pedagogical implications of statistical results for each hypothesis. The final Chapter 5 structured to present scope and limitations of study, and conclusions drawn along with bibliography. Appendix section comprises of key documents, SPSS data sets, questionnaires, and other data collection tools employed by the research study.



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## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents review of literature pertaining to consumer behavior socio-psychological factors in context of SMEs owner-manager. Pakistan SME industry is also potentially discussed and financial products are explained in detail. The concept of behavioral intention is center of this research. Therefore, in theoretical section behavioral intention needs to be taken first for reviewing. Literature review on behavioral intention followed with review of literature on individual consumer behavior and SMEs owner-manager towards usage of financial products. It's appropriate to start with underpinning theories of consumer behavior and then end with review of SMEs owner-manager socio-psychological determinants influence their behavioral intention to use financial products.

#### **2.2 SME Industry Overview in Pakistan**

Pakistan economy heavily relies on SMEs for employment creation, productivity of industries, export earnings, foreign investments, and for overall economic prosperity. According to statistics approximately 3.2 million (90 percent) enterprises in Pakistan are SMEs (Mirani & Shah, 2012; Hussain, Ismail & Akhtar, 2015). In each country, institutions use different criteria to define SMEs such as; number of employees, net assets or sales. Thus, there is not any standard definition exists, also it vary country to country even within a single country institutions definition are different from each other.

### 2.2.1 Definition of SMEs

In Pakistan, central bank and other institutions such as Small and Medium Enterprises Development Authority (SMEDA), Federal Bureau of Statistics (FBS) and State Bank of Pakistan (SBP), defined SMEs in different contexts, Table 2.1 shows that how these institutions definitions of SMEs are different from each other.

Table 2.1  
*Definition of SMEs in Pakistan*

Institution	Category	Employees	Capital/Annual Sales
Small and Medium Enterprises Development Authority (SMEDA)	Small	Up to 36	Up to 20 million
Federal Bureau of Statistics, Pakistan	Medium	Up to 99	Up to 40 million
State Bank of Pakistan	Small	Less than 10	N/A
	Medium	N/A	N/A
State Bank of Pakistan	Small	20 to 50	Rs 75 million to Rs 150 million
	Medium	51-250 (Manufacturing & Service MEs) 51-100 (Trading MEs)	Above Rs 150 million and up to Rs 800 million

Source: Chughtai (2014); SBP (2016); SMEDA (2013)

SBP has announced the latest definition of SMEs in 2016 as stated in Table 2.1. SBP as central bank of Pakistan is the most reliable source of information and data, thus, it's most authentic and

acceptable definition of SMEs for all other institutions. Thus, current study has applied SBP definition to examine SMEs owner-manager financial behavior in Pakistan.

### 2.2.2 SMEs Typology

Approximately 3.2 million of SMEs are actively working in Pakistan. Major portion of SMEs around 65 percent are placed in province of Punjab followed by Sindh, Khyber Pakhtunkhwa (KPK) and Baluchistan (IFC, 2014a). Moreover, Punjab and Sindh both provinces facilitating SMEs in term of government services and schemes, presence of large industrial cluster as well as easy access to finance (Hussain et al., 2015). Furthermore, around 74 percent of SMEs ownership status is sole proprietorship and most of SMEs proprietors based in three major cities of Pakistan such as Lahore, Karachi, and Faisalabad, who are contributing about 50 percent of total SME financing of country (IFC, 2014a).



Figure 2.1  
*SMEs Ownership Status*  
Source: IFC, (2014b)

Sector wise manufacturing firms are on the top followed by trade/commerce and services. In terms of employment generation, value addition and export contribution manufacturing based SMEs have higher impact on economy (Mirani & Shah, 2012). Moreover, in manufacturing sector the most valued sub-sectors are metal products, cotton weaving, jewelry making and wood furniture. Figure 2.2 and 2.3 displays the SMEs geographical distribution and sector wise distribution status in Pakistan.



Figure 2.2  
Source: IFC (2014a)

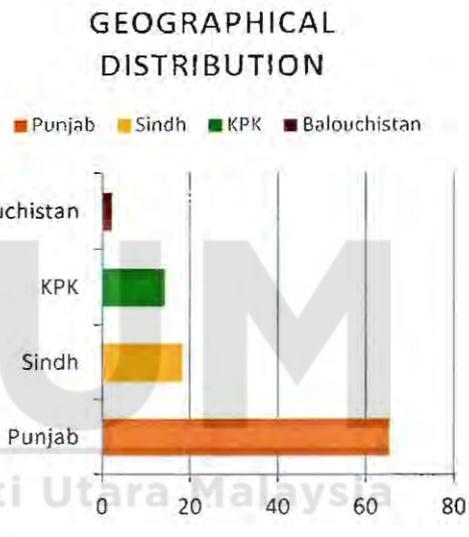


Figure 2.3  
Source: IFC (2014a)

Despite major contribution of SMEs towards GDP and employment generation, SMEs facing challenges of financial deprivation. As already discussed in chapter one that to meet their financial needs SMEs mostly rely on informal sources of finance because of financial institutions reluctant behavior (Khan, 2015a). Next section comprehensively discussed the nature of SMEs financing in Pakistan.

### 2.2.3 Nature of Financing

SMEs in Pakistan suffer from low access to finance against a sobering trend of low overall private sector credit. As already discussed in Chapter 1 that total share of private sector loans reported only 7 percent of total lending in December, 2016. Since 2008, the declining trend can be observed not only SMEs but other sectors such as consumer finance and infrastructure financing (Figure 2.4).

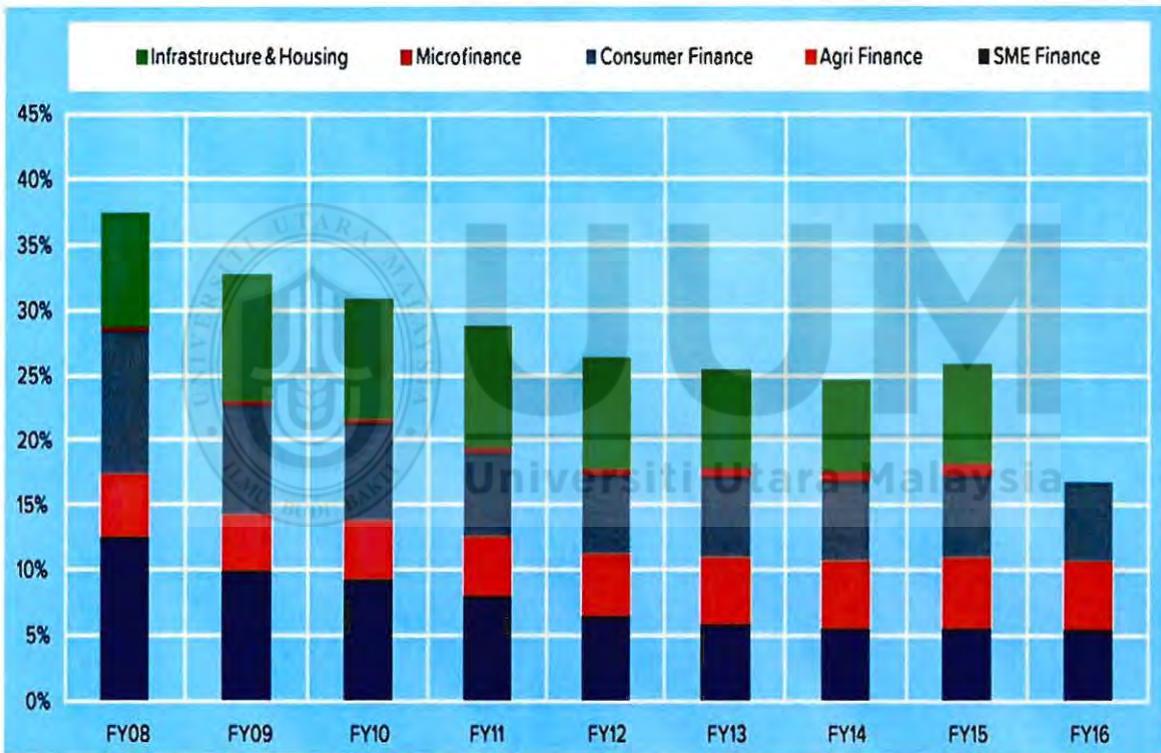


Figure 2.4  
*Sector Wise Distribution of Bank Financing in Pakistan*  
Source: Karandaaz Report, (2017)

Since 2008, SMEs share has been halved as Figure 2.4 represented the declining trend in terms of credit which is noticeable. As per reports of December, 2007 SME financing was 15 percent of total private sector credit, around PKR 437 billion, however, in 2013 it declined to 5.6 percent

(SBP, 2016). As compare to other countries India accounted for 15 percent, Bangladesh 15, Korea, Thailand and Turkey 30 percent with respect to SME loans in 2013. In 2016, the proportion of SME loans improved to 7 percent but still very low as compare to other countries as shown in Figure 2.5.

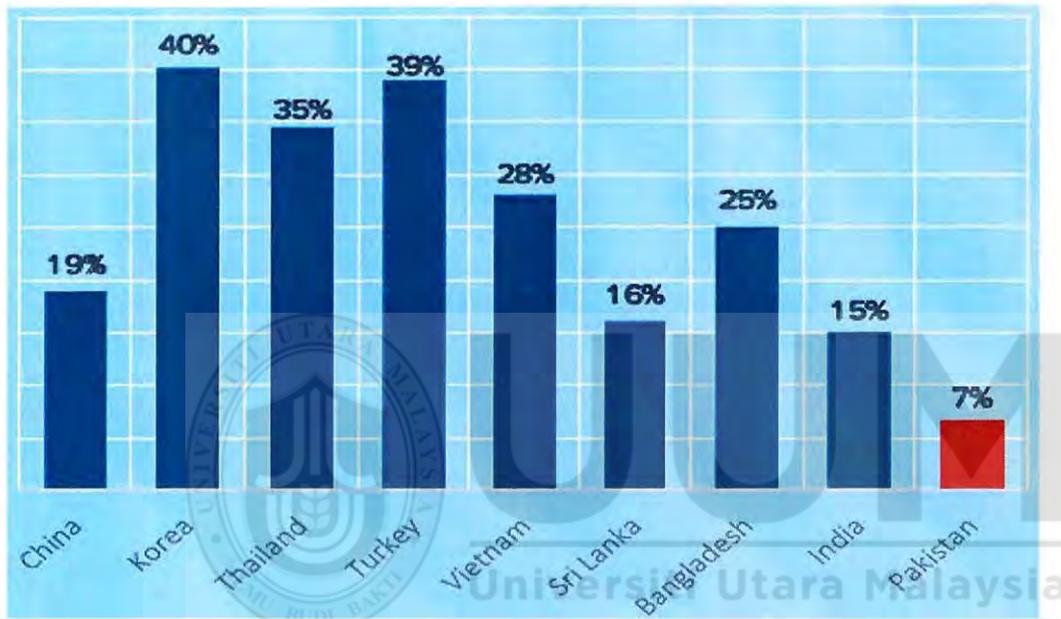


Figure 2.5  
*Cross-Country comparison of SME loans as a share of all loans*  
 Source: SME Asia Monitor (2014); SBP (2016)

In Pakistan, SME borrowers in FY08 were around 230,000, however, the number shortened in 2016 to only 160,000 which indicates only 5 percent of formal financing of all firms and less than 5 percent of total bank borrowers consistently. The non-performing loans for SME sector during 2004-2008 were around PKR 20-40 billion, however, 2007-08 economic crises resulted sharp increase in interest rates which effected SME sector badly. In 2011 the loans were at PKR 101 billion than in 2013 SBP revised the policies for SMEs and the loans falls to PKR 90 billion.

In 2016, lending to SME sector was noticeable as SME portfolio was PKR 310 billion in Jun2016 and jumped to PKR 405 billion in Dec 2016. This revival was because of revision in SME definition in term of annual sales turnover for categorizing medium enterprises from PKR 400 million to PKR 800 million, resulted PKR 30-40 billion being moved out of the bottom end of the commercial segment to the higher end of the SME segment (Karandaaz Report, 2017). In terms of facilitating SMEs towards their business financial needs private banks are in dominance as compare to public banks. Figure 2.6 depicting that private banks are more supportive in providing finance to SMEs followed by public banks as contributing 69 percent and 25 percent respectively.

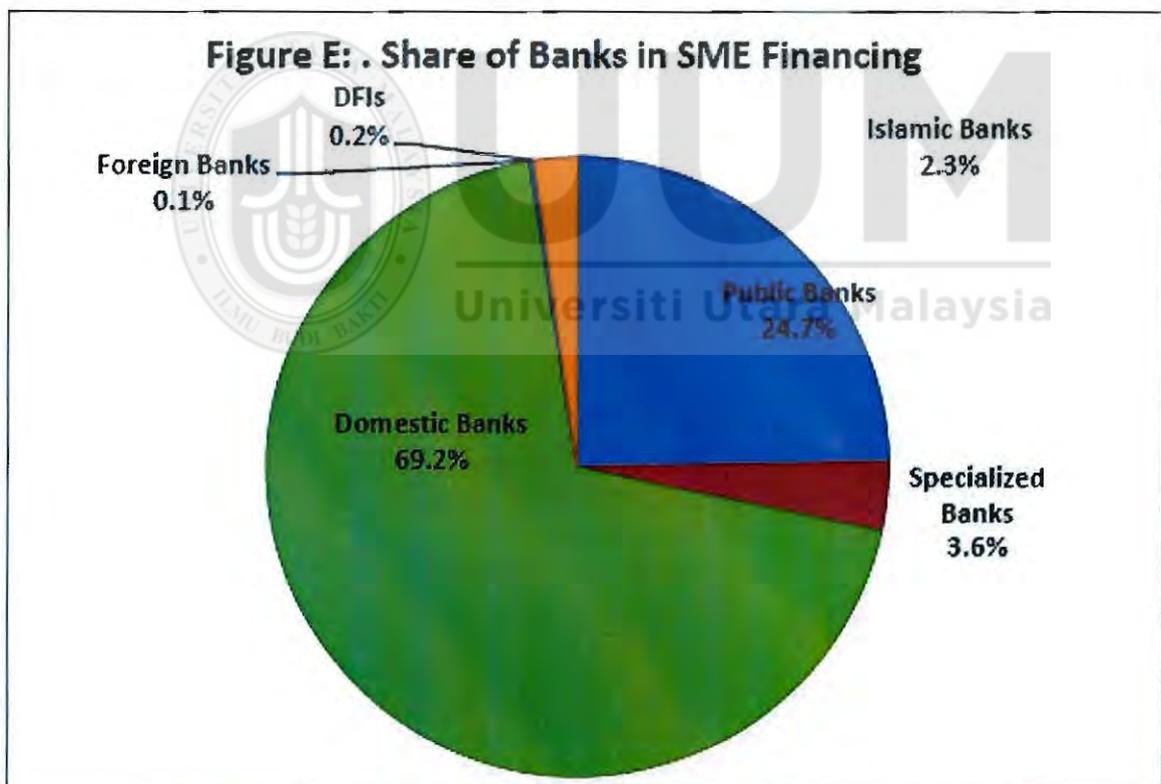


Figure 2.6  
 Share of banking groups in financing SMEs  
 Source: SBP Quarterly SME Finance Review (2015)

Though, a large proportion of SMEs owner-manager seeks for Shariah compliant products. However, Islamic banks consider SME as riskier sector, therefore, shows more careful attitude in providing finance. Furthermore, full-fledged Islamic banks are providing only two percent of financing to SMEs, on the other hand, Islamic banking divisions (IBDs) share is around three percent. SBP, (2014) report, statistics exposed that in Islamic banking industry SME sector is the most neglected one as overall Islamic banks finance stands only 5.1 percent to SMEs and 71.8 percent to corporate sector. Moreover, the ratio of IBDs towards SMEs financing increasing constantly, though Islamic banks are constant from last three quarters (SBP Quarterly SME Finance Review, 2015).

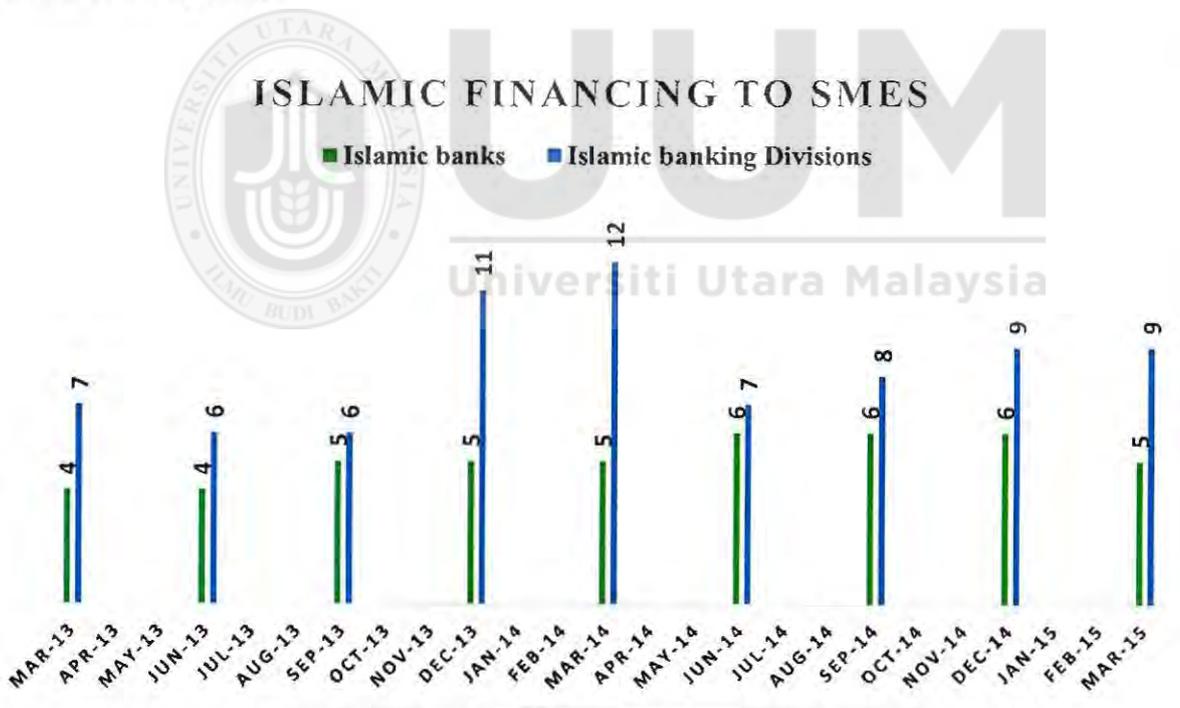


Figure 2.7  
 Islamic financing to SMEs  
 Source: SME finance review, quarterly report (2015)

Additionally, along with conservative behavior banks offer limited range of financial products for SMEs. As discussed in chapter one that only 11 percent of SMEs owner-manager are well served which means they are satisfied and happy with financial products they are using. However, this low proportion of SMEs owner-manager are using some specific products, remaining 89 percent whether not satisfied with existing available financial products or not using any formal financial product at all. Figure 2.8 representing share of financing facilities using by SMEs to meet their business financial needs.

Working capital financing among SMEs is in high demand with 71 percent of share, followed by fixed investment 18 percent and trade finance 11 percent respectively. The higher demand of working capital because of collateral requirements for long term financing, banks find long term loans costly and banks have shorter maturity of liabilities (Karandaaz, 2017).

### Facility Wise Composition of SME Financing

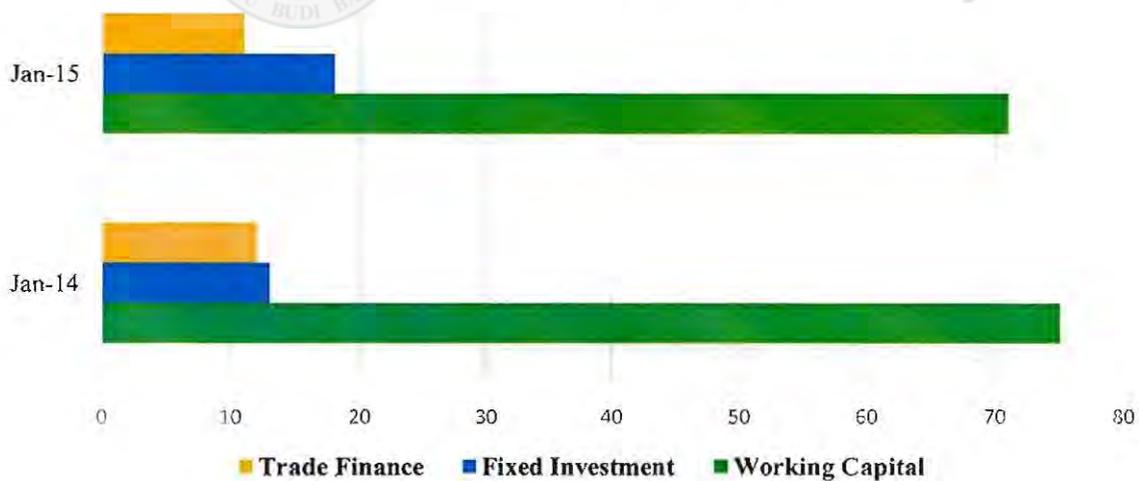


Figure 2.8  
*Facility wise composition of SME financing*  
 Source: SBP-SME Finance Review Report (2015)

It indicates that SMEs owner-manager focus on fixed asset loans has largely been missing with lacking formal financing to expand. Globally, SMEs through Initial Public Offerings (IPOs) raise equity than use banks for long term debt financing like in Singapore, Malaysia and Thailand. However, in Pakistan businesses are not deployed both avenues optimally resulted companies not scale up. Working capital dominance shows that banks avoid betting on the performance of small enterprises over longer periods. Moreover, trade finance traditionally remains low because it is done on the basis of Letter of Credit (LC), exporters claims that it is difficult to attain trade finance even on LC because banks require a guarantee particularly for new exporters. SME stakeholders also highlighted that the major problem is mismatch between needs and financing, at the time when owner-managers needs running finance banks can only approve the term finance. This is may be one of the reasons that SMEs owner-managers show reluctant behavior towards formal finance because banks failed to develop customized sector wise products (SME-FRR, 2015). Furthermore, the working capital financing decreased by four percent as compared to last year and demand of fixed investment inclining, which indicates that SMEs are now concentrating on growth of their firm to expand their businesses. Next section discussed the financial products for SMEs marketed by financial institutes.

#### **2.2.4 Financial Products**

SBP and other financial institutions launched specialized products to support SMEs in Pakistan. As per above discussion high demand product is working capital, though, slight changes occur in SMEs usage of fixed asset and trade finance. These changes may be due to changing attitude of SMEs owner-manager towards their businesses as now their priority is business growth not only to survive. However, small change occurs in other products usage among SMEs and can be due

to lower awareness level of financial products among SMEs other than working capital. It is observed by experts that due to complex nature of financial products and procedures of obtaining finance not understandable for everyone. Particularly, for SMEs owner-manager who are not much educated and have lower knowledge regarding financing terms. Due to complexity of financial products whatever is the need and motivation of SMEs it's difficult for them to invest, because they are unaware about products and risks they are going to take (OECD, 2015; Lukonga, 2016).

Bulling, (2013) defined complex financial products “as financial products, whose terms, features and risks are difficult to value and are not reasonably likely to be understood by a retail customer because of their complex structure”. Study further stated that lender should recommend appropriate financial products as per requirement of customers for sake of their benefit. Moreover, a study conducted by Célérier and Vallée, (2016) and found that financial institutions offer higher rate for their structured products with complex formulas. Further, they stated that more complex products are more profitable for financial institutions because customers cannot identify the actual cost due to lower financial knowledge. Thus, financial institution charge extra and ultimately customer bear the loss. Thus, it create bad word of mouth among SMEs and owner-managers avoid to use those products they cannot understand properly. Hence, in line with these studies may be new and variety of financial products are not attractive for SMEs.

In Pakistan, both banking and non-banking financial institutions offering several financial products, which are accessible for SMEs, as well as institutions announce specialized products

for SMEs time to time. SBP, (2010) announced following products for SMEs with theme of “Right Products for Right Purpose”.

- 1) Working Capital Financing: To meet day to day business financial needs financial institutions offering following working capital financing products;
  - *Running Finance* - It's a revolving finance, after approval of finance limit borrower can withdraw amounts to the extent of that limit, he/she can withdraw and repay the amount as many times as he/she wishes to; but he/she have to pay mark-up on the used amount.
  - *Demand Finance* - A medium/long term credit facility for borrower to establish new projects, with a repayment term of more than one year. It can be paid back in installments, it meets clients' long term needs such as, constructions of office or factory and machinery expenses.
  - *Cash Finance* -- It's based on collateral which comprises assets given by the borrower as a guarantee to secure a loan or other credit.
  - *Factoring* – A financial transaction in which a borrower sells its accounts receivable (i.e., invoices) to a third party (called a factor) at a discount. A business will sometimes factor its receivable assets to meet its present and immediate cash needs.
  
- 2) Asset Acquisition / Business Expansion / Fixed Investments: SMEs requires assets in order to expand their business. These assets could be immovable properties such as buildings and factories or other assets such as equipment, vehicles, and fixtures. Following are some products under fixed investments.

- *Term Loans* - A specific amount loan from a financial institution with fixed or floating interest rate which has a specified repayment schedule.
  - *Leasing* – A contract between lessee (borrower) and lessor (lender) with terms under which one party agrees to rent property owned by another party. Lessor give the permission to lessee for the use of asset on the basis of regular payments from the lessee for a specified number of months or years.
- 3) Trade Financing: SMEs who are involved in import and export business, institutions provide them loan for instance import & export or local purchases of goods, materials or equipment. Following are the products under this category;
- *Letter of Credit* - A letter from financial institutions with guarantee that buyer's payment to a seller will be received on time and for the correct amount, in case the buyer is unable to make payment on the purchase, the financial institution will pay the full or remaining amount of the purchase.
  - *Export Credit Financing* - A commercial credit letter issued by foreign bank in favor of a domestic exporter at the request of a foreign buyer.
  - *Bank Guarantee* - A promise of financial institution that if borrower defaults on a loan, the institution will cover the loss.

According to SME-finance review report, (2015) there is an increasing trend in fixed investment products. As discussed earlier, for economic growth and development of SMEs it is essential to emphasize on SMEs expansion and extension of SME businesses connected with their easy access to finance. Thus, scholars and experts consider fixed investment e.g. leasing and term loans, best

alternate financing source for SMEs (Hossain, 2013; Kraemer-Eis & Lang, 2012). Thus, for rapid growth and expansion of SMEs, most suitable financial product category is fixed investment. However, it is difficult to test all products under fixed investment category, thus, after thorough review of literature researcher deemed leasing as one of the best option for SMEs growth and development.

#### **2.2.4.1 Leasing**

SMEs ability to access finance is important for funding business investment. Moreover, to facilitate new start-ups and ensuring businesses to reach their growth potential, lack of finance can hamper business survival prospect. In this case leasing is one of the best financing option for SMEs. . Leasing can be defined as “A contract between two parties lessee and lessor in which lessor provides an asset for usage to lessee for specified period of time, in return for specified payments” (Kraemer-Eis & Lang, 2012). The concept of leasing is based on generation of profit without owning the asset completely. As SMEs signed contract for some specific time period which can be short-term (less than 1 year) and long term (more than 1 year) with respective financial institution, than based on terms and condition they pay some specific amount to financial institutions gradually and used the asset. Further, financial institutions keep the ownership till the maturity of lease contract and after completion of all payments transferred the ownership to SMEs.

Evolution of leasing in Pakistan took place in June, 1980 as financial services under Islamic financial system. It was compulsory for bank and other financial institutes to provide leasing products under tenets of Islam. Initially, due to lack of awareness leasing growth was not

efficient, though, because of various benefits e.g. tax advantage, efficient approval process, cash flow benefits, leasing became an attractive source of financing (Hossain, 2013). Leasing industry comprises of leasing companies, modarbas (Islamic mode of financing) and investment banks and to monitor State Bank of Pakistan (SBP), Securities Exchange Commission of Pakistan (SECP) and Ministry of Finance Government of Pakistan name are included in regulatory bodies. Various leasing companies currently facilitating SMEs in term of finance lease, however top of the list are; ORIX Leasing, Askari Leasing, National Development Leasing Corporation (NDLC), First Grindlays Modarba and BRR International Modarba with 70 percent of industry share. By 2014, around 33 leasing companies were operating in Pakistan, however, after getting permission from SBP banks also started leasing. Resulting number of leasing companies dropped from 33 to only 13, currently only 10 companies operating with major share of ORIX leasing Pakistan Ltd. As per published accounts of 2014, out of Rs 5.3 billion gross revenue of leasing industry Rs 3.82 billion contributed by ORIX (brecorder,2015).

There are basically two types of leasing offered by financial institutions;

- Operating Lease: In operating lease company leases out its asset to the lessee and signed a contract at a rate and terms. The contract do not cover the cost of the asset, interest and profits of the lessor. Mostly firms request for operating lease in their peak seasons when they need extra machines and equipment's to complete their production process as per increased demand. It's beneficial for lessee to use required equipment for short period of time mostly six months to one year without paying entire capital cost and the lessor's total profit.

- **Finance Lease:** In finance lease companies acts as a financier as leased some asset for certain period of time on terms and rate. Mostly finance lease is for long period of time more than one year and less than five years. Lessee specifies the required asset also selection and ordering along with maintenance are lessee responsibilities. The lessor is simply interested in the lawful ownership of the assets, to which he has resources if the lessee fails to repay the rentals.

In Pakistan, most of the leases transacted are finance leases in which the lessor keep the ownership of asset till maturity of contract and lessee pay full cost of the asset including profit of financial institute gradually. In Pakistan, lease financing following types offered by the lessors:

- *Direct Lease:* In direct lease lessee select and order the asset directly from supplier and write down the contract with lessor on agreed terms and rate. Lessor pay the total cost of asset directly to supplier and keep the owner-ship till the expiry of contract. Once lessee paid the total cost including lessor profit share, lessor transfer the owner-ship of asset in name of lessee.
- *Sale and Lease back:* Lessee sells an asset to lessor in exchange for cash and then contracts to lease the asset for a specified time period. Asset sold at market value in order to enable lessee to acquire the capital.
- *Leveraged Lease:* Under this arrangement, the lessor borrows a substantial portion of the acquisition cost of the leased asset from a third party. The leverage refers to the financial leverage used by the lessor in structuring the lease and the risk associated with default by the lessee is particularly borne by the third party tender (Hossain, 2013, Breccorder, 2015).

SMEs in Pakistan encountered several financing problems as banks required collateral, also personal relationships with SMEs owner-managers for securing repayments. Thus, leasing can help both SMEs and financial institutions to achieve their objectives. Experts deemed leasing as the easy source to obtain financing, also its Shariah compliant mode of financing therefore, more appropriate for owner-managers who want to take Shariah complaint products only. The key advantage of leasing is that SMEs can access finance under flexible terms and conditions e.g. collateral requirement, fixed rate, selection of terms, deposit, and purchase option etc. (Pakistan economist, 2009; OECD, 2015). Furthermore, firms can secure an asset for expansion and growth of their business by paying asset cost gradually. Instead of investing direct capital, SMEs with help of lease financing business can fulfill their assets needs such as machinery, vehicles, equipment's, fixture etc. Along with this leasing has a lot of benefits for SMEs that any other financial product such as; no collateral requirement, low cost as compare to other loans, investment in equipment/machinery increase the productivity and modernize production, low maintenance cost because of new asset and lessor maintain, monitor and better control the asset according to the specialized requirements of particular asset (Hossain, 2013; Kraemer-Eis & Lang, 2012; OECD, 2015).

The small businesses suffer more from a lack of access to finance, thus, leasing cater well to the needs of small firms. It's an alternate avenue that can serve SMEs to meet their financing needs with less conditions or requirements. Most importantly it's beneficial for start-up firms with no or short credit history and who are not in position to fulfill collateral requirements, also for the firms who belong to those sectors financial institutions perceived more risky. Small firms can improve their business performance by with use of lease financing, it's not only a reliable

financing source for SMEs in uncertain economic conditions but leasing is also appropriate for SMEs success throughout their business lifespan. Despite of easy access towards lease financing and several advantages such as; no/low collateral requirement, low cost, Islamic compliance (Muslim countries considered leasing as an interest-free product same as rental), etc. SMEs intention is low towards leasing products (Leaseurope, 2013; European Investment Fund, 2012; Hossain, 2013). In Pakistan, development finance review of Pakistan, (2015) statistics highlighted that facility wise SMEs fixed investment is only 18 percent as compare to working capital which is around 74 percent. As experts suggests leasing as one of the best financing source for SMEs to meet their financial needs and for rapid long term growth, however, the usage of fixed asset products e.g. leasing still very low. Thus, current study selected leasing to examine that to what extent socio-psychological factors influence their intention towards usage of leasing products.

### 2.3 Consumer Behavioral Intention

Behavior means to perform some acts like to attend a function, buying a product, using vitamin pills and so on. Moreover, consumer behavior is the study to evaluate an individual decisions towards spending his/her time, money and effort towards consumption of needed items (Fejza et al., 2017). Ajzen and Fishbein, (1991) highlighted four elements of behavior must considered by researcher before defining behavior also known as TACT:

- **Target** – A person behavior is directed
- **Action** - Refers to the specific nature of the behavior being investigated
- **Context** – For where and what purpose a person enact the behavior

- **Time** – For time observation as behavior be witnessed at a single time period or a broader time period.

Along with this, various studies highlighted vital factors which influence consumer behavior such as;

Marketing factors – Product design, price, promotion, packaging etc.

Personal factors – age, gender, education, previous experience, income.

Psychological factors – Buying motives, perception of the products, attitude towards product.

Situational factors – Physical surroundings, time, and weather.

Social factors – Family, reference, groups, and social status.

Cultural factors – social class, cast and sub casts.

Moreover, for better understating of consumer behavior in context of financial products and services Backett, Hewer and Howcroft, (2000) developed a matrix. The four types outlined by the model as; repeat-passive, rational active, no purchase and rational dependent. Each quadrant of model elaborated consumer confidence in different combination of involvement and uncertainty, thus, to accommodate consumer financial needs a different mode of interaction. The repeat-passive refers to consumer low involvement because of full awareness regarding products features and they make repeated interactions without seeking for alternatives. In rational-active model presented consumer's involvement in terms of the process dimensions of control, participation and contact is high and so too is their confidence in terms of product complexity and certainty of outcome. Furthermore, in no-purchase consumer do not possess the confidence to take any financial decision and show no involvement towards products and services, however, marketing strategies can create awareness in these type of consumers by convincing them

towards alternative products and services. The last quadrant relational-dependent postulate low level of consumer confidence towards products and services because of complexity and uncertainty of eventual outcome, although consumer show high involvement towards products and services.

Moreover, according to Lu, Yeh and Chen, (2016) humans are rational and their behavior controlled by intentions, also stated that it is predictor of human behavior. Intention is “a person’s readiness to perform a given behavior”. Moreover, to perform action the immediate determinant of behavior is intention. So, stronger intention of an individual lead him/her to try more to perform some particular action (Johan et al, 2014). Thus, to predict behavior, behavioral intention is the best way as it’s the probability of an individual engaging in a specified behavior and also reflect his/her willingness to perform a behavior. Behavioral intention means the decision and motivation of a person towards performing some behavior (Li, 2014). A person intention to perform a behavior is the determinant of action, however, with good understanding of intention it will be easy to predict behavior. All the predictor variables of intention must be well-suited with in question behavior. Therefore, researchers should take great care to frame items according to the behavior being measured (Chen, 2014). Ajzen and Fishbein, (1991), founder of behavioral intention theories explained three cognitive antecedents of intention; attitude, subjective norms and perceived behavioral control.

Attitude - refers to an individual evaluation (positive/negative) of the target behavior.

Subjective norms - opinions of social reference groups such as family and friends regarding whether an individual should engage in the particular behavior or not.

Perceived behavioral control (PBC) - denotes the perceived ease or difficulty of performing the behavior (Kautonen et al., 2013).

Behavioral intentions used by various researchers in their studies as dependent variable may be because of its strong ability towards predicting behavior which is the basic aim of behavioral intention models. Customer intention can be favorable or unfavorable, favorable intention shows positive attitude of customer to purchase some products/services, though, unfavorable show negative one which mostly ends on switching to other alternatives. Thus, success of market totally depends on customer's favorable intention to buy a product or service (Al-Qasa, 2013). The primary goal of marketing researches continues for better understating of consumer behavioral intention. The accuracy and consistency reflected in different researches is exploration of different influential factors and models towards consumer behavioral intentions.

To study behavioral intention researchers developed some theories such as Theory of Reasoned Action (TAM), Theory of Planned Behavior (TPB), Technology Acceptance Model (TAM) and Decomposed Theory of Planned Behavior (DTPB), which have been used by scholars widely and found significant towards understanding consumer behavioral intention. Moreover, a number of studies investigated various factors influence consumer behavioral intention in different contexts (Kumar, 2015). Researchers such as Al-Qasa et al. (2013), Abadi et al. (2012), Bhakar et al., (2015), Charfeddine and Nasri (2013), Echchabi and Olaniyi (2012), Ya'gobi and Rad (2015), Gumel and Othman (2013), Kim and Kang (2012), Laksamana et al., (2013), Lee et al. (2011), Maiyaki and Mokhtar (2011), Salciuviene, (2014), Shanmugam (2014), examined the usage intention and purchase intention of individual customer's in different contexts and investigated various factors influence on consumer intention, table 2.2 shows summary of some selected studies.

Table 2.2  
*Summary of past studies on behavioral intention*

<b>Source</b>	<b>DV</b>	<b>IV's</b>	<b>Findings</b>
Amin et al. (2011)	Intention to use Islamic personal financing	Attitude and Social Influence - <b>Moderating Variables</b> - Religious obligation, Govt Support, Pricing	Attitude and social influence of Islamic personal financing were found significant, religious obligation and government support were insignificant predictors.
Kim and Kang, (2012)	Intention to Use smartphone banking	Trust, Usefulness, Ease of Use, Security Risk	Perceived usefulness, security risk affect the intention to use smartphone banking for both account check and account transfer transactions. Security risk had negative effect on both. Greatest effect of perceived usefulness in account check transactions and trust greatest effect in account transfer.
Hanudin, (2012)	Behavioral intention towards Islamic credit card	Attitude towards behavior, Subjective Norms, Perceived financial cost	Attitude were subjective norms were found significant towards behavioral intention. Attitude was the most important factor.
Lee et al. (2012)	Intention towards mobile financial services	Task fit, monetary value, connectivity, personal, innovativeness, absorptive capacity <b>Mediator</b> - Perceived usefulness, Perceived ease of use	Monetary value influences perceived usefulness and connectivity has a significant effect on perceived ease of use.
Salciuviene et al. (2014)	Intention to purchase financial services online	Perceived usefulness, easy to use, trust, security confidentiality.	Perceived usefulness and ease to use positive relationship with intention to use.

