Owners' Financial Capabilities and SME Performance: Analyzing the Channel of Financial Resilience

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Abstract
This study is aimed to empirically analyze the effect of owners' financial capabilities on SME performance in Pakistan. SMEs contribute significantly towards global economy in the form of job creation and income generation. Mediating role of financial resilience and moderating role of financial advice are also investigated. The researcher has followed two theories i.e. theory of planned behavior (TPB) and resource-based view (RBV). The study has followed quantitative research method and positivism research philosophy. The data has been collected from SME owners through structured and adapted questionnaire on respondent demographics as well as on study variables. Target population was SMEs in Pakistan and SME owners were the unit of analysis. Stratified sampling technique has been employed for sample selection and final data included 405 responses. PLS-SEM is applied through SMART PLS-4 and it is concluded that SME owners' financial capabilities have direct and positive impact on SME performance in Pakistan. It is also concluded that financial resilience mediated the impact of predictor variable on outcome variable. It is also concluded that financial advice is moderating the indirect impact of financial capabilities on SME performance. This study has also provided notable implications for policy makers, SME owners and researchers.

Keywords: SME Performance, Financial Capability, Financial Resilience, Financial Advice, Theory of Planned Behavior, Resource-Based View

Introduction
SMEs contribute significantly towards global economy in the form of job creation and income generation (Shafi, Liu, & Ren, 2020). According to a global estimate, SMEs contribute more than 2/3 of jobs globally and SMEs are the reason behind most of the new job creations (CCP, 2023; SMEDA, 2021). SMEs are the lifeblood of economy (Harpriya et al., 2022; Shafi et al., 2020). Business performance provides the feedback to organizational goals set by the organizations in the form of financial as well as non-financial performance (Hidayanti et al., 2023). Financial performance is mainly evaluated in dynamic business environment (Anwar & Shah, 2021). Measurement of performance of SMEs is very crucial due to its

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notable effect on world economy as well as domestic economy.

Capabilities are very critical for business success (Christin Jurisch et al., 2014; Forkmann et al., 2018). Extant literature shows the importance of different types of capabilities such as financial (Babajide et al., 2023; Luo et al., 2021; Yi et al., 2023), digital (Ferreira et al., 2024; Heredia et al., 2022; Wielgos et al., 2021), innovation (Taleb et al., 2023; Wongsansukcharoen & Thaweepaiboonwong, 2023; Yusof et al., 2023), dynamic (Dejardin et al., 2023; Martins, 2023; Ruiz-Fernández et al., 2024), and etc. for business growth and survival. However, the focus of the current study is financial capabilities because financial capabilities are regarded as the contributors towards the efficient operation of financial markets and financial stability (TheWorldBank, 2013).

SME growth can be stimulated by enhancing financial capability of SME owners or managers (TheWorldBank, 2018). Financial capability refers to effective and efficient financial management. As internal financial resources are limited for SME businesses, therefore, optimal financial management for such firms are crucial, otherwise business will fail to survive when product demand rises due to poor financial management. Literature also shows the positive nexus between FC and performance (Luo et al., 2021; Yi et al., 2023). SME owners take financial decisions on daily basis to meet business operations and achieve business goals. These decisions are influenced by their behaviors, attitudes, beliefs and past experiences as indicated by theory of planned behavior. The impact of financial capabilities possessed by business owners may be influenced by many intervening factors (mediators) and external factors (moderators).

Financial resilience has the ability to translate the SME performance better with the help of financial capability. When businesses face external shocks and crises which affect their financial management then the ability to withstand the shock is referred as financial resilience (Jones & Steccolini, 2014; Khan, Ayaz, & Iram, 2021). Atiase et al. (2023) stated that financial resilience of SMEs largely depends on the financial capability. Therefore, financial resilience can play intervening role in translating the impact of owners' financial capabilities on SME performance in Pakistan. Financial advice also has the tendency to weaken or strengthen the indirect impact of owners' financial capabilities on SME performance via intervening variables. Individuals can achieve financial stability by successfully planning and managing their financial affairs with the help of financial advice (Sherraden & Morrow-Howell, 2015).