Table 2.2 (continued)

Shanmuga m et al. (2014)	Intention to use mobile banking	Perceived Usefulness, Perceived ease of use, Perceived benefit, Perceived credibility, Perceived financial cost - Mediating- Attitude	Perceived usefulness positively significant towards intention to adopt mobile banking, however, Perceived ease of use found insignificant. Attitude partially mediate some relationship and some are fully supported
Souiden & Rani, (2015)	Purchase intention towards Islamic banks	Religiosity, Attitude	Beliefs are not important to effect attitude. Religious has no direct effect on purchase intention, however, an indirect effect through attitude exist.

#### 2.4 Owner-Manager Behavioral Intention

In, area of SMEs several studies have measured the behavioral intention of entrepreneurs in different contexts such as Adam, Jizat and Noor (2016) explored influential factors towards usage of social commerce of SMEs owner-manager, study mentioned attitude and self-efficacy as key factors. Further, Hockerts, (2017) highlighted determinants of social entrepreneurial intentions and concluded that social entrepreneurial self-efficacy has largest impact on intentions. Kautonen, Gelderen and Fink, (2013) examined the robustness of Theory of Planned Behavior (TPB) in predicting entrepreneurial intention and actions, moreover, study found subjective norms as strongest one have impact on entrepreneurial intention. Another study of Ramayah et al., (2016) evaluate the factors which influence the SMEs owner-manager website continuance intention in context of Malaysia and indicated that there is strong relationship between owner-manager positive attitude and involvement towards information technology, found both significant and most important regarding online business activity. The study of Ross,

Laing and Parle, (2015) determined the attitude of SMEs owner-manager in context of budgets, authors applied TPB to test their models and found positive relationships between variables e.g. attitude, subjective norms, perceived behavioral control, intention. Furthermore, Sahinidis et al., (2014) studied entrepreneur's intention to start new venture. Study measured the intention with addition of some independent variables such as personal attraction, perceived behavioral control, social norms and valuations, study found personal attractions most significant towards intention. Schlaegel and Koenig, (2014) conducted a meta-analysis in context of entrepreneurial intention. Basically the study was conducted to meta-analytically test and integrate the theory of planned behavior along with entrepreneurial event model. Results supported the competing theories and indicated the moderating role of contextual boundary conditions in the development of entrepreneurial intention.

Shinnar, Giacomini and Janssen, (2012) examined that how gender and culture shape entrepreneurial intentions and perceptions, further found significant gender differences in barrier perceptions along with moderating effect of gender on the relationship between barriers and entrepreneurial intentions. Sivarajah and Achchuthan, (2013) in line with other studies regarding entrepreneurial intention studies examined the similar in context of undergraduate students and Wamba et al., (2016) examined SMEs intention towards information technology specifically Radio frequency identification (RFID) technology.

Appropriate with current study, to understand financial behavior of SMEs owner-manager, researchers examined the influence of owner-manager personal and demographic characteristics on firm financial decision making (Abdulsaleh & Worthington, 2013; Ahad et al, 2012; Jaffar &

Musa, 2013; Low & Mezzarol; Ogubazghi & Muturi, 2014; Neneh, 2011; Tolba et al. 2014; Xiang et al, 2011; Zabri, 2011). SMEs behavior or business style is totally different from corporate firms as SMEs run by a single person with full authority of decision making. Therefore, the concepts and definitions of traditional marketing books are not easy to apply on SMEs. The reasons are experience, expertise and limited resources of small and medium firms. Generally, owner-managers have less knowledge of marketing and business and they adopt informal approach to execute their business activities rather than the evaluative and systematic approach. It can be assumed that owner-managers acts are similar to entrepreneurs who start their business and then acquire the required resources for growth and establishment of their business (Hulbert et al., 2013). SMEs owner-manager as primary decision maker their personal and demographic characteristics affect firm financial and management decisions.

As aforementioned, owner/managers of SMEs play major and dominant roles in firms' decision making. According to the Neneh, (2011), owner-manager can be categorized into the following characteristics: These characteristics are demographic/social characteristics, demographic / social characteristics

- Behavioral/managerial characteristics
- Economic characteristics
- Human capital characteristics

Similarly, Islam et al., (2011) studied the almost same classification of variables for owner-manager characteristics which are demographic characteristics;

- Demographic characteristic

- Individual characteristic
- Personal traits
- Entrepreneur orientation
- Entrepreneur readiness

Under these classifications most commonly used characteristics in previous studies are age, religion affiliation ethnic group affiliation, educational level, culture, owner-manager experience and networking etc. (Ogubazghi & Muturi, 2014).

Prior research, examined the financial behavior of SMEs owner manager such as Low, (2006); Osman & Ali, (2008); Gait & Worthington, (2009, 2008); Zabri et al, (2011) and Xiang et al, (2011). Low (2006) concluded that owner-managers preferences for financing may be a function of personal characteristics to a large extent. Likewise, Zabri et al, (2011) stated that highest level of education and experience have significant relationship with their financing decisions. Osman and Ali (2008) discovered that 80 percent SMEs in Malaysia have intention to use Islamic products because of religion. Study also revealed that non-users consider Islamic products more expensive than conventional banks and also there is no difference in conventional and Islamic banking products. Similarly, in same era Gait and Worthington (2008, 2009) studied attitude of business firms in context of Libya. Study concluded that owner-manager of SMEs mostly prefer Islamic banking products due to religion factor and service quality, profit and business support are secondary preference of SMEs. Xiang et al., (2011) studied firm level characteristics to measure financial behavior of Australian SMEs. Study shows SMEs with focus on profit and

growth show interest in additional finances, moreover, firm size and age have significant effect on SMEs financial decision making.

A number of existing studies (Abdulsaleh & Worthington, 2013; Hsiao and Chou, 2012; Koropp et al, 2013; Koropp et al, 2014; Ogubazghi & Muturi, 2014; Siddique et al, 2016; Tolba et al, 2014) on SMEs financial behavior explain this phenomenon in different scenarios. Abdulsaleh & Worthington, (2013); Hsiao & Chou, (2012); and Ogubazghi & Muturi, (2014) studies explained the effect of owner-managers personal characteristics on financial behavior, yet these are limited to demographical factors only such as age, education, experience and gender. Moreover, studies found that female owner-managers use less capital than male and young owner-managers are more likely to apply for finance. On the other hand, older one prefers their own personal savings and informal finance sources as well as educated and experienced owner-managers are more confident while dealing with bankers. Similarly, Ogubazghi and Muturi, (2014) concluded age and education both have significant effect on access to bank loan and concluded that young owner-manager encounter more difficulties to access finance from formal sources.

Jaffar & Musa (2013); Koropp et al, (2013); Koropp et al, (2014) and Tolba et al, (2014) explained behavioral intention determinants/factors of SMEs owner-manager. Jaffar and Musa, (2013) highlighted the attitudinal determinants of halal certified SMEs towards Islamic financing. A conceptual framework presented by study using Theory of Planned Behavior. Further, exposed that salient belief factors such as awareness and knowledge, religion obligation, cost benefits, business support and reputation are positively related to attitude towards adoption of Islamic financing and influence SMEs owner-manager intention.

Koropp et al. (2013; 2014) studied financial choices of family firms in Germany. By applying Theory of Planned Behavior, study exposed that in family firm's owner-managers attitude and values have huge impact on firm financial choices because usually decisions made by owner-manager of firms. Conclusion of study explained that family norms have a profound effect on behavioral intention in usage of external debt and equity. Similarly, study of Tolba et al, (2014), highlighted the behavioral factors influencing intention of owner-managers towards taking commercial bank loans in context of Egypt. Study developed a research model based on Theory of Planned Behavior and postulates that knowledge, perceptions, previous experience, attitude, subjective norms, perceived behavioral control are determinants which influence the owner-managers intention. Study concluded that key factors are knowledge and subjective norms that influence intention of owner-managers to take commercial loans. In Pakistan, Siddiqui et al, (2016), found negative attitude of owner-managers because of personal characteristics such as age and gender and lack of knowledge as well. Study further concluded that firm level determinants also effect owner-managers financial behavior (e.g. size of organization and nature of business).

Prior research examined the demographic/personal characteristics, firm level determinants and few behavioral factors of SMEs in various contexts. However, still some critical factors needs to be highlighted and examined. Specifically in Pakistan there is need to study socio-psychological factors which have strong impact on SMEs financial behavior because of lower literacy rate, strong cultural and religious effect. Moreover, literature revealed that few studies have applied behavioral intention theories, to find out behavioral factors at firm level. To the best of the

researcher's knowledge, these theories frameworks have been used by the scholars to predict the behavior of SMEs in few studies along with empirical evidences.

Additionally, meta-analysis of Southey, (2011) stated that small portion of research is available who have used TRA and TPB to examine business decisions or behavior of firms towards financial, strategic and professional decision making. Study concluded that there is need to use behavioral intention frameworks to develop financial behavioral models in context of SMEs. Similary, Jin et al. (2012) exposed that TPB has been used by scholars to predict individual behavior and it is also appropriate to measure behavioral intention of business or small firms. In line with Southey, (2011) and Jin et al., (2012) arguments and Tolba et al., (2014), Jaffar & Musa, (2013) studies, TPB is an appropriate underpinning theory to examine the social-psychological factors and for predicting behavioral intention of SMEs. Next section discussed the behavioral intention theories in detail.

## **2.5 Theories of Behavioral Intentions**

Previously, to examine behavioral intention studies used related underpinning theories. Researchers adapted actual models of these theories and with addition of vital factors measured consumer behavioral intention. Table 2.3 lists the theories of behavioral intention used by scholars extensively in several studies.

Table. 2.3

*List of theories to measure intention*

<b>Theories</b>	<b>Factors</b>	<b>Providers</b>
Theory of Reasoned Action (TRA)	Attitude, Subjective norms	Fishbein & Ajzen, (1975)
Model of PC Utilization (MPCU)	Emotions, Social factors, Long-term results of computer use, Conditions facilitating the use of computer, Habits	Triandis, (1980)
Innovation Diffusion Theory (IDT)	Relative advantage, Compatibility, Complexity, Visibility, Testability	Rogers, (1983)
Technology Acceptance Model (TAM)	Attitude (perceived usefulness, perceived ease of use)	Davis, (1989)
Social Cognitive Theory (SCT)	Emotion, Anxiety, Self-efficacy, Outcome expectations	Compeau & Higgins, (1995)
Theory of Planned Behavior (TPB)	Attitude, Subjective norms, Perceived behavioral control	Ajzen, (1991)
Decomposed Theory of Planned Behavior (DTPB)	Attitude (perceived usefulness, perceived ease of use, perceived compatibility) Subjective norms (Impressions of colleagues and superiors), Perceived behavioral control (self-efficacy, status of facilitating resources, status of facilitating technologies)	Taylor & Todd, (1995)
Technology Acceptance Model 2 (TAM2)	Perceived ease of use, Optionality, Experience, Subjective norms, Perceived usefulness (mental image, job relevance, output quality, outcomes provability)	Venkatesh & Devis, (2000)
Unified Theory of Acceptance and Use of Technology (UTAUT)	Expected performance, Expected effort, Social effect, Facilitating conditions, Authority, Experience, Age, Gender	Venkatesh et al., (2003)

Source: Ya'gobi and Rad (2015)

In 1975, Fishbein and Ajzen developed Theory of Reasoned Action (TRA) to measure behavioral intention. Later on, some other theories such as Innovation Diffusion Theory (IDT) and Social Cognitive Theory (SCT) developed by experts. Remaining all theories mentioned in Table 2.3 are modified versions of TRA. With the passage of time scholars criticized TRA and experts modified accordingly. Despite this fact, among others the most frequently used theories are TRA, Theory of Planned Behavior (TPB), Technology Acceptance Model (TAM) and Decomposed Theory of Planned Behavior (DTPB). In addition, most of the theories are related to field of psychology and other behavioral sciences. In spite of researcher's efforts to explore cognitive and conative factors of consumer behavior, these theories have been criticized by the scholars as lacking predictive power and for not being sufficiently enough to measure individual intention. Moreover, the crucial variables in predicting human behavior discussed by various scholars, argued that most powerful predictive variable of behavior is attitude. However, apparently attitudinal theories and models of attitude are very simple which contains few variables and not enough to measure human behavior directly (Azam & Quaddus, 2013). The social scientists defined the attitude broadly but they did not differentiate between attitude, subjective norms, normative beliefs, actual behavior and behavioral intention. These all components are the sub-components of attitude. Henceforth, Fishbein and Ajzen argued in the separation of these components and in Theory of Reasoned Action they also declare them to predict the human behavior (Chen, 2014).

### **2.5.1 Theory of Reasoned Action**

Theory of Reasoned Action (TRA) developed by Fishbein and Ajzen in 1975, in which they studied relationship of attitude and behavior. The theory explained that higher intention leads

towards higher probability of performing behavior. Further, explained intention as exclusive determinant of human behavior (Azam & Quaddus, 2013). Moreover, intention can be an actual behavior with significant accuracy, when a person controls his/her behavior. Though it's not necessary that intention and behavior are in perfect relationship. However, some researchers criticized TRA because of volitional limitations and some contradictions in component of subjective norm (Gumel et al., 2015).

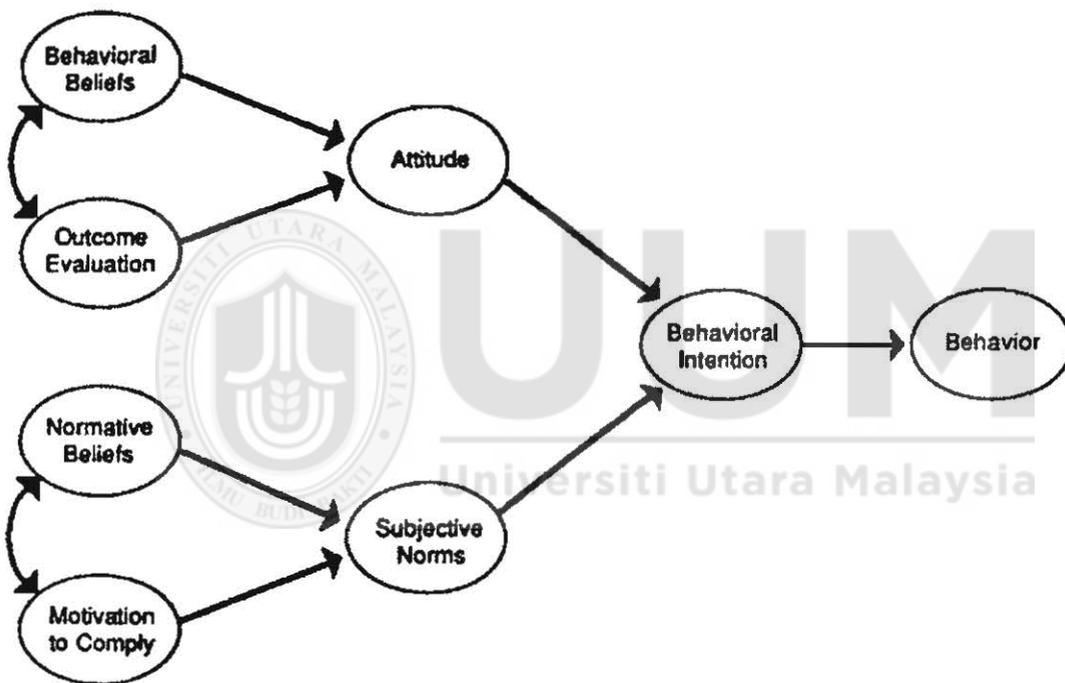


Figure 2.9  
 Model of Theory of Reasoned Action  
 Source: Fishbein and Ajzen (1975)

As per TRA, a person chance to perform a specific behavior depends on two antecedents;

- Attitude (A positive or negative evaluation of performing the behavior of an individual)
- Subjective norm (Social pressure from an individual closed references to perform or not perform the behavior)

To determine intention, both antecedents enable researcher to predict behavior of an individual. Generally, positive attitude towards subjective norm and behavior, leads towards strong intention of a person to perform actual behavior (Johan et al., 2014). However, aim of TRA is to better understand and predict an individual behavior. TRA was the first theory developed by Fishbein, and Ajzan, (1977) to predict behavioral intention, therefore, TRA received positive response from researchers. However, along with appreciation developers also faced the criticism continuously (Echchabi & Olaniyi, 2012). Despite various flaws, several researchers used TRA to validate their studies and to measure actual behavior and behavioral intention. Moreover, provided empirical evidences and added their valuable findings towards consumer research areas. Table 2.4 summarized some studies based on TRA along with significance of variables.

Table 2.4  
*Summary of selective studies used Theory of Reasoned Action*

Authors	Study Type	IN → AB	AT → IN	SN → IN
Sheldon, 2016	Facebook friend request	NT	S	S
Mishra et al, 2014	Green IT acceptance	NT	S	S
Amin, 2013	Islamic credit card	NT	S	S
Abduh & Abdul Razak, 2012	Islamic Home Financing	NT	S	S
Amin et al., 2011	Islamic personal financing	NT	S	S

Note: IN → Intention, AB → Actual behavior, AT → Attitude, SN → Subjective norms, NT → Not tested, S → Significant, NS → Not significant

Scholars argued that TRA is a causal theory because of intention and attitude cause and effect relationship. Further, pointed out that there is volitional limitation in this theory and also inconsistencies exist in component of subjective norm (Gumel et al, 2015). Thus, to overcome

highlighted flaws, Ajzen modified TRA and developed Theory of Planned Behavior in order to fill up the gaps.

### 2.5.2 Theory of Planned Behavior

In 1991, Ajzen extended TRA with name of Theory of Planned behavior (TPB) for better understanding of behavioral intention. Researchers argued that TRA's assumption of an individual self-control completely insufficient for actual behavior in real life.

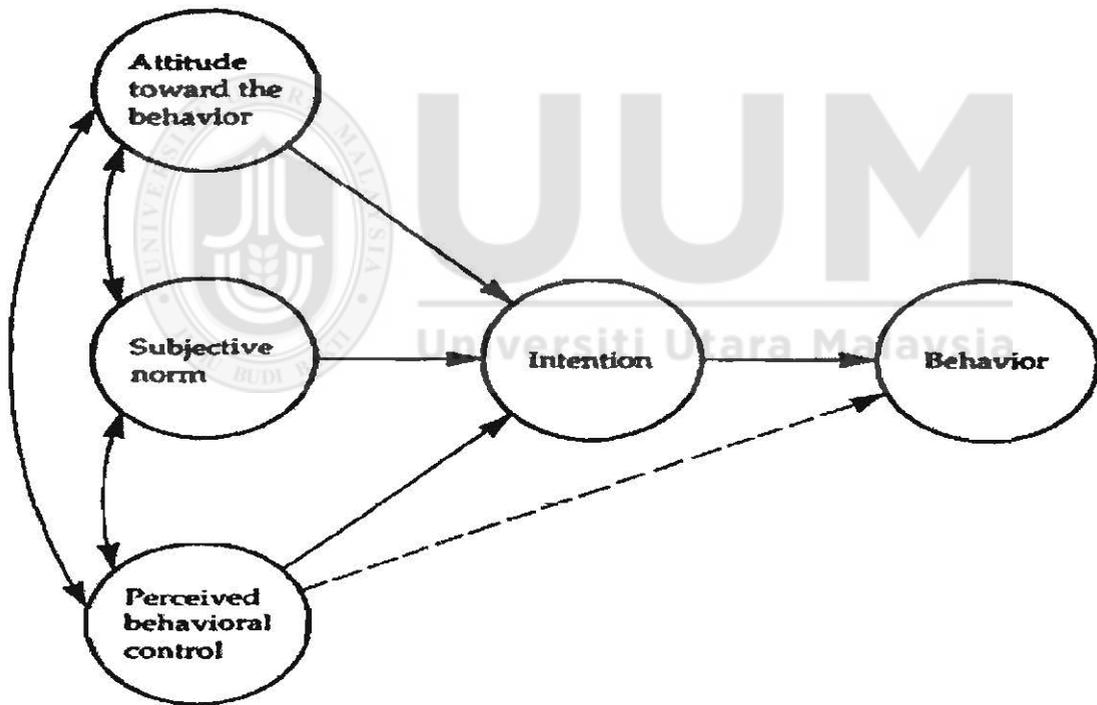


Figure 2.10  
*Model of Theory of Planned Behavior*  
Source: Ajzen(1991)

As in TRA, this assumption has excluded those people who in spite of positive behavioral intention think that they have lower control on their actual behaviors. In fact, most of the behaviors lie between two extremes which are (1) one side total control (2) other side lack of control totally (Alam et al., 2012). Thus, to balance these observations, Ajzen added additional determinant of intention named perceived behavioral control (PBC). TPB also used by scholars extensively to measure behavioral intention as well as to find out further construct of variables.

Table 2.5 summarized some past studies which applied Theory of Planned Behavior.

Table 2.5  
*Summary of selective studies used Theory of Planned Behavior*

Authors	Study Type	IN →	AT →	SN →	PBC →
		AB	IN	IN	IN
Xiao et al., 2011	Risky credit behavior	S	S	S	NT
Jalilvand & Samiei, 2012	Intention to travel	NT	S	S	S
Echchabi, 2012	Islamic banks behavior	NT	S	NS	NS
Alam et al., 2012	Islamic Home financing intention	NT	S	NS	S
Amin et al., 2014	Islamic home financing acceptance	NT	S	S	S
Husin and Rahman, 2016	Islamic Insurance	NT	S	NS	S

Note: IN → Intention, AB → Actual behavior, AT → Attitude, SN → Subjective norms, PBC → Perceived behavioral control, NT → Not tested, S → Significant, NS → Not significant

TPB appreciated by scholars and stated as complete behavioral theory. However, scholars also criticized this theory by giving argument that it is ignorant of other influencing variables on behavior and missing multidimensional constructs (Chen, 2014). Conner and Armitage, (1998) explored some empirical evidences to support TPB extension which includes some additional variables such as past behavior, belief salience, self-efficacy versus perceived behavioral control, self-identity, moral norms, and affective beliefs. Further, stated that it is impossible to add all

these variables in one framework. Thus, scholars can add respective variables according to their studies based on TPB model.

### 2.5.3 Technology Acceptance Model

The Technology Acceptance Model (TAM) developed by Davis, (1989) based on Theory of Reasoned Action. The basic purpose of this theory was to better understand consumer behavioral intention in case of complex products. Thus, TAM frequently used by studies based on information system to measure behavioral intention.

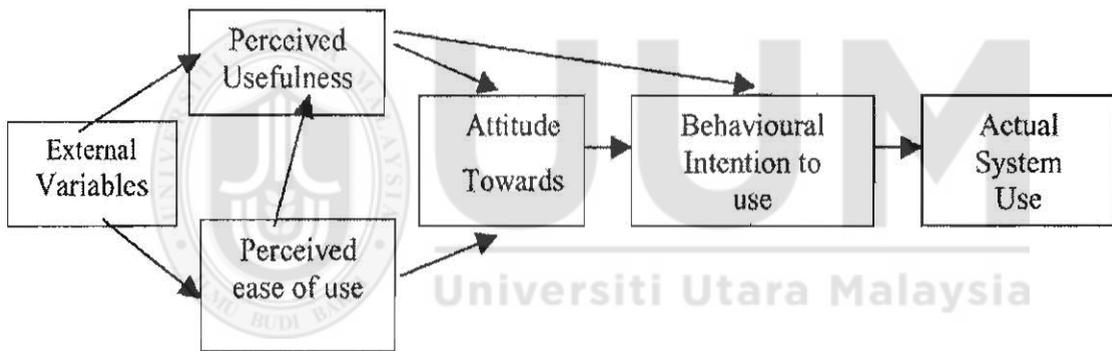


Figure 2.11  
*Model of Technology Acceptance Model*  
Source: Davis (1989)

Moreover, it normally used by studies to find out causal determinants for acceptance and rejection of information technology. In TAM, there are two core beliefs of individual perceived usefulness and perceived ease of use towards usage of Information Technology. Perceived usefulness is the degree to which an individual believes that the particular system would enhance the performance (Chen, 2014). Davis, (1989) argued that perceived usefulness is one of the most powerful predictor of an individual's intention to use information technology. Further, TAM

have empirical advantages and it is easy to apply instead of other theories related to usage intention. Researchers used TAM model frequently because there is not any other model which can be used by scholars of IT field to predict individual behavior.

Despite arguments and criticism, TRA, TPB and TAM are the most popular theories for any contemporary research. The scholars who are seeking to understand and explore the human social behavior aspects frequently using these models. It is a fact that empirical studies are applying these theories and have benefitted by extending the models to fit in their respective studies.

#### **2.5.4 Decomposed Theory of Planned Behavior (DTPB)**

Taylor and Todd, (1995) criticized Theory of Planned Behavior and discussed the flaws of theory. DTPB actually a combination of TPB and TAM, authors developed the model to examine behavior of consumer towards complex products, by combining and modifying the variables of both TPB and TAM, such as perceived usefulness modified as relative advantage & compatibility and perceived ease of use as complexity (Li, 2011). Further, they highlighted that for better understanding of relationships between intention antecedents and belief structures there is need of attitudinal beliefs decomposition. Based on diffusion of innovation theory, they also specified innovation three salient characteristics that influence adoption are relative advantage, complexity and compatibility. Scholars argued that there is need of multidimensional constructs for better understanding of behavioral intention. Along with attitude theory decomposition they added perceived behavioral control into two constructs facilitating condition and self-efficacy (Ya'gobi & Rad, 2015).

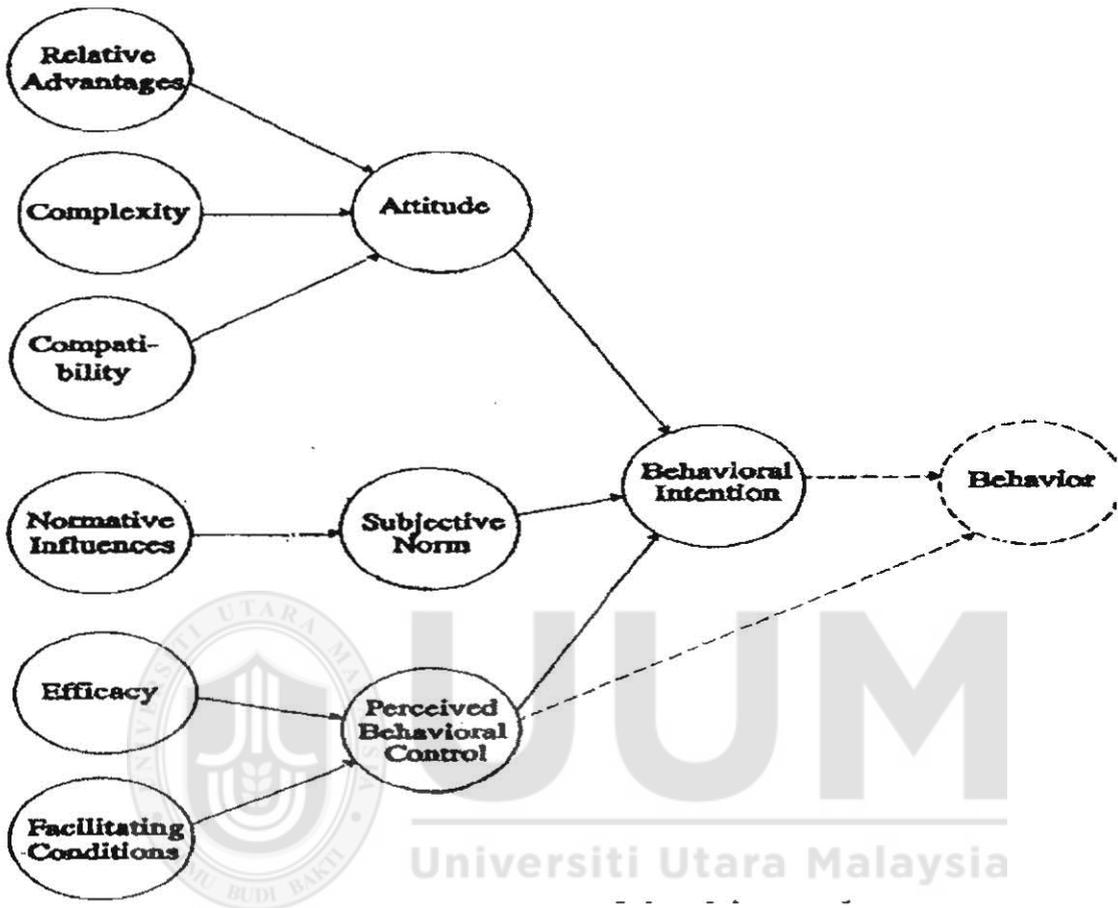


Figure 2.12  
 Model of Decomposed Theory of Planned Behavior  
 Source: Taylor and Todd (1995)

The component of facilitating conditions, reflect the availability of resources required to perform a particular behavior, this may include money, access to the time and other specialized resources. Self-efficacy is confidence of an individual to behave successfully in the situation (Ya'gobi & Rad, 2015) According to Taylor and Todd, Decomposed Theory of Planned Behavior is more appropriate and explanatory towards understanding of different relationships of theory. As

further antecedents of attitude, subjective norms and perceived behavioral control explained the relationships more accurately.

Decomposed theory of planned behavior (DTPB) is infrequently used by researchers as compared to Theory of Reasoned Action and Theory Planned Behavior. Therefore, the flaws of DTPB are still uncovered and not any researcher tried to modify it further. As discussed earlier that in TPB multidimensional constructs were missing. Taylor & Todd (1995) extended the TPB by adding these constructs. So, by following Taylor and Todd, (1995) researchers are testing their models by integrating different variables in their studies.

Current study's research framework is based on Theory of Planned Behavior (TPB), it has been selected because it provides a platform of behavioral psychology to analyze various determinants that drive SMEs owner-manager behavioral intention to use financial products. TPB opposed to other capital structure theories e.g. pecking order, trade-off theories and models, which were only evaluate the intention of owner-managers to access debt finance based on the objective of profit maximization. However, TPB application with addition TAM model constructs enables current study to investigate the psychological and social factors that lead to owner-managers behavioral intention to use financial products. Devis (1989) has developed the TAM model to examine consumer behavior towards adoption/usage of complex products e.g. technology products. TAM model has wider applicability and useful to examine consumer behavior towards adoption/usage of other complex products also (Ma, Gam & Banning, 2017). Despite, TPB and TAM both models separately and combined have been applied by scholars to examine the behavior of individuals only for adoption/usage of conventional financial products, Islamic

financial products, online financial products and services. However, the frequent use of these theories shows the appropriateness of both models towards investigating consumer behavior. Current study aims to predict the behavioral intention of SMEs owner-manager towards usage of financial products which are complex by nature. Importantly, it was also prerequisite to consider the complexity of financial products because owner-managers in Pakistan with lack of financial knowledge are not able to recognize the potential financial products for their business needs. SME owner-manager even have no idea about the characteristics or feature or financial products offering by the financial institutes. Thus, the addition of TAM constructs in research model of present study helps to examine owner-managers financial behavior. Yet, the application of both TPB and TAM to measure SMEs owner-manager behavioral intention towards usage of financial products still needs attention. Researchers tested their models by adding different variables in other contexts, commonly in individual behavioral intention, thus, there is need to test model of current study by extending TPB in context of SMEs owner-manager behavioral intention. The main variables of TPB attitude, subjective norms and perceived behavioral control have strong impact on behavioral intention, as Table 2.4 and 2.5 depicting that in past studies these main variables have positive and significant relationship with consumer behavioral intention.

Thus, in line with Taylor and Todd (1995); Li, (2011) and Ma, Gam & Banning, (2017) current study combined the TPB and TAM constructs. The addition of two important constructs of TAM in TPB model are because of study context. As discussed earlier regarding complexity of financial products, it's crucial to measure attitude of SMEs owner-manager by examining the influence of these two key factors (perceived usefulness, perceived ease of use). Along with

these, TPB model has been adapted with addition of some important constructs, detail of all constructs discussed below.

## **2.6 Socio-Psychological Factors**

Current study has developed a model with application of TPB and TAM in order to investigate influence of socio-psychological determinants on SMEs owner-manager financial behavior. Next section discussed the constructs of current study to understand research model and logic of current study.

### **2.6.1 Attitude of Owner-Managers**

Attitude is an individual's assessment regarding impact of implementing a particular behavior or habit that result in either a favorable or an unfavorable belief. The unfavorable assessment hinder that intention, however, favorable assessment enhance the probability of performing behavior (Adam et al, 2016). John et al. (2014) explained attitudes as likes and dislikes of a person. Additionally, study confer that it depends on situation or object as attitudes may be neutral, positive, or negative. It is a psychological tendency that can be evaluated through a person favor or disfavor degree (Hsiao et al, 2013).

There are various definitions and conceptualization of attitude it is not very simple to define attitude as proved by the quote of Johnson's (2002): "attitudes are some of the most misunderstood aspects of our personalities." Li, (2014) explained attitude as a tendency with cognitive, affective, and behavioral responses to some class. Study further elaborated that a

separate component of attitude mediated to each response class. According to the multicomponent view of attitude, an individual may have the same attitude as measure with one index but it may be different if it is measured with other components. Scholars also consider attitude as a complex construct because they hold a multidimensional view of attitude. The multidimensional view of attitude consist of three components, which are;

1. Affective ( feelings of an individual toward some target evaluation);
2. Cognitive ( refers to knowledge, beliefs, opinions and thoughts about the target);
3. Conative (behavioral intention and behavior) (Shariff et al, 2012).

Researchers and investigators concluded that towards behavior, attitude construct direct and indirect measurement is possible. However, for better understanding of overall attitude towards behavior, it's essential to explore cognitive factors. Furthermore, Theory of Planned Behaviour (TPB) reviews also consider attitude toward behavior as the best predictor of intention (Adam et al, 2016).

It is prerequisite for providers of financial products and services to observe their customers attitude over time and put effort to improve by offering products as per needs and demands of customer. Financial institutes can improve customer attitude with promotion of equity and justice in financing transactions suggested by Amin et al., (2011), study found attitude as the most significant determinant which influence consumer intention towards usage of Islamic finance. Similarly, Hanudin, (2012) examined the influence of consumer attitude towards usage of credit card by applying theory of reasoned action, findings of study revealed attitude as the key

influential factor towards behavioral intention. Studies of Wahyuni, (2012) and Ya'gobi and Rad concluded the same results and highlighted the consumer attitude high influence on behavioral intention to use financial products and services.

A number of studies investigated construct of attitude as the central determinant to examine the mediating effect of attitude. Though, not every researcher has examined attitude mediating effect as some investigated attitudinal factors or other factors influence on attitude which ultimately effect behavioral intention. Johan et al., (2014) and Shanmugam et al., (2014) examined the mediating effect of attitude towards behavioral intention in two different contexts, where Johan et al., (2014) found attitude as significant. However in other study attitude partially mediate the relationship between behavioral intention and perceived usefulness, perceived ease of use, though fully mediates the between behavioral intention and perceived benefit.

Researchers considered attitude as vital factor to explore behavioral intention of consumer as various studies just focused on consumer attitude by highlighting numerous factors which have impact on attitude. In similar context, Souiden and Rani, (2015) developed research framework to examine purchase intention along with investigation of attitude further antecedents. Further, study concluded that the relationship between religious involvement and attitude is not significant however the determinant of religious involvement influence purchase intention directly. Various other studies have examined the construct of attitude in context of individual behavioral intention and exposed the mix results; Al-Qasa et al. (2013), Abadi et al. (2012), Bhakar et al., (2015), Charfeddine and Nasri (2013), Echchabi and Olaniyi (2012), Kim and Kang (2012), Laksamana et al., (2013), Lee et al. (2012), Maiyaki and Mokhtar (2011).

In context of SMEs, owner-managers beliefs and attitudes are determinants of their financing behavior and among other most relevant factors attitude is vital to predict owner-managers behavior (Soininen et al., 2013). In social psychology, relationship between values, attitude and behavior is one of the most examined framework, also acknowledged by researchers that through attitude values indirectly influence the behavior, however, not necessarily all values or factors influence owner-managers behavior through attitude. To investigate owner-managers attitude towards trade credit, bank loans, study revealed that partnership firms have more negative attitude towards formal financing instead of single owner firms (Lappalainen & Niskanen, 2013). Previously, capital structure theories such as pecking order and trade off theories have been used by scholars in order to look capital structure of firms based on the goal of profit maximization. However, scholars with application of these theories do not considered owner-manager financial behavior, as profit maximization is not the only determinant which influence owner-managers behavior with respect to firm capital structure (Mateev & Ivanov 2011). Hence, to understand financial decision making of owner-managers its essential to comprehend the influence of psychological and social determinants of their behavior.

By considering owner-managers behavior vital towards their financial decision making, Jaffar and Musa, (2013) with application of TPB developed a conceptual framework to examine owner-managers behavior. Study proposed five salient factors of attitude, awareness and knowledge, religious obligation, cost benefit, business support, and reputation which indirectly influence owner-managers financial behavior. Similarly, another study of Tolba et al. (2014) also examined the owner-manager behavior with application of TPB and sub-hypothesize the variable of attitude into three; evaluation of value-adding activities, evaluation of risk and perceived cost.

The findings revealed that risk and cost influence owner-managers attitude towards behavioral intention to take commercial loan. To predict owner-managers financial behavior by investigating their attitude, limited research has been done so far as. Therefore, it is important to examine construct of attitude to predict owner-managers behavioral intention in context of their usage of financial products. Moreover, in context of predicting individual behavior through influence of attitude mix results have been found by scholars. Thus, current study has test the construct of attitude with investigation of socio-psychological determinants influence towards SMEs owner-manager behavioral intention to use financial products.

#### **2.6.1.1 Motivation**

Scholars, experts and practitioners considered motivation as cause of human behavior. It is a state of need or disposition that drives humans toward types of action that are capable of satisfying those needs (Li & Cai, 2012). Numerous theorists such as Abraham Maslow, David McClelland, and Clayton Alderfer, developed theories to explain needs as a source of motivation.