Rationale for the Study

In Pakistan, SMEs have been contributing positively towards job creation and GDP, leading towards national economic growth (SMEDA, 2021). According to SMEDA (2021), it is estimated that 80% of non-agriculture labor, 25% of total export earnings and 40% of Pakistan's total manufacturing value additions is contributed by SMEs in Pakistan. Globally, different parameters such as sales turnover, assets, and number of employees are used to define SME, however, in Pakistan, SBP has defined SMEs on the basis of sales turnover i.e. enterprises having annual sales turnover up to 150 million PKR are categorized as small and enterprises having annual sales turnover more than 150 million and up to 800

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million PKR are categorized as medium (SBP, 2024). Although, SMEs contribution is notable, however, SMEs operating in Pakistan are facing several difficulties, including lack of skilled labor, access to finance, competitiveness to compete in extremely dynamic business environments (Anwar, 2018; SMEDA, 2021). According to Arshad et al. (2020), SMEs in Pakistan lack relevant skills and education effective business management which further affect their business control and planning. Arshad and Arshad (2019) further discussed that lack of financial capability is notable barrier for SME growth. In order to operate business effectively, SMEs lack essential skills and training as well, according to Competition Commission of Pakistan (CCP, 2023). In order to thrive in dynamic business environments, SME owners seek for resources and sources which can accelerate SME performance and provide the competitive edge over competitors.

Managers are regarded as the brain of business success in general (Tuffour et al., 2022). If managers lack the basic understanding of financial knowledge and skills, then they will not be able to take sound financial decisions to deal with financial affairs of the firm effectively (Goyal & Kumar, 2021). In this way, financial capability becomes imperative for SME managers as well as owners to make effective financial and business management. However, past studies shows that the primary focus of financial capability literature is related to financial capability of individual households (Birkenmaier et al., 2022; Sun et al., 2022; Xiao et al., 2022), adults and students (Atkinson & Messy, 2012; Birkenmaier et al., 2022; Ranta et al., 2020; Tzora et al., 2023; Xiao et al., 2022), improving the level of financial satisfaction (Birkenmaier et al., 2022; Lux & Kauzlarich, 2022; Xiao et al., 2022) and financial wellbeing (Birkenmaier et al., 2022; Guo & Huang, 2023; Kumar et al., 2023; Parvathy & Kumar, 2022). Additionally, the focus of FC studies pertaining to performance was mainly on entrepreneurial performance of households (Luo et al., 2021; Yi et al., 2023). However, SME performance has been overlooked by scholars as performance related literature mainly revolves around financial literacy (Adomako & Danso, 2014; Asaad, 2015; Aulia et al., 2023; Goyal & Kumar, 2021; Hasan et al., 2021; Hii et al., 2022; Hossain et al., 2023; Huston, 2010; Koskelainen et al., 2023; Li et al., 2020; Lone & Bhat, 2024; Lusardi & Mitchelli, 2007; Masdupi et al., 2024; Molina-García et al., 2023; Noor et al., 2020; Tuffour et al., 2022; Usama & Yusoff, 2019; Yakob et al., 2021), instead of financial capability. According to Kempson et al. (2006), financial literacy and financial capability are synonymous terms. However, both are different as stated by The World Bank. "The terms financial literacy and financial capability are often used interchangeably. The term financial literacy is often associated with financial knowledge. Financial capability is a broader term, also encompassing behavior and the interaction of knowledge, skills and attitudes" (The World Bank, 2013). These facts have provided motivation to scholar to look into how Pakistani SME performance is affected by owners' financial capabilities.

This study has used the combination of TPB and RBV for theoretical model development and hypotheses development. This study has contributed towards TPB by focusing on attitude towards financial capability, taking financial resilience as subjective norms. Lastly, considering financial advice as perceived control behaviors to measure the impact of direct and indirect effect of financial capability

on SME performance. The study has also contributed towards RBV by considering financial capability as VRIN resource of the firm. Moreover, it has contributed towards RBV by considering the importance of financial resilience as internal resources of the firm while considering financial advice as external resource in shaping the business growth, performance and sustainability through financial capabilities. By uncovering the impact of financial capability which drive business performance, the study aims to offer actionable recommendations for businesses to successfully negotiate the intricacies of the business environment in Pakistan. There is a dearth of research investigating how financial capability contribute directly to Pakistani SME performance. This is also one of the pioneer studies taking into account the intervening role of financial resilience to evaluate the indirect effect of FC on SME performance in Pakistan. Additionally, this study is also one of the pioneer studies to look into the interaction role of financial advice between the indirect relationship of financial capability and SME performance. Finally, SME owners can also use the insights of this study to improve the financial capabilities through tailored training and development to reap the benefits of this resource for business survival and thrive in uncertain and intensive business environments in the framework of Pakistan.