##### **➤ Abraham Maslow's hierarchy of needs theory**

According to Maslow's a person need is a psychological deficiency that he/she feels the compulsion to satisfy. This need can create tensions which can influence a person's attitude and behavior. Theory further explained that an individual unsatisfied need can only influence his/her behavior; a satisfied need is not a motivator (Sadri and Bowen, 2011).

##### **➤ McClelland's acquired needs theory**

According to David McClelland's theory, everyone prioritizes needs differently. Further, explained that a person not born with these needs, however, he/she actually learned through life experiences. McClelland identifies three specific needs; need for achievement (drive to excel), need for power (desire to cause others to behave in a way that they would not have behaved otherwise, need for affiliation (desire for friendly, close interpersonal relationships and conflict avoidance) (Miner, 2015).

➤ Alderfer's ERG theory

Clayton Alderfer's built his theory upon Maslow's hierarchy of needs theory. Alderfer's defined needs into three categories. Existence needs (desires for physiological and material well-being), relatedness needs (desires for satisfying interpersonal relationships), growth needs (desires for continued psychological growth and development). Alderfer's approach suggested the similar of Maslow's that an unsatisfied need motivate a person behavior (Lăzăroiu, 2015).

Moreover, two types of motivations defined by researchers; intrinsic motivation and extrinsic motivation. Cho and Perry, (2011) explained both as; Individuals are intrinsically motivated when they seek enjoyment, interest, satisfaction of curiosity, self-expression, or personal challenge in work. It is inherent satisfaction and pleasure from a specific activity and manifested in behaviors such as play, exploration, and challenge that seeks people to compete for external rewards. Individuals are extrinsically motivated when they engage in the work in order to obtain some goal that is apart from the work itself. It is behavior to achieve a specific goal and governed by reinforcement contingency (Abduljalil & Zainuddin, 2015; Carsrud & Brannback, 2011). Usually, experts consider intrinsic motivation as more desirable and better learning outcomes than extrinsic motivation.

Motivations are characterized by being more specific psychologically closer to actual behavior (Fayolle et al, 2014). It's collection of values, interests, beliefs, perceptions and actions that are all very much related. Therefore, numerous approaches to motivation can focus on cognitive behaviors (strategy use and monitoring) and non-cognitive aspects (attitudes, perceptions and beliefs), or both (Cho and Perry, 2011). Moreover, some researchers suggested that motivations may serve to activate the intention–action link (Carsrud & Brännback 2011) (Fayolle et al., 2014). Solesvik, (2013) studied entrepreneurial intention and stated that internal intention of entrepreneurs or owner-managers could lead towards higher intention. Additionally, the linkage between motivation, intention and action present the idea of goal pursuit and implementation intention (Carsrud & Brännback, 2011; Fayolle & Liñán 2014).

Li and Cai, (2012) stated that motive is an internal factor of a person that stimulates and directs his/her behavior. Furthermore, above discussion explaining that an individual needs motivation towards the accomplishment of particular goals. Likewise, may be or may be not SMEs owner-manager needs of achievement and growth motivate them towards different financing options/products. As discussed earlier about relationship of motivation and attitude current study assumes that motivation effect the attitude of SMEs owner-manager and they behave positively towards adoption of financial products.

Attitude is one of the variables which have a close relationship with motivation. For instance, positive attitudes are acknowledged as influential factors towards taking a particular decision. An individual with remarkable abilities but without sufficient motivation and positive attitude cannot

accomplish long-term goals (Gupta & Woldemariam, 2011). Cho and Perry, (2012); Laksamana et al., (2013) stated motivation as driver of attitude and explained that motivation influence the attitude of employees. Further studies also found significant correlation between motivation and attitude. A study conducted by Abduljalil and Zainuddin, (2015) discussed the mediating role of attitude between motivation and low/high intention of SMEs owner-manager towards adoption of Accounting Information System, results indicated intrinsic and extrinsic both motivation factors have strong influence on attitude towards SMEs owner-manager behavioral intention. Similarly, with application of TPB Solesvik, (2013) explored the entrepreneurial intention of students. Findings of study implies that motivation have strong impact on students attitude towards entrepreneurial intention.

A number of studies highlighted that motivation is the dimension that increase the importance of user's attitude. Motivation studied by authors extensively in different contexts, however, in SMEs sector, motivation thoroughly studied by scholars in different manners such as; Eijdenberg and Enno masurel, 2013 (entrepreneurial motivation); McGowan, et al., 2015 (female entrepreneurial motivation); Akehurst et al., 2012 (women entrepreneurship); Itani et al., 2011 (female entrepreneurship); Jones et al, 2011 (student motivation towards entrepreneurial activity); Tyszka et al, 2011 (motivation among entrepreneurs during transition to a market economy); Sanchez and Sahuquillo, 2012 (entrepreneurial behavior: impact of motivation factors); Krishna, 2013 (entrepreneurial motivation); Marin, 2012 (employee motivation in SME); Moen et al, 2016; (entrepreneurial motivation); Puplampu and Adomako, 2014 (manager and worker motivation in SMEs); Carsrud, and Brännback, 2011 (entrepreneurial motivation). Among previously mentioned studies, there are considerable differences in how motivation is

defined and operationalized. Whereas Moen, Heggeseth and Lome (2016) discussed the growth motivation of owners; Abduljalil and Zainuddin, (2015) investigated the mediating role of motivation and in various other contexts scholars explored motivation. However, none of these studies discussed factor of motivation to examine SMEs owner-manager financial behavior. Prior research failed to incorporate that may motivation influence the attitude of owner-managers towards their behavioral intention. To fill in this gap, the current study see motivation factor as antecedent of attitude construct that involves the shared ambition of owner-managers, while taking financial decisions they consider both expansion and survival-oriented aspects.

#### 2.6.1.2 Awareness

Awareness is an important determinant of customer intention, as it's a first step towards adoption or purchase of products and services. A complete process of product adoption developed by Kalish, (1985) as follow;

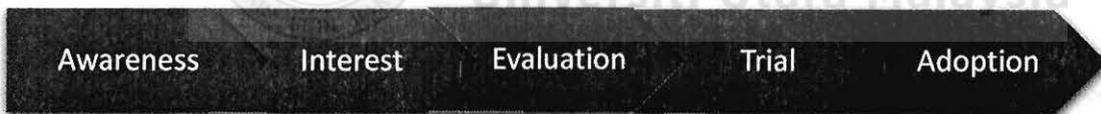


Figure 2.13  
*Customer product adoption process*  
Source: Kalish (1985)

“Awareness is concern about and well-informed interest in a particular situation or development” (Tara et al, 2014). The concept of awareness attempts to explore that how customers establish knowledge of products and services and to what extent they are lacking of information about it.

A customer with ability to recognize products brand and features have higher customer awareness. If customer never spend time in getting information about products have low level of

awareness. Products where customers show their low involvement can be described as low involvement products. Researchers revealed that educated people with extensive knowledge about financial industry, financing process/procedures and financial products have high level of awareness. Thus, scholars consider knowledge a vital factor which have strong impact on consumer purchase intention, which shows that there is a strong connection between knowledge and awareness (Ringim & Yussof, 2014; Khan & Asghar, 2012; Wahyuni, 2012). The importance of awareness to predict consumer behavior towards adoption/usage of products and services highlighted scholars in their studies. A considerable number of studies in various contexts explored awareness as dependent variable, also some examined direct relationship of awareness with consumer behavioral intention and actual behavior (Ismail et al., 2012; Khan & Asghar, 2012; Ringim & Yussof, 2014; Singh & Kaur, 2014; Eniola & Entebang, 2016).

Johan et al., (2014) developed a conceptual framework and indicates the relationship between awareness and attitude which ultimately influence purchase intention of consumer. Awareness have strong impact on consumer attitude towards adoption of financial products and services, hence, financial institutions must emphasize on awareness creation among customers to attract and facilitate them (Bodibe et al., 2016). Furthermore, researchers such as; Wahyuni, (2012); Echchabi, (2012b) discussed the positive relationship of customer awareness and attitude. Gait and Worthington, (2008); Amin, (2011); Thambiah et al., (2011); Wahyuni, (2012); Ayinde and Echchabi, (2012); Wahyuni and Arifin, (2013) provided empirical evidences of customer intention towards usage/ adoption of financial products and services. However, awareness impact on attitude of customer not positively significant every time as scholars have also found mix results in context of investigating awareness. Samat, Acquisti and Babcock, (2017) study the

effect of a notice that makes individuals aware that a particular advertisement has been targeted to them on their attitudes about the product and intentions to purchase the product. Study concluded that among individuals with negative opinions about targeted advertising practice, awareness effect their attitude or purchase intention. On the other hand, individuals with positive/neutral opinions about targeted advertising, awareness about targeting does not impact attitudes or purchase intentions towards the targeted product.

Moreover, Jaffar and Musa, (2013) highlighted awareness as one of the salient factor of attitude by developing a conceptual framework in context of SMEs owner-manager, however, study does not provided any empirical evidences in this regard. In context of SMEs, Osano and Languitone, (2016) discussed about the awareness of financial markets; Ismail et al. (2012), micro entrepreneurs lack of awareness regarding takaful products; Mansor et al., (2012) SMEs financial products awareness; Singh and Kaur, (2014) low awareness level of SMEs regarding export credit delivery system of commercial banks; Nunoo and Andoh, (2012) SMEs owner manager financial literacy. However, few studies have examined the influence of awareness on attitude. It is crucial to investigate the influence of awareness on attitude because of lower literacy rate among owner-managers in Pakistan. Moreover, not sufficient evidences regarding awareness impact on SMEs owner-manager attitude towards their behavioral intention have been found yet. Therefore, it is proposed that may be there's higher influence of awareness on attitude of SMEs owner-manager. Thus, current study examined the construct of awareness in context of SMEs owner-manager behavioral intention towards usage of financial products.

### *2.6.1.3 Perceived Usefulness and Perceived ease of use*

In 1989, Davis developed Technology Acceptance Model (TAM) which was based on Theory of reasoned Action (TRA). He suggested that perceived usefulness and perceived ease of use both are very important user's beliefs towards usage of information system. Later, in 1995, Taylor and Todd developed a hybrid model known as Decomposed Theory of Planned Behavior by combining TPB predictors with constructs of TAM. The two main constructs perceived usefulness and ease of use similar constructs relative advantage and complexity highlighted in DTPB by Taylor and Todd. Additionally, study described that these factors are consistently related to process of decision making towards adoption of products. Moreover, these are key factors which influence the attitude formation during decision making process of product adoption (Taylor & Todd, 1995).

Thus, purpose of using both constructs in current study is to measure influence of perceived usefulness/relative advantage (benefits) and perceived ease of use/complexity (difficult to understand) on SMEs owner-manager attitude towards usage of financial products. However, both models DTPB and TAM used by scholars to measure consumer behavioral intention in context of technology because of system complexity and benefits. Nevertheless, financial products and procedure are also complex and difficult to learn for customers as well as consumer invest in financial market to get maximum benefit (Lukonga, 2015; Celerier & Vallee, 2015). Unfortunately, there are serious lack of research work in this context. Hence, there's need to study these constructs in context of financial products to highlight their complexity and relative advantage for SMEs.

### 2.6.1.3.1 Perceived Usefulness (Relative Advantage)

The construct of perceived usefulness introduced by Davis, (1989) in area of consumer behavior. Studies explained perceived usefulness as the degree to which a person believes that by using or adoption of some product/service will be beneficial for him/her (Safeena et al, 2011; Abadi et al., 2012). Similarly, some stated that perceived usefulness is the degree on which a person believes that a particular thing or service will give him/her the desired benefits (Salciuviene, 2014). Similarly relative advantage as per Yahaya et al., (2014) is a construct which used widely to cover social prestige and economic benefit. It's a multi-dimensionality construct which refers to savings of time & money and reduce discomfort & convenience of an individual.

Scholars investigated the direct relationship of perceived usefulness with behavioral intention of consumer (Ahad, Dyson & Gay, 2012; Alam et al., 2011; Li et al., 2011; Suki & Suki, 2011). As the actual TAM model developed by Davis, (1989) depicting direct relationship of perceived usefulness with behavioral intention as well as indirect effect through attitude. The actual model has already empirically proved the significance of perceived usefulness relationship both direct and indirect, however, studies found mix results towards investigating both relationships. Akturan and Tezcan, (2012) found positively significant relationship between perceived usefulness and attitude towards predicting consumer behavior, however, study do not found any direct relationship of perceived usefulness and behavioral intention.

Few studies also explored the mediating effect of attitude between perceived usefulness and behavioral intention. Relative advantage (perceived usefulness) is one of the strongest determinant of attitude towards predicting SMEs intention towards usage of accounting

information systems (Ali, Rahman & Ismail, 2012). Shanmugam et al., (2014) also examined the mediating effect of attitude between perceived usefulness and behavioral intention, results indicated that perceived usefulness influence behavioral intention through attitude, however no direct effect has been found. On the other hand, Nasri and Charfeddine, (2012) in context of internet banking usage shows consistent result with the original TAM model where perceived usefulness have both direct and indirect effect through attitude on behavioral intention.

Few studies have presented the contradict results towards investigating perceived usefulness as Kanchanatane et al., (2014) found no direct and indirect effect of perceived usefulness on intention to use E-marketing by SMEs. Similarly, Ya'gobi and Rad, (2015) in context of customer intention towards usage of mobile banking services found perceived usefulness as insignificant towards attitude. Results of studies implies that effect of perceived usefulness might be contradict because of other factors addition in research models. As in some situations other factors influence behavioral intention strongly as compare to perceived usefulness, however, both models TAM and DTPB represented positive relationship between perceived usefulness and attitude which means that perceived usefulness have indirect effect on consumer behavioral intention.

Furthermore, few studies have investigated the influence of perceived usefulness on attitude towards predicting behavioral intention of owner-manager other than technology products. There's need to pay attention on complexity of products other than technology, thus, to fill in this gap current study has highlighted that TAM model construct perceived usefulness may influence attitude of owner-manager towards behavioral intention to use financial products. Moreover, the

mix results of prior research also accentuated to test the construct of perceived usefulness in context of SMEs owner-manager behavioral intention towards usage of financial products.

#### **2.6.1.3.2 Perceived Ease of Use (Complexity)**

Degree of a person to use system and understand or learn the process easily (Awa et al., 2015). Moons and Pelsmacker, (2015) stated that perceived ease of use is degree of a person where he/she believes that using some particular product will be effortless. Moreover, study discussed behavioral intention theories and defined the construct of complexity as degree, an individual perceived as difficult to understand and use. Complexity added by Taylor and Todd, (1995) in their model of DTPB as discussed earlier. It effects the understanding of customers and lead towards doubtful decision regarding adoption of particular products and services (Yahaya et al., 2014).

Scholars considered perceived ease of use as one of the significant factor of behavioral intention and postulated its positive relationship with intention towards adoption of products (Lule et al., 2012). Perceived ease of use as per TAM model influence behavioral intention through construct of attitude, however, studies also examined its direct effect on consumer behavioral intention such as Abadi et al., (2012) concluded that perceived ease of use effects intention through attitude as well as have direct impact on behavioral intention. Similarly, Ahad et al., (2012) and Alam et al., (2011) tried to examine the direct effect of perceived ease of use on consumer intention, however, findings revealed as insignificant towards proposed relationship. Moreover, in some scenarios perceived ease of use have no impact on attitude as well which ultimately effect behavioral intention of consumer (Akturan & Tezcan, 2012). Furthermore, another study

of Chen, (2013) revealed negative relationship of perceived ease of use (complexity) with attitude, however, found significant towards behavioral intention.

The integration of TAM and TPB has good explanatory power to understand financial products adoption through comprehensive model (Nasri & Charfeddine, 2012), study further explored that consumer intention can be predicted by attitudinal factors such as perceived ease of use. In the same way, Dlodlo and Dhurup, (2013) identified the drivers of E-marketing adoption among SMEs and found perceived ease of use as one of the influential determinant (Kanchanatane et al., 2014). The construct of perceived ease of use has been recognized as a basic requirement for system design (Davis et al., 1989). Also studies interpret that difficulty in using systems or understanding products becoming less of a concern because of user-friendly systems and various alternative ways to understand products. As people are now become more competent towards usage of new systems and products (Chen et al., 2007). Therefore, may be the influence of perceived ease of use on behavioral intention in various studies have not been found significant Ya'gobi and Rad, (2015).

A number of studies have been investigated the construct of perceived ease of use in both individual and SMEs context to examine behavioral intention towards technology. However, few have investigated in context of SMEs owner-manager behavioral intention towards usage of financial products. In line with research problem of current study, difficulty in learning and understanding financial products and procedures may be one of the reasons behind SMEs owner-manager lower Intention towards usage of financial products. Moreover, prior research shows mix results regarding influence of perceived ease of use on attitude and behavioral intention

which implies that context of study and other factors addition may affect the direct and indirect influence of perceived ease of use on behavioral intention. Thus, to clarify these doubts it is important to examine perceived ease of use in current study context, however, study aims to investigate only indirect effect of perceived ease of use through attitude on behavioral intention of SMEs owner-manager.

#### **2.6.1.4 Perceived Risk**

Perceived risk plays an important role in trade and investment decisions of formal financing customers. Perceived risk has been defined as individual subjective expectancy of suffering a loss in pursuit of a desired outcome. Moreover, its consumer belief about the possible uncertain negative outcomes from any purchase transaction (Kamarulzaman & Madun, 2013). Additionally, in explaining consumers behavior perceived risk is a strong determinant, because consumers are conscious to avoid mistakes in order to maximize purchasing utility (Yahya et al. 2014).

There are nine dimensions of perceived risk explained by Slovic, (2016) as follow;

1. Perceived Financial Risk – Also known as economic risk, represents the possibility of monetary loss.
2. Perceived Performance Risk – The possibility of product malfunctioning and not useable for long period of time.
3. Perceived Social Risk – Represent the perception of other people about the purchase product.
4. Perceived Physical Risk – Product is harmful for the person who purchase the product.

5. Perceived Psychological Risk – Individual face mental stress because of purchasing behavior.
6. Perceived Time-loss Risk – Person lose time because of their purchasing behavior.
7. Perceived Personal Risk – Harmful for the person who purchase the products
8. Perceived Privacy Risk – Usually for the customer who used online services as websites collect personal data of individuals.
9. Perceived Source Risk – The seller where from individual buy products not trustworthy

Above mentioned dimensions used by different studies to measure level of perceived risk on an individual behavior in different context such as; Thambiah et al (2011); Srivastava and Sharma, (2011); Safeena and Kammani, (2011); Akturan and Tezcan, (2012); Chiu, (2012); Kesharwani & Bisht (2012); Chen, (2013). As perceived risk effect the consumer level of confidence while taking decision regarding purchase of some particular product/service. However, low perceived risk increases and high perceive risk reduces the chance of customer acceptance to adopt particular product and service. This formed the rational of established link between perceive risk and adoption of some particular product/service (Lee, 2015; Safeena and Date, 2015).

According to Wang et al., (2014) for better understanding of an individual investment decisions, it is essential to understand that how people perceive the risk towards different financial products and services. Large firms can be more successful towards obtaining finance as compare to SMEs as the knowledge of SMEs owner-manager in financial management and credit risk not very excellent (Belas, 2015).

Perceived risk have strong impact on small firms which are not well-structured as well as with less business experience and number of employees (Tolba et al., 2014). A study of Chen, (2013) investigated perceived risk along with its dimensions; psychological, financial, time, performance and privacy risk among frequent and infrequent users of mobile banking. Results highlighted that psychological risk the main concern of frequent users, however, infrequent users' attitude influence by financial, time, privacy and performance risk. Similarly, Akturan and Tezcan, (2012) concluded in the same manner where financial risk, privacy and time risk have been found as influential factors towards attitude which ultimately effect behavioral intention. Moreover, Kazi and Mannan, (2013); Al-Jabri and Sohail, (2012) found negative relationship of perceived risk with attitude, however, found significant towards consumer behavioral intention.

SMEs are not good towards risk management strategies, therefore, problem of financing still exists (Terungwa, 2012), which implies that may be determinant of risk have strong impact on SMEs owner-manager behavioral intention. In case of SMEs both financial institutions and SMEs are reluctant to exchange financing facilities because of risk factor. As SMEs not fully aware about financial products therefore, they feel risk while doing any investment. In the same manner financial institutions show reluctance in offering financing facilities to SMEs due to improper documentation, as institutions feel hesitation to take the risk of loss. Rarely, any study discussed the effect of perceived risk on SMEs financial behavior. Towards investment decisions the importance of perceived risk cannot be denied, despite limited research work have been found in context of SMEs owner-manager financial behavior. However, in other contexts there are several studies exist such as; Grant et al. (2014) E-business risk among SMEs; Bayrak,

(2013) factor of risk in decision framework regarding outsourcing of internal applications; Bianchi and Andrew, (2012) online purchasing; Smith and Watkins, (2012). To fill in this gap, there is need to examine the determinant of perceived risk in context of SMEs financial behavior. Current study representing perceived risk as antecedent of attitude which ultimately influence owner-managers behavioral intention towards adoption of financial products.

### 2.6.2 Subjective Norms and SMEs Behavior

Norm's means rules and guidelines contained by our society and people living in that society follow that rules. Individuals who are part of that society, takes decision according to that particular guidelines which lead them whether decision is wrong or right (Kautonen, 2013). Subjective norms are the social values and their pressure which effect decision making and behavioral intention of an individual. Moreover, it's assessment of a person regarding social and religious pressure of whether to perform a behavior or not (Schlaegel & Koenig, 2014).

There are two components of subjective norms that work collectively, namely normative beliefs and motivation to comply.

**Normative beliefs:** An individual belief regarding execution of some particular behavior as some specific people or group of people decides whether that particular behavior is wrong or right. These beliefs underlying a person's subjective norm are termed normative beliefs. The specific people or group includes referents, friends and family members and may differ behavior to behavior. Therefore, an individual who take care of these people or believes that these people are relevant referents for him perceived pressure while taking any decision (Ajzen et al., 2011; Gumel & Othman, 2013).

**Motivation to comply** refers to a person's willingness to perform a behavior as per his perception that how people think, he/she should behave (Ajzen, 2011). The pressure of referrals and family members an individual face in process of taking any decision known as subjective norms. It is possible to predict a person's subjective norm from the index obtained by multiplying his normative beliefs by corresponding motivations to comply, and then sum the products. Therefore, two persons with identical normative beliefs may still hold different subjective norms, due to differences in their motivation to comply. Similarly, two persons with identical subjective norms may differ in their beliefs about relevant referents and /or their motivation to comply with them. Thus, the subjective norm may exert pressure to perform or not perform a given behavior, independent of the person's own attitude toward the behavior in question (Ajzen et al. 2011; Ajzen & Klobas, 2013; Fayolle et al. 2014).

Studies related to behavioral intention explained subjective norms as an individual perception. The perception may or may not reflect about others thinking or believes but final decision and results of an individual constitute the subjective norm of that individual. However, many found subjective norm as the weakest predictor on continuous basis (Echchabi & Olaniyi, 2012; Jafarkarimi et al., 2016).

Subjective norm is an important factor of an individual decision making and behavior. Several scholars studied subjective norms to measure individual behavior in different contexts (Amin et al., 2013; Clemes et al., 2014; Ha & Janda, 2012; Hsu et al., 2011; Mukhtar & Butt, 2012; Sun et

al., 2012; Teo et al., 2012; Thakur & Srivastava, 2014). However, results were not same all the time, some found subjective norms highly significant and others found non-significant.

In SME sector small portion of research exist regarding influence and effect of subjective norms on SMEs owner-manager. There are few scholars studied this factor but in different context such as Iakovleva et al., (2011) found subjective norms significant towards entrepreneurial intention; Mueller, (2011) normative beliefs and motivation to comply towards entrepreneurial intention; Ferreira et al., (2012) also developed entrepreneurial intention model and found that subjective norms influence the perceived behavioral control; similarly studies conducted by Fayolle & Gailly, (2015) and Fayolle et al, (2014).

However, Jaffar & Musa, (2013) studied factor of subjective norms in context of halal certified SMEs attitude towards Islamic financing. Study highlighted that perceived social pressure influence the attitude of individual. Similarly, Tolba et al., (2014) discussed subjective norms in context of SMEs intention towards commercial loans. Study found subjective norms as the key factor which influence SMEs owner-manager attitude, further stated that Egypt culture is conservative and conformist culture, therefore subjective norms have greater influence towards owner-manager attitude. Gobi and Rad, (2015) examined the construct of subjective norms where they found friends as the most influential factor which influence subjective norms of consumer followed by advertisement, family and colleagues. Similarly, Awan and Azhar, (2014); Thakur and Srivastave, (2014); Kazi and Mannan, (2013) found positively significant effect of subjective norms on consumer behavioral intention.

Prior research exposed that subjective norms play an important role towards predicting behavioral intention of consumer specifically in financial decision making. Therefore it is expected that in Pakistan, where people are more religious and socially active may subjective norms influence owner-managers behavior. As in Pakistan, people are more concerned about the opinion of their family, friends, colleagues and referrals. Moreover, in context of predicting SMEs owner-manager behavioral intention towards financial products few studies have provided empirical evidences. Hence, it's important to examine this general determinant of TPB which may influence owner-manager behavior towards usage of financial products. As well as the investigation help to uncover the fact that being a businessman whether owner-mangers prefer opinions of others or they are more concerned about their business growth and profitability. Current study has divided subjective norms into two further antecedent; social and religious beliefs which indirectly influence the behavioral intention of SMEs owner-manager through subjective norms. It is vital to examine both religious and social beliefs because in Pakistan 97 percent of population comprises of Muslims and 25 percent of SMEs owner-managers not taking any loan facility because of religion factor. Hence, current study has highlighted both antecedents as per context of study.

#### **2.6.2.1 Religious Beliefs**

Religion is a cause, principle, or a system of beliefs, practices held to with ardor and faith. Moreover, religion is a psychological connection and dominant emotional relationship to things (Mukhtar & Butt, 2012). Scholars considered religion as one of the critical factor which effect an individual perception while selection of financial products and services. Moreover, religiosity among other influential factors have highest rank which influence consumer behavioral intention

(Amin et al, 2011; Sun et al. 2011; Tara et al, 2014). Also, in Pakistan 25 percent of SMEs owner-manager want to use Islamic products and services which must be according to Islamic rules and principles (IFC-2014). A current study in context of SMEs intention towards Islamic products highlighted the importance of religious obligation by postulating as attitudinal factor (Jaffar & Musa, 2013). Study suggested that to get favorable attitude of SMEs owner-manager towards financial products it's necessary for financial institutions to follow Shariah principals.

The construct of religion has been investigated by various scholars in different contexts, previous studies exposed high impact of religion on consumer behavioral intention towards adoption of financial products. Researchers exposed Shariah principles as one of the basic reasons behind consumer positive behavior to adopt Islamic financial products (Hamid & Masood, 2011). An individual intra-personal religiosity factor have strong impact on consumer attitude to use Islamic financial products (Mukhtar & Butt, 2012). Jaffar and Musa, (2016) study provided empirical evidences in the same context and concluded that religious obligation influence individual behavior towards adoption of Islamic financial products. In a comparative study of Islamic and conventional bank selection Sayani and Miniaoui, (2012) determined the religious preferences are most important for customers towards selection of bank or financial products followed by profit and convenience. Sun et al., (2012) established similar results while predicting behavior of Muslim and non-Muslim users. Study results discovers that Muslim users' decisions are socially-oriented towards adoption of products and services, however, non-Muslims relied upon utilitarian attributes.

Although, customers prefer Islamic financial products over conventional products because of Shariah principles, though customer also look for other benefits too such as profitability and social responsible activities. Moreover, customers switch from Islamic financial institute to conventional in case they feel any violation in Sharia compliance as well as they also consider convenience, services, products, technology and safety of funds during their stay with Islamic financial institute. It implies that provider of Islamic financial products must focus on Shariah compliance and competitiveness with conventional banks in terms of products, services, convenience and other relevant factors (Ho-Lee & Ullah, 2011). Similarly, Hasan, Subhani and Osman, (2012) concluded that high profit and low service charges have strong impact on consumer behavior towards adoption of financial products and services. Studies towards investigating the factor of religion not every time found positive results.

A study of Souiden and Rani, (2015) explored the factor of religion as tridimensional. As study revealed that an individual internal fears as per his/her faith develop a favorable attitude towards Islamic products and services, however, religious involvement do not have any impact on consumer attitude. Also, study revealed that religion factor only have indirect effect on behavioral intention as nor beliefs, fears and religious involvement have direct impact on purchase intention. Similarly, Tara et al., (2014) study also represent contradictory results, as towards Islamic products adoption religion should be the strongest variable, though, religion has been found as least influential factor towards Islamic products adoption. Similarly, Bisharat, (2014) found bank reputation as the most influential factor towards adoption of Islamic banking products.

Scholars have found mix results towards exploring the religion factor, also most of the studies have been conducted to predict consumer behavior in context of Islamic or halal products and services adoption. Though, religion importance cannot be denied, particularly in those countries where large population of Muslims resided. Despite, few studies have examined the behavioral intention of SMEs owner-manager towards adoption of financial products and services in Muslim states specifically in Pakistan. Thus, current study has added religion factor in research framework to predict owner-managers behavioral intention towards adoption of financial products and services.

#### **2.6.2.2 Social Beliefs**

Social belief is a perception of an individual regarding others that he/she believes should exercise (Amin et al, 2011). In a society, people take their decisions carefully because of social pressure, as for some decisions society appreciate an individual and for some he/she face criticism. It varies because in different cultures and societies people behave and react differently, sometime normal or sometime extreme reactions. Similarly, in Pakistan people are divided in various groups and societies, so, they follow and behave as per that circle rules and regulations. In line with current study, researchers also found that individuals behavior to adopt some product/service significantly affected by people surrounding them such as friends, family and referrals etc. (Pentina et al., 2012).

People usually appreciate those decisions which are acceptable as per their faith and values such Islamic financial products usage or adoption. Subjective norms or social influence have been found as the most influential factors towards adoption of Islamic financial products (Ali & Raza,

2015; Sripalawat et al., 2011; Yu, 2012). A study of Sun et al., (2012) in the similar context also concluded that because Muslims are socially-oriented with their adoption criteria that is why they select Islamic products and services. It indicates that Muslim societies dictate the attitudes of consumers which are very positive towards halal products and services (Mukhtar & Butt, 2012).

In the similar context Johan and Putit, (2014) found social influence as positively significant determinant. Also, Awan and Azhar, (2014) stated that influence of family and friends on consumer's behavior encourage them towards Islamic products adoption. The study of Amin et al., (2011) suggested social beliefs as one of the strongest factor towards investigation consumer behavioral intention for Islamic products and services.

However, social beliefs influence not only exist towards adoption of Islamic or conventional financial products. Study of Zhou, (2011) in context of online community user participation investigate the factor of social influence and concluded that social identity and group norms both impact behavior of consumer. Financial institutes must develop awareness programs along with benefits for the potential adopters of their products and services, as with positive word of mouth consumer likes to adopt formal banking products which ultimately increase economic growth (Kazi & Manan, 2016). Abadi et al., (2012) found positive influence of social influence on consumer behavior towards mobile banking adoption. Moreover, study of Wahyuni, (2012) found social influence as insignificant towards predicting consumer behavior for financial products and services. In SME sector, Koropp et al, (2013, 2014) discussed the perceived family norms towards financial decision making in family firms. Further, study discussed that family

norms are actually the social pressure to perform certain behavior or not. Moreover, study found family norms strongly related to behavioral intention towards the usage of internal and external equity. Prior research exposed that social beliefs influence behavioral intention of consumer towards adoption of financial products and services, however, scholars not found positive impact of social beliefs every time, it indicates that there's still need to investigate this vital factor for better understanding of consumer behavioral intention towards adoption of financial products and services.

Mix results have been found by scholars towards investigating the determinant of social norms both in context of individual and SMEs owner-managers. Though, in context of SMEs owner-manager limited research has been done so far. Thus, to fill in this gap theoretically as well as according to study context which has been conducted in Pakistan, it is necessary to examine influence of social beliefs on SMEs owner-manager behavioral intention towards usage of financial products. Moreover, because of less empirical evidences it cannot be analyzed that whether social beliefs influence or not the subjective norms which ultimately effect behavioral intention of owner-managers. Therefore, it is important to include this essential factor to measure the intention of SMEs owner-manager towards usage of financial products in Pakistan.

### **2.6.3 Perceived Behavioral Control towards Intention**

The construct of Perceived Behavioral Control (PBC) can be defined as an individual perceived control over the performance of a particular behavior (Ajzen, 2011). It's a perception of ease and difficulty to perform the behavior (Schlaegel & Koenig, 2014). Though, self-perception varies according to self-efficacy of an individual and nature of study. Self-efficacy is an individual

confidence in being able to perform a behavior (Adam et al., 2016). The PBC construct contains all psychological and external factors that can affect the intention of an individual towards the behavior (Chang & Zhu, 2011).

Construct of PBC is exclusive as it serves in two case 1) predictor variable of intention and 2) direct determinant of behavior (Ajzen, 2011). It actually reflects a person's beliefs about his/her control of the potential outcomes of taking any decision and the ability to overcome potential external constraints in the process. Additionally, if an individual have a high degree of control on his/her behavior then intention is sufficient predictor of the individual exerting effort and taking action to achieve goals. In this case intention mediated the effect of PBC. However, if there are problems with individual control then PBC also contribute towards the behavior prediction, over and above its partially mediated effect through intention, by serving as a proxy for actual behavioral control (Kautonen et al., 2013).

Researchers towards predicting behavioral intention of consumer mostly modified TPB and DTPB models, where perceived behavioral control considered by studies as an important factor. Various studies who investigated consumer behavior towards technology products and services combined TAM model and TPB or DTPB because of perceived behavioral control factor such as Yaghoubi and Bahmani, (2010) in the same way combined both TPB and TAM models to explore factors of consumer behavioral intention towards online banking. Study results exposed perceived behavioral control as one of the most important factor to predict consumer behavior (Gobi & Rad, 2015). Similarly, another study examined the influence of consumer perceived behavioral control towards adoption of internet banking, study proposed three further

antecedents of perceived behavioral control namely self-efficacy, government support, technology support. Further, study concluded that all three antecedents influence perceived behavioral control which is positively significant towards consumer behavioral intention (Nasri & Charfeddine, 2012). Johan and Putit, (2014) in context of consumer behavioral intention towards halal products proposed perceived behavioral control as influential factor. Wane et al., (2016) also found positive relationship between perceived behavioral control and behavioral intention, study exposed that perceived behavioral control influence consumer purchase intention. The study of Amin et al., (2013) postulated the construct of perceived behavioral control as perceived ease or difficulty of performing the mortgage behavior and related to consumer previous experience towards adoption of Islamic financial products, results represent the construct as significant towards financial products adoption.

Few studies have also found perceived behavioral control as insignificant towards consumer behavioral intention such as Ferreira et al., (2012) examined an entrepreneurial intention model and found influence of perceived behavioral control insignificant towards intention, though, study highlighted some in-direct relationships of subjective norms and personal attitude with perceived behavioral control which have been concluded as positively significant.

In context of SMEs, Tolba et al. (2014) conducted study to examine owner-manager intention towards commercial loan and discussed perceived behavioral control as an important factor of owner-manager behavioral intention. Study further elaborated perceived behavioral control and decomposed it into three further factors; first one related to owner-manager level of understanding regarding commercial loan, second owner-manager perception that how easy to

access the loan and the last owner-manager belief regarding available opportunities in financial market. Additionally, stated that owner-manager high level of understanding and access towards financial products with acceptable conditions represent positive attitude of owner-manager towards financial products. Similarly, Jaffar and Musa, (2013) suggested that SMEs owner-manager likely to adopt Islamic methods of finance in business if they feel they have control over the behavior, otherwise they avoid to adopt Islamic finance.

The perceived behavioral control has been examined by a number of studies in various contexts such as purchase intention, re-purchase intention, products adoption, online shopping etc. also in context of SMEs scholars investigated perceived behavioral control to predict entrepreneurial intention, SMEs intention to adopt accounting systems, e-commerce etc. However, few studies discussed perceived behavioral control in context of SMEs owner-manager financial behavior. Prior research suggested perceived behavioral control as one of the main variable to examine behavioral intention. Though, not all scholars have investigated the relationship of perceived behavioral control in the same way as represented in behavioral intention main models, some postulated the indirect effect as well as few represented the further antecedents of perceived behavioral control. Current study has also examined perceived behavioral control by investigating the influence of self-efficacy on perceived behavioral control which ultimately influence SMEs owner-manager behavioral intention towards usage of financial products. Few studies have provided empirical evidences regarding self-efficacy influence on perceived behavioral control and on further behavioral intention of owner-manager, thus to fill in this gap present study has included these constructs in research framework.

### *2.6.3.1 Self-efficacy*

Self-efficacy is belief of an individual related to his/her own abilities in relation to a matter (Adam et al, 2016). It's an individual judgement of his/her ability to execute a specific behavior (Lee et al. 2011). Moreover, stronger perceived self-efficacy lead an individual towards active efforts to perform a particular behavior. As an individual with low-efficacy tend to avoid tasks, however, he/she perform better job with higher self-efficacy.

Prior research discussed self-efficacy in context of owner-managers and suggested that it can predict their intention towards taking different financial and management decisions, as self-efficacy reflects their beliefs about better and possible option for them. Previously, in owner-managers behavioral intention models scholars have used both self-efficacy and attitude frequently because they consider both constructs influence behavioral intention of SMEs owner-managers (Buchanan, Sainter, Saunders, 2013; Pookulangara & Koesler, 2011; Wang, Hall and Rahimi, 2015). Moreover, studies not only investigated self-efficacy as antecedent of perceived behavioral control but also empirically proved the direct and positively significant relationship of self-efficacy with behavioral intention (Yuliharsi, Islam & Ku Daud, 2011).

Gobi and Rad (2015) in context of financial institutions concluded that self-efficacy has higher impact on customers' perceived behavioral controls. Study further discussed that, conditions such as access to help, access to professionals when facing with problems in using services and availability of an information network for rapid exchange of information have higher impact on customers' perceived behavioral controls. Gangwal and Bansal, (2016) concluded self-efficacy as the most important factor towards predicting consumer behavior in context of M-commerce.

Study examined the relationship of self-efficacy with perceived behavioral control and found positively significant which further influence behavioral intention.

Altawallbeh et al., (2015) results found least effect of self-efficacy on behavioral intention as compare to other behavioral constructs. Study suggested that perceived behavioral control can be improved by enhancing self-efficacy. Self-efficacy construct has also been investigated as control variable, Farah, (2017) examined consumer switching intention in context of bank consolidations and found insignificant both self-efficacy and perceived behavioral control. Moreover, few studies also investigated the moderating role of self-efficacy between satisfaction and intention, study of Lee et al., (2011) towards predicting impact of individual factors on entrepreneurial intention found that self-efficacy strengthens the job-satisfaction to entrepreneurial intention relationship.

Scholars discussed the construct of self-efficacy as key contributor towards SMEs owner-manager decision making and adoption/usage of different products and services. As studies elaborated, with stronger sense of self-efficacy owner-managers can better handle problematic situations also it reduces their stress and lead them towards success. Further stated that self-efficacy is basically SMEs owner-manager belief that they have requisite abilities and skills to take business decisions to produce desired outcomes. Researchers considered that lower level of self-efficacy also lower the intention of owner-managers towards taking their firm decisions, that's why towards predicting owner-managers behavior it is important to investigate their level of self-efficacy towards particular decision (Bullough, Renko & Myatt, 2013; Fayolle & Linan, 2014; Mortan et al., 2014; Piperopoulos & Dimov, 2014; Wennberg, Pathak & Autio, 2013).

Various researchers have explored the construct of self-efficacy in context of entrepreneurial intention and found it as one of the key socio-psychological factor of an individual towards adoption of products. Moreover, the construct has also been investigated by various studies to predict individual behavior in different scenarios. Furthermore, scholars have examined the relationship of self-efficacy in various disciplines such as indirect effect through perceived behavioral control, direct impact on behavioral intention, as control variable and also investigated as moderator, however found mix results. In the area of SMEs owner-manager financial behavior, limited research work has been done so far. Thus, in context of current study researcher assumed self-efficacy construct as one of the vital determinant toward predicting SMEs owner-manager behavior as self-efficacy play an important role where issue of lower intention arise. Therefore, current study has included self-efficacy determinant to examine relationship with owner-manager behavioral intention. Further, study has postulated self-efficacy as antecedent of perceived behavioral control which ultimately influence the behavioral intention of SMEs owner-manager towards usage of financial products.

#### **2.6.4 Moderating Effect of Demographic Factors**

Prior research suggested gender, age, experience and education as important demographic variables, have direct and moderating effect on consumer behavioral intention towards adoption/usage and decision making. Scholars stated that best way to study an individual behavior is through his/her attitude and demographic factors, as both have strong impact on attitude and behavior (Tarhini, Hone and Liu, 2014).

Studies revealed that demographic factors such as age, education, and gender in context of SMEs owner-manager influence their attitude towards financial products usage and adoption such as; Ogubazghi and Muturi, (2014) discussed that age and education have high impact on financial decision making of SMEs owner-manager; Abdulsaleh and Worthington (2013) examined the influence of firm characteristics and demographic characteristics of owner-manager on their financial decision making. Studies further explored that female owner-managers face more difficulty in accessing finance than male. In addition, young owner-managers are more likely to apply for finance instead of senior/old age owner-managers, however, they show reluctant behavior in accessing finance from external sources. Educated and experienced owner-managers are more confident in dealing with financial institutions regarding financial issues.

Moreover, studies concluded that owner-manager characteristics/ demographic factors affect financial decision making of firms (Zabri, 2011). Moreover, stated that demographic factors have strong impact on SMEs owner-manager behavior towards adoption/usage of financial products (Blackburn, Hart and Wainwright, 2013; Neneh, 2011). However, these studies have examined only direct impact of demographic factors on SMEs owner-manager behavior.

Various researchers also investigated demographic factors such as gender, age, education, experience, income etc. as moderators. Study examined the moderating effect of age and gender between consumer behavioral intention and perceived ease of use, perceived usefulness, social norms and self-efficacy, results exposed that both age and gender moderates the relationships, however, age do not moderates the relationship between self-efficacy and behavioral intention and similarly, gender have no moderating effect between perceived usefulness, self-efficacy and

behavioral intention (Tarhini, Hone & Liu, 2014). Moreover, Okello et al., (2017) investigated the moderating effect of financial education between SMEs access to finance and growth, study concluded financial education as crucial factor towards SMEs growth specifically in developing economies. Another study of Saqib et al., (2016) investigated gender, age, education and income in context of online shopping, results shows moderating effect of age and education between behavior and shopping orientation. On the other hand, in similar context Hernandez, Jimenez and Martin, (2011) indicated that age, gender and income variables moderate neither the influence of previous use of the internet nor the perceptions of e-commerce.

According to Zhang, (2008) to predict SMEs financing preference, human capital of an SME owner/manager is a significant determinant. Moreover, Cassar, (2004) and Romano et al., (2001) also stated that that human capital can be measured using three variables, namely age, education and experience. By considering individual attributes to predict their behavior researchers in different scenarios studied demographic factors and investigated direct, mediating and moderating effect on behavioral intention, however found mix results (Barnir, Watson & Hutchins, 2011; Bertolino, Truxillo, Fraccaroli, 2011; Pickernell et al, 2011; Sommer & Haug, 2011; Shinnar, Giacomini & Janssen, 2012, Venkatesh, Thong & Xu, 2012; Zhang, Cheung & Lee, 2014).

In context of SMEs owner-manager behavioral intention various studies have examined the direct impact of demographic factors on SMEs owner-manager behavioral intention, however, few studies have explored these factors moderating role. Additionally, researchers who have discussed demographic factors of SMEs owner-manager did not apply behavioral intention

theories. Researchers emphasized that to predict owner-managers behavior its compulsory to investigate their personal attributes e.g. gender, age, education and experience. Moreover, scholars have also empirically proved strong impact of these personal factors on SMEs owner-manager financial decision making. Thus, by considering demographic factors important to predict SMEs owner-manager behavioral intention towards usage of financial products, current study has investigated gender, age, education and experience moderating effect between owner-managers attitude, subjective norms, perceived behavioral control and intention. Previously, all four demographic factors have been investigated in other disciplines, however, mix results found by studies, therefore, current study has included all four to examine which factor have strong moderating effect in context of SMEs owner-manager behavioral intention.

## **2.7 Research Framework**

Literature shows that SMEs are facing several issues and challenges towards access to finance across the world (Carbó-Valverde, Rodríguez-Fernández, & Udell, 2016; Lee, Sameen & Cowling, 2015; Saeed & Sameer, 2015). Moreover, access to finance is relatively emergent phenomenon especially in context of developing countries like Pakistan, both demand and supply side issues create hurdles for SMEs to access formal finance (IFC, 2014; Khan, 2015). Current study emphasizing demand side issues and more specifically socio-psychological determinants of SMEs owner-managers towards use of formal financial products in Pakistan. Existing literature explored that SMEs have low intention to use financial products, also found their negative/non-supportive attitude towards completion of procedures to take finance facility from financial institutions (Kausar et al. 2012; Nkuah et al. 2013; Sherzai et al. 2012). Few studies have examined the financial behavior of SMEs in different contexts; Abdulsaleh &

Worthington (2013); Jaffar and Musa, (2013); Koropp et al. (2013); Ogubazghi & Muturi (2014); Tolba et al. (2014).

As earlier discussed in details that studies of Abdulsaleh & Worthington (2013) and Ogubazghi & Muturi (2014) argued about effect of demographic/personal characteristics of SMEs owner-manager on their financial decision making. Furthermore, Koropp et al. (2013) studied financial attitude of family firms only by emphasizing on subjective norms. Jaffar & Musa, (2013) focused on the firms which are halal-certified, study explored the determinants of attitude (awareness, religious obligations, cost benefits, business support and reputation) towards usage of Islamic financing. Study represented a conceptual framework by applying underpinning theory TPB, however, study not provided any empirical evidences. Tolba et al. (2014), examined the factors which influence SMEs owner-manager intention in taking commercial loans. Further, study of Tolba adapted model of TPB to examine the behavioral psychology of SMEs owner-manager in taking commercial loans. Moreover, Tolba et al. (2014) contributed by adding factors of knowledge, perceptions and previous experience along with attitude, subjective norms and perceived behavioral control. Study found opinion of referrals e.g. accountants and other business owners (social influence) and knowledge (awareness) as key factors which influence SMEs owner-manager intention to take commercial loans. Several scholars examined the few factors such as attitude (evaluation of value adding, risk and perceived cost), subjective norms, perceived behavioral control financial knowledge, previous experience and perception to analyze SMEs owner-manager psychology to take commercial loans. Few studies explored socio-psychological factors of SMEs owner-manager to examine their financial behavior. In this regard, the results so far have been largely inconclusive as discussed in previous chapters (Jaffar

& Musa, 2013; Tolba et al., 2014). As such, further knowledge about its nature, dimensions and characteristics that are yet to be explored is considered worth studying.

In chapter two after discussion on prior research towards addressing the research objectives of this study, and the identified concepts and variables guided by existing theoretical knowledge led to formulation of the proposed theoretical framework as shown in Figure 2.10. The theoretical framework of this study is, underpinned with Theory of Planned Behavior and Technology Acceptance Model. The first five independent variables motivation, awareness, perceived usefulness, perceived ease of use and perceived risk are proposed that may influence attitude of SMEs owner-manager towards usage of financial products. Furthermore, religious beliefs and social beliefs are suggested to see might be influential towards subjective norms and respectively self-efficacy to perceived behavioral control. Three dependent variables attitude, subjective norms and perceived behavioral control in this study are shown to further may influence behavioral intention of SMEs owner-manager towards financial products.

The first dependent variable denoting the attitudinal factors further seeking to capture how owner-manager psychological factors such as; motivation to fulfill finances needs, awareness or complete knowledge about the product; usefulness/benefits as compare to informal finance; easiness in understanding of products/procedures and risk associated with use of different financial products effect positively/negatively to owner-manager attitude. Similarly, second independent variables which are social factors such as; religious beliefs and social beliefs signifying the construct of subjective norms. The both factors represent that how much religious beliefs e.g. Shariah compliance products and permission/advice of Alim and social beliefs e.g.

family, friends, business colleagues and referrals recommendation have influence on subjective norms. Subsequently, third independent variable self-efficacy which influence perceived behavioral control denoting perception of difficulties, challenges, and inconveniences in considering to take formal financial products seeks to influence behavioral intention of SMEs owner-manager.



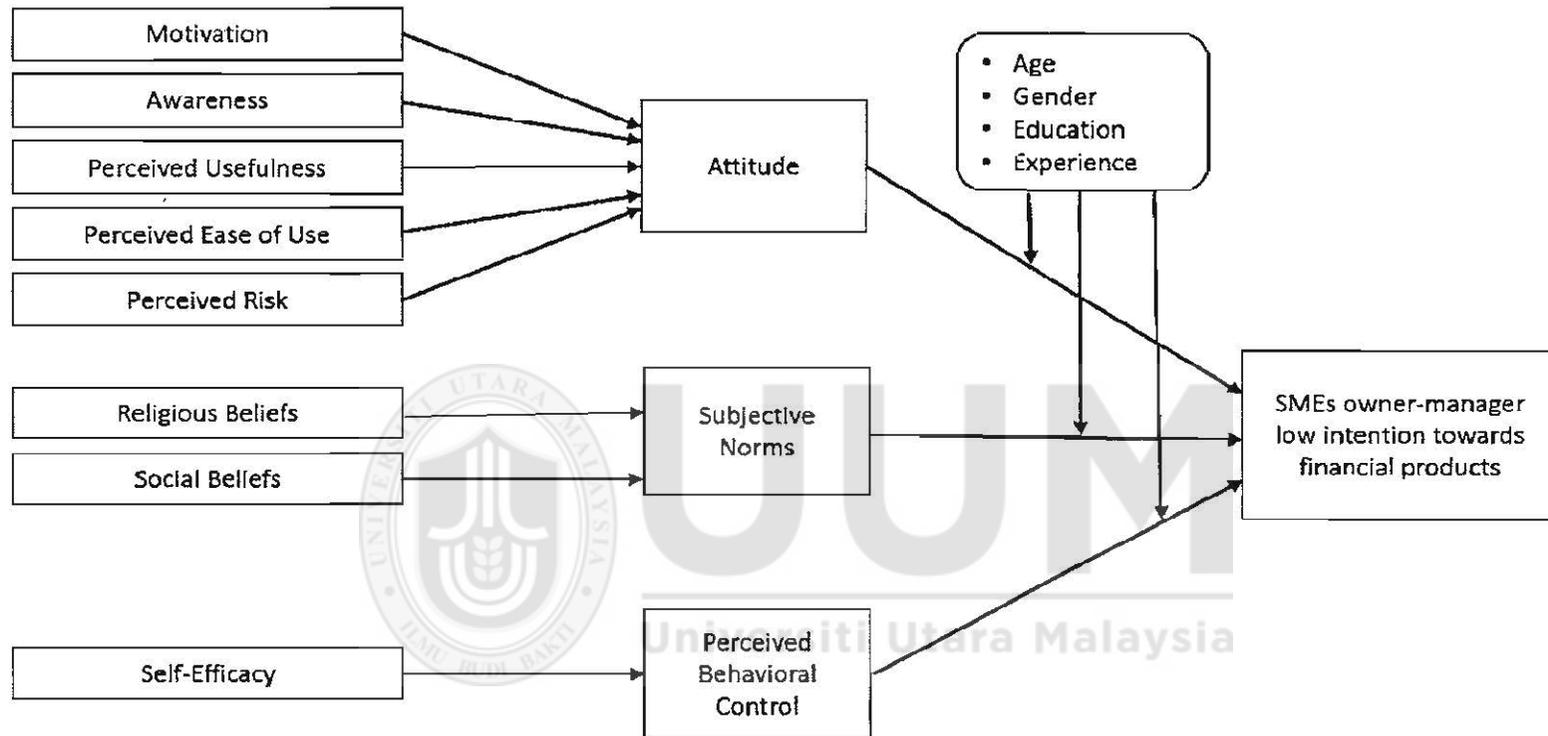


Figure 2.14  
*Research Framework*

Moreover, to see the prominence of personal characteristics and individual differences as discussed previously in literature, current study takes into consideration demographic factors (gender, age, education and experience). The framework of current study proposed to exert a moderating effect of demographic factors on relationship between three key independent variables attitude, subjective norms & perceived behavioral control and behavioral intention.

## **2.8 Hypotheses of Study**

A hypothesis is a logically estimated relationship between two or more variables, which explained in testable statement form. Variables relationships estimation based network of association, established in theoretical framework formulated for research study. After confirming estimated relationships and testing the hypotheses, it's expected that solutions can be find to correct the encountered problem.

After identification of important variables and establishment of relationships among variables in research framework through logical reasoning, researcher can test the relationship. By using suitable statistical analysis, after testing relationships researcher obtained the reliable information that in problematic situation what kind of relationships exist among variables. The obtained results after testing, give us some clues that for problem solving what changes required in situation. Thus, to formulate these testable statements are known as hypotheses development.

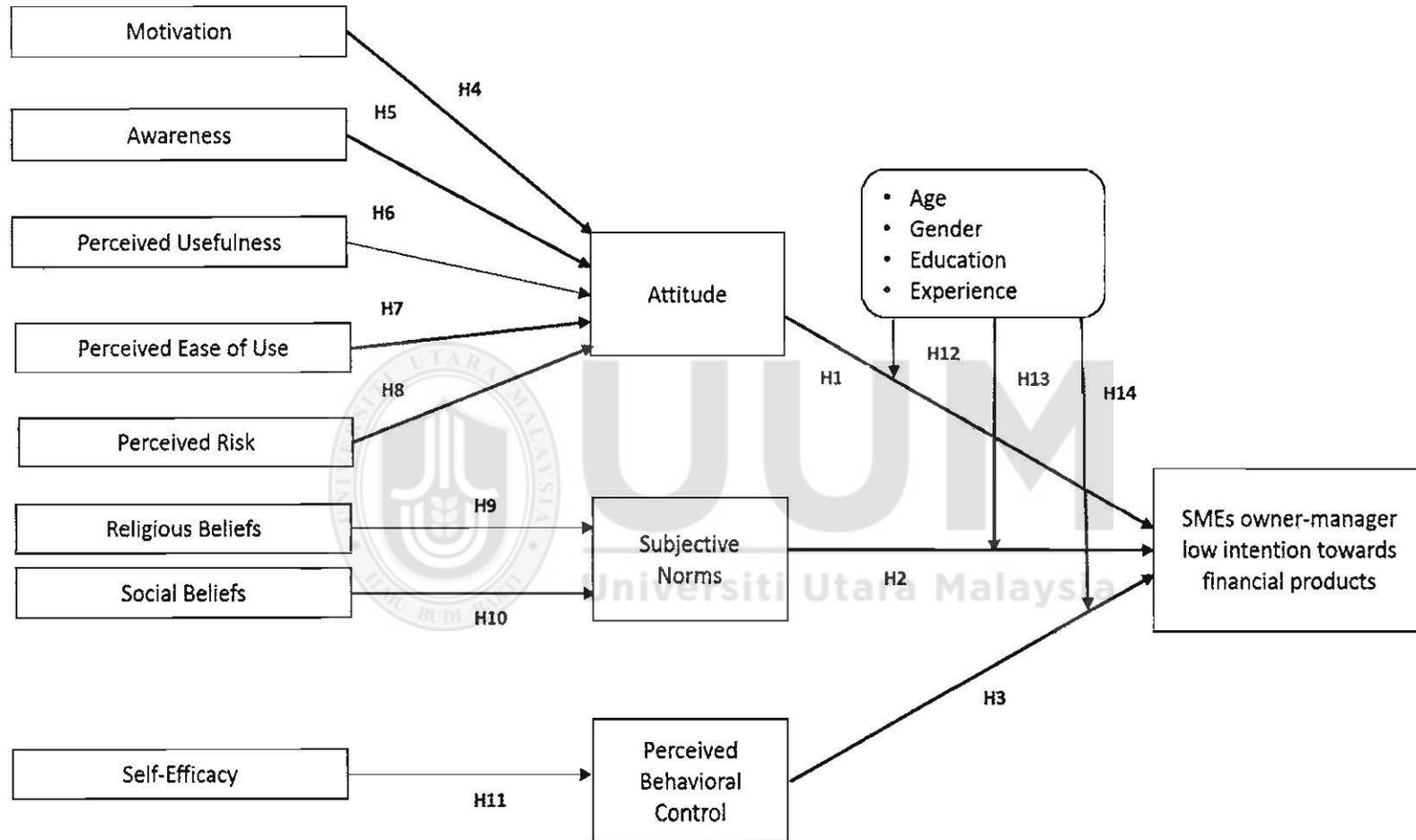


Figure 2.15  
*Model of study*

To follow PLS-SEM approach, according to Kenny, (1986) all variables are conventionally classified into two types: exogenous and endogenous. In Figure 2.14 the hypothesized relationships relating to the dependent and independent variables and moderating effects are explicitly presented. It is important to mention that motivation, awareness, perceived usefulness, perceived ease of use and perceived risk are independent variables and demographic factors (age, gender, education, and experience) are moderating variables which have all been treated in this study as exogenous variables (Figure 2.14) which means that they are not influenced by other variables. Though, dependent variables owner-manager attitude, subjective norms, perceived behavioral control and behavioral intention are the endogenous variables (Figure 2.14) means they get influenced by other variables.

Behavioral intention can be predicted by three factors such as attitude, subjective norm and perceived behavioral control (Fishbein & Ajzen, 1975). Attitude toward the behavior is a person's overall evaluation of the behavior. It is assumed that attitude has two components which work together; behavioral beliefs and outcome evaluation and it implies that a person has favorable or unfavorable evaluation or appraisal of the behavior in question (Alam et al., 2012).

In terms of marketing attitude has been considered as general evaluation of product or service formed overtime (Solomon, 2008). As it satisfies the personal motive and also have impact on buying habits of consumer, moreover, attitude can be considered as important part towards predicting and describing the owner-managers towards usage of financial products (Alsamydai et al., 2014; Alam et al., 2012). Attitude examined by various studies and supported the relationship between attitude, and behavioral intention. In consumer settings the relationship of attitude and

intention has been confirmed by Shariff et al., (2012); Chen, (2014); Kanchanatane, (2014), in SMEs towards various contexts Isaksson, (2013); Jaffar and Musa, (2013), Adam et al., (2016), moreover, Taylor and Todd, (1995) empirically verified the causal relationship between attitude and intention.

According to Ajzen, (1985, 1991) the positive interaction of subjective norm and behavioral intention depends on an individual higher social expectation to perform a certain behavior. As owner-manager willing to take advice from their family, friends and referential resources, and tends to comply with a stronger subjective norm over that behavior. Later, Sheppard, Jon, and Warshaw (1988), stated subjective norms as the weakest construct because in TPB towards predicting behavioral intention it shows less importance. Although subjective norms impact is less on behavioral intention as compare to attitude but still it influence the individual behavioral intention. Also it depends on the context as sometime an individual behavior controlled by his/her attitude or sometime subjective norms (Trafimow, 1996). Scholars empirically proved that subjective norms still important towards predicting an individual behavioral intention (Johnston & Warkentin, 2010; Cox, 2012). In general subjective norms importance towards predicting individual behavioral intention cannot be denied, however, in different scenarios the significance level can be opposite. As when there's no one to judge, people consider their own attitude instead of subjective norms (Jaffarkarimi et al., 2016). However, various studies have also empirically proved that subjective norms influence the behavioral intention towards usage of financial products both in context of an individual and SMEs owner-manager (Koropp et al., 2013; 2014; Amin et al., 2013).

The perceived behavioral control determinant is important for an individual those actions for which he/she is not in full volitional control (Armitage & Conner, 2001). It is basically an individual perception regarding presence and absence of requisite resources required to perform some particular behavior (Chen, 2014). For instance, SMEs owner-manager want to use financial products but various factors make this difficult for them. It is expected that owner-manager engage more in those alternative financing sources that seem to be easier to achieve (Jaffarkarimi et al., 2016). The present study showed that SMEs owner-manager behavioral intention would be stronger when owner-manager believes that they can understand and use financial products and the usage will be beneficial for their business.

In context of predicting SMEs owner-manager behavioral intention towards financial products few studies have examined the main constructs of TPB such as attitude, subjective norms and perceived behavioral control. Thus, still there's need to investigate these constructs to test whether the relationships are positive and these variables influence owner-managers behavioral intention in the same manner as investigated before. So, in line with prior research current study developed the hypotheses in following manner;

*H1 There is a positive relationship between attitude and owner-managers intention to use financial products in Pakistan.*

*H2 There is a positive relationship between subjective norms and owner-managers intention to use financial products in Pakistan.*

*H3 There is a positive relationship between perceived behavioral control and owner-managers intention to use financial products in Pakistan.*

An individual attitude is influenced by various psychological, cultural, social, demographic and situational factors which ultimately affects the behavioral intention (Ajzen, 1991). Therefore, an individual's attitude plays a key role towards predicting behavioral intention of individual. Towards investigating socio-psychological determinates current study proposed motivation which may influence SMEs owner-manager attitude. Motivation has been defined as the psychological cause of an action and considered as one of the important driver of attitude (Abduljalil & Zainuddin, 2015). Moreover, in context of employee motivation Cho and Perry, (2012); Wong et al. (2013) stated motivation discussed the influence of motivation on attitude. However, present study has proposed motivation in a different context, assuming that it influence attitude of SMEs owner-managers towards usage of financial products.

Moreover, towards investigating socio-psychological determinants influence SMEs owner-manager attitude awareness also has been included in present study. Awareness is basically a well-known interest in some particular situation or development (Tara et al., 2014). It's crucial for SMEs owner-manager to have enough knowledge about financial products and services so that they can identify their desired products and potential financial providers. Moreover, to evaluate the potential risks associated with financial products owner-managers must have knowledge of financial products and services along with procedures (Osano & Languitone, 2016). Scholars have examined the determinant of awareness in context of individuals thoroughly and found positive relationship between awareness and attitude (Wahyuni, 2012; Echchabi & Abdel Aziz, 2012 b, Faisal et al., 2014). In context of SMEs owner-manager

behavioral intention towards financial products limited research has been done so far. Thus, still needs to provide empirical evidences in SMEs context.

As presented in research framework of present study two important constructs of TAM model have also been included because of financial products complex nature. Perceived ease of use and perceived usefulness so far have been tested in context of technology only, though, studies have found positive relationship of perceived usefulness and perceived ease of use with consumer attitude. The degree of perceived usefulness and perceived ease of use refer to benefits and easy understanding of particular product and services which ultimately enhance the user performance (Chen, 2014). The mixing of TAM model and TPB is not new at all as Taylor and Todd, (1995) presented Decomposed Theory of Planned Behavior (DTPB) and combined both TPB and TAM model. In DTPB the TAM model constructs perceived usefulness and perceived ease of use have been renamed with relative advantage and complexity, which clearly indicates that these constructs have been developed by authors to examine the complexity and relative advantage of products and services. In context of SMEs studies have examined the relationship of perceived usefulness and perceived ease of use in various contexts (Awa et al., 2015; Mochoge, 2014). Yet, there's lack of empirical evidences regarding perceived usefulness and perceived ease of use influence on SMEs owner-manager attitude.

Scholars also emphasized on the importance of perceived risk particularly in case of predicting consumer attitude towards financial products and services. Perceived risk is an uncertain nature of consumer towards decision making to take some particular product and service and it plays an important role towards taking decisions related to trade and investment (Kamarulzaman &

Madun, 2013). By examining the various categories of risk e.g. loss time, money, reputation related to particular product and services perceived risk predictive power on consumer attitude or behavior could be better understood. The lower risk increase the chance of acceptance, however, high risk reduces the chances of any product or service adoption (Yahaya et al., 2014). According to Want et al., (2014) the lesser consumer know about any product and service the more he/she will afraid to use or adopt. Various studies in Islamic, conventional banking, online financial services, and mobile banking contexts examined the factor of perceived risk (Perry & Rahman, 2011; Akturan & Tezcan, 2012; Bayrak, 2013). Current study also investigating the influence of attitude on SMEs owner-manager behavioral intention towards financial products, thus, it's important to test the influence of perceived risk on SMEs owner-manager attitude. Present study has postulate the following hypotheses in order to examine the influence of socio-psychological determinants on SMEs owner-manager attitude.

*H4 There is a positive relationship between owner-manager motivation and his/her attitude towards financial products in Pakistan.*

*H5 There is a positive relationship between owner-manager awareness and his/her attitude towards financial products in Pakistan.*

*H6 There is a positive relationship between owner manager's perceived usefulness and his/her attitude towards financial products in Pakistan.*

*H7 There is a positive relationship between owner-manager perceived ease of use and his/her attitude towards financial products in Pakistan.*

*H8 There is a positive relationship between perceived risk of owner-manager of SMEs influence his/her attitude towards the intention to use of financial products in Pakistan.*

In a society, an individual for his/her actions or behavior may be influenced by the people around them such as family, friends, close referrals and who are important to them (Chen, 2014). Similarly, the impact of subjective norms on SME owner-managers towards taking financial decisions also very strong. Towards explaining socio-psychological determinants relationship with subjective norms, current study proposed social and religious beliefs which may positively influence the owner-managers subjective norms.

Religious beliefs importance has been recognized by scholars and in consumer behavior studies fully acknowledged the role of religiosity (Al-Hyari et al., 2011). Religiosity is commitment of an individual to obey the rules and principles of specific religion and the attitude or behavior of an individual reflect this commitment (Souiden, 2015). The religious beliefs motivates people to adopt only those products and services which are according to Islamic laws and principles, thus, individuals with strong religious beliefs prefer to use Islamic products and services (Hasan et al., 2012). Moreover, studies of consumer behavior found religious beliefs as one of the most important influential factor towards adoption of Islamic banking products and services (Amin, 2012; 2013; Idris et al., 2011). SMEs owner-manager also behave in the similar way as 25 percent of SME population not using any product and service because of religious beliefs (IFC, 2014).

Along with religious beliefs the importance of social norms cannot be denied. These are the rules or expectations through which a society guides the behavior of its members and often reflect social values. Researchers describe that social norms which influence an individual behavior

motivated by fear, moral and ethical influences (Beil & Thogersen, 2007). The social pressure mainly attributed by family, friends, colleagues and those who are important for an individual, moreover, findings of various studies implies that social beliefs influence the behavior of an individual (Teo et al., 2012; Pentina et al., 2012). Furthermore, Koropp et al., (2012) and (2013) discussed and concluded social norms as one of the important factor towards financial decision making in family firms. However, social norms influence on an individual behavior not always same and positive as it vary as per situation and culture. Current study has proposed the following hypotheses in order to investigate the relationship and influence of both religious and social beliefs on SMEs owner-manager subjective norms.

*H9 There is a positive relationship between owner-manager social belief and his/her subjective norms towards financial products in Pakistan.*

*H10 There is a positive relationship between owner-manager religious beliefs on his/her subjective norms towards financial products in Pakistan.*

Self-efficacy discussed by researchers as one of the most important predictors of human motivation. It is belief of an individual about his/her capacity to produce designated levels of performance and exercise influence over events that affect his/her life (Taylor & Todd, 1995). The high self-efficacy in individuals are hypothesized to select challenging however, attainable goals (Brigido et al., 2013). Moreover, an individual can evaluate the contingencies better towards accomplishing his/her targets (Wang et al., 2015). Self-efficacy predict an individual intention towards achieving something as it reflect his/her belief that it is possible to do so

(Panagiotis & Dimov, 2014). Current study has postulated following hypothesis to examine the self-efficacy level of SMEs owner-manager.

*H11 There is a positive relationship between owner manager's self-efficacy and his/her perceived behavioral control towards financial products in Pakistan.*

Research suggests that demographic factors have both direct and moderating effect on consumer behavioral intention as these factors are important to predict behavioral intention. Prior research investigated the direct effect of gender, age, education and experience on SMEs owner-manager financial decision making (Ogubazghi & Muturi, 2014; Abdulsaleh & Worthington, 2013; Zabri, 2011) and found these demographic factors important towards predicting owner-managers behavior. Moreover, Altawallbeh et al., (2015) discussed the moderating effect of gender and age between consumer behavioral intention and attitude, subjective norms and perceived behavioral control, where age has moderating effect between intention and subjective norms. Also, Ham et al., (2015) investigated the age and education moderating effect and concluded that education linked to attitude and age strongly influence the subjective norms which ultimately modify the consumer behavior.

Yet, in context of SMEs owner-manager behavioral intention towards usage of financial products, the effect of moderating factors have been investigated in limited capacity. Present study has included four important demographic factors previously studied by scholars and findings shows the positive significant direct effect on SMEs owner-manager financial behavior. However, the moderating effect of these factors still needs to be examined as moderator, as if these demographic factors shows direct impact positive and significant on SMEs owner-manager

behavior, then may be these factors moderate the relationships in the same way. Thus, current study has proposed following hypothesis in order to investigate the moderating effect of these demographic factors between owner-manager behavioral intention and their attitude, subjective norms and perceived behavioral control.

*H12 Owner-manager demographic factors (gender, age, education and experience) moderate the relationship between attitude and SMEs owner-manager intention to use financial products in Pakistan.*

*H13 Owner-manager demographic factors (gender, age, education and experience) moderate the relationship between subjective norms and SMEs owner-manager intention to use financial products in Pakistan.*

*H14 Owner-manager demographic factors (gender, age, education and experience) moderate the relationship between perceived behavioral control and SMEs owner-manager intention to use financial products in Pakistan.*

## **2.9 Summary**

This chapter comprises of SMEs definition, overview of SME industry in Pakistan and financial products, behavioral intention theories and their components along with further antecedents of attitude, subjective norms and perceived behavioral control. Moreover, after discussion the final framework along with hypothesis have been included in this chapter. As discussed above in Pakistan the most authentic and accurate definition of SMEs provided by the State bank of Pakistan. Further, study found that, SMEs owner-manager played an important role in financial decision making of firm, therefore, it's essential to find out socio-psychological determinants of

SMEs owner-manager intention towards financial products. Assuming that SMEs owner-manager behave like an individual may be behavioral intention theories can accurately measure behavioral intention of owner-managers. Thus, current study framework consists of behavioral intention theory TPB with addition of some important factors of TAM. During literature review researcher found the actual gap such as; lack of studies in context of SMEs owner-manager financial behavioral, application of behavioral, influence of socio-psychological factors on SMEs owner-managers attitude, subjective norms and perceived behavioral control and moderating effect of demographic factors on SMEs owner-managers attitude, subjective norms and perceived behavioral control.



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## CHAPTER 3

### RESEARCH METHODOLOGY

#### 3.1 Introduction

Current study seeks to follow quantitative methods research design to accomplish its objectives, research questions and validate the hypotheses. Later sections of this chapter describe methodological and procedural details of causal methodology. Details of participants and sampling issues, instrumentation aspects, sources and methods of data collection, analysis methods, reasons to rely on partial least square - structural equation modelling (PLS-SEM), and the pilot test along with findings.

#### 3.2 Research Design

There are two aspects of research method, data collection and analysis, further classified as quantitative and qualitative methods. The techniques of collecting data in both methods known as the research instrument (Dawson, 2009). In qualitative method researcher used the instruments such as interviews, focus group and observation. The analysis techniques used in qualitative method are content analysis, thematic analysis and discourse analysis. On the other hand, quantitative methods used by the researchers where they have to measure the attitudes, behavior and thoughts, therefore, in quantitative researcher design questionnaire and conduct survey data collection (Vanderstoep & Johnston, 2009). Current study aims to predict the behavioral intention of SMEs owner-managers, thus, as per study context quantitative research method was appropriate.

Moreover, towards explaining procedures/methods for collection and analysis of required information researchers considered research design as master plan (Sekaran, 2003; Zikmund, 2000). Three types of research designs have been identified by researchers;

- 1) Exploratory research chose by researchers to shed light on problem in an unstructured manner, however, it does not provide some conclusive evidence.
- 2) Descriptive research used to provide description of research problem more specifically. Therefore, this type of research conducted by scholars where they have some understanding of actual problem.
- 3) Causal research or hypothesis testing describes further relationships nature among variables being investigated (Sekaran, 2003; Zikmund, 2000).

However, current study relies on causal research design established to understand the financial behavioral intention of SMEs owner-manager. The causal research, also known as explanatory research and basically conducted by researchers in order to identify the extent and nature of cause-and-effect relationships (Kothari, 2004). With causal research it can be tested that how dependent variable—owner-manager behavioral intention—is affected by changes in independent variables: attitude, subjective norms, perceived behavioral control, motivation, awareness, perceived usefulness, perceived ease of use, perceived risk, social beliefs, religious beliefs and self-efficacy. As a causal research with focus on SMEs owner-manager low intention towards financial products current study explained the patterns of relationships between

variables. To determine the influence of socio-psychological determinants; motivation, awareness, perceived usefulness, perceived ease of use, perceived risk, religious, social beliefs and self-efficacy influence on attitude, subjective-norms, perceived behavioral control and ultimately, the influence of these three constructs on SMEs owner-manager behavioral intention towards usage of financial products and relationship among variables. Further, in causal research there are two methods to explore the cause and effect relationship between variables; experimental method and statistical research. The experimental method studies e.g. physics typically conduct by researchers in laboratories. The statistical method used by studies related to business, social sciences and economics. Current study also used the statistical method as survey has been conducted to collect data and later analyzed by applying statistical techniques.

Furthermore, to know the magnitude of the problem and meet the research objectives cross-sectional study design used by researchers. In cross-sectional the population for data collection used only one time (Cavana, Dalahaye, & Sekaran, 2001). Researchers consider this much easier, quicker and economical as compare to longitudinal study where selected population evaluated at regular intervals to observe the increase or decrease of the problem. Current study also keep the research setting as cross-sectional which is appropriate as per context.

### **3.3 Sampling**

After problem identification that required to be investigated, researcher developed appropriate research philosophy, research design, research method and strategy. It includes instrument for data collection and determination of sample to complete research process. Sampling is an essential part of total research process, which is a selection of an adequate number of subjects

from a population. As Sekaran, (2000) stated that research will be able to generalize the whole population results after understanding characteristics of these subjects (Sekaran, 2000).

### 3.3.1 Population

In sampling, first step is to describe population of interest. The entire element from which a researcher has to select a sample is known as population (Bryman & Bell, 2015). A researcher must be clear in specifying the elements inclusion and exclusion in defining target population. For example, researcher has to decide that whether population contains institutions, households, individuals or others. Also, it is necessary to define about the geographic boundaries and demographics of population.

Current study intended to investigate financial behavior of SMEs owner-manager in context of Pakistan. Overall 3.2 million SMEs are based in Pakistan, moreover, Pakistan consists of four provinces namely Punjab, Sindh, Khyber Pakhtunkhwa and North-West Frontier Province (NWFP).

Province wise SMEs population is as follow:

Table 3.1  
*Geographical Distribution of SMEs*

Province	SMEs Population
Punjab	65%
Sindh	18%
Khyber Pakhtunkhwa	2%
NWFP	14%

Source: IFC (2014a)

As per data given in Table 3.1, major proportion of SMEs are located in province of Punjab and Sindh, thus, this study population will be comprising of registered manufacturing SMEs only from province of Punjab which accounts for largest population of SMEs in Pakistan. Moreover, study has selected four major cities from province of Punjab; Lahore, Faisalabad, Gujranwala and Sialkot as these cities are the main centers for major business activities on national and international level. Researcher has selected cities on basis of SMEs manufacturing units operating in these cities, moreover these four cities are listed in top 20 big cities of Pakistan (Pakistan Bureau of Statistics, 2017). Furthermore, study has selected only manufacturing sector as it dominate SME population (49 percent). Moreover, for manufacturing sector to obtain leasing is more beneficial because they can expand their businesses with addition of new machinery and vehicles. Thus, for accurate results it is more appropriate to select sector and financial product linked with each other. Further sections discussed the sample size, framework and methodology.

### **3.3.2 Sampling Frame**

To identify sampling frame is second step in selecting sample of the population. According to Bryman & Bell (2015) in population, the sampling frame is list of all units from which the actual sample selected by researcher. In present study, data sheet provided by Lahore Chamber of Commerce (LCC), approximately 17,857 industrial units working in province of Punjab. Moreover, out of 17,857 around 3,007 units are in Lahore, 3,110 in Gujranwala, 2,670 in Sialkot and 1644 in Faisalabad, total 10,431 manufacturing SMEs are operating in these major cities. To be specific researcher has included only users of leasing products to understand their positive/negative attitude, influence of norms on SMEs owner-manager behavioral intention and their behavioral control. However, it was not possible to identify the users of leasing products

from the list provided by LCC, thus, to distinguish between users and non-users researcher has included one screening question in questionnaire form. Thus, non-users just mentioned the reason for not using leasing products as answer of other screening questions and rest form they left blank. As mentioned above, current study selected only manufacturing SMEs operating in four major cities of Pakistan. The basic purpose for collection of SMEs list from LCC was to investigate total number of manufacturing SMEs in province of Punjab. Most importantly, to figure out cities where major SME manufacturing units are operating, moreover, it is important to select sample size. Additionally, to contact SMEs for distribution of questionnaires, the updated and complete information regarding address, contact numbers and subsectors was also required. The information was required to distinguish between proprietorship and partnerships firms, so that in partnership firms' researcher can contact to person who is responsible to take financial decisions of firm.