Research Objectives

1. To investigate the influence of owners' financial capabilities on SME performance.
2. To investigate the mediating role of financial resilience between the influence of owners' financial capabilities on SME performance.
3. To investigate the moderating role of financial advice on the indirect influence of owners' financial capabilities on SME performance through mediating role of financial resilience.

Literature Review
Theory of Planned Behavior (TPB)

The theory of planned behavior/reasoned action states that behavior is driven by intentions, attitudes (opinions regarding a behavior), and subjective norms (opinions regarding how other people feel about an action) (Fisbein & Ajzen, 1975). TPB and TRA assume that people consider the information at their disposal to make sensible, logical decisions about which behaviors to engage in. A person's desire to engage in a behavior (which is affected by the value they place on it, how easy it is to do, and the views of people who important to them) and belief that they have control over the behavior determine how that behavior is carried out (Ajzen, 1991).

For an understanding of the complex interactions in the present study's environment, TPB is very pertinent. If we talk about the three pillars of TPB i.e. "attitudes, subjective norms and perceived behavioral control", then it can be understood that SME performance is the motivation behind the certain behaviors of individuals as well as organizations. Expected SME performance as well as actual SME performance motivates the individuals and organizations to shape their attitudes towards improving their financial capabilities. In this regard,

financial resilience can be viewed as subjective norms in the presence of internal locus of control as perceived behavioral control. This application of TPB provides notable relevance to this study model which has provided contributing insights regarding the effect of owners' financial capabilities on SME performance.

Resource-Based View (RBV)

A resource can be anything and contribute to a company's earnings in a variety of ways. According RBV, a firm's capacity to retain a competitive advantage is attributed to its distinctive, valuable, limited, and non-replaceable resources (Barney, 1991). According to RBV, a company can outperform others by integrating its technical, human, and other resources (Barney, 1991). RBV is highly relevant in understanding the impact of SME owners' financial capabilities on SME performance. The strategic significance of a firm's capabilities and resources is emphasized by the RBV. FC, within this context, can be seen as a vital resource that enhances a company edge over competitors. The fundamental idea of RBV is that a company's competitive advantage is determined by its resources and capabilities (Conner, 1991; Peteraf, 1993; Wernerfelt, 1984; Nadeem, Khan, & Atta, 2024). If we talk about the main feature of RBV then resources should have the feature of VRIN. In this regard, financial capability can be considered as the potential intangible resource for boosting SME performance. Strong financial capability can help SMEs to manage working capital effectively which can boost their financial resilience resulting in improved financial performance. Financial advice can also be seen as an external valuable source resulting in sound financial decision making. The RBV, combined with insights from behavioral theories such as the TPB, provides a comprehensive framework for understanding how financial capability contribute to SME performance. The intervening role of financial resilience and interaction role of financial advice add nuance to the relationships, capturing the behavioral aspects that influence outcome.

Impact of Financial Capability on SME Performance

Financial literacy (FL) is connected to other ideas like awareness, education, and financial capability (FC). It is useless to merely understand the fundamentals of finance if one does not act accordingly (Atkinson & Messy, 2012; Azhar, 2024). According to Kempson et al. (2006), FL and FC are synonymous terms. Individuals who are financially literate have the skills, understanding, and knowledge required to handle their own money, but they cannot be deemed financially capable until their behavior demonstrates this capacity. Financial capability (FC) and financial literacy (FL) are two different but connected ideas. FC, or the "opportunity to act" as well as the "ability to act," is the result of the interaction between financial inclusion and FL (Sherraden, 2013). FC has the ability to link external conditions and internal capability to create "freedom" that stimulates a "person's capabilities." Khan et al. (2019) studied the impact of contrasted kinds of firm related capabilities on firm performance as well as sustainable competitive advantage. The data analysis showed that FC, intellectual capital and CSR significantly and positively affected firm performance. Babajide et al. (2023) investigated the connection between FL, FC and sustainability of SMEs. The data analysis showed

that FL as well as FC significantly and positively affected firm sustainability. Koskelainen et al. (2023) studied the effect of digitalization on individuals' FC as well as FL. The scholars have identified key patterns related to above study variables and also recommended future directions on the basis of systematic literature review related to above variables.