### **3.3.3 Sampling Methodology**

According to the Bryman, (2001) for sample selection from population there are two major methods, probability and non-probability sampling. The probability sampling means researcher can select a sample using random selection as the each unit being selected from the population is known and usually equal for all units. Further, Bryman & Bell (2015) stated that probability sampling aims is to keep sampling error to a minimum. Therefore, a researcher is likely to obtain a representative sample when this method of selection from the population is employed. The probability sampling is mostly associated with survey and can be selected by several techniques, such as simple random sampling, systematic sampling, stratified random sampling and cluster sampling. However, non-probability techniques include convenience sampling, judgement

sampling, and quota sampling. Present study is following quantitative causal research design and seeks to gather information from a sample of SME manufacturing units operating in four major cities of Punjab province by using stratified random sampling technique. Stratified random sampling involves a process of segregation and stratification by followed the selection of subject randomly from each section or group. The aim of using stratified random sampling in current study is to select participants from subgroups consists of four major cities of Punjab province. Thus, researcher divide the population according to the study requirement into appropriate, relevant and meaningful groups as presented in Table 3.2. Furthermore, stratified sampling technique is preferable where there is need to represent the overall population along with subgroups of population, particularly when subgroups are small but distinguished in important ways. It is an efficient sampling design as with a given sample size it provides more information.

Table 3.2  
*Selected Respondents*

City	Total Number of Units	Questionnaires Distributed
Gujranwala	3,110	190 (30%)
Lahore	3,007	185 (29%)
Sialkot	2,670	162 (25.60%)
Faisalabad	1,644	100 (15.40%)
Total	10,431	637

### 3.3.4 Sample Size

The selection of an appropriate sample size is very important step of research methodology. It is not a straightforward decision as depends on numerous considerations like, time, resources availability, cost and statistical accuracy. According to the Churchill, (1999) to determine the

sample there are so many ways. First step is setting of arbitrary size within the limitation of available research time and budget, to measure sample accuracy at time of analysis stage in case the researcher is using probability sampling technique. Then, using statistical principal's calculation to obtain the optimum sample size. By giving the sample size on Table 3.3 Krejcie and Morgan (1970) greatly simplified the size decision that ensures a good decision model.

Table 3.3  
*Sample size for a given population size*

N	S	N	S	N	S
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

Source: Krejcie & Morgan (1970); Sekaran (2003)

The sample size determined by using above Table 3.3 based on size of population obtained from Lahore Chamber of Commerce. Researcher has received complete list of 17,857 SMEs manufacturing units situated in province of Punjab. Due to limited resources it was not possible to collect data from all cities of Punjab, thus, researcher segregate the list city wise where major portion of SME manufacturing units operating at Lahore, Faisalabad, Gujranwala and Sialkot, thus, total 10,431 SME manufacturing units have been selected. As per above Table 3.3 the sample size against 10,431 firms is 375.

### 3.4 Operationalization and Measurement of Variables

Current study has operationalized the variables and tried to find out appropriate validated and suggested measures. The dependent, independent, and moderating variables are estimated through reflective measures which are adapted from prior research and total 60 scale items along with 10 additional items for demographic used to measure the constructs of current study. A summary of scale items are given below:

Table 3.4  
*Scale Items used in this study*

Construct	No of Items	Sources
Intention	4 Items	Tolba et al. (2014)
Attitude	5 Items	Kanchanataneet al. (2014)
Motivation	5 Items	Solesvik, (2013)
Awareness	5 Items	Tolba et al. (2014)
Perceived Usefulness	4 Items	Kanchanataneet al. (2014)
Perceived Ease of Use	5 Items	Kanchanataneet al. (2014)
Perceived Risk	7 Items	Wang et al. (2015)
Subjective Norms	5 Items	Koropp et al., (2014)
Social Beliefs	4 Items	Koropp et al. (2013)
Religious Beliefs	5 Items	Ali & Raza, (2015)
Perceived Behavioral Control	5 Items	Ahad et al. (2012)
Self-Efficacy	5 Items	Ya'gobi & Rad, (2015)
Demographic	4 items	(Haus et al. 2013)

The operational definitions of present study constructs are as follow;

### 3.4.1 Behavioral Intention

Behavioral intention means decision and motivation of an individual towards performing some behavior. An individual intention to perform some particular behavior is determinant of action, thus, with good understanding of intention it's easy to predict behavior (Tolba et al., 2014). This study examined the socio-psychological determinants influence on owner-managers intention towards usage of financial products. To measure behavioral intention of SMEs owner-manager in current study following are the items:

Table 3.5  
*Owner-Manager Behavioral Intention Measures (4 Items)*

Adapted Items
<ul style="list-style-type: none"><li>• I intend to use short term leasing products for my business financial needs</li><li>• I intend to use medium term leasing products for my business financial needs</li><li>• I intend to use long term leasing products for my business financial needs</li><li>• I will continue using leasing products for my business financial needs</li></ul>

Sources: Tolba et al.(2014)

#### 3.4.1.1 Attitude

The attitude of an individual is the evaluative effect of negative and positive feeling regarding some specific object or towards performing some particular behavior (Kanchanataneet et al., 2014). In current study attitude refers to positive or negative estimation of SMEs owner-manager towards usage of financial products in Pakistan. Attitude of owner-manager measured by following items:

Table 3.6

*Owner-Manager Attitude Measures (5 Items)*

---

**Adapted Items**

---

- In my opinion using leasing products is a good idea
  - In my opinion using leasing for financing is useful
  - In my opinion using leasing is beneficial
  - In my opinion lease finance is useful for Small and Medium firms
  - In my opinion leasing is one of the best among financial products
- 

Sources: Kanchanataneet al. (2014)

**3.4.1.1.1 Motivation**

Motivation is the collection of values, interests, beliefs, perceptions and actions that are all very much related. It's basically the need, interest and desire of consumer/owner-manager to use financial products (Solesvik, 2013). Internal motivation refer to internal needs and satisfaction of consumer e.g. a religious consumer will definitely prefer the Islamic products over conventional and will feel more satisfied and happy. On the other hand, external motivation refers to source of information about financial products offered by financial institution in market. These are external sources and could be from website, TV advertisements, newspaper and marketing promotion. Items for the variable of motivations are as follow:

Table 3.7  
*Owner-Manager Motivation Measures (5 Items)*

---

**Adapted Items**

---

- Financial needs of my business motivate me towards lease financing
  - Financing mostly needed in peak season of my business to accomplish different tasks
  - Financial needs of my business are mostly related to finance the start-up capital.
  - Financial needs of my business are mostly related to finance working capital requirement for successful business operations.
  - Financial needs of my business are mostly related to finance the fixed assets for future business growth.
- 

Sources: Solesvik (2013)

### 3.4.1.1.2 Awareness

The term awareness refers to consumer complete knowledge and information about financial products. Firm owner-managers better understanding about financial products, advantages and disadvantages help them to take positive decision. Moreover, complete knowledge about providers such as Islamic and conventional banks, leasing companies, investment banks etc. and their rules, policies and procedures before applying for any finance facility also have positive effect on attitude of owner-managers (Tolba et al. 2014). Current study adapted following items to measure awareness:

Table 3.8  
*Owner-Manager Awareness Measures (5 Items)*

Adapted Items
<ul style="list-style-type: none"><li>• I am aware that leasing products will meet financial needs of my business</li><li>• I have complete knowledge about the Islamic leasing products</li><li>• I have complete knowledge about the conventional leasing products</li><li>• I know about the banking financial institutions in my area offering leasing products</li><li>• I know about the non-banking financial institutions in my area offering leasing products</li></ul>

Sources: Tolba et al. (2014)

### 3.4.1.1.3 Perceived Usefulness

Perceived usefulness is a degree a consumer believes that by using or adoption of some particular product or service will be beneficial and give the desired results. Moreover, it is a consumer perception regarding experience outcome (Kanchanatane et al., 2014). Towards usage of financial products perceived usefulness is one of the important factor SMEs owner-manager consider before taking any decision, to measure perceived usefulness following are the items:

Table 3.9  
*Owner-Manager Perceived Usefulness Measures (4 Items)*

<b>Adapted Items</b>
<ul style="list-style-type: none"> <li>• Usage of leasing enables me to complete my business projects efficiently</li> <li>• Usage of leasing enables me to complete business tasks within the time period</li> <li>• Usage of leasing makes it easier for me to fulfill my business financial needs</li> <li>• Usage of leasing enables me to manage my account (s) more effectively</li> </ul>

Sources: Kanchanatane et al.(2014)

#### 3.4.1.1.4 Perceived Ease of Use

Perceived ease of use refers to the degree of a consumer regarding easy understanding to use some particular product along with its process, rules and procedures (Davis, 1989). If products and procedures will be easily to understand for consumer then he/she will show more confidence and interest towards taking the products. According to the (Kanchanatane et al., 2014) perceived ease of use is one of the significant factor in intention to use. Following are the measurement items details:

Table 3.10  
*Owner-Manager Perceived Ease of Use Measures (5 Items)*

<b>Adapted Items</b>
<ul style="list-style-type: none"> <li>• I can easily understand the different leasing products</li> <li>• To understand the process of leasing does not require a lot of mental effort</li> <li>• Interaction with the financial institution for access of finances is clear and understandable</li> <li>• It's easy for me to become skillful at using leasing</li> <li>• Procedures of obtaining leasing are easy and understandable for me</li> </ul>

Sources: Kanchanatane et al., (2014)

#### 3.4.1.1.5 Perceived risks

Perceived risks refers to a person's subjective expectancy of suffering from a loss in pursuit of a desired outcome (Wang et al., 2015). SMEs owner-manager attitude towards usage of financial products can be positive or negative due to their perception of risk and safety. Several risks such

as financial, psychological, time-loss and privacy risks effect financial decision of small and medium firms' owner-manager. Current study has proposed following 7 items to measure perceived risk:

Table 3.11  
*Owner-Manager Perceived Risk Measures (7 Items)*

<b>Adopted/Adapted Items</b>
<ul style="list-style-type: none"> <li>• I fear that my private business information might be disclosed</li> <li>• I fear that my confidential documents might be lost</li> <li>• I fear that inability to pay back may bring loss in business</li> <li>• I fear that use of leasing from financial institution may bring negative personal reputation</li> <li>• I fear that obtaining leasing is very time consuming</li> <li>• I fear that I am not fully able to understand the leasing products</li> <li>• I fear that I am not fully able to understand the leasing procedures</li> </ul>

Sources: Wang et al., (2015)

#### 3.4.1.2 Subjective Norms

Subjective norms are social values and their pressure which effect decision of SMEs owner-manager and behavioral intention. Subjective norm is an individual assessment regarding social and religious pressure to perform some particular behavior (Koropp, 2014). Measurement items for subjective norms are as follows;

Table 3.12  
*Owner-Manager Subjective Norms Measures (5 Items)*

<b>Adapted Items</b>
<ul style="list-style-type: none"> <li>• Most people who are close to me think that I have to choose leasing for my business financial needs</li> <li>• It is expected by others that I should choose financial products according to Shariah principals</li> <li>• People who are important to me suggest that leasing is useful for my business growth</li> <li>• My business colleagues will appreciate me if I choose leasing for my business financial needs</li> <li>• People do not like my decision of using non-Islamic leasing products</li> </ul>

Sources: Koropp et al. (2014)

### 3.4.1.2.1 Religious Beliefs

Religion is a cause, principle, or a system of beliefs, practices held to with ardor and faith. According to the Ali and Raza, (2015) religion is a psychological connection and dominant emotional relationship to things. Owner-manager prefer Islamic financing in Muslim countries as they want to use financing which is designed according to Islamic/Sharia rules and principles. In context of SMEs owner-manager financial products use; items to measure religious beliefs variable are as follow:

Table 3.13  
*Owner-Manager Religious Beliefs Measures (5 Items)*

Adapted Items
<ul style="list-style-type: none"><li>• I prefer Islamic financial institute</li><li>• I take Shariah advice by Alim before using leasing products</li><li>• I give preference to Islamic leasing products</li><li>• I prefer Islamic leasing because its free from Riba</li><li>• I prefer Islamic leasing because its free from fraud</li></ul>

Sources: Ali & Raza (2015)

### 3.4.1.2.2 Social Beliefs

The term refers to subjective norm or normative pressure. It can be defined as consumer perception that those who are important for him/her such as family, relatives and friends should or should not perform the behavior in question (Koropp, 2013). In a culture where social bindings are strong and people consider the opinion of their loved ones or referrals, social beliefs play an important role. In Pakistan owner-managers takes decisions based on the suggestions/opinions of their family, friends and referrals. Social beliefs measurement items are as follow:

Table 3.14

*Owner-Manager Social Beliefs Measures (4 Items)*

<b>Adopted/Adapted Items</b>
<ul style="list-style-type: none"> <li>• I prefer advice of my family and relatives when dealing with financial institutions for leasing</li> <li>• I prefer friends and colleagues suggestions before choosing leasing for my business financial needs</li> <li>• I prefer closed references opinions before taking decision regarding selection of leasing products</li> <li>• Information regarding leasing products I get through media and advertisement is very beneficial</li> </ul>

Sources: Koropp et al., (2013)

### 3.4.1.3 Perceived Behavioral Control (PBC)

PBC refers to a consumer perception of ease and difficulty to perform behavior. Perceived behavioral control construct contains all psychological and external factors that can affect intention of an individual towards actual behavior. It is concerned with distance between actual behavior and intention (Ahad et al., 2012). Following are the items to measure perceived behavioral control.

Table 3.15

*Owner-Manager Perceived Behavioral Control Measures (5 Items)*

<b>Adapted Items</b>
<ul style="list-style-type: none"> <li>• I have the authority to take my business financial decisions</li> <li>• I have authority of selection among leasing products for my business financial needs</li> <li>• I am confident that I can use leasing for my business needs</li> <li>• I am sure that by using leasing products my business will grow</li> <li>• I am able to manage ups and downs regarding my financial decisions</li> </ul>

Sources: Ahad et al. (2012)

#### 3.4.1.3.1 Self-Efficacy

The term refers to confidence of an individual in being able to perform a behavior. Consumers' interests and desire to purchase some products or services (Taylor & Todd, 1995). SMEs owner-manager self-efficacy towards taking decisions regarding adoption of financial products is an

important psychological determinant towards their positive attitude (Ya’gobi & Rad, 2015).

Current study proposed following 5 items to measure self-efficacy.

Table 3.16  
*Owner-Manager Self-efficacy Measures (5 Items)*

<b>Adapted Items</b>
<ul style="list-style-type: none"> <li>• I am able to use the leasing products if I have only the basic information about the products</li> <li>• I can use leasing products if someone else who is using leasing before assist me</li> <li>• My own previous experience with financial institution help me in selection of leasing products further</li> <li>• I am able to use the leasing products if someone help me in my first time usage</li> <li>• I can use leasing products if I get little support from financial institutions</li> </ul>

Sources: Ya’gobi & Rad ( 2015)

#### 3.4.1.4 Moderating Variable Demographic Factors

In line with Creswell, (2009) moderating variables are referred to one that modifies (moderates) the original relationship between independent and dependent variable. Thus, these variables better explain the moderating effect between independent and dependent variables. By following the study of Creswell current study has proposed following 4 demographic factors gender, age, education and experience.

Table 3.17  
*Owner-Manager Demographic Measures*

<b>Adapted Items</b>				
• Gender	Male	Female		
• Age	18-30 years (Adult)	31-50 (Adult)	51-60 (Mature)	Above 60 (Old)
• Highest education level	No formal education	High School/Diploma	Graduate	Postgraduate
• Experience	Less than 5 years	5 - 10 years	10 - 15 years	15 – 20 years
				Above 20 years

Sources: Haus et al., (2013)

### 3.5 Data Collection Procedure

For data collection, researcher has collected request letter from Othman Yeop Abdullah Graduate School of Business (OYAGSB). The request letter sent to selected Lahore Chamber of Commerce to get the list of targeted SMEs. As mentioned early that researcher has selected major province (Punjab) of Pakistan where highest population (65 percent) of SMEs is located. Further, manufacturing sector was selected because approximately half of SMEs (49 percent) involved in manufacturing business. Moreover, selected four top cities of Punjab as Lahore and Faisalabad are listed in top three cities of Pakistan who are contributing half of country's SME financing, remaining two cities Gujranwala and Sialkot also listed in top 20 cities of Pakistan who are contributing 85 percent of SME financing overall.

Additionally, list provided by Lahore Chamber of Commerce contained complete information of 17,857 manufacturing SMEs, (however attached lists are the selected SMEs only), thus, researcher has selected the targeted respondents according to the number of units per city. During pilot study researcher has experienced very low response rate, moreover, for distribution of forms researcher selected SMEs randomly from the list provided by Lahore Chamber of Commerce, thus, it was not sure that all selected firms are using or used leasing before or not. Therefore, researcher has added one screening question for those SMEs who never used leasing, however, current study focus was only users of leasing currently or previously. According to Mcmillan, (2004) the rate of return of distributed questionnaires should be 60 percent (Ku Ishak, 2012). Thus, to achieve the desired rate of return as recommended by Mcmillan and to cover up non users population, low response rate and margin for non-useable questionnaires, total 637 questionnaires have been distributed to achieve actual sample size, city wise details presented in

Table 3.2. Survey method used to administer data collection instrument was structured questionnaire. After discussing all the details and taking consent from owner-managers of SMEs the self-conducted questionnaires posted to relevant owner-managers of selected SMEs as well as distributed personally. Researcher also seeks help from chamber of commerce industry of each city because the required information of SMEs such as address and phone numbers were not updated in the list provided by Lahore Chamber of Commerce. The updated information was prerequisite in order to contact owner of firm and to identify the owner-manager in partnership firm who is responsible to take all financial decision, so that the actual person can fill up the form. Thus, researcher contacted Gujranwala and Sialkot chamber of commerce to provide updated information of mission one. However, staff was not cooperative at all to provide any details, though, after a lot of effort they have provided very limited information (only phone numbers) of selected respondents.

Thus, researcher searches rest of the contact details through internet source by visiting websites of firms. In order to reduce cost and time, researcher posted prescribed questionnaire forms to gather information after confirming the real owner of the company through phone calls and taking consent from him/her for data collection. However, to find small firms contact details was not an easy task and also due to small unstructured business setups, handling by few people, it was difficult to get desired information from them through any source. Therefore, researcher visited most of their places to collect required data. For remaining few questionnaire forms researcher asked from chamber of commerce but due to their busy office schedules most of them excused for this assistance, however, they helped by giving the contact details of most relevant person and their addresses. The questionnaire forms were both in English and Urdu language for

the convenience of respondents. After distribution of all forms, telephone calls were made to the respondents for follow up.

### 3.6 Questionnaire Design

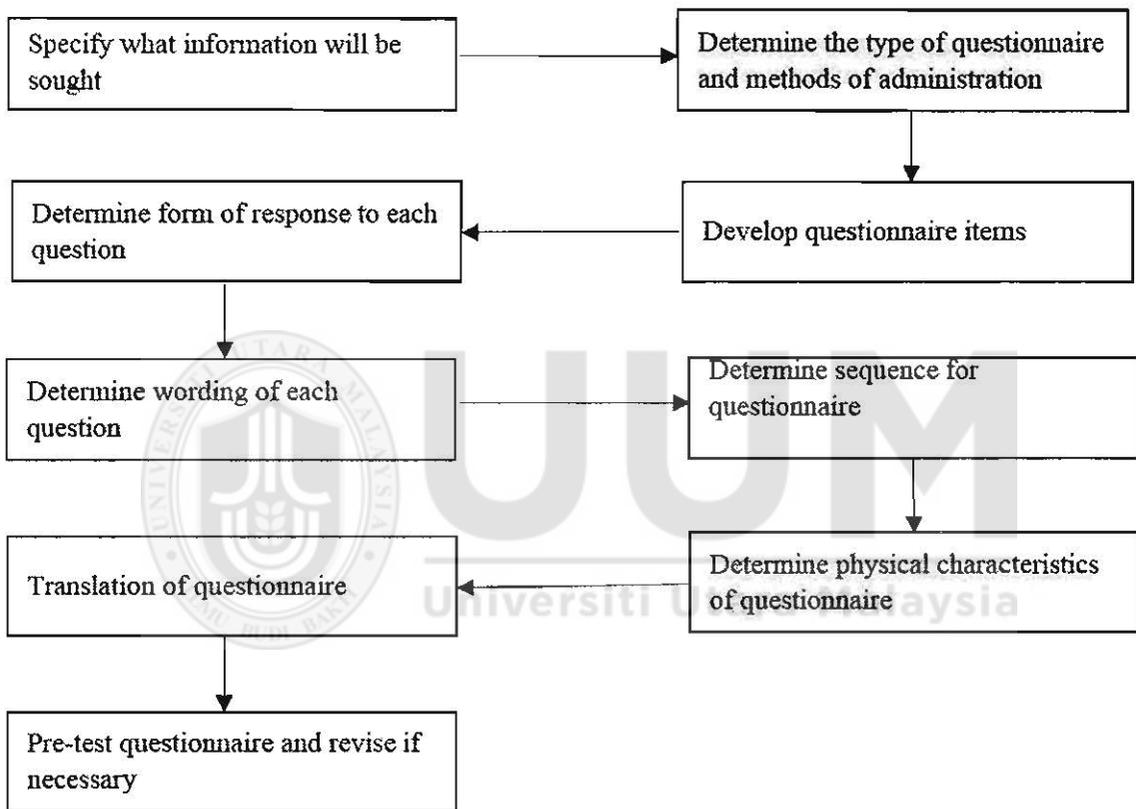


Figure 3.1  
*Questionnaire Development Process*  
Source: Churchill (1999)

Wilson and Sapsford, (2006) defined questionnaire as “structured set of questions, containing all necessary instructions, for respondents to fill in by themselves”. Researcher requested to respondent through questionnaire to read and understand questions and then answer by ticking or ringing the one; or, less likely to write in their personal free answer to a question (Wilson &

Sapsford, 2006). Moreover, questions should be clear and easy to read and understandable for respondent in order to get accurate information required for study. There is a complete process of questionnaire development provided by the Churchill, (1999) which is as follow.

After completion of required basic information, there is need to decide about questionnaire structure and regarding questionnaire administration of researcher, such as personally or by hand, email, post, and telephone. Different method of administration had been used by researchers for each type of questionnaire. An unstructured questionnaire with open-ended questions should not be administered by post, particularly if it has probing questions (Churchill, 1999). In current study questionnaire items developed by researcher after review of literature related to SMEs owner-manager behavioral intention and influential socio-psychological determinants influence financial decision making of SMEs owner-manager. According to Anastasi, (1986) researcher while selecting items should follow the definitions of constructs and select the items which are best according to definition. Thus, current study has adapted items from previous studies and made the necessary modifications. Table 3.5 to 3.17 represented the items of current study variables. Further, study also seeks to gather empirical data to validate the hypothesis of SMEs owner-manager intention towards usage of financial products in Pakistan. A structured questionnaire has been developed to gather data on causal relationships depicted above in list of hypotheses. Moreover, Five-point Likert scale have been used to measure indicators of research variables. Furthermore, indicators selected based on their validity and reliability scores in highlighted in previous studies and on expert opinion basis.

### 3.7 Data Validity and Reliability

After construction of questionnaire, the most important part of research was completed by researcher by checking validity and reliability. According to the Proctor, (2005) validity is “the degree to which the question measures what it is supposed to be measuring”. Field, (2009) refer validity as “whether the instrument measures what it was designed to measures”. In quantitative method validity based on positive response, honesty and accuracy from respondents (Cohen *et al.*, 2007). According to the Cohen *et al.*, (2007) 100 percent valid research is not possible and unachievable. Therefore, for improvement researcher should choose appropriate sampling technique, instrument and statistical analysis. Moreover, to make sure the validity before questionnaire distribution it’s necessary to check wording, sequence and translation which should be sufficiently clear to respondent. Thus, to check validity of present study researcher calculated following two validities.

#### 3.7.1 Content and Face Validity

To ensure that dimensions and construct items are appropriate means measure the construct with maximum adequacy, researchers conduct content validity. Thus, to conduct pre-test researcher has discussed with five experts of both business schools of UUM, School of Business (SBM) and Othman Yeop Abdullah Graduate School of Business (OYAGSB) took their suggestions regarding measures’ representativeness and appropriateness by following the suggestions made by Sekaran, (2003) and Hair *et al.*, (2014). Further, researcher also requested them to check if there is any repetition, or any over or under representation of measures. Expert’s suggested that focus on wording the items should be in reflective manner instead of formative, as well as, in

alignment with theoretical considerations were considered for improvising the instrument. According to Sekaran (2003) face validity indicates items that are intended to measure a concept.

Further, to conduct face validity, instruments were presented to some target respondents and get their opinions. Present study approached five respondents for face validity and asked their suggestions regarding correctness of items and its wording, general formatting, instructions, and understandability of scales. The respondents were also asked for any kind of possible difficulty in answering and overall completeness of instrument. Their suggestions/ opinions were helpful and taken into consideration to finalize the questionnaire for pilot test. As per Proctor, (2005) "Reliability is consistency in reaching same results when measurement made over and over again". It means that if research is carried out on a similar group of respondents in a similar context, similar results will be found. There is several techniques through researcher check reliability. However, to ensure reliability of questionnaires, previously researchers have used pilot-testing more frequently.

### **3.7.2 Pilot Testing**

In line with Gay, Mills, and Airasian, (2006) pilot study basically suggests going for a small scale study for trial purpose before conducting full study. Therefore, sample size for pilot testing suggested should be smaller which could range from 15-30 respondents (Malhotra, 2008). However bigger sample size leads towards the stronger results. Thus, to assess on goodness of instrument measure, present study has conducted a pilot study by taking sample size of 100 on May 2016. The questionnaires were distributed by using stratified random sampling technique to 100 respondents, however, rate of return was only 50 percent. Moreover, out of 50 forms

researcher found only 40 useable questionnaires. Pilot study was conducted in two largest cities of Pakistan; Lahore and Faisalabad account for more than half of the country's total SME financing (IFC, 2014a). Both cities are big in context of overall population and immense in sense of business activities.

Moreover, this study target market was only manufacturing SMEs owner-manager because 49 percent of owner-managers are involved in manufacturing businesses (IFC, 2014a). Additionally, it was not possible to conduct this research on wider level because of financial constraints and limited resources. Thus, among financial products study has selected fixed asset products more specifically, leasing products. As discussed earlier in Chapter 2 that experts consider leasing as one of the best product for SMEs, however, in Pakistan the usage of fixed investment products is only 18 percent by June, 2015 (SME-QFR, 2016). It is notable that the number of manufacturing firms are almost half the number of overall SMEs, and leasing products are more suitable for them, yet still usage is very low. Thus, it is more appropriate to question about those products which are as per SMEs requirements but still out of their reach. To proceed further, the reliability of each construct have been observed through internal consistency of Cronbach's alpha values along with factor loading of each construct. Results of the pilot study are as follow.

Table 3.18  
*Pilot Study Results*

Construct	No. of Items	Factor loading	Cronbach's Alpha	Average Variance Extracted	Items Deleted
Intention	4	0.725 0.710 0.778 0.834	0.770	0.583	Nil

Table 3.18 (continued)

		0.782			
		0.771			
Attitude	5	0.833	0.840	0.610	Nil
		0.790			
		0.726			
		0.890			
Motivation	4	0.832	0.883	0.723	MT3
		0.942			
		0.721			
		0.831			
Awareness	4	0.626	0.684	0.477	AWR5
		0.508			
		0.752			
		0.687			
Perceived Usefulness	4	0.751	0.778	0.590	Nil
		0.838			
		0.789			
		0.627			
		0.708			
Perceived Ease of Use	5	0.757	0.791	0.545	Nil
		0.772			
		0.815			
		0.796			
		0.754			
		0.801			
Perceived Risk	7	0.717	0.894	0.611	Nil
		0.851			
		0.730			
		0.815			
		0.667			
		0.733			
Subjective Norms	5	0.721	0.793	0.545	Nil
		0.808			
		0.756			
		0.814			
Social Beliefs	3	0.916	0.865	0.769	SB1
		0.898			
		0.817			
		0.794			
Religious Beliefs	5	0.814	0.877	0.669	Nil
		0.866			
		0.796			

Table 3.18 (continued)

Perceived Behavioral Control	4	0.917	0.909	0.787	PBC4
		0.815			
		0.887			
		0.924			
Self-Efficacy	4	0.723	0.821	0.643	SE3
		0.842			
		0.842			
		0.794			

Table 3.18 representing Cronbach's alpha for all constructs used in current study. Cronbach's alpha has been used in current study to assess the reliability or internal consistency of constructs. Cronbach's alpha is the most common measure of internal consistency "reliability". Among researcher's it is most commonly used when a study have multiple Likert questions in a survey/questionnaire that form a scale and scholar wish to determine if the scale is reliable, thus, current study has also used the same measure to assess the reliability of constructs. As per above almost all Cronbach's alpha values are more than 0.70 as suggested by Nunnally and Beinstein (1994) as a minimum acceptable limit. Table 3.18 shows Cronbach's alpha value of awareness less than 0.70 however, more than 0.60 and still acceptable as stated by Hair et al. (2014) who referred a Cronbach's alpha value of more than 0.60 as a construct with acceptable reliability, thus, no items deleted on this basis. Furthermore, to ensure that all values are more than 0.50 factor loading has been tested. Some items such as MT3, AWR5, SB1, PBC4 and SE3 were deleted in the analysis because of lower factor loadings of mentioned items. Moreover, as per general view of statisticians, the value of Average Variance Extract (AVE) should be more than 0.5. Table 3.18 presenting all values that are above actual requirement (Sarstedt et al., 2014). Hence, it was ensured through the pilot study that the instrument being used is valid and reliable which further led to collecting data for the main study.

### 3.8 Data Analysis

Current study data analysis was done by combining descriptive and inferential statistics. The descriptive analysis is compulsory towards understanding about demography and profiling etc. moreover, data summarization in shape of different tabular presentations (Agresti & Finlay, 2009). Descriptive analysis was done by using SPSS 22, the center of the data and the variability of the data set in descriptive statistics was presented and discussed to bring in more understanding of the issues.

Furthermore, to predict from the data, inferential analysis was conducted using structural equation modelling (SEM). Basically the goal of SEM is to describe the configuration of a chain of inter linked dependence interactions concurrently among latent or unobserved variables wherein each of them is measured by observed variables (Hair et al., 2011). SEM has been used to depict relationships among observed variables in various types of models, with the same basic goal of providing a quantitative test of a theoretical model hypothesized by the researcher (Schumacker & Lomax, 2010).

SEM is usually regarded as exploratory technique instead of confirmatory. In addition to analyzing latent constructs, SEM also seeks to facilitate other kinds of investigations like variance and covariance estimation, linear regression, hypothesis testing, and confirmatory factor analysis (CFA) (Joreskog & Sorbom, 1996). There are two approaches to structural equation modeling: covariance based SEM (CBSEM) and variance based SEM (VBSEM) (Chin, 1998).

Table 3.19  
*PLS and Covariance based Analysis*

<b>Criterion</b>	<b>PLS (VBSEM)</b>	<b>C-VBSEM</b>
Objective	Prediction oriented	Parameter oriented
Approach	Variance	Covariance
Assumption	Nonparametric	Parametric
Implication	Optimal for prediction	Optimal for parameter estimation
Parameter estimates	Explicitly estimated	Indeterminate
Model complexity	Large complexity	Small to moderate complexity
Sample size	Minimum of 20-100	200-800

Source: Hulland et al., (2010)

Table 3.19 represent two different types of SEM types widely vary in different aspects. Moreover, CBSEM firstly measures the model parameters, and then estimates the case values (Dijkstra, 1983), whereas PLS using VBSEM begins with calculation of case values (Haenlein & Kaplan, 2004). Also, in extremely complex models with high number of constructs, relationships, or indicators PLS have the potential to deal these types of models (Garthwaite, 1994). This study adopted PLS because of its predictive orientation and ability to deal with model complexity. Furthermore, according to Hair et al., (2011) it is widely accepted in marketing research. Current study has followed a two-stage approach for the SEM which includes 1) measurement model estimated and fixed; 2) structural model assessed and taken forward for hypothesis testing and other analyses and finally moderating effects were estimated. Current study has conducted inferential analysis of SEM by using latest version of Smart PLS 3.2.2 (Beta) software.

### 3.9 Summary

This chapter has described the research framework, hypotheses of study and consequent quantitative explanatory research design. The conceptual and operational definitions of variables of study are elaborated in detail. Sampling strategy and its various components such as sampling design, sampling frame, sampling methods and sample size are described. The choice of stratified random sampling as probability sampling technique is justified given its compatibility with the quantitative research design selected earlier. Measurement of variables, questionnaire design and its validity issues are discussed to ensure maximum generalizability of results. To sum up, details and procedures laid out in this chapter would enable the researcher to carry out the research study effectively and efficiently.



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## CHAPTER 4

### DATA ANALYSIS AND FINDINGS

#### 4.1 Introduction

This chapter deals with the data analysis results, it seeks to present the hypothesis results developed in chapter three. A detailed discussion in further sections is based on the response rate, data screening and data cleaning issues. Next section presented the details regarding current study respondent's profiles. Further, sections elaborating the Partial Least Squares approach to structural equation modeling used in present study. Moreover, this chapter discussed the evaluation of measurement model to ensure that constructs and items doing their job properly through various validity measures. Thereafter, section presents the structural model and hypothesis testing results elaborated separately for direct, mediating, and moderating relationships and summarized the results further.

#### 4.2 Response Rate

Response rate can be estimated by dividing the number of respondents to the sample size (Hamilton, 2009). The response rate in context of Pakistan is very poor even among educated people, therefore, collected few more data along with the targeted set data of current study. As mentioned earlier, there are 10,431 small and medium manufacturing firms operating in four major cities of Punjab, thus, 375 sample size has been selected for current study as per Krejcie and Morgan (1970) sample size table. Moreover, researcher has selected SMEs firms randomly from the list provided by Lahore Chamber of Commerce for whole province of Punjab. One screening question for those SMEs who never used leasing was added in the questionnaire.

However, current study only focused on the socio-psychological determinants of owner-managers who have used or currently using leasing. Mcmillan, (2004) suggested that the rate of return of distributed questionnaires should be 60 percent (Ku Ishak, 2012). Therefore, researcher has tried to achieve the suggested Mcmillan response rate as already experienced low response rate during pilot study, therefore, because of low response rate as well as to deal with non-users and unusable questionnaires 637 questionnaires were distributed. The data was collected directly from SME owner-managers and through mail/courier, however, the direct collection of data from owner-managers was very quick and complete early, though, forms distributed through mail took a bit more time.

Researcher distributed questionnaires to SMEs personally and by mail after 30 days, 310 questionnaires were received and labelled as early responses. In spite of encouraging response, gentle reminders through phone calls, messages were also sent to the owner-managers of selected firms also visited the offices personally for collection of questionnaires. Hence, after continuous follow-up and personal effort 182 more questionnaires were received as late response. Finally, out of 637 distributed questionnaires total 492 were returned. Afterwards in screening process out of 492 questionnaire forms 121 were found as non-users of leasing, moreover, 73 questionnaires forms were excluded because respondents did not filled correctly and properly. Thus, 298 questionnaires were found complete and in usable form for further analysis. The overall response rate including non-users was 66 percent, however, after exclusion of non-users the actual response rate was around 47 percent and according to Sekaran (2003) response rate of 30 percent is adequate for surveys (Table 4.1).

Table 4.1

*Questionnaires Response Rate*

<b>Response</b>	<b>Rate</b>
Questionnaires forms distributed	637
Returned questionnaires forms	492
Usable questionnaires forms	298
Excluded questionnaires forms non-users	121
Excluded questionnaires forms not filled properly	73
Questionnaires forms not returned	145
Overall response rate	66%
Valid response rate	47%

Finally, 298 questionnaires were found useable for further analysis.

### 4.3 Data Screening

#### 4.3.1 Missing Value Analysis

For conducting analysis, it's important to screen the data first for treating missing values as in SEM the available tools and techniques cannot function in case of any missing value exist in the data set (Lomax & Schumacker, 2004). Moreover, the quality of data analysis depends on data organization and its further converted appropriate form for analysis (Kristensen & Eskildsen, 2010). Therefore, data screening is extremely useful for making it sure that the data have been entered correctly. According to Sekaran and Bougie, (2010) there are different situations which can create missing data, such as; respondents feel difficulty in answering, inability to properly understand questions, or respondent not willing to answer. Scholars suggested different methods for handling missing data like Tabachnick and Fidell, (2007) stated simply drop the case. Thus, current study has also used the same method, calculated by using SPSS. There were 8 cases of missing values found (Case ID: 13, 57, 77, 130, 141, 166, 203, 219). As the number of missing values was small, therefore, the cases were dropped and the remaining cases were retained for further analysis. After dropping the missing values, 290 cases were left for further analysis.

### 4.3.2 Outliers Assessment

Barnett and Lewis (1994) defined outliers “as observations or subsets of observations which appear to be inconsistent with the remainder of the data” (p. 7). Additionally, Verardi and Croux, (2008) stated that in regression based analysis outliers presence in data set can lead to unreliable results because of distortion in the estimates of regression coefficients. To identify the multivariate outliers by using Mahalanobis distance (D2). According to Tabachnick and Fidell (2007) “Mahalanobis is the distance of a case from the centroid of the remaining cases where the centroid is the point created at the intersection of the means of all the variables” (p. 74). Based on 59 observed variables of the study, the recommended threshold of chi-square is 98.32 ( $p = 0.001$ ). Mahalanobis values that exceeded this threshold were deleted. By follow the criteria to detect multivariate outliers, five multivariate outliers (e.g., MT10, SB72 and AWR151, RB202, PU235) detected and deleted to avoid any disturbance in the accuracy of data analysis technique. However, after deletion of total 5 multivariate outliers, the final dataset of present study was 285. In PLS-SEM, generally makes no assumptions about the data distributions. PLS-SEM is a nonparametric statistical method which is different from maximum likelihood (ML)–based CB-SEM, it does not require the data to be normally distributed (Hair et al., 2014). Thus, followed by Hair et al., (2014), current study has not tested normality of data.

### 4.4 Profile of Respondents

It is necessary for the rational explanation and clear discussion of results and findings to clearly understand the respondent’s profile as Table 4.2 is presenting the respondents details of current study. Current study after screening process considered 285 owner-managers responses for further analysis. Data highlighted that in Pakistan SME society is male dominant as only 7

percent female owner-managers found in whole data and 93 percent male owner-managers. Out of 7 percent most of the owner-managers were working as partners of firms such as family based partnership firms, thus their role towards firm operations was not very effective. Thereafter, 50.9 % of the respondents were found to be in the age bracket of 31-50 years and 20.7 % were between 51 to 60 years. 16.8 % respondents were in the age group of 18-30 years and remaining 11.6 % were above 60 years of age.

Table 4.2  
*Respondents Profile*

<b>Personal Demography</b>	<b>Indicator</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Gender</b>	Male	263	92.3
	Female	22	7.7
<b>Age</b>	18-30 years	48	16.8
	31-50 years	145	50.9
	51-60 years	59	20.7
	Above 60	33	11.6
<b>Education Level</b>	No Formal Education	13	4.6
	High School	139	48.8
	Graduation	64	22.5
	Masters	62	21.7
	Professionals	7	2.4
<b>Experience</b>	Less than 5 years	36	13.7
	5-10 years	119	40.8
	10-15 years	73	25.6
	15-20 years	50	17.5
	Above 20 years	7	2.4
<b>Type of Business</b>	Sole-Proprietorship	201	70.5
	Partnerships	86	30.4
	Other	0	0
<b>Total</b>		285	100

From these respondents the higher level of qualification were seen up to (2.4%) professionals, (21%) Masters, (22%) graduates, (48%) high school. Around 4% respondents in total were found to have either no formal education. Overall, the education of SMEs owner-managers found low as only 32 percent of owner-managers have Master's Degree. As far as experience level was

concerned, the highest number of respondents (40.8%) was found to be in the range of 5 to 10 years. The second highest number of respondents (25.6%) was in the range of 10 to 15 years. Moreover, the owner-managers with less than five or around five years of business experience ratio was 12% and above 20 years were only 3.5% of the total number of respondents. Data highlighted that overall experience in manufacturing SMEs is quite high. In the last to analyze the type of business among manufacturing SMEs researcher added one firm demography, however, data highlighted that among manufacturing SMEs still owner-managers are dominant with 70 percent of proprietorship business setups.

#### 4.5 Descriptive Analysis

Current section is specifically related to descriptive statistics for the variable/dimensions used in this study. The purpose to conduct descriptive analysis is to explain the descriptive statistics of dimensions in form of means, standard deviations and variance. It is helpful for researcher to view respondent's response towards survey instrument of study (Sekaran & Bougie, 2010). All latent variables of current study were measured using a five-point likert scale, Table 4.3 presenting the results.

Table 4.3  
*Descriptive Statistics of the Study Variables*

<b>Construct</b>	<b>N</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
Behavioral Intention	285	1.75	5.00	3.012	0.559
Attitude	285	1.20	5.00	3.385	0.722
Motivation	285	1.40	5.00	3.369	0.528
Awareness	285	2.20	5.00	3.536	0.582
Perceived Usefulness	285	1.50	4.75	3.240	0.735
Perceived ease of use	285	1.20	4.80	3.032	0.883
Perceived Risk	285	1.14	4.71	3.052	0.880
Subjective Norms	285	1.40	4.60	3.050	0.691
Religious Beliefs	285	2.25	4.75	3.586	0.509
Social Beliefs	285	1.00	4.80	3.032	0.892

Table 4.3 (continued)

Perceived Behavioral Control	285	1.60	4.60	3.600	0.693
Self-Efficacy	285	2.40	5.00	3.5270	0.473

The above Table 4.3 representing the descriptive statistics highlighting that all variables of mean and standard deviation are in acceptable range. As such, it can be established that on the basis of responses i.e. opinions of respondents collected in this study explicitly reflect to an acceptable and satisfactory level of implementation with regard to all dimensions viz. behavioral intention, attitude, motivation, awareness, perceived usefulness, perceived ease of use, perceived risk, religious beliefs, social beliefs, subjective norms, self-efficacy, perceived behavioral control.

#### 4.6 Partial Least Square-Structural Equation Modelling: PLS-SEM Path Model Results

Present study resorted to use SEM to test the hypothesis which evolved from the proposed theoretical framework. The frequently used approaches of SEM are covariance based (AMOS, LISREL) and variance based (Partial Least Squares). However, not any approach is actually perceived superior to another by the researchers. The actual difference between the two is that CBSEM has been mainly considered as confirmatory (towards testing a strong theory) in nature whereas PLS-VBSEM has been considered as prediction oriented (facilitating theory development).

Currently researchers appreciate VBSEM more than the other approaches due to its advantages refer to factor in determinacy absence as well as the convergence issues (Henseler, 2010). Moreover, as compared to other approaches, researcher can assume simpler distributional

assumptions when focusing on theory development or prediction (Reinartz, Haenlein, & Henseler, 2009). Furthermore, it has ability to estimate models contained more variables than the observations (Dijkstra & Henseler, 2012). Also ability to measure formative constructs (Haenlein & Kaplan, 2004). Studies of Ringle, Sarstedt, and Straub (2012) and Tenenhaus, Vinzi, Chatelin, and Lauro (2005) etc described the development and importance of PLS-VBSEM's methodological aspects.

Current study research model comprises of several independent and dependent variables and also demographic factors as moderating variables which sought need for invariance analysis. Moreover, study resorted to using Smart PLS 3.2.2 software for the SEM to statistically explain the relationships among the dimensions of independent variables and the dependent variables, along with the moderating variables. As the data analysis of this study was done using Smart PLS software meant to perform PLS path modeling. As Ringle et al. (2012) stated that PLS-SEM can facilitate in enhancing the already existing good reporting practices in disciplines like marketing. Furthermore, SEM has two dominant approaches, one is factor analysis and the other one path analysis. These two approaches enable researchers in examining concurrently two important facets of research model which are, 1) measurement model (conventionally estimated through factor analysis), and 2) structural model (conventionally estimated through path analysis) (Lee, Peter, Fayard, & Robinson, 2011).

In current study, data analysis was carried out through PLS path modeling performed for the two parts; firstly, for the measurement model which is called as outer model in PLS; and secondly for the structural model which is termed as inner model in PLS. The relationship between latent or

unobserved variables was explained in the inner model, whereas the link between a latent variable and its manifest variables was described in the outer model. Furthermore, operation-wise, PLS algorithm sought to produce loadings between the reflective constructs and their respective indicators as this study consisted of all reflective constructs only. For a detailed explanation, the results of the PLS modeling explained in following sections.

#### **4.7 Measurement Model Assessment**

As discussed above that the assessment of measurement model includes determining individual item reliability, internal consistency reliability, content validity, convergent validity and discriminant validity (Hair et al., 2014; Hair et al., 2011; Henseler et al., 2009). Thus, using Smart PLS, the measurement model (outer model) was examined to determine indicators (items) loadings appropriateness. It is evaluated to confirm that indicators measure the construct accurately and to confirm the reliability of instrument. Moreover, the outer model diagnosed the relationship between observable and underlying constructs. Thus, it is important to check the appropriate items for ensuring a proper operationalization of a particular construct. Further, the estimation of construct validity is necessary which can be justified in SEM through content validity, convergent validity, and discriminant validity (Hair et al., 2016).

##### **4.7.1 Content Validity**

As discussed earlier that content validity signifies the fitness and ability of items generated for a construct to measure the study main concept (Duarte & Raposo, 2010; Hair et al., 2014; Hair et al., 2012; Hulland, 1999). Smart PLS create the factor loadings of all items and it is based on Principal Component Analysis (PCA) method (Vinzi, Lauro, & Tenenhaus, 2003). The highest

loading values of all items on their respective constructs is the basic requirement. Thus, the factor analysis was performed as shown in Table 4.4. As per above Table 4.4 loadings of all items are highest on their respective constructs, thus, consist of significantly and acceptably high loadings.



Table 4.4  
*Cross loadings of the Items*

Constructs	Items	ATT	AWR	INT	MT	PBC	PEU	PU	RB	RSK	SB	SE	SN
<b>Attitude</b>	AT1	<b>0.745</b>	0.472	0.357	0.223	0.212	0.294	0.377	0.137	-0.242	0.182	0.152	0.140
	AT2	<b>0.888</b>	0.475	0.280	0.277	0.312	0.291	0.311	0.183	-0.261	0.163	0.053	0.134
	AT3	<b>0.874</b>	0.462	0.363	0.266	0.304	0.247	0.299	0.238	-0.350	0.246	0.079	0.232
	AT4	<b>0.725</b>	0.308	0.261	0.144	0.123	0.136	0.097	0.083	-0.219	0.136	0.067	0.100
	AT5	<b>0.577</b>	0.296	0.183	0.093	0.128	0.160	0.110	0.148	-0.198	0.142	0.088	0.161
<b>Awareness</b>	AWR1	0.497	<b>0.833</b>	0.259	0.555	0.024	0.079	0.194	0.196	-0.218	0.146	-0.062	0.225
	AWR2	0.492	<b>0.872</b>	0.268	0.493	0.208	0.150	0.312	0.206	-0.246	0.118	0.130	0.220
	AWR3	0.393	<b>0.835</b>	0.187	0.437	0.197	0.128	0.230	0.242	-0.171	0.147	0.059	0.228
	AWR4	0.330	<b>0.683</b>	0.197	0.304	0.100	0.056	0.158	0.125	-0.132	0.164	-0.036	0.168
<b>Intention</b>	INT1	0.301	0.222	<b>0.872</b>	0.118	0.103	0.294	0.151	0.375	-0.407	0.407	0.024	0.429
	INT2	0.268	0.197	<b>0.853</b>	0.056	0.062	0.238	0.046	0.384	-0.374	0.379	0.058	0.441
	INT3	0.289	0.186	<b>0.725</b>	0.022	0.099	0.222	0.188	0.151	-0.291	0.262	0.066	0.319
	INT4	0.404	0.327	<b>0.767</b>	0.153	0.158	0.086	0.223	0.084	-0.266	0.117	0.044	0.238
<b>Motivation</b>	MT1	0.283	0.472	0.084	<b>0.879</b>	-0.064	-0.035	0.049	0.205	-0.020	0.066	-0.021	0.172
	MT2	0.233	0.526	0.117	<b>0.817</b>	0.032	0.120	0.083	0.165	-0.039	0.077	0.019	0.136
	MT4	0.143	0.403	0.045	<b>0.728</b>	0.060	-0.069	0.023	0.082	-0.002	-0.026	0.010	0.099
	MT5	0.177	0.387	0.088	<b>0.746</b>	-0.075	-0.143	-0.005	0.085	0.031	0.024	-0.068	0.104

Table 4.4 (continue)

Constructs	Items	ATT	AWR	INT	MT	PBC	PEU	PU	RB	RSK	SB	SE	SN
<b>Perceived Behavioral Control</b>	PBC1	0.230	0.088	0.110	-0.061	<b>0.898</b>	0.224	0.181	0.104	-0.111	0.104	0.158	0.054
	PBC2	0.282	0.165	0.061	-0.022	<b>0.919</b>	0.174	0.199	0.098	-0.175	0.103	0.148	0.045
	PBC3	0.238	0.168	0.061	-0.073	0.680	0.092	0.214	0.004	-0.042	0.053	0.054	0.014
	PBC5	0.283	0.162	0.165	0.028	<b>0.921</b>	0.167	0.194	0.108	-0.128	0.079	0.195	0.041
<b>Perceived Ease of Use</b>	PEU1	0.149	0.081	0.221	-0.017	0.143	<b>0.675</b>	0.091	0.390	-0.291	0.362	0.111	0.330
	PEU2	0.226	0.123	0.213	0.009	0.117	<b>0.760</b>	0.094	0.281	-0.245	0.323	0.074	0.281
	PEU3	0.216	0.083	0.173	-0.093	0.175	<b>0.743</b>	0.077	0.287	-0.253	0.269	0.059	0.224
	PEU4	0.265	0.130	0.163	0.045	0.194	<b>0.743</b>	0.096	0.259	-0.295	0.290	-0.039	0.234
	PEU5	0.243	0.055	0.222	-0.048	0.102	<b>0.754</b>	0.092	0.212	-0.245	0.299	-0.022	0.231
<b>Perceived Usefulness</b>	PU1	0.305	0.301	0.192	0.070	0.208	0.080	<b>0.859</b>	0.022	-0.092	0.012	0.143	0.035
	PU2	0.292	0.230	0.196	-0.003	0.208	0.172	<b>0.899</b>	0.064	-0.129	0.087	0.221	0.089
	PU3	0.314	0.214	0.135	0.058	0.169	0.078	<b>0.857</b>	0.060	-0.137	0.093	0.203	0.106
	PU4	0.145	0.149	0.017	0.052	0.107	0.058	<b>0.599</b>	0.067	-0.057	0.069	0.046	0.071
<b>Religious Beliefs</b>	RB1	0.181	0.187	0.279	0.180	0.119	0.353	0.026	<b>0.897</b>	-0.379	0.635	-0.037	0.555
	RB2	0.091	0.076	0.019	0.120	0.029	0.144	-0.036	<b>0.585</b>	-0.058	0.369	-0.021	0.213
	RB3	0.146	0.166	0.287	0.121	0.074	0.355	0.042	<b>0.882</b>	-0.390	0.667	0.052	0.520
	RB4	0.234	0.284	0.309	0.188	0.103	0.338	0.060	<b>0.884</b>	-0.425	0.535	-0.065	0.558
	RB5	0.195	0.233	0.324	0.150	0.084	0.306	0.111	<b>0.875</b>	-0.427	0.558	-0.001	0.585
<b>Perceived Risk</b>	RSK1	-0.315	-0.242	-0.345	-0.019	-0.175	-0.267	-0.090	-0.346	<b>0.814</b>	-0.341	0.044	-0.511
	RSK2	-0.261	-0.224	-0.347	-0.061	-0.078	-0.303	-0.072	-0.340	<b>0.792</b>	-0.317	0.070	-0.398
	RSK3	-0.318	-0.229	-0.331	-0.004	-0.100	-0.369	-0.107	-0.327	<b>0.810</b>	-0.365	0.082	-0.411
	RSK4	-0.234	-0.106	-0.288	0.062	-0.118	-0.275	-0.089	-0.285	<b>0.742</b>	-0.254	-0.008	-0.399
	RSK5	-0.177	-0.177	-0.291	-0.052	-0.078	-0.184	-0.162	-0.353	<b>0.734</b>	-0.331	0.015	-0.412
	RSK6	-0.179	-0.182	-0.315	0.009	-0.115	-0.203	-0.150	-0.332	<b>0.779</b>	-0.329	0.004	-0.390
	RSK7	-0.283	-0.147	-0.359	-0.012	-0.087	-0.295	-0.095	-0.414	<b>0.794</b>	-0.398	0.029	-0.498

Table 4.4 (continue)

Constructs	Items	ATT	AWR	INT	MT	PBC	PEU	PU	RB	RSK	SB	SE	SN
Social Beliefs	SB2	0.236	0.127	0.260	0.004	0.130	0.311	0.053	0.464	-0.238	<b>0.807</b>	0.020	0.280
	SB3	0.155	0.153	0.332	0.024	0.126	0.340	0.019	0.673	-0.337	<b>0.834</b>	-0.043	0.423
	SB4	0.209	0.155	0.331	0.082	0.038	0.378	0.104	0.559	-0.445	0.891	-0.021	0.631
Self-Efficacy	SE1	0.143	0.073	0.069	0.003	0.185	0.020	0.174	0.023	0.034	0.018	<b>0.822</b>	-0.018
	SE2	0.069	0.026	-0.029	0.063	0.089	0.025	0.139	0.031	0.020	0.037	<b>0.733</b>	0.028
	SE4	0.005	-0.032	-0.039	-0.046	0.086	0.092	0.093	-0.065	0.067	-0.031	<b>0.731</b>	-0.055
Subjective Norms	SN1	0.076	-0.010	0.077	-0.071	0.125	-0.002	0.175	-0.061	0.033	-0.096	<b>0.694</b>	-0.062
	SN2	0.205	0.289	0.450	0.120	0.075	0.353	0.102	0.585	-0.584	0.486	-0.058	<b>0.844</b>
	SN3	0.164	0.204	0.365	0.134	0.053	0.249	0.061	0.458	-0.411	0.446	-0.032	<b>0.833</b>
	SN4	0.127	0.200	0.328	0.082	0.076	0.279	0.050	0.491	-0.469	0.434	-0.080	<b>0.806</b>
	SN5	0.215	0.224	0.397	0.190	0.038	0.275	0.075	0.543	-0.477	0.492	-0.023	<b>0.892</b>
	SN5	0.128	0.176	0.343	0.175	-0.039	0.286	0.090	0.494	-0.394	0.564	0.039	<b>0.846</b>

Table 4.4 highlighting the loadings of all items related to their constructs taken in this study includes: motivation, awareness, perceived usefulness, perceived ease of use, perceived risk, attitude, religious beliefs, social beliefs, subjective norms, self-efficacy, perceived behavioral control and behavioral intention.

According to Chan, (2003), less than 0.30 termed the item loading as poor, in range of 0.31 to 0.50 is fair, between 0.51 to 0.60 moderate, however considered as strong if it is in range of 0.61 to 0.80, and between 0.81 to 1 very strong. Table 4.4 representing the loadings of items which are greater than 0.61 which shows either strong or very strong loading for each of the indicators taken in the study. However, only three indicators (AT5, PU4, RB2) values are between 0.51 to 0.60 which are also between moderate range.

Table 4.5 highlighted that each item load significantly on their relevant constructs at 0.01 level of significance. It further implies that validity is assumed through the factor analysis. These results finally led to considering that both content validity and the overall measurement of model is preserved.

Table 4.5  
*Factor Loadings Significance*

Variable	Item	Loadings	Standard Error	T-Values	P Values
<b>Intention</b>	INT1	0.872	0.014	63.676	0.000
	INT2	0.853	0.022	38.705	0.000
	INT3	0.725	0.031	23.426	0.000
	INT4	0.767	0.035	21.892	0.000

Table 4.5 (continued)

<b>Attitude</b>	AT1	0.745	0.028	26.557	0.000
	AT2	0.888	0.014	63.906	0.000
	AT3	0.874	0.015	58.778	0.000
	AT4	0.725	0.035	20.520	0.000
	AT5	0.577	0.056	10.334	0.000
<b>Motivation</b>	MT1	0.879	0.022	39.184	0.000
	MT2	0.817	0.034	24.270	0.000
	MT4	0.728	0.064	11.298	0.000
	MT5	0.746	0.054	13.926	0.000
<b>Awareness</b>	AWR1	0.833	0.019	43.662	0.000
	AWR2	0.872	0.017	49.844	0.000
	AWR3	0.835	0.022	38.004	0.000
	AWR4	0.683	0.039	17.589	0.000
<b>Perceived Usefulness</b>	PU1	0.859	0.025	34.160	0.000
	PU2	0.899	0.016	56.918	0.000
	PU3	0.857	0.024	35.992	0.000
	PU4	0.599	0.072	8.353	0.000
<b>Perceived Ease of Use</b>	PEU1	0.675	0.059	11.513	0.000
	PEU2	0.760	0.040	18.926	0.000
	PEU3	0.743	0.040	18.403	0.000
	PEU4	0.743	0.045	16.553	0.000
	PEU5	0.754	0.041	18.359	0.000
<b>Perceived Risk</b>	RSK1	0.814	0.020	39.781	0.000
	RSK2	0.792	0.029	27.343	0.000
	RSK3	0.810	0.024	34.247	0.000
	RSK4	0.742	0.038	19.368	0.000
	RSK5	0.734	0.039	18.751	0.000
	RSK6	0.779	0.035	22.562	0.000
	RSK7	0.794	0.029	27.211	0.000
<b>Subjective Norms</b>	SN1	0.844	0.019	44.211	0.000
	SN2	0.833	0.019	43.789	0.000
	SN3	0.806	0.021	38.325	0.000
	SN4	0.892	0.016	56.362	0.000
	SN5	0.846	0.018	46.293	0.000
<b>Social Beliefs</b>	SB2	0.807	0.033	24.495	0.000
	SB3	0.834	0.024	35.263	0.000
	SB4	0.891	0.011	79.207	0.000

Table 4.5 (continued)

Religious Beliefs	RB1	0.897	0.009	94.728	0.000
	RB2	0.585	0.048	12.097	0.000
	RB3	0.882	0.013	69.560	0.000
	RB4	0.884	0.016	56.890	0.000
	RB5	0.875	0.014	62.031	0.000
Perceived Behavioral Control	PBC1	0.898	0.024	37.519	0.000
	PBC2	0.919	0.020	47.057	0.000
	PBC3	0.680	0.069	9.813	0.000
	PBC5	0.921	0.021	42.874	0.000
Self-Efficacy	SE1	0.822	0.118	6.961	0.000
	SE2	0.733	0.122	5.990	0.000
	SE4	0.731	0.136	5.384	0.000
	SE5	0.694	0.140	4.942	0.000

#### 4.7.2 Convergent Validity

According to Hair et al. (2016) in convergent validity items truly represent the intended latent construct and indeed correlate with other measures of the same latent construct. Thus, to establish convergent validity three types of estimations such as composite reliability, factor loadings, and average variance extracted (AVE) have been suggested (Hair et al., 2011). In line with Fornell and Larcker, (1981) the acceptable AVE loading value of items should be 0.50 or more as suggested in literature of multivariate analysis.

Table 4.6  
*Convergent Validity Analysis*

Variable	Item	Original Sample	Cronbach's Alpha	Composite Reliability	AVE
Intention	INT1	0.872	0.819	0.881	0.651
	INT2	0.872			
	INT3	0.853			
	INT4	0.725			

Table 4.6 (continued)

Attitude	AT1	0.767			
	AT2	0.888	0.826	0.877	0.593
	AT3	0.874			
	AT4	0.725			
	AT5	0.577			
Motivation	MT1	0.879	0.808	0.872	0.632
	MT2	0.817			
	MT4	0.728			
	MT5	0.746			
	AWR1	0.833			
Awareness	AWR2	0.872	0.822	0.883	0.654
	AWR3	0.835			
	AWR4	0.683			
	PU1	0.859			
Perceived Usefulness	PU2	0.899	0.826	0.884	0.660
	PU3	0.857			
	PU4	0.599			
	PEU1	0.675			
Perceived Ease of Use	PEU2	0.760			
	PEU3	0.743	0.791	0.855	0.541
	PEU4	0.743			
	PEU5	0.754			
	RSK1	0.814			
Perceived Risk	RSK2	0.792			
	RSK3	0.810			
	RSK4	0.742	0.895	0.916	0.610
	RSK5	0.734			
	RSK6	0.779			
	RSK7	0.794			
	SN1	0.844			
Subjective Norms	SN2	0.833			
	SN3	0.806	0.899	0.926	0.713
	SN4	0.892			
	SN5	0.846			
	SB2	0.807			
Social Beliefs	SB3	0.834	0.813	0.882	0.713
	SB4	0.891			

Table 4.6 (continued)

	RB1	0.897			
	RB2	0.585			
Religious Beliefs	RB3	0.882	0.888	0.917	0.694
	RB4	0.884			
	RB5	0.875			
Perceived Behavioral Control	PBC1	0.898			
	PBC2	0.919	0.886	0.918	0.740
	PBC3	0.680			
	PBC5	0.921			
Self-Efficacy	SE1	0.733			
	SE2	0.731			
	SE4	0.694	0.747	0.926	0.713
	SE5	0.921			

Table 4.6 highlighted that all indicators loading contained more than 0.50 of value. Further, the aim to examine composite reliability was to show the degree to which the items consistently seek to indicate the construct (Hair et al., 2014). According to Fornell and Larcker, (1981); Hair et al., (2011) the suggested value for composite reliability is 0.70. It can be seen in Table 4.6 that values of composite reliability are well above the prescribed values. In the last column of Table 4.6, average variance extracted (AVE) values have been presented, the ideal value of AVE should be more than 0.50 (Fornell & Larcker, 1981; Hair et al., 2011). Hence, this condition was also fully met wherein the AVE values ranged between 0.541 and 0.740. As such, the results indicated that there exists convergent validity.

#### 4.7.3 Discriminant Validity

Discriminant validity tests the difference of a particular construct with other latent constructs (Duarte & Raposo, 2010). In this study, by using AVE discriminant validity was ascertained by followed the recommendations of Fornell and Larcker (1981). This was achieved by comparing

the correlations among the constructs with square roots of average variance extracted (Fornell & Larcker, 1981). In addition, discriminant validity determined based on the Chin's (1998) criteria by comparing the indicator loadings with other reflective indicators in the cross loadings table.



Table 4.7  
*Discriminant Validity Analysis*

	ATT	AWR	INT	MT	PBC	PEU	PU	RB	RSK	SB	SE	SN
Attitude	<b>0.770</b>											
Awareness	0.539	<b>0.809</b>										
Intention	0.387	0.286	<b>0.807</b>									
Motivation	0.276	0.566	0.108	<b>0.795</b>								
Perceived Behavioral Control	0.297	0.161	0.128	-0.023	<b>0.860</b>							
Perceived Ease of Use	0.306	0.130	0.265	-0.025	0.199	<b>0.736</b>						
Perceived Usefulness	0.338	0.281	0.182	0.052	0.219	0.122	<b>0.812</b>					
Religious Beliefs	0.211	0.240	0.321	0.183	0.104	0.374	0.061	<b>0.833</b>				
Perceived Risk	-0.336	-0.244	-0.419	-0.014	-0.140	-0.358	-0.133	-0.438	<b>0.781</b>			
Social Beliefs	0.231	0.174	0.370	0.055	0.100	0.411	0.077	0.673	-0.429	<b>0.845</b>		
Self-Efficacy	0.116	0.032	0.058	-0.018	0.178	0.037	0.203	-0.017	0.049	-0.022	<b>0.746</b>	
Subjective Norms	0.201	0.261	0.449	0.167	0.048	0.344	0.091	0.612	-0.556	0.575	-0.036	<b>0.845</b>

By following the rule of thumb for discriminant validity evaluation, Fornell and Larcker (1981) recommended AVE use with score of 0.50 or more. It is further suggested that the AVE square root should be greater than the correlations among constructs. As highlighted in Table 4.7, the values of the average variances extracted range between 0.736 and 0.860, suggesting acceptable values. In Table 4.7, the values in bold highlighting the correlations among the latent constructs which were compared with the square root of the average variances extracted. It also shows that the square root of the average variances extracted were all greater than the correlations among latent constructs, suggesting adequate discriminant validity (Fornell & Larcker, 1981).

**4.7.4 Predictive Relevance of the Model**

In order to evaluate the quality of model researchers recommended that rely on the measures demonstrating predictive abilities of model (Hair et al., 2011). The predictive quality of model can be assessed by cross-validated redundancy measure denoted as  $Q^2$  (Hair, Sarstedt, Ringle, & Mena, 2012). Furthermore, the value of redundant communality should be more than zero for all endogenous variables, otherwise the model have no predictive relevance. Moreover, Predictive relevance can be estimated by using blindfolding technique in Smart PLS software (Fararah & Al-Swidi, 2013).

Table 4.8  
*Predictive Relevance of Model*

Construct	R <sup>2</sup>	Cross-Validated Communality	Cross-Validated Redundancy
Intention	0.396	0.409	0.177
Attitude	0.295	0.396	0.209
Subjective Norms	0.067	0.542	0.280
Perceived Behavioral Control	0.421	0.543	0.018

Table 4.8 represents the results containing the prediction quality of the current study model. The cross-validated redundancies for the endogenous variables are 0.177, 0.209, 0.280 and 0.018. These values reflect adequate predictive capabilities of the model based on Fornell and Cha (1994) criteria which necessitated these values to be larger than zero.

#### **4.8 Structured Model Significance and Hypothesis Testing**

The next step involved examining the standardized path coefficients. The purpose of examine path coefficients is to test hypothesis relationships proposed in the study. Furthermore, it is earlier discussed that current study used Smart PLS 3.2.2 software to test the hypothesized model. Conventional t-tests are not calculated in PLS SEM as a part of PLS algorithm for ascertaining the statistical significance of the loadings and that of the path coefficients as the underlying data is not assumed to be essentially normal (Barclay et al., 1995). For such situations, Chin (1998), and Tenenhaus et al., (2005) supported the use of nonparametric resampling procedures like bootstrapping or jackknifing for inspecting the accuracy of the estimates and for generating significance tests results. This study applied the standard bootstrapping procedure with a number of 5000 bootstrap samples and 285 cases to assess significance of the path coefficients (Hair et al., 2014; Henseler et al., 2009). In order to generate the path coefficients firstly, PLS Algorithm was run as represented in Figure 4.1. After that to examine path coefficients significance bootstrap was run with 5000 samples which is bigger than sample size and recommended by Hair et al. (2014) presented in Figure 4.2. The aim to run model with all variables was to determine the results of dependent and independent variables direct relationships originating from the research objective of current study.

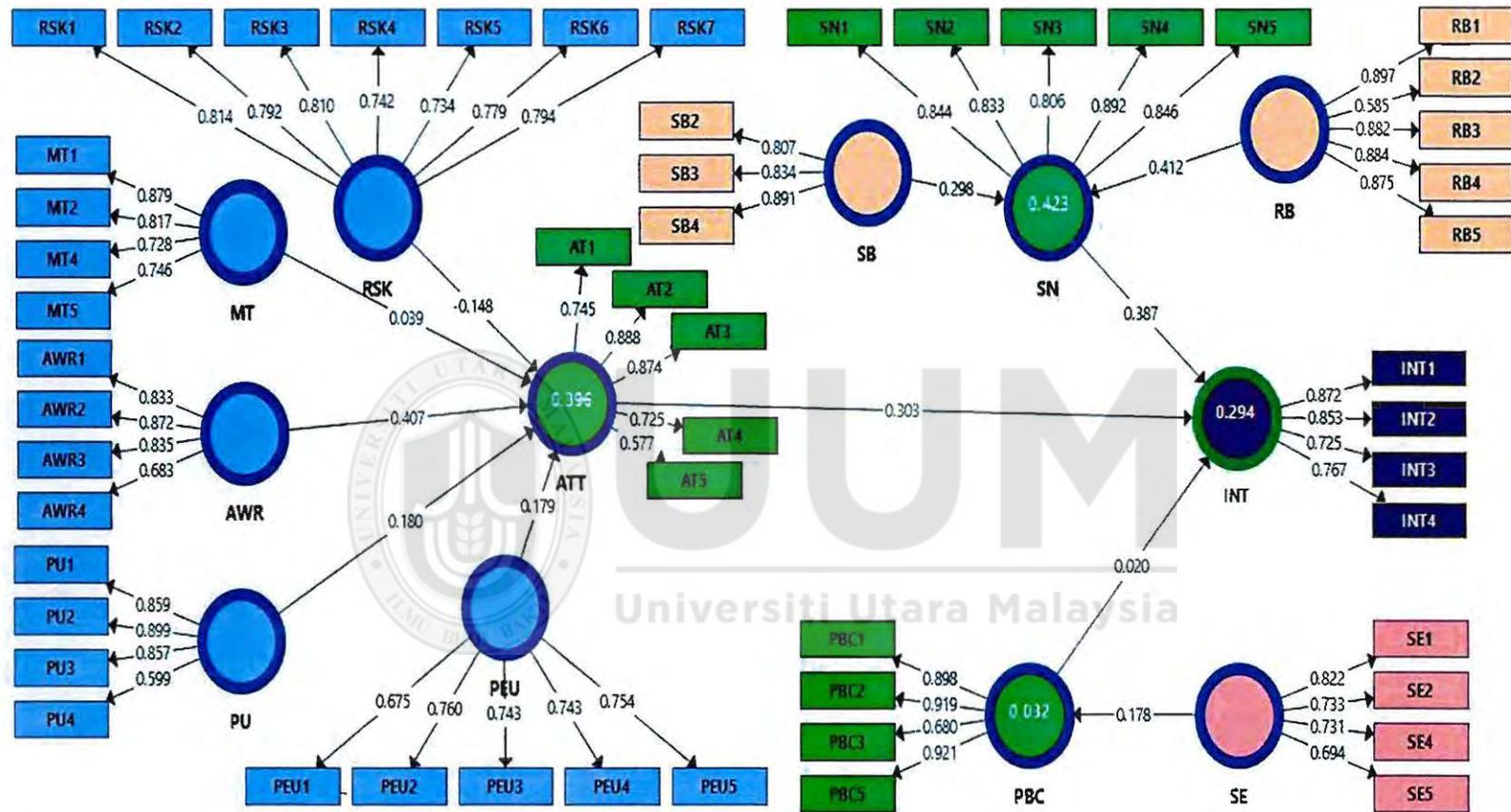


Figure 4.1

*Path Model Results: Direct Hypothesis*

[INT: Intention; ATT: Attitude; MT: Motivation; AWR: Awareness; PU: Perceived Usefulness; PEU: Perceived Ease of Use; RSK: Perceived Risk; SN: Subjective Norms; SB: Social Beliefs; RB: Religious Beliefs; PBC: Perceived Behavioral Control; SE: Self-Efficacy]

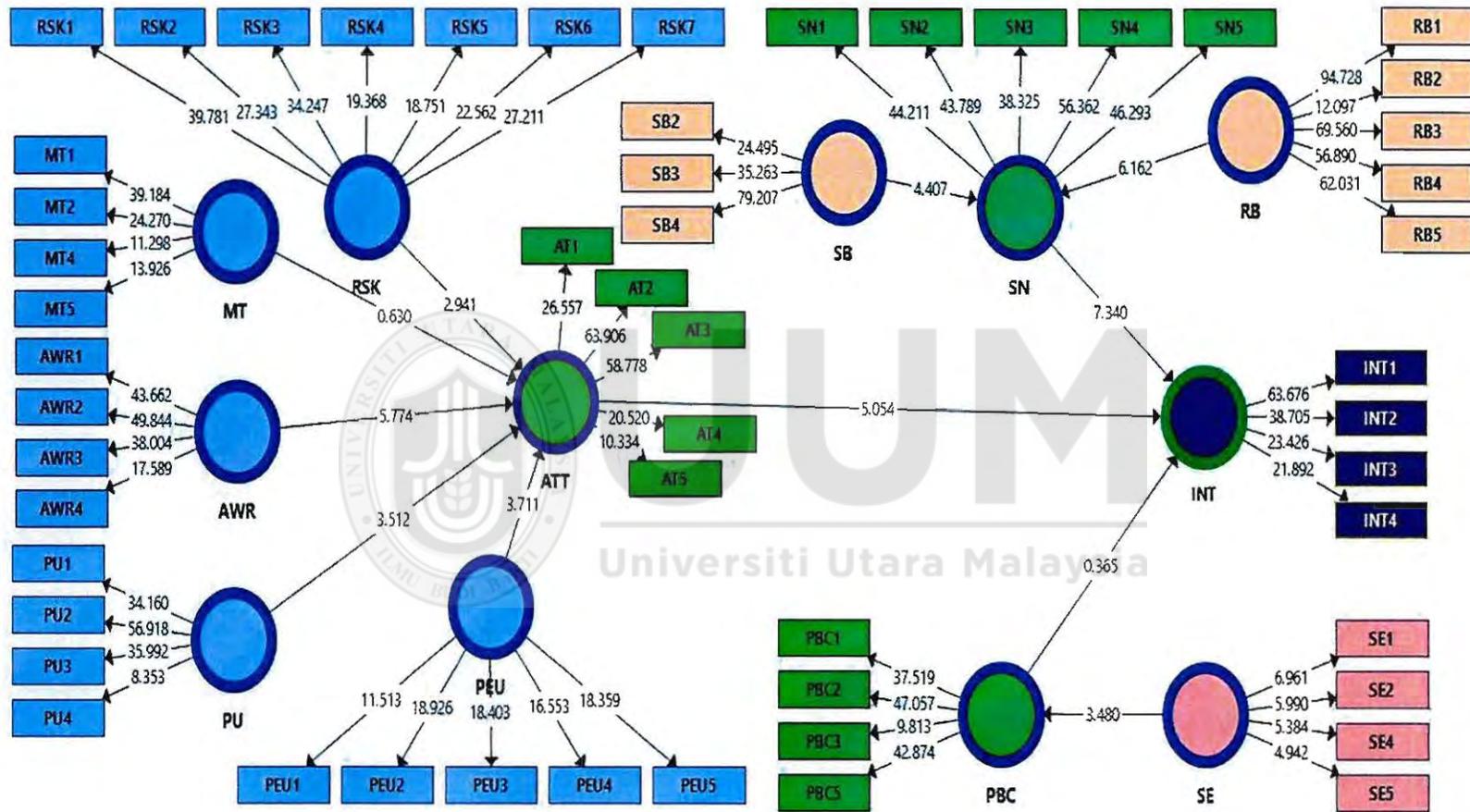


Figure 4.2  
Path Model Significance Results

As shown in Figure 4.1 the results of path model yielding  $\beta$ -values, moreover, Figure 4.2 representing the results of path model significance yielding t-values as generated by using bootstrapping technique further led to calculating p-values for all direct relationships (H1-H11) which finally became a basis for reaching to the conclusion about whether a hypothesis is supported or not.

The final results of structural model represented in Table 4.8. As per results highlighted in Table 5.8, hypothesis H1 stating a significant positive relationship between attitude and SMEs owner-manager behavioral intention is supported at 0.01 level of significance ( $\beta=0.303$ ,  $t=5.054$ ,  $p<0.01$ ). After that, next hypothesis H2 was also seen supported highlighting a significant positive relationship between subjective norms and behavioral intention ( $\beta=0.387$ ,  $t=7.340$ ,  $p<0.01$ ). Moreover, hypotheses H3 and H4 both were found not supported, however, relationship of perceived behavioral control with behavioral intention and motivation with attitude can be seen positive ( $\beta=0.020$ ,  $t=0.365$ ,  $p>0.01$ ) ( $\beta=0.039$ ,  $t=0.630$ ,  $p>0.01$ ). Furthermore, H5 awareness with attitude ( $\beta=0.407$ ,  $t=5.774$ ,  $p<0.01$ ), H6 perceived usefulness with attitude ( $\beta=0.180$ ,  $t=3.512$ ,  $p<0.01$ ) and H7 perceived ease of use with attitude ( $\beta=0.179$ ,  $t=3.711$ ,  $p<0.01$ ), all were seen as positively significant. Moreover, perceived risk H8 possessed negative relationship with attitude ( $\beta=-0.148$ ,  $t=2.941$ ,  $p<0.01$ ) however, found highly significant. Thereafter, H9 and H10 social and religious beliefs both were seen as positive relationship with subjective norms ( $\beta=0.298$ ,  $t=4.407$ ,  $p<0.01$ ) and ( $\beta=0.412$ ,  $t=6.162$ ,  $p<0.01$ ) respectively, In addition, after main construct of subjective norms religious beliefs was as one of the highly significant determinant among others. Finally, self-efficacy possessed a positive relationship with perceived behavioral control ( $\beta=0.178$ ,  $t=3.480$ ,  $p<0.01$ ) as stated under hypothesis H11.

Table 4.9

*Structural Model Results*

Hypothesis	Hypothesized Effect	Path Coefficient	Standard Error	T-Value	P-Value	Decision
H1	Attitude->Behavioral Intention	0.303	0.060	5.054	0.000***	Supported
H2	Subjective Norms -> Behavioral Intention	0.387	0.053	7.340	0.000***	Supported
H3	Perceived Behavioral Control -> Behavioral Intention	0.020	0.055	0.365	0.515	Not Supported
H4	Motivation -> Attitude	0.039	0.061	0.630	0.523	Not Supported
H5	Awareness -> Attitude	0.407	0.070	5.774	0.000***	Supported
H6	Perceived Usefulness -> Attitude	0.180	0.051	3.512	0.000***	Supported
H7	Perceived ease of use -> Attitude	0.179	0.048	3.711	0.000***	Supported
H8	Perceived Risk -> Attitude	-0.148	0.050	2.941	0.003***	Supported
H9	Social Beliefs -> Subjective Norms	0.298	0.068	4.407	0.000***	Supported
H10	Religious Beliefs -> Subjective Norms	0.412	0.067	6.162	0.000***	Supported
H11	Self-efficacy -> Perceived Behavioral Control	0.178	0.051	3.480	0.000***	Supported

\*\*\*P<0.01, \*\*P<0.05, \*P<0.1

#### 4.8.1 Variance Assessment Explained in the Endogenous Latent Variables

To assess structural model in PLS-SEM is the R-squared ( $R^2$ ) value also known as the coefficient of determination (Hair et al., 2012; Hair et al., 2011). It represents the proportion of variation in the dependent variable(s) that can be explained by one or more predictor variable (Elliott & Woodward, 2007; Hair et al., 2011; Hair et al., 2016). However, the  $R^2$  value acceptance level depends on the context of research. The minimum acceptance level of  $R^2$  is 0.10 as suggested by (Hair et al., 2011), similarly, Chin (1998) stated regarding  $R^2$  values acceptance level and recommended that values of  $R^2$  in PLS-SEM such as 0.67 can be considered as substantial, 0.33

as moderate, and 0.19 as weak. Table 4.9 presents the  $R^2$  values of the endogenous latent variables.

Table 4.10  
*R<sup>2</sup> Values of Constructs*

	Loadings	Standard Error	T Values	P Values
<b>ATT</b>	0.396	0.043	9.277	0.000
<b>INT</b>	0.295	0.043	6.778	0.000
<b>PBC</b>	0.067	0.028	2.434	0.015
<b>SN</b>	0.421	0.047	8.952	0.000

As per Table 4.9 all values are within the suggested range, moreover, behavioral intention, attitude and subjective norms  $R^2$  value were acceptable and in moderating category.

#### 4.9 Moderating Effect Testing

When the influence of an exogenous variable on an endogenous variable is contingent upon the values of another variable, there is said to exist moderating effect wherein such variable moderates the relationship between the aforesaid exogenous and endogenous variables (Hair et al., 2013). In current study, gender, age, education and experience as demographic factors were hypothesized (H12, H13, H14) to moderate the relationships between attitude, subjective norms, perceived behavioral control and behavioral intention.

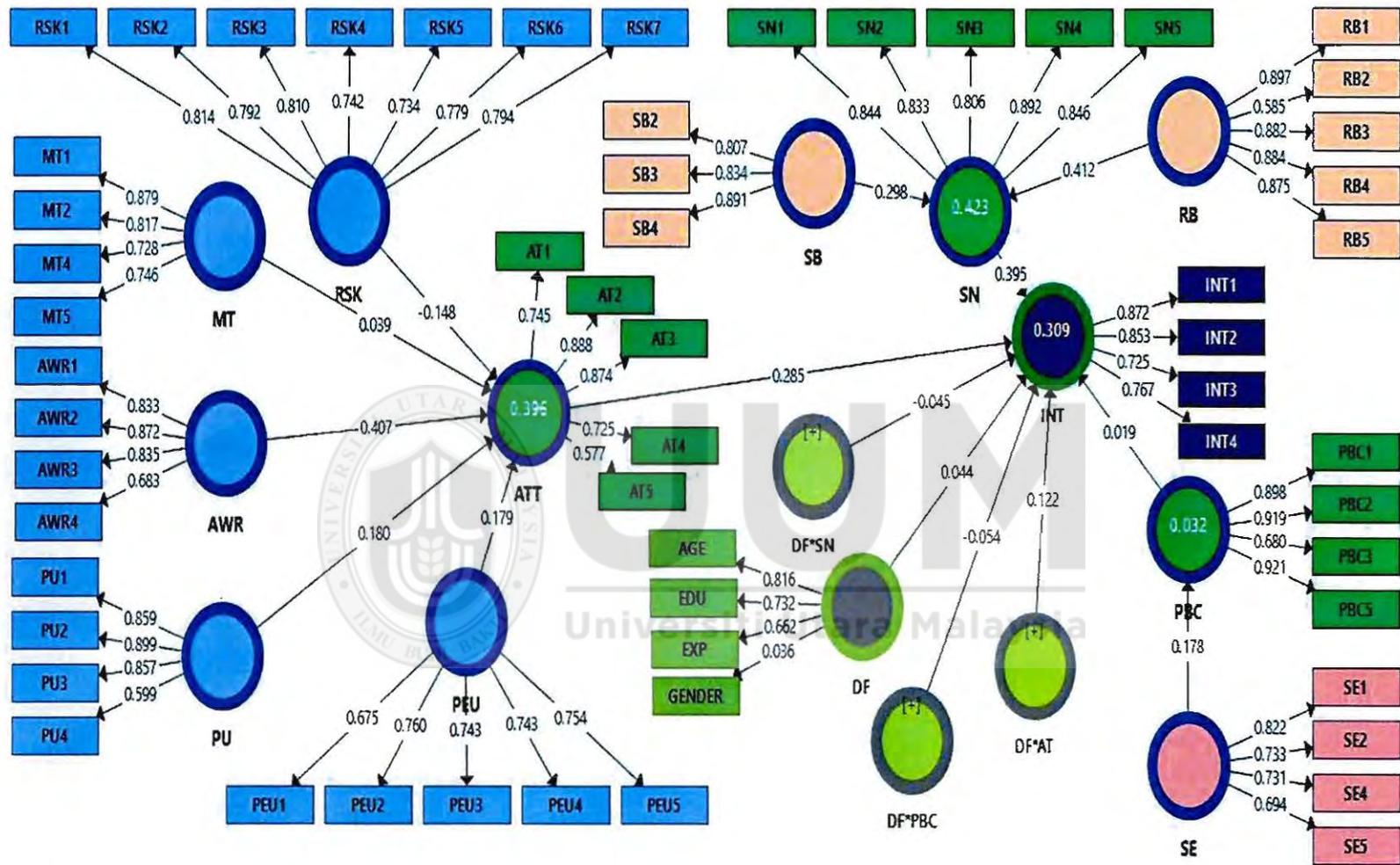


Figure 4.3  
Moderating Path Model Results

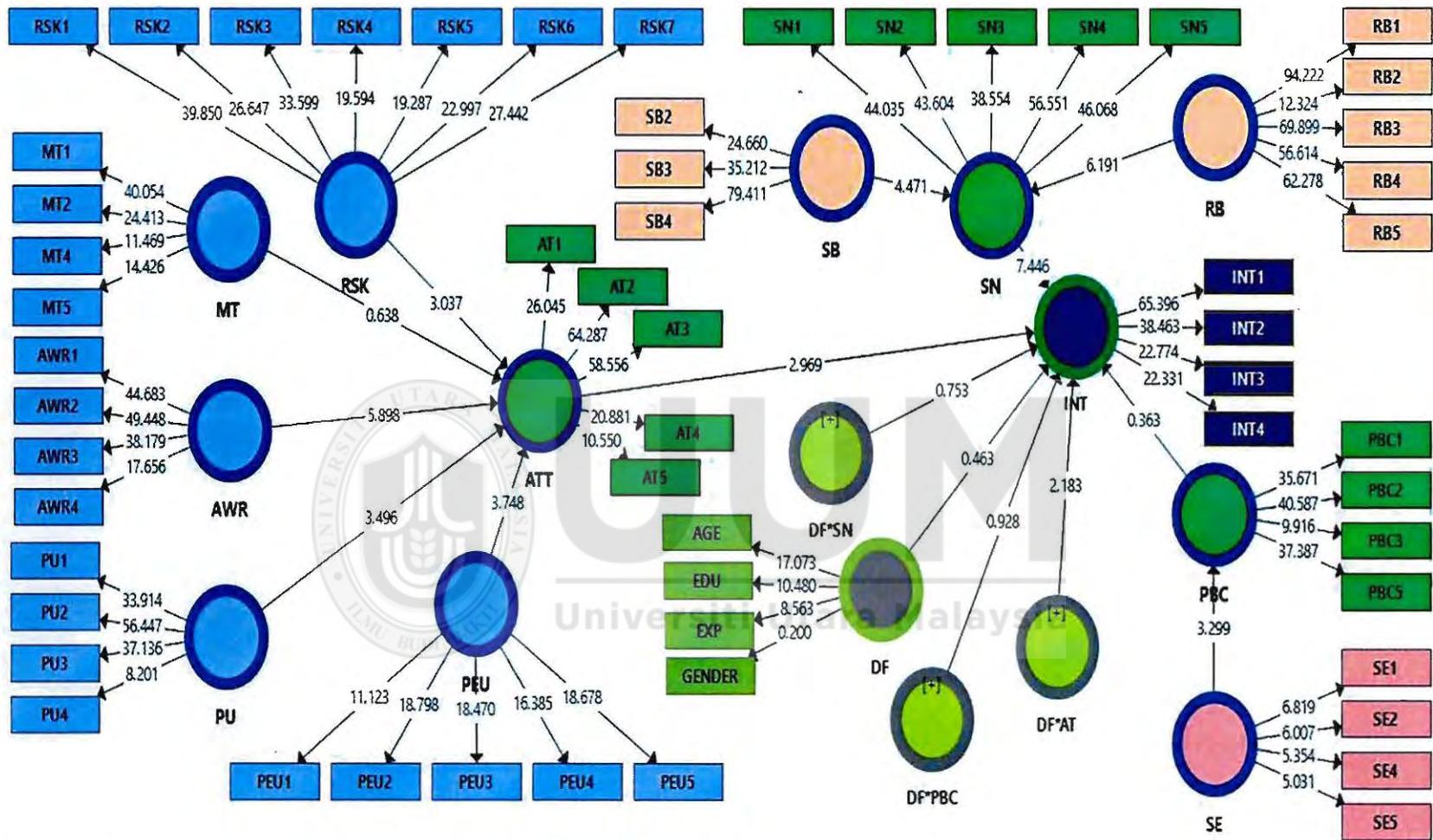


Figure 4.4  
Moderating Path Model Significance Results

In SEM terms, the interaction of demographic factors e.g. gender, age, education and experience (represented in the figure as DF\*AT, DF\*SN, DF\*PBC under Smart PLS terminology) is shown in Figure 4.3 (path model results showing  $\beta$ -values). Further, to estimate the potential moderation effects of these demographic variables, it was necessary to create the individual interaction of these constructs. These interaction effects of all four demographic variables can be seen in Figure 4.4 which shows the path coefficients of the proposed moderating effects of these demographic individually. Overall, on the basis of path model and significance results of the proposed moderating variables as shown in Figure 4.3 and Figure 4.4 respectively, the P-values were calculated and decisions were drawn regarding whether moderating effects exist or not. The results of moderating effects are presented in Table 4.10.

It can be seen in Table 4.10 that the hypothesis H12 and H13 was supported ( $\beta= 0.122$ ,  $t=2.183$ ,  $p<0.01$ ) which shows that demographic factors (age, education and experience) moderate the attitude and behavioral intention relationship as hypothesized in this study. Furthermore, the relationship between demographic and subjective norms was seen negative as well as insignificant ( $\beta=-0.045$ ,  $t=0.753$ ) the relationship between demographics (e.g., age, education, experience) and subjective norms towards behavioral intention as stated under hypothesis H13. Thereafter, the relationship between demographics and perceived behavioral control was also negative and insignificant ( $\beta=0.054$ ,  $t=0.928$ ) because already discussed about the insignificance of perceived behavioral control towards behavioral intention. Moreover, the demography of gender have no contribution towards significance and insignificance as the factor loading can be seen in Figure 4.3 is not as per required criteria.

Table 4.11  
Moderating Results of Demographics

Hypothesis	Hypothesized Effect	Path Coefficient	Standard Error	T-Value	P-Value	Decision
H12	DF*Attitude->BI	0.122	0.056	2.183	0.025**	Supported
H13	DF*Subjective Norms -> BI	-0.045	0.060	0.753	0.452	Not Supported
H14	DF*Perceived Behavioral Control	-0.054	0.058	0.928	0.354	Not Supported

\*\*\*P<0.01, \*\*P<0.05, \*P<0.1

#### 4.10 Summary of Hypotheses' Results

Current study hypothesis results have been presented in Table 4.11. The Table 4.11 highlighted that hypotheses H1 to H2, and H5 to H11 were supported whereas hypotheses H3, H4, H13, H14 were found not to be supported as well.

Table 4.12  
Final Results

Hypothesis	Statement	Findings
H1	There is a positive relationship between attitude and owner-managers intention to use financial products in Pakistan	Supported
H2	There is a positive relationship between subjective norms and owner-managers intention to use financial products in Pakistan	Supported
H3	There is a positive relationship between perceived behavioral control and owner-managers intention to use financial products in Pakistan	Not Supported
H4	There is a positive relationship between owner-manager motivation and his/her attitude towards financial products in Pakistan.	Not Supported
H5	There is a positive relationship between owner-manager awareness and his/her attitude towards financial products in Pakistan	Supported

Table 4.11 (continued)

H6	There is a positive relationship between owner manager's perceived usefulness and his/her attitude towards financial products in Pakistan	Supported
H7	There is a positive relationship between owner-manager perceived ease of use and his/her attitude towards financial products in Pakistan	Supported
H8	There are positive relationship between perceived risk of owner-manager of SMEs influence his/her attitude towards the intention to use of financial products in Pakistan	Supported
H9	There is a positive relationship between owner-manager social belief and his/her subjective norms towards financial products in Pakistan	Supported
H10	There is a positive relationship between owner-manager religious belief on his/her subjective norms towards financial products in Pakistan	Supported
H11	There is a positive relationship between owner manager's self-efficacy and his/her perceived behavioral control towards financial products in Pakistan	Supported
H12	Owner-manager demographic factors (gender, age, education & experience) moderate the relationship between attitude and SMEs owner-manager intention to use financial products in Pakistan	Supported
H13	Owner-manager demographic factors (gender, age, education & experience) moderate the relationship between subjective norms and SMEs owner-manager intention to use financial products in Pakistan	Not Supported
H14	Owner-manager demographic factors (gender, age, education & experience) moderate the relationship between perceived behavioral control and SMEs owner-manager intention to use financial products in Pakistan	Not supported

#### 4.11 Summary

Current study used partial least squares structural equation modeling to find out hypotheses results. It has been found to be extremely useful in marketing research. The analysis started with

study constructs description and respondents profiles. Afterwards, the outer model known as measurement model was evaluated to examine the validity and reliability of constructs. Thereafter, the structural model was tested to examine the hypothesized relationships. As a final point, hypothesis results summary was presented along with actual hypothesis statements. The next chapter seeks to present key findings and contributions of this study.



## CHAPTER 5

### CONCLUSION AND RECOMMENDATION

#### 5.1 Introduction

The last chapter of this study comprises of concluding discussion. The empirical analyses have been discussed in this chapter with study contributions and limitations. In the last, researcher has suggested further scope of this area for future researches.

#### 5.2 Summary of the Study

With respect to novelty, present study has highlighted the importance of SME owner-manager financial behavior as previously extensive research in context of individual financial behavior had already been done. However, few researchers have highlighted financial behavior of owner-managers and mostly discussed only impact of personal characteristics of owner-managers on their financial behavior. In recent studies few studies have highlighted social and psychological factors which are not sufficient for better understanding of owner-manager behavior and great social impact. Present study focused on demand side issues of owner-managers they usually faced while adoption of formal financial products. Moreover, study has included few constructs such as motivation, perceived usefulness and perceived ease of use which have been previously used by scholars in altogether different contexts, though evidences and suggestions to use these constructs in context similar to present study are available. Study has selected a country from developing countries where SMEs are facing severe problems regarding access to finance because financial institutes offerings are not as per needs of SMEs. To help policy makers, national and international bodies to strengthen SME sector, to achieve target of inclusive finance

and for a higher social impact in Pakistan current study has highlighted the scenario and issues needs to be understand by the government and institutes.

Current quantitative study aims to examine the socio-psychological determinants and significance of SMEs owner-manager intention towards usage of financial products in Pakistan along with moderating effect of demographic factors. The relationship between socio-psychological determinants of SMEs owner-manager and their behavioral intention towards usage of financial products have been studied and discussed in theoretical and empirical realm. Moreover, among many other challenges, current study has discussed the key problem of access to finance faced by SMEs owner-manager. Further, explained that both supply and demand side issues creating hurdles towards development of SMEs. However, this study only discussed the demand side issues and based on prior research find out lower intention of SMEs owner-manager towards usage of formal finance or financial products. Importantly, current study highlighted socio-psychological determinants of owner-managers influence their attitude, subjective norms and perceived behavioral control and ultimately behavioral intention to use financial products. By considering access to finance major obstacle towards development of SMEs and economy, financial institutes, national and international bodies and government authorities can help them to overcome this problem, by understanding socio-psychological determinants of SMEs owner-managers which influence their behavioral intention. Current study focused on these socio-psychological determinants to prove their strong impact on SME owner-managers behavior through in-depth analysis. Thus, it is prerequisite for policy makers to fully understand actual financial needs of owner-managers in order to better facilitate them. By keeping owner-managers behavior in mind they should offer financial products which are easy to adopt, understandable

and useful for their business. Moreover, with better understanding of owner-managers behavior, financial institutions and policy makers can overcome SMEs emotional and behavioral problems which they face in obtaining financial products. In turn, enhancements in SMEs' performance eventually boost up the country economy.

Furthermore, research framework of this study was underpinned with theory of planned behavior and supported with technology acceptance model. After conducting extensive literature review and by adapting the valid scale items from prior research, current study designed a survey. Moreover, survey conducted by using 5-point Likert scale instrument and validated under pilot testing by using several statistical measures. Moving ahead, the data collection was done from Punjab province of Pakistan with respect to presence of SMEs large population, SMEs owner-managers of four major cities of Punjab' taken as sample of this study. Further, study leads to data screening and estimating content validity, factor loading significance, convergent validity and discriminant validity for the measurement model with the help of SPSS 22.0 and Smart-PLS 3.2.2 to achieve objectives of current study.

**Objective 1 - To determine the influence of attitude, subjective norms, and perceived behavioral control predict behavioral intention of SMEs owner-manager towards usage of financial products in Pakistan.**

Current study first objective was to investigate the influence of attitudinal, subjective norms, and perceived behavioral control determinants on SMEs owner-manager behavioral intention towards usage of financial products. Present study has used attitude with five antecedents, subjective norms with two and perceived behavioral control with one. Overall, the score of

SMEs owner-manager subjective norms are higher among three main constructs to validate that socio-psychological determinants influence owner-managers norms highly towards behavioral intention. Similarly, the score of attitude and its antecedents also found significant towards behavioral intention of owner-managers to use financial products. The third main construct of behavioral intention perceived behavioral control has been found insignificant. However, sub-scale presenting positively significant relationship with perceived behavioral control.

**Objective 2 - To determine the influence of motivation, awareness, perceived usefulness, perceived ease of use, and perceived risk on SMEs owner-manager attitude towards their behavioral intention to use financial products in Pakistan.**

The second objective was to examine the socio-psychological determinants effect on SMEs owner-manager attitude. Findings of current study shows, influence of first construct motivation positively insignificant towards owner-managers attitude, which represent that owner-managers are not enough motivated towards usage of financial products because they perceive available financial products are not suitable for their businesses. Eventually, lower motivation leads to negative attitude and lower intention of owner-managers for usage of financial products. Furthermore, second construct awareness has been found highly significant among all other attitudinal determinants, which indicates that owner-managers with high level of awareness regarding financial products and institutes behave positively towards adoption or usage of financial products. Similarly, results show positive and significant relationship of perceived usefulness, perceived ease of use along with perceived risk which has been found negatively significant towards attitude. This infers that owner-managers are more concerned about features of financial products they want to use, as with minimum investment they want maximum

financial benefits for their businesses. Similarly, perceived ease of use indicates that owner-managers are not interested to use financial products which are difficult to understand and those procedures are lengthy and time consuming. Moreover, perceived risks which was found to have a negative relationship with attitude of owner-managers indicate that higher risk level prevent owner-managers to use financial products. Thus, owner-managers show positive attitude towards those products where they feel low or no risk. In addition, financial institutes can counsel owner-managers through different awareness campaigns regarding risk factor and to minimize their fears towards usage of financial products.

**Objective 3 - To determine the influence of social and religious beliefs of SMEs owner-managers on his/her subjective norms towards their behavioral intention to use financial products in Pakistan.**

By following third objective, current study results revealed subjective norms antecedent religious belief as one of the highest among all other constructs of study, which implies that Pakistani SME owner-managers take their financial decisions prudently by keeping in mind the religious acceptance of their decisions. Along with religious beliefs, owner-managers are also very much concerned about social beliefs as they give value to their loved ones and referrals opinions regarding usage of financial products. The findings indicates strong influence of both religious and social beliefs on SME owner-managers subjective norms towards usage of financial products in Pakistan.

**Objective 4 - To determine the influence of SMEs owner-manager self-efficacy on his/her perceived behavioral control towards their behavioral intention to use financial products in Pakistan.**

Towards achieving fourth objective results of current study presented positive and significant relationship of self-efficacy with perceived behavioral control, however, perceived behavioral control is insignificant towards owner-managers behavioral intention. Self-efficacy significance indicates that owner-managers can use financial products more confidently by taking information and understanding procedures properly through different sources such as financial institutes' staff proper guidance, referrals help and his/her own previous experience.

However, the insignificance of perceived behavioral control with behavioral intention implies that SMEs owner-managers are in between situation, it can be due to lower authority e.g. in partnership firms which are mostly based on family partnerships where spouses and children of firm main leader work collectively, however, only the main leader can takes all decisions and other all only execute the plans. They work as firm owner-manager (Directors) but with low authority of taking decisions. However, its only one situation may be there are various other which are effecting perceived behavioral control towards behavioral intention of owner-managers. Similarly, self-efficacy is the only one factor influencing perceived behavioral control positively, yet various other behavioral and situational factors may effecting his/her control negatively towards behavioral intention which are beyond the current study scope.

**Objective 5 - To determine the moderating influences of SMEs owner-manager demographics (i.e. gender, age, education and experience) on relationship between their attitude, subjective norms, perceived behavioral control and behavioral intention to use financial products in Pakistan.**

Finally, towards completion of current study last objective, as proposed in the research model of this study, moderating factors (age, gender, education and experience) effect have been tested on attitude, subjective norms and perceived behavioral control. Results, concluded that age, experience and education moderates the relationship of attitude with behavioral intention positively significant, however, gender have no impact on any construct at all. Moreover, age, education and experience also show no effect on subjective norms and perceived behavioral control. Afterwards goodness of fit (GoF) for the model was estimated which resulted in achieving structural model. Further, it was used to test hypothesis. In line with Armitage and Conner, (2001) current study attained the variance (Figure 4.1) of 30% for behavioral intention as TPB on an average accounted for 39% of the variance in behavioral intention.

### **5.3 Discussions**

This section discusses the support and the reasons for achieving those results in SME owner-managers financial behavior context. The subheadings of this section are structured according to the research questions.

#### **5.3.1 Relationship of attitude, subjective norms and perceived behavioral control with SMEs owner-manager behavioral intention**

Current study postulated hypotheses 1, 2 and 3 to investigate the relationships between attitude, subjective norms and perceived behavioral control. In line with TPB, the findings of present study exposed that owner-managers attitude and subjective norms have positively significant relationship with SMEs owner-manager behavioral intention towards usage of financial products. Various studies have investigated financial behavior of individuals by applying TPB, however, studies of Jin et al., (2011) and Southey, (2012) proposed that TPB also applicable to predict SME owner-manager financial behavior. Though, few studies in SME context have examined the behavioral intention of owner-managers with application of TPB (Tolba et al., 2014). Thus, to fill in this gap and current study has followed the suggestions of Jin et al., (2011) and Southey, (2012).

Moreover, the three main constructs attitude, subjective norms and perceived behavioral control positively significant towards behavioral intention already investigated by numerous scholars, however, limited research in context of SMEs owner-manager financial behavior provided empirical evidences. Therefore, in present study it was compulsory to examine these main constructs to ensure the similar relationship of attitude, subjective norms and perceived behavioral control with owner-managers intention as found in context of individuals by various scholars. Though, study found only attitude and subjective norms significant towards owner-managers behavioral intention, however, perceived behavioral control relationship have also been found positive but insignificant towards owner-managers behavioral intention to use financial products in Pakistan. Moreover, it highlights that SME owner-managers in Pakistan will use financial products for which they possess stronger behavioral intentions emerged as a result of several socio-psychological determinants of attitude, subjective norms and perceived

behavioral control like favorable evaluation of awareness, perceived usefulness, perceived ease of use and perceived risk, or stronger social and religious influence regarding the same, etc.

### **5.3.2 Relationship of motivation, awareness, perceived usefulness, perceived ease of use and perceived risk with attitude**

Current study has postulated awareness as an influential determinant of attitude in hypothesis 5 which ultimately influence owner-managers behavioral intention towards usage of financial products. In line with Bodibe et al., (2016); Johan et al., (2014) and Faisal et al., (2014) current study found positively significant relationship of awareness with attitude. Jaffar and Musa, (2013) also proposed awareness as salient belief factor of attitude in context of predicting owner-manager behavior towards Islamic financial products, however, study not provided any empirical evidences. Thus, current study has contributed by revealing that awareness significantly influence attitude of SMEs owner-manager towards usage of financial products.

Awareness representing knowledge of SME owner-managers regarding Islamic and conventional financial products, banking, non-banking, and specialized financial institutes such as Small and Medium Enterprises Development Authority (SMEDA) and SME bank in Pakistan and adoption procedures of financial products. The positive relationship between awareness and attitude shows that SME owner-managers in Pakistan do not have complete information about the available financial products offering by different institutes or those owner-managers who have some knowledge still not able to identify potential products for their business financial needs because of financial institutions inappropriate marketing strategies of financial products. As owner-managers are seriously concerned regarding pros and cons of financial products as well as they want detailed information about financial institutes' response and requirements prior to adoption

of financial products. However, financial institutes without understanding owner-managers behavior, needs and capability to understand products launched their products in markets as well as the relevant staff also not able to guide their customers properly due to lack of professional skills (Dawn, 2016). Thus, SMEs owner-managers afraid to invest in a product which is not understandable for them to avoid losses e.g. financial, time, image etc. It implies that due to low awareness, fear of loss along with hazard to their respect and business name, owner-managers perceive it as unreliable source of finance. Hence, the significance of awareness determinant indicates that owner-managers with high awareness and complete information would more likely to adopt financial products in Pakistan. Thus, it's prerequisite for financial institutions to create complete awareness among SMEs regarding financial products and procedures along to better facilitate this potential sector.

The construct of perceived usefulness signifying eagerness of SME owner-managers towards financial products, in line with Akturan and Tezcan, (2012) and Shanmugam et al., (2014) construct relationship with owner-manager attitude has been found positive (hypothesis 6). It implies that owner-managers looks for huge benefits with respect to their business growth because basically they use financial products for expansion of their business and overall firm growth. In this era of competition, its mandatory for SMEs owner-managers to operate smartly by managing their account efficiently and work effectively in limited time. Therefore, to accomplish their set targets SMEs owner-managers looks for higher benefits by investing lower resources. However, the entire features and benefits of financial products are still unknown for owner-managers in Pakistan. As SMEs owner-managers still perceive financial products adoption as money and time loss. Even though, the desired financial products offered by

financial institutes in market, but due to improper promotional strategies and owner-managers lower financial knowledge both parties stay unsatisfied. The significance of perceived usefulness highlighted that in Pakistan SMEs owner-manager get attracted towards those financing sources where they found maximum benefits with minimum investments. Thus, to draw owner-managers attention towards financial products, it's crucial for financial institutes to highlight the characteristics of financial products in proper and attractive way.

The third socio-psychological determinant perceived ease of use adapted from technology acceptance model to understand owner-managers attitude towards usage of complex financial products postulated the hypothesis 7. As Moons and Pelsmacker, (2015) stated that perceived ease of use is degree of a person where he/she believes that using some particular product will be effortless. Abadi, (2012) stated that perceived ease of use effects attitude but do not have direct impact on intention, thus current study tested the relationship of perceived ease of use with attitude. The positive and significant relationship of perceived ease of use with attitude supported the findings of Abadi, (2012) and indicates that easiness to use financial products matters for owner-managers in Pakistan. As SMEs owner-manager wants to use financial products which are hassle free and they can get in short period of time, because lengthy procedures and heavy documentation may lower their motivation. Moreover, they feel useless those products which are time consuming as owner-managers adopt financial products to compete with market sudden changes. Therefore, they move towards adoption of different financial products to achieve their targets, yet with peace of mind. However, in Pakistan it's a dilemma that financial institute's apply strict policies and procedures while lending to SMEs owner-managers which ultimately lower the motivation level of owner-managers.

Hypothesis 8 highlighted another crucial socio-psychological determinant perceived risk as an antecedent of attitude, the variable relationship has been found negative though significant towards attitude of SMEs owner-manager behavioral intention. Current study results also supported the argument of Yahya et al., (2014) that higher risk leads towards negative attitude of owner-managers to use financial products. In Pakistan, risk is not only associated with owner-manager investment for some particular product or their time loss in whole procedure of taking financial products. There are various other factors SMEs owner-managers considered as risky such as their business confidential information e.g. sales, taxes, assets etc. moreover, social acceptance of particular products as well as lower knowledge about products and procedures. These all risks may cause of their business information disclosure, financial and time loss as well as may harm their personal reputation, in the same manner perceived risk discussed by Slovik, (2016).

Moreover, the higher risk degree also lowers the confidence level of owner-managers to take any financial product. Thus, the risk element lower the intention of owner-managers towards usage of financial products, therefore, typically they prefer informal finance because they usually take informal finance from reliable sources whom they trust, with predefined terms and conditions along with no hidden charges argue by Chen, (2013); Lee, (2015) and Safeena and Date, (2015). Hence, as compare to formal finance SMEs owner-managers feel more secure towards informal finance. Especially, small firms give more weightage to informal sources, because their business structures are not proper and they feel more difficulty in taking finance from formal sources where financial institutes also reluctant because of risk factor. Thus, to better facilitate SMEs

owner-managers it is compulsory for financial institutes and strategists to design specialized financial products for small firms. Moreover, policy makers should organize awareness workshops for owner-managers for better understanding regarding financial products to enhance their outreach and to create trust and confidence among SMEs population.

Towards attitude one construct proposed in hypothesis 4 motivation relationship with attitude was found positive but insignificant. The findings signifies that owner-managers are not enough motivated towards usage of financial products, in line with IFC, (2014) report 67 percent of SMEs are unserved which shows the lower motivation level of SMEs owner-manager, as available financial products are not as per their needs and requirements also revealed by Karandaaz, (2017) report. Thus, to grab this large numbers of SMEs owner-managers, financial institutes have to increase the level of motivation among SMEs owner-manager towards financial products by educating them that how beneficial formal finance is for development and growth of their businesses. Furthermore, it is prerequisite to highlight the benefits along with convenience as will be more attractive for SME owner-managers to use formal financial products.

### **5.3.3 Relationship of religious and social beliefs with subjective norms**

Thereafter, subjective norms perceived in this study as the social and religious influence arising from the peers, family, or other important persons were seen to have a positive influence on behavioral intention. Hypothesis 8 proposed the positive relationship of social beliefs with subjective norms, results shows the same and found significant. Hypothesis 9, religious beliefs also represented the positive relationship with subjective norms, moreover, found as one of the strongest determinant among all other socio-psychological determinants of current study.

Supported by the argument of Koropp et al., (2013) and (2014) the significance of social beliefs implies that an approval or support from social circle regarding consideration of financial products leads towards positive behavioral intentions. Moreover, it indicates that in Pakistan people are very active socially which shows strong social bindings among them.

Tolba et al., (2014) in context of Egypt also found influence of referrals strong than any other construct. It indicates that owner-managers in countries where people considered social acceptance as an important element before taking any decision, they prefer those products for whom they are not answerable to their family, friends and referrals because in Pakistan or other countries with similar values mostly people perceive financial products threat to their religious ethics. Even religious community do not accept conventional financial products usage at all because of *Riba* concept in Islam, therefore, people think that whoever will use financial products not obedient towards Islam, various studies have concluded the influence of religious beliefs in the same manner (Amin et al, 2011; Sun et al. 2011; Tara et al, 2014) . Thus, due to this social pressure owner-managers may avoid financial products which make them culprit in their society.

Furthermore, along with social, it can be said that religious acceptance is mandatory for owner-managers towards use of financial products, especially for religious SME owner-managers. However, it vary person to person because in each society there's not all extremist or nor liberals. Although, in Pakistan 93 percent of population take their religion as important but still educated and young owner-managers prefer their business growth as they think these beliefs are useless as also highlighted the survey of World Economic Forum, (2017).. Despite these facts,

still number of religious people among SMEs are higher who always prefer Islamic financial products or some also take advice from *Alim* before taking any financial products, moreover, its more evident with IFC, (2014) report that 20 to 25 percent of SME in Pakistan are not taking any financial products because they just want to use Shariah compliant products (IFC, 2014).

#### **5.3.4 Relationship of self-efficacy with perceived behavioral control**

Self-efficacy representing consumer's confidence level towards usage of financial products was seen positively influence perceived behavioral control (Hypothesis 10). The strong significance of self-efficacy indicates owner-managers confidence, they have requisite abilities and skills to take business financial decisions to produce desired outcomes also supported by the study of Yuliharsi, Islam and Ku Daud, (2011), however, in line with study of Ferreira et al., (2012) present study also found perceived behavioral control insignificant towards behavioral intention. It signifies that owner-managers are not enough authorize towards usage of financial products. As sometime a person with complete knowledge and feel confident, yet various other situations prevent him/her towards adoption of financial products. The insignificance indicating owner-managers lower authority, convenience, and resourcefulness in terms of taking financial decision in determining the behavioral intention towards using financial products.

#### **5.3.5 Moderating effect of demographic factors**

The importance of owner-managers demographic have been tested by few studies in context of owner-managers financial behavior, however, this study has analyzed the moderating effect of demographic between SMEs owner-manager attitude, subjective norms, perceived behavioral

control and behavioral intention by proposing through hypothesis 11, 12 and 13. Current study has tested the moderating effect of four demographic factors age, gender, education and experience which have been investigated by various scholars by postulating direct relationship with owner-managers behavior (Abdulsaleh & Worthington, 2013), however, Tarhini, Hone and Liu, (2014) also discussed the importance of demographic as moderating variables.

Findings revealed that age, education and experience positively moderates the relationship of attitude with behavioral intention and shows no moderation on subjective norms and perceived behavioral control. Furthermore, the significance of education with attitude shows that educated owner-managers are more confident that is why they show positive attitude towards usage of financial products. In line with Ogubazghi and Muturi, (2014) the moderating effect of age and experience signifies that young owner-managers with less experience were more intended towards usage of financial products. As young owner-managers were seen more passionate and energetic towards growth of their businesses and because of less experience in market, they never experienced the cold side of financial industry. However, old and experienced owner-managers shows not very positive attitude towards usage of financial products because they already know pros and cons of all financial products, thus, they take financial decisions very carefully.

Additionally, owner-managers gender was observed to possess no moderating effect between the relationship of attitude, subjective norms and perceived behavioral control with behavioral intention which further highlighted that both male and female owner-managers exhibit similar way of attitude towards use of financial products. Moreover, there were only 12 percent of

female owner-managers in the whole data, therefore the effect size is very low or no effect found with constructs. In the last, gender, age, experience and education also have no moderating effect between perceived behavioral control and behavioral intention as the direct relationship of perceived behavioral control already insignificant towards behavioral intention.

#### 5.4 Theoretical Contribution

Current research has mainly identified the following gaps and contributed in theoretical terms.

Table 5.1  
*Brief Summary of Gaps and Contribution*

<b>GAPS</b>	<b>Contribution</b>
Rare studies have predict owner-managers financial behavior with application of TPB	Study examined the financial behavior of owner-managers with application of TPB
Seldom studies have used TAM constructs other than technology products	TAM constructs have been used to cover financial products complexity aspects
Few studies have highlighted that for better understanding of owner-managers behavior its necessary to explore influence of behavioral factors	Towards better understanding of owner-managers financial behavior study explored socio-psychological determinants
Constructs of motivation, awareness, perceived usefulness, perceived ease of use, perceived risk, social belief, religious belief and self-efficacy investigated infrequently in context of SME owner-managers behavior	Constructs of motivation, awareness, perceived usefulness, perceived ease of use, perceived risk, social belief, religious belief and self-efficacy investigated in context of SME owner-managers behavior
In Pakistan, few scholars have studied owner-manager behavior however, in limited manner	Study has selected Pakistan where SMEs facing severe issues related to financing and there's need to study owner-manager behavior

Next sub-sections discussed the gaps and contribution of present study in detail.

#### 5.4.1 Financial Behavior of SMEs Owner-manager

Prior research in context of SMEs financial behavior majorly focused on firm and personal characteristics of SME owner-managers which influence their financial decision making (Abdulsaleh & Worthington, 2013; Ogubazghi & Muturi, 2014; Rao & Kumar, 2018), however, few studies discussed the financial behavior of SME owner-manager towards adoption of financial products (Jaffar & Musa, 2013; Tolba et al., 2014). A number of studies have explored the financial behavior of individuals towards usage/adoption of financial products in context of both developed and developing countries (Al-Qasa et al., 2013; Abadi et al., 2012; Bhakar et al., 2015; Charfeddine & Nasri, 2013; Echchabi & Olaniyi, 2012; Gobi & Rad, 2015; Gumel & Othman, 2013; Kim & Kang, 2012; Laksamana et al., 2013; Lee et al., 2012; Maiyaki & Mokhtar, 2011; Mian & Rizwan, 2013; Rani, 2015; Salciuviene, 2014; Shanmugam, 2014). However, the understanding of SME owner-managers financial behavior still needs to explore. Towards understanding consumer financial behavior researchers have identified various psychological, social, cultural, personal and situational factors, studies by providing empirical evidences concluded that these factors highly impact consumer behavior towards usage/adoption of financial products. Similarly in context of SME owner-managers financial behavior researchers have identified an intense gap to understand these factors which influence owner-managers behavior towards usage of financial products (Jaffar & Musa, 2013; Tolba et al. 2014).

Thus, to fill in this gap and to contribute in the body of consumer behavior knowledge, current study has investigated the socio-psychological determinants which influence SMEs owner-manager behavioral intention towards usage of financial products. Furthermore, findings of present study also confirmed that SMEs owner-manager attitude is significantly influenced by

awareness, perceived usefulness, perceived ease of use and perceived risk which eventually effect behavioral intention of owner-manager towards usage of financial products in Pakistan.

#### **5.4.2 Application of TPB and Inclusion of TAM Constructs in Research Model**

Researchers have been investigated consumer behavior with application of TPB extensively, however, to predict behavior of SME owner-managers limited studies have consider TPB as appropriate underpinning theory (Tolba et al., 2014). Jin et al., (2011) and Southey, (2012) suggested TPB most appropriate theory to predict behavior of firms, thus, to fill in this gap current study has investigated financial behavior of SME owner-managers with application of TPB. Moreover, previously, researchers applied TAM model and even combined TPB and TAM to examine consumer behavioral intention in context of technology based products. Taylor and Todd, (1995) already modified TPB namely Decomposed Theory of Planned Behavior with TAM to measure consumer behavior towards complex products. Though, earlier researchers only applied both TAM and DTPB or even developed new models by combining TAM and TPB as per their study context to examine consumer behavior towards complexity of technology products (Yousafzai et al., 2010; Abadi et al., 2012; Gobi & Rad, 2015).

Present study has also developed an extended model by adding main constructs of TAM in TPB model but because of financial products complexity, as these products are also complex by nature and difficult to learn for customers, moreover, consumer invest in financial market to get maximum benefit (Lukonga, 2015; Celerier and Vallee, 2015). Furthermore, scholars considered that TAM constructs potentially have wider applicability and scholars can used these constructs other than technology (Jin Ma, Jin Gam & Banning, 2017). However, few researchers have

combined TPB and TAM to predict owner-manager behavioral intention in context of financial products. Thus, to fill in this gap current study developed a research model with addition of two main constructs of TAM perceived usefulness and perceived ease of use to examine influence of both on owner-manager attitude which eventually effect their behavioral intention towards usage of financial products in Pakistan. It is also hoped that it has contributed to the financial behavior based research knowledge conducted by using both theory of planned behavior and technology acceptance model.

### **5.4.3 Identification of Socio-Psychological Determinants**

Present study has identified socio-psychological determinants which influence SME owner-managers behavioral intention through their attitude, subjective norms and perceived behavioral control. Present study have been found the determinants of awareness, perceived usefulness, perceived ease of use and perceived risk significant towards owner-managers attitude. In line with Ayinde and Echchabi, (2012); Bizri, (2014); Jaffar and Musa, (2013), Nunoo and Andoh, (2012); Tolba et al. (2014); Wahyuni and Arifin, (2013) awareness significantly influence SMEs owner-managers attitude. In current study, awareness found as second strongest socio-psychological determinant influence SMEs owner-manager attitude. Moreover, Tolba et al. (2014) and SBP-NFIS, (2015), also supported the findings by stating awareness and financial knowledge most influential determinant which limiting the demand of financial products. Thus, financial awareness and literacy is one of the foundational pillar for responsible financial inclusion of SME sector. Additionally, for development of this potential sector financial institutes have to support and actively participate in the initiatives to strengthen financial capability and awareness to improve business skills and capacity of SMEs.

Along with awareness study found perceived usefulness as the influential socio-psychological determinant of attitude, which reflect that owner-managers before taking any financial decision look towards maximum benefits. Perceived usefulness refers to saving of time and money also reduce discomfort and inconvenience for consumer (Yahya et al. 2014). Similarly, SMEs owner-manager invest in financial products to meet their timely business financial needs and for long term growth. In line with (Ahad et al. 2012; Lin et al. 2014; Salciuviene, 2014) perceived usefulness positively affect the attitude of consumer. Therefore, to attract maximum SMEs owner-manager financial institutes should market their products extensively by describing their features. Moreover, along with financial institutes it will be beneficial for owner-managers, as they can easily identify the potential products they actually want for their businesses.

Thirdly, the significance of perceived ease of use indicates that it's difficult for owner-manager to understand financial products and its usage. As Yahya et al. (2014) highlighted that perceived ease of use effects the understanding of customers and lead towards doubtful decision regarding adoption of particular products and services. Similarly, findings of current study signifies that where procedures are complex and usage of financial product is not understandable, owner-managers avoid those products. Basically, owner-managers used financial products to accomplish their business projects, however, a list of requirements of financial institutes with various conditions such as collateral, guarantee of existing customer's etc. lower motivation of owner-managers towards adoption. It indicates that owner-managers get attracted towards financial products which are convenient in terms of adoption and easy to understand.

The last construct of attitude perceived risk also found significant, however, negatively affect the attitude of SME owner-managers. In line with Yahya et al. (2014) owner-managers are conscious to avoid mistakes, thus, risk determinant influence SMEs owner-manager attitude as per current study findings. However, risk impact is not very strong as compare to awareness and perceived usefulness, which implies that owner-managers proper understanding and maximum benefits reduce the effect of perceived risk. Though, financial institutions and policy makers should ensure owner-managers that there is low risk towards adoption of formal financial products.

The construct of motivation shows positive relationships with attitude, however, found insignificant. In context of SMEs behavioral intention limited studies have examined the motivation construct, however, various studies tested this factor in context of entrepreneurial intention (Fayolle et al, 2014; Solesvik, 2013). Findings shows that owner-managers are less motivated towards financial products because the gap exist between their financial needs and products offered by financial institutes. Moreover, financial terms and financial institutes marketing style of representing the products not understandable for them, particularly for those who are less educated. Furthermore, SME owner-managers get motivated towards informal finance which is easy for them to understand and where they don't have to follow lengthy procedures.

Furthermore, present study validates the claims of Siddique et al. (2016), and Jaffar and Musa, (2013) which found that socio-psychological factors influence owner-manager attitude towards usage of financial products and need to be studied by incorporating into the research models. Based on the research findings of this study, it is reported that SMEs owner-manager attitude towards

adoption/usage of financial products significantly influences their behavioral intention. These research results can be further said to furnish supportive explanation towards corroborating the claims of Jaffar and Musa, (2013) and Tolba et al. (2014) who asserted that SMEs owner-manager in general possess a positive outlook towards formal financing/financial products and show willingness towards usage of these products to fulfill their business financial needs. Thus, current study has contributed to the body of consumer behavior knowledge by empirically validating that SMEs in Pakistan act in line with their perceptions. Moreover, attitude-behavior gap towards consideration of formal financing is not seen among SMEs owner-managers in Pakistan.

Prior research is inconsistent and contradictory regarding socio-psychological determinants results that influence the behavioral intention of owner-manager towards usage of financial products, especially towards subjective norm. Current study supports that subjective norm plays an important role in influencing behavioral intention of SME owner-managers. Thus, by considering subjective norms as a critical determinant current study has divided it into two further constructs religious and social beliefs. The main objective behind addition of these constructs was to better understand norms of SMEs owner-manager in Pakistan, where 93 percent of population consider that religion is most important in their lives (WEforum, 2015) and also social acceptance of their act is compulsory.

Additionally, the measurement of constructs have been thoroughly tested for reliability and validity. From a theoretical perspective, finding of this study provided empirical evidence that religious and social both have significant positive influence on subjective norms, ultimately, subjective norm has a significant positive influence on behavioral intention towards owner-managers usage of financial products. Current study results further validated the findings of IFC,

(2014) report mentioned that 20 to 25 percent of SME population in Pakistan are not taking any formal finance facility because of religion factor. As owner-managers of firms are religious and they only want to use Shariah compliant financial products. However, the effect of social beliefs shows that owner-managers in Pakistan are very much concerned about opinions of others and due to social pressure owner-managers evade usage of financial products or used secretly. Study has contributed towards better understanding of owner-managers norms by analyzing the social beliefs construct. Findings of this study identified the determinants which influence SME owner-managers behavioral intention towards usage of financial products, thus study contributes to the design of marketing strategies, because effective marketing requires managers of financial institutes, policy makers and strategists to understand how SMEs owner-managers view products and services. Moreover, study has contributed by identifying these influential determinants in context of SMEs owner-manager behavioral intention.

Furthermore, the need of studying SMEs owner-manager attitude towards usage of financial products had been stressed upon by adding moderating variables. As such, inclusion of demographic variables gender, age, education and experience as potential moderators. Results showed that gender does not moderate the relationship between owner-managers attitude, subjective norms and perceived behavioral control with behavioral intention towards usage of financial products at all. The non-significance of gender may be due to less number of female owner-managers contribution in data as overall only 12 percent female owner-managers were found in whole data set.

Furthermore, age, education and experience moderates the relationships between owner-manager attitude and behavioral intention. The findings corroborate the claims of Ogubazghi and Muturi, (2014) and Abdulsaleh and Worthington (2013) who concluded in their studies that age, education and experience effect the financial decision making of owner-managers as young owner-managers are more likely to apply for finance instead of old and experienced one. However, studies tested direct relationships of age, education and experience in context of SME owner-manager financial behavior. Moreover, age, education and experience have insignificant effect on subjective norms and perceived behavioral control. As a whole, these outcomes support the claims of Tolba et al. (2014), and Siddiqui et al. (2016) who opined that demographic dissimilarities might have influences on the behavioral intention of owner-managers. As such, in addition to contributing to the body of knowledge by investigating and reporting the aforesaid moderating effects in an SME owner-manager behavioral intention context, it is also hoped that this study has contributed to the research based on behavioral intention using consumer decision process model.

Pakistan is in developing countries category, where SMEs contribution towards economy development is appreciable. However, various challenges facing by SME sector in Pakistan may harm this industry as well as country's economy, if government and policy makers will not pay attention. Moreover, issue of formal access to finance effecting growth of SME sector enormously. Several national and international bodies along with specialized institutes claiming that they are helping SME sector, though the efforts are not showing any manifest progress, which necessitate the attention of researchers and strategists. Additionally, taking SME sector in this study in line with suggestions made by Jaffar and Musa (2013) Tolba, (2014) made sectoral

contribution in different contexts. However, in Pakistan still this area needs to be highlighted, especially for financial institutes and policy makers to better facilitate this sector to achieve inclusive finance. Thus, current study has investigated SMEs owner-manager behavior by identifying the socio-psychological determinants which influence owner-manager behavioral intention towards usage of financial products in Pakistan.

### **5.5 Methodological Contribution**

The measures of different variables were adapted from various sources wherein studies were originally conducted in dissimilar environments. In such situations, it becomes imperative to establish validity and reliability of scales which was extensively done in this study through various statistical calculations as mentioned in the data analysis sections of this thesis. It now offers a valid and reliable instrument to Pakistani and international researchers willing to study financial behavior and consumer perceptions about the same with an enhanced precision and simplicity.

Present study also contributed towards methodology by using PLS-SEM, Partial Least Square based Structural Equation Modelling. As this has not been applied before in context of SMEs owner-manager financial behavior. Furthermore, its powerful analytical technique applied in current researches because of its minimal restrictions for data sampling and multivariate normality also not essential (Hair et al., 2014). Furthermore, path models give a clear picture of relationships between different variables at a fleeting look. Additionally, PLS eliminates the effects of random measurement error in the model by using “consistent PLS” approach (Henseler, Ringle, & Sarstedt, 2015) as used in this study. The results of this study by using

“consistent” approach remained the same as that of ordinary PLS algorithm. Hence, it can be concluded that the measurement error is of negligible importance in the case of PLS analysis.

## 5.6 Practical Implications

Current study findings carry important implications for governmental bodies, national and international development organizations interested in SME sector development by considering as an engine for economic growth and development. Moreover, the results are relevant to banking and non-banking institutes who are interested to facilitate SMEs owner-managers by providing loans. The basis of marketing strategy formulation is better understanding of consumer behavior, involves products features development, pricing, communication, services and distribution that satisfies customer by providing superior value. Marketing strategies success or failure basically depends on consumer reaction, therefore, it is prerequisite for financial institutes and policy makers to understand their customer behavior properly.

The results of current study has highlighted the importance of owner-manager behavior in context of taking financial loans or usage of financial products. Financial institutes and policy makers working towards development of SME sector not considering their behavioral factors, resulted they are not able to recognize the actual needs of owner-managers. Present study has highlighted few influential factors that can help institutes to design their products and promotional strategies which are as per needs and demands of owner-managers in Pakistan. Furthermore, results of current study will be helpful for specialized institutes such as SAMEDA and SME bank and other international organizations working for growth and development of

SME sector as they can run awareness campaigns, promote formal financing as per knowledge and understandability of owner-managers. Financial institutes can train their staff who can explain everything to their customers, also they can provide all related information through promotional material in easy language which is understandable for everyone. International and national bodies can also conduct workshops, seminars to create awareness regarding usage of formal financial products and disadvantages of informal finance in country. They can also teach them about formulation and professionalization to process a loan request through institutes. Central bank can also introduce new and flexible policies to facilitate SMEs sector maximum in country. Further discussion has highlighted the practical implications of significant constructs of study one by one.

Current study has identified socio-psychological determinants that influence SMEs owner-manager behavioral intention towards use of financial products in Pakistan, thus the results are relevant to government of Pakistan, financial institution practitioners, national and international bodies engaged in development of SME sector and working towards achievement of inclusive finance. Identifying socio-psychological determinants and understanding their relationship with attitude, subjective norms and perceived behavioral control of SMEs owner-manager along examining their influence on SMEs owner-manager behavioral intention could help Pakistani government to build appropriate strategies in order to encourage SMEs owner-managers to fully utilize the formal financing. Current study found five significant issues that directly help to increase owner-managers' intention towards use of financial products. Therefore, Pakistani government along with banking and non-banking institutes and specialized institutes should focus on these issues in order to develop strategies and build desirable financial products for SMEs owner-managers.

One of the most significant issues for institutes and policy makers is the need to increase awareness level of financial products among SMEs to maximize the usage. It should be managed with the purpose of creating awareness and financial knowledge for better understanding of financial products among SMEs, so, they can identify potential products for their business financial needs. Financial institutions should explain financial products and their procedures on websites and during marketing in easy and understandable terms. Moreover, policy makers should work on different awareness campaigns and organize specialized workshops to increase financial literacy, which enable owner-managers to manage their finances effectively.

The present study provided perceived usefulness as an important socio-psychological factor that should be concentrated on by institutes and strategists, in order to increase the perception of usefulness among SMEs owner-managers. Its human psychology that in limited budget a person always tried to find maximum benefits. Thus, it's essential for financial institutes to clarify the pros and cons of financial products in front of SMEs owner-managers to explain financial products usage and features, moreover, raise their perception of formal financial products usefulness. Currently, institutes are practicing this job but in limited manner, for example; for an owner-manager of firm only interest rate is not attractive or enough to invest, as mostly institutes only advertise their products by mentioning rate of interest in capital and bold letters. However, findings of this study shows that owner-managers also consider many other things before using any financial products. Thus, to increase usage of formal financial products among owner-managers it's compulsory for institutes to design effective marketing strategies through owner-managers can fully understand the nature of financial products, usage and characteristics.

Along with perceived usefulness the perceived ease of use also effect the attitude of owner-managers towards use of financial products. Central bank of Pakistan should normalize their policies for SMEs in order to their easy access towards formal finance. Moreover, financial institutes should also considered the low awareness level and actual needs of owner-managers while designing their products and procedures. As discussed earlier in chapter one that owner-managers prefer informal finance and the main reasons behind revealed by various studies are quick and easy procedures of informal finance adoption. Thus, to better serve SME sector it's mandatory that financial institutes provide simple and easy ways to SMEs owner-managers towards adoption or usage of financial products.

Furthermore, increase of awareness and recognition of products usefulness reduces the effect of risk factor on SMEs owner-manager attitude. However, less knowledge about financial products, adoption procedures and characteristics influence owner-managers attitude negatively because SMEs owner-manager consider these products risky. However, it vary person to person as for some SMEs owner-managers financial risk is more important and some afraid of time loss. Thus, institutes should properly educate owner-managers regarding financial products benefits, so that they can identify most suitable products with minimum risk.

Current study also identify the strong effect of social and religious beliefs on SMEs owner-manager attitude towards usage of financial products. In Pakistan, people perception about formal financial products is not very positive because of interest rate. As interest (*Riba*) not acceptable in Islam as well as people also take it as costly, waste of time and disclosure of their business confidential details. Thus, for an individual religious and social acceptance of his/her

act is very important in Pakistan, otherwise they have to face disgrace socially. Thus, owner-managers of SMEs who are more religious refused to take formal financial products because of religious and social pressure. They always prefer Shariah compliant products, as already mentioned that in Pakistan a large population of SMEs not taking any formal finance because of religion factor (IFC, 2014). Thus, it's a golden opportunity for Islamic financial institutes to grab this potential sector. To attract SMEs, there is need to design specialized products for them as per their needs and wants. By taking initiative in this regard, Islamic financial institutes and SMEs both can achieve their targets towards development and prosperity.

To conclude financial institutes should built their systems in a way that allows owner-managers to rely on it. In particular, they should make their process and procedures simple, short and hassle free such as institutes can brief their consumers regarding financial products through their websites in simple national and international languages. Moreover, institutes can provide training to their staff so that they can provide clear and complete information to customers regarding product usage, benefits and financial liability. Institutes can also use modern methods to process credit requests in order to facilitate customers in efficient manners. Furthermore, for the sake of customer easy access institutes can expand their networks and for easy and secure payments modernized systems can be utilized to satisfy their customers. The central bank of Pakistan should also provide support to financial institutes and specialized institutes towards financing to SMEs by conducting different trainings and workshops for institute's staff as well as SBP can also run different awareness campaigns for SMEs owner-manager regarding formal financial products. Moreover, they also can provide full assistance to SMEs when they face problems and complaints against any institute regarding adoption of financing. Educational institutes can also

help SMEs by conducting research in the area of financial behavior to better understand their needs and wants.

With implementation of above few principles desirable system can be designed by the facilitators of SMEs. Advertising and promotions of financial products in Pakistan should also emphasize the benefits and advantages along with simple explanation of products to attract maximum SMEs. So that SMEs can better know about their desired products and it will also make adoption of financial products easy for SMEs. Thus, to serve SME sector better and for development of country's economy it's prerequisite for all institutes to work collectively and support each other for mutual benefits, growth and development of SME sector.

### **5.7 Limitation of Study**

Although, this study made several contributions as discussed in previous sections of this chapter, however, still it had some limitations. Firstly, current study has focused only on fixed asset products more specifically leasing in order to examine the behavioral intention of SMEs owner-managers towards fixed asset products. As already discussed that overall only 18 percent of fixed asset products used by SMEs owner-managers in Pakistan. Despite the suitability of these products for businesses, ratio is very low, thus, to highlight the core factors this study has focused only on fixed asset products. Due to financial and time constraints it was not possible to cover all financial products as still various other products needs to be examined e.g. term loans, factoring, trade finance etc. Moreover, to explore particularly Islamic banking products also needed because of huge demand and various strategies of Islamic banking institutes.

Secondly, this study conducted by taking into consideration the manufacturing sector of SME industry in Pakistan, which consists of major contribution towards economic growth, though, findings of current study cannot be used to generalize the whole SME industry of Pakistan which also includes other sub-sectors. Moreover, the sampling of present study was confined to only one province of Pakistan namely Punjab, which consists of 65 percent of SME population (IFC, 2014). Further, study restricted to city limits due to number of manufacturing units' placement. rate of urbanization, population compositions, etc. were taken into account, however, by considering some more economic indicators, selection of few more semi urban areas and smaller towns could have supposedly yielded different results which would have been interesting to discover.

Furthermore, current study surveyed only manufacturing SMEs owner-manager because 49 percent of firms in Pakistan are involved in manufacturing businesses. Moreover, model of the study has been tested on leasing which is considered by practitioners as most suitable product for long term growth of manufacturing businesses. However, other sectors of SMEs also used leasing, though, the findings of this study should not be generalized for all sectors. In addition, influence of limited socio-psychological determinants have been considered in this study. However, in behavioral intention based studies, influence of various other socio-psychological factors can also yield useful findings, which can let owner-managers opine in little more direct form while expressing comments towards issues pertaining to access to finance.

Present study took into consideration only personal demographic variables viz. gender, age, education and experience, however, for better understanding of financial behavior of SMEs

owner-managers firm characteristics are also important. Thus, inclusion of other personal and firm demographic variables could have produced further meaningful variations and enhanced justifications for the findings.

## **5.8 Suggestions for Further Research**

Current study highlighted the antecedents of the SMEs owner-manager behavioral intentions towards usage of financial products. The research objective of current study is to help owner-managers towards adoption of financial products, moreover, financial institutes to pay attention on this potential sector. Apparently, few socio-psychological determinants of owner-managers behavioral intention have been discussed in this study, though, several socio-psychological factors with respect to owner-managers and their firms still need to be studied. Moreover, few studies including current study applied theory of planned behavior to understand financial behavior of SMEs owner-managers, however, seldom any study has applied TPB modified version Decomposed Theory of Planned Behavior to examine financial behavior of owner-managers. Therefore, it is suggested that researchers should conduct further studies by applying DTPB with addition of other socio-psychological and firm determinants.

Future research in the area of SMEs owner-manager financial behavior can consider other products and services from other sectors and industries, as well as product segments like working capital, trade finance, etc. Moreover, to understand the differences or for making comparisons among owner-manager's behavior across various product segments. It is also suggested to include other areas in the sampling process of owner-manager financial behavior based studies, particularly in Pakistan. Furthermore, manufacturing sector provided useful insights in SME

industry based studies, however, it will be useful to consider service sector also for conducting future studies as they may offer value adding opinions which can assist the practitioners in expanding their existing markets by consolidating their marketing strategies. It is suggested further to consider other demographic factors such as personal attributes, firm size, firm age etc. for understanding how owner-managers across different groups behave towards formal financial products. It is thus recommended to test it in other settings by sample expansions and/or by inclusion of other context specific cultural aspects.

As Pakistan is part of developing countries and SME sector contribute towards economic development facing numerous challenges, it will be useful to conduct studies on perception of SMEs owner-managers towards several challenges they are facing. For instance, this study took into consideration the lack of finance problem and demand side factors influence on SMEs owner-manager financial behavior. The findings of present study in context of SMEs owner-manager behavior in Pakistan can generate important results for financial institutes and policy makers who might be struggling to help SMEs towards their development. In general, it will offer additional insights to the institutes assisting SME sector further in formulating more pragmatic marketing strategies.

Moreover, Pakistan is trying to move consistently towards higher level of economic development by helping small and medium firms towards growth. Understanding of SMEs owner-manager needs and wants will arise as a significant phenomenon/concern in the coming days in context of ensuring that SMEs are offered desired financial products and services under all circumstances. Thus, in order to build a strong foundation and body of knowledge in this area in context of

Pakistan, it would be useful to explore the exact issues, reasons behind those issues and solutions for them through qualitative or mixed method based research designs. Moreover, studies based on in-depth interviews with financial institutes, policy makers and strategists can be conducted to come up with new models of behavioral intention in order to boost up this area of research further.

## **5.9 Conclusion**

Attitude of SMEs owner-managers do possess significant positive relationship with behavioral intention. In that regard, awareness, perceived usefulness, perceived ease of use and perceived risk socio-psychological determinants are discovered to have significant influence on formation of owner-managers attitude. In keeping with the above, financial institutes are left with no choice but to design high level of promotional strategies in their marketing activities in order to have increase awareness level among SMEs to motivate and retained them.

Afterwards, behavioral intentions of owner-managers towards usage of financial products while taking decisions to adopt is predicted significant by SME owner-managers attitude and subjective norms. Moreover, SMEs owner-managers in Pakistan reflect no difference between what they say and what they do in context of financial products usage. Thus, it can be concluded that higher awareness regarding financial products and about their features along with low risk lead to formation of stronger owner-managers attitude which further lead to adoption of products.

Age, education and experience emerged to possess moderating effect between owner-manager's attitude and behavioral intention which highlights the significant positive attitude of SME owner-managers towards usage of financial products in Pakistan. Moreover, education also moderates the relationship of subjective norms negatively significant with behavioral intention which indicates that social and religious have no influence on educated owner-managers financial decision making. Furthermore, owner-manager's age and experience have no moderation effect between subjective norms and perceived behavioral control with behavioral intention. The last demography gender also have no moderation effect on any of three constructs attitude, subjective norms and perceived behavioral control.

The framework initially conceptualized for this study, underpinned further with the combination of theory of planned behavior and technology acceptance model. Also supported with the owner-managers decision process model finally resorted to using variables viz. awareness, perceived usefulness, perceived ease of use, perceived risk, social beliefs, religious beliefs, owner-manager attitude, behavioral intention, subjective norms and demography. The findings of this study reflect that the model under study, which is aptly in line with the theory, achieves the empirical fit and the reliance on such theory is deemed justified as such.

To conclude, a need to fully understand the financial behavior of SMEs owner-manager by the marketers of Pakistan is recognized as a key driver towards their survival, growth and sustainability. Because, after recognizing actual needs of SMEs institutes can serve them better which is compulsory for SME sector development and country's economy.

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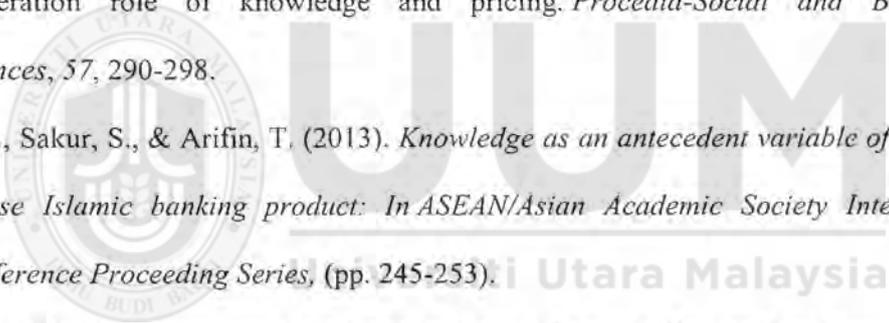
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Annexure A – Summary of Manufacturing Units in Punjab (District Wise)

TYPE OF INDUSTRY	Attock	Bahawalnagar	Bahawalpur	Bhakkar	Chakwal	Chiniot	D.G.Khan	Faisalabad	Gujranwala	Gujrat	Harizabad	Jhang	Jhelum	Kasur	Khanewal	Khushab	Lahore	Layyah	Lodhran	M.B.Din	Mianwali	Multan	Muzaffargarh	Nankana Sahib	Narowal	Okara	Pakpattan	R.Y.Khan	Rajanpur	Rawalpindi	Sahiwal	Sargodha	Sheikhupura	Sialkot	T.T.singh	Vehari	Total		
ABRASIVE									1					1			16								1													1	
AC/ REFRIGERATOR/ DEEP									1					1			16									1								1					20
ACETATE YARN																																	1					1	
ADHESIVE																																	1					1	
AGRICULTURAL IMPLEMENTS	14	1		4		12	40	40	28						64	3	3				14	18		25	61	1	3			12	12	10	36	22			421		
ALUMINIUM PRODUCTS							1	9	1								19													9		4						43	
ANIMAL FEED																								1								2	1					4	
ARMS AND AMMUNITION							1	1																				1				1	1					5	
AUTO PARTS						2	10	46	1		1	3					274			2	7									10	16	22			1		395		
BABY CYCLES							1										1																					2	
BABY DYPER								1																														1	
BAKERY PRODUCTS		1					4	2									16					5							1			1						30	
BATTERIES							1							2			3																					6	
BELT																															9	1					10		













POULTRY FEED	1		3		1			6	1	1			6	1	9				7			3	4	5		4	2	2	5	1	1	1	76			
POWDER COATING							1																									1				
POWER GENERATION	1					1	5	1	1	1			1	2	2			3		5	3							1	4	1		50				
PRESERVATION OF FRUIT/VEGETABLES													1														1					2				
PVC PIPE					1		4	8	9			2	2		6							1		1				1	1		3	39				
PVC YARN													1																			1				
RAISING CLOTH						7																										7				
RAZORS/SAFETY RAZORS/BLADES															1														1			2				
READYMADE GARMENTS						77	3					21	0				5	1									1	3	67		36	7				
REFINERY																										1						2				
RICE MILLS	1	6	1		5	3	54	21	4	1	5		1	2	2	42	4	3	7		8	1	1	6	9	7	3	3		4	2	9	16	1	8	17
	4				2	9	0	0	1	3	9		3	0	7				6		4	0	0	6	7	7	3	3		3	4	7	5	7	55	
	2						21			3																										
RICE PROCESSING							21																						1					24		
RUBBER PRODUCTS							13						1		31											1			3	17				66		
SANITARY FITTINGS							21	8							4															14				23	6	
SEED PROCESSING													3		2									1	1	4									20	
																								0												
SEWING MACHINE/PARTS						13									6									3											22	
SHOE LASTS															1																			1		
SIZING OF YARN						10	9	6	1	1		1	1																		1			18	0	
						4			0	0		8																		1				0		

SOAP & DETERGENT	10	3			2	39	7	19										9	14	3	3		13	8	1			1	4	7	3	1		184
SODA ASH																																		2
SODIUM SILICATE						12													7						1				1	8				29
SOLVENT OIL EXTRACTI ON		5							1		1		1	2					1	1										4			27	
SPECIALIZ ED TEXTILE										1																								1
SPICES FACTORY																													2					2
SPORTS GOODS																															459			461
SPRAY MACHINE													1															1						2
SPRING MANUFAC TURING																																		1
STARCH AND ITS PRODUCTS						4																												4
SUGAR	1	1	1		3	6		5	3	1	1		1	2					3	2		2	1	5	1			4		1	2		46	
SULPHURI C ACID																														5				7
SURGICAL COTTON / BANDAGE S						2	3		1		2		10															2			1			50
SURGICAL INSTRUME NTS													17																	1	1071			1089
SYNTHETI C RESINS																														1				1
SYRINGES											4																							4
TANNERY						12	32				364		3							9								13	8	26	134			601
TENT											6			13																4	3			26
TEXTILE COMPOSIT					1	9		1		1	8									2			1				2	1						27





## Annexure B – Questionnaire



April 02, 2016

### A DOCTORAL SURVEY

Dear Sir/Madam/Dr/ Mr/Mrs/Ms

I am a PhD student at the Othman Yeop Abdullah Graduate School of Business, Universiti Utara Malaysia and currently working on my PhD thesis titled “**Determinants of SMEs owner-manager behavioral intention towards usage of financial products**”. Kindly spare 5-10 minutes to give your response to the research questionnaire of the study.

- This questionnaire consists of two parts section A & B.
- Please, be assured that your responses will be strictly confidential and will be used only for academic purposes.
- The identity of the respondent will not be revealed to anyone throughout any part of the research process.

Thank you, in advance, for taking your valuable time to fill the questionnaire in the following pages and for your kind cooperation on behalf of OYAGSB, UUM.

Yours Sincerely,

Rabia Rasheed  
PhD Student

Supervisor:  
Dr Maria Abdul Rahman

## Section A: Demographic Background

Please tick (✓) to the appropriate answer.

1) Have you recently or previously used any leasing products for any of your business needs?

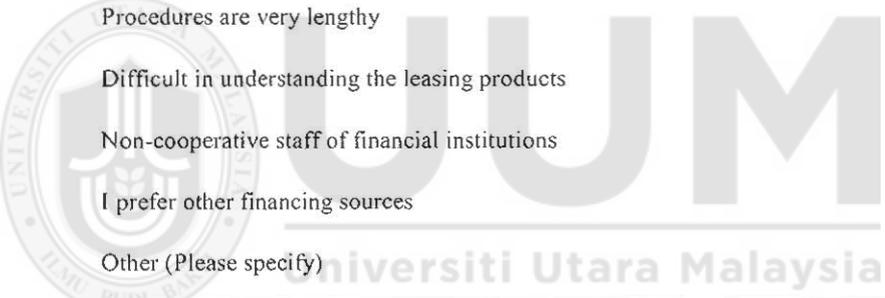
- Yes (Please proceed to question 4 and onward)
- No (Please proceed to question 2 & 3 only)

2) Do you have the intention to use leasing?

- Yes
- No

3) Why you don't want to use leasing?

- Leasing Products are not according to my requirements
- Procedures are very lengthy
- Difficult in understanding the leasing products
- Non-cooperative staff of financial institutions
- I prefer other financing sources
- Other (Please specify)



4) What is your choice of institution to obtain leasing for your business?

- Banking Institutions
- Non-Banking Financial Institutions

5) Age

- 18 to 30 years (Adult)                       31 to 50 years (Adult)
- 51 to 60 years (Mature)                       Above 60 (old)

6) Gender

Male

Female

7) Highest education level

No formal education

High School/Diploma

Graduate

Postgraduate

Professional

8) Type of business you are in

Sole proprietorship

Partnership

Other (Specify)

9) Number of years in business

Less than 5 years

5 to 10 years

10 to 15 years

15 to 20 years

20 Above

### Section B:

In reference to the leasing products please tick (✓) the appropriate answer based on the following Likert scale.

	1	2	3	4	5			
	Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree			
				1	2	3	4	5
DV1	I intend to use short term leasing products for my business financial needs							
DV2	I intend to use medium term leasing products for my business financial needs							
DV3	I intend to use long term leasing products for my business financial needs							
DV4	I will continue using leasing products for my business financial							

	needs					
AT5	In my opinion using leasing products is a good idea.					
AT6	In my opinion using leasing for financing is useful.					
AT7	In my opinion using leasing is beneficial.					
AT8	In my opinion lease finance is useful for Small and Medium firms.					
AT9	In my opinion leasing is one of the best among financial products.					
MT10	Financial needs of my business motivate me towards lease financing					
MT11	I use lease financing mostly in peak season of my business to accomplish different tasks					
MT12	Financial needs of my business are mostly related to finance the start-up capital.					
MT13	Financial needs of my business are mostly related to finance working capital requirement for successful business operations.					
MT14	Financial needs of my business are mostly related to finance the fixed assets for future business growth.					
AWR15	I am aware that leasing products will meet financial needs of my business.					
AWR16	I have complete knowledge about the Islamic leasing products.					
AWR17	I have complete knowledge about the conventional leasing products.					
AWR18	I know about the banking financial institutions in my area offering leasing products.					

AWR19	I know about the non-banking financial institutions in my area offering leasing products.					
PU20	Usage of leasing enables me to complete my business projects efficiently.					
PU21	Usage of leasing enables me to complete business tasks within the time period.					
PU22	Usage of leasing makes it easier for me to fulfill my business financial needs.					
PU23	Usage of leasing enables me to manage my account (s) more effectively.					
PEU24	I can easily understand the different leasing products.					
PEU25	To understand the process of leasing does not require a lot of mental effort.					
PEU26	Interaction with the financial institution for access of finances is clear and understandable.					
PEU27	It's easy for me to become skillful at using leasing.					
PEU28	Procedures of obtaining leasing are easy and understandable for me.					
RSK29	I fear that my private business information might be disclosed					
RSK30	I fear that my confidential documents might be lost					
RSK31	I fear that inability to pay back may bring loss in business					
RSK32	I fear that use of leasing from financial institution may bring negative personal reputation					
RSK33	I fear that obtaining leasing is very time consuming					
RSK34	I fear that I am not fully able to understand the leasing products					
RSK35	I fear that I am not fully able to understand the leasing procedures					
SN36	Most people who are close to me think that I have to choose leasing for my business financial needs.					

SN37	It is expected by others that I should choose financial products according to Shariah principals.					
SN38	People who are important to me suggest that leasing is useful for my business growth.					
SN39	My business colleagues will appreciate me if I choose leasing for my business financial needs					
SN40	People do not like my decision of using non-Islamic leasing products					
SB41	I prefer advice of my family and relatives when dealing with financial institutions for leasing					
SB42	I prefer friends and colleagues suggestions before choosing leasing for my business financial needs					
SB43	I prefer closed references opinions before taking decision regarding selection of leasing products					
SB44	Information regarding leasing products I get through media and advertisement is very beneficial					
RB45	I prefer Islamic financial institute					
RB46	I take Shariah advice by Alim before using leasing products					
RB47	I give preference to Islamic leasing products					
RB48	I prefer Islamic leasing because its free from Riba					
RB49	I prefer Islamic leasing because its free from fraud					
PBC50	I have the authority to take my business financial decisions					
PBC51	I have authority of selection among leasing products for my business financial needs					
PBC52	I am confident that I can use leasing for my business needs					
PBC53	I am sure that by using leasing products my business will grow					
PBC54	I am able to manage ups and downs regarding my financial decisions					

SE55	I am able to use the leasing products if I have only the basic information about the products					
SE56	I can use leasing products if someone else who is using leasing before assist me					
SE57	My own previous experience with financial institution help me in selection of leasing products further					
SE58	I am able to use the leasing products if someone help me in my first time usage					
SE59	I can use leasing products if I get little support from financial institutions					



**Your cooperation was very much appreciated.  
Thanks a lot.**

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