Sari et al. (2023) studied the effect of digital financial capabilities (DFC), financial behavior and financial knowledge business performance (BP), financial concern and financial inclusion of MSMEs in Java. The data analysis showed that DFC has direct impact on BP of MSMEs. It was also concluded that DFC has indirect impact on BP of MSMEs through financial inclusion as well as financial concerns. Luo et al. (2021) studied the effect of DFC on entrepreneurial performance (EP) of Chinese households. The study concluded that DFC affects directly to different dimensions of EP. Struckell et al. (2022) stated that business performance is improved indirectly due to the efficient and effective budgeting strategies implemented by financial capable entrepreneurs. Yi et al. (2023) also studied the effect of FC on EP in Rural China. It was concluded that financial capability of Chinese household entrepreneurs had positive impact on EP.

It has already been discussed that TPB and RBV both are relevant theories in explaining the impact of financial capability of SME owners. With respect to TPB, attitude of SMEs towards enhancing the financial capability is motivated either through expected SME performance or actual SME performance. Moreover, on the basis of RBV, financial capability can be regarded as the core VRIN resource for SMEs contributing significantly towards SME financial performance. Therefore, on the basis TPB and RBV and reviewed literature it is hypothesized that

H1: There exists a direct relationship between owners' financial capabilities and SME performance.

Mediating/Intervening Role of Financial Resilience (FR) between Financial Capability and SME Performance

Siyanbola (2018) stated that economic shocks are better withstood by individuals having better financial literacy levels because financial literacy help them avoid over-indebtedness leading to enhancement of financial security. Salignac et al. (2019) stated that FR is built when individuals engage in such financial behaviors which enhance their financial security. Klapper and Lusardi (2020) also stated that higher level of financial literacy results in increment of FR which leads to reduction of financial risk.

Kass-Hanna et al. (2022) studied the effect of FL and DL on building FR. The findings showed that both FL and DL are key contributors to building FR. Erdem and Rojahn (2022) investigated the impact of FL on FR in European countries during COVID-19 crisis. The data analysis concluded that FR was increased due to increasing level of FL. Similarly, Bialowolski et al. (2022) also concluded that FL serves as a safeguard in the framework of FR. Atanda (2023) investigated the effect of FL on FR. The scholars also investigated the intervening role of FC between FL and FR. The study concluded FC mediated the impact of FL on FR. This also showed that FC directly and significantly affected FR. Thekkoote (2024) investigated the factors influencing SME business resilience during COVID-19. It

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was concluded that entrepreneurial characteristics, technological utilization, personal leadership and government support have mitigated the influence of COVID-19 to SME business resilience during the crisis.

It has already been discussed that TPB and RBV both are relevant theories in explaining the role of financial resilience between financial capability and SME performance. With respect to TPB, financial resilience can be regarded as the subjective-norm which is strengthen due to positive attitude towards financial capability. Moreover, on the basis of RBV, financial resilience is considered as a strong internal resource of competitive advantage creating a strong foothold to absorb external shocks by businesses. Therefore, on the basis of reviewed literature, RBV and TPB it is hypothesized that

H2: Financial resilience mediates the relationship between owners' financial capabilities and SME performance.

Moderating/Interacting Role of Financial Advice between Indirect Impact of Financial Capability on SME Performance through Financial Resilience

Previous studies showed the benefits of financial advice especially when client and financial advisor are on same page (Finke, 2013). Considering the prevalence of FL among general public, the advantage of financial advice cannot be overstated (Lusardi & Mitchelli, 2007) as well as the potential for making expensive financial decisions (Asaad, 2015; Nawaz, et al., 2024). According to Liu et al. (2019) financial assets can be built through financial advice. Sherraden and Morrow-Howell (2015) also stated that Individuals can achieve financial stability by successfully planning and managing their financial affairs with the help of financial advice. Kim et al. (2018) stated that financial advice has been attributing towards effective financial decision making in recent times.

Robb et al. (2012) concluded that individuals, in relation to personal financial decisions, seek financial advice. According to Stolper and Walter (2017) individuals seek financial advice due to its notable impact on financial decision making. There is a greater chance of making wise decisions if you consult with those who are more knowledgeable and rely on their expertise (Zaleskiewicz & Gasiorowska, 2023). During economic uncertainties, financial advice can be beneficial (Sunder et al., 2024). Yang, Gao and Yu (2024) concluded that financial advice has not improved investor investment performance. de Jong and Wagensveld (2024) emphasized the noteworthiness of financial advice for SME sustainability in dynamic and intensive business environments. It was found that businesses engaged in long-term relationships with financial advisors were in a better position to deal with financial shocks. Existing literature show that financially literate individuals more often seek financial advice as compared to financially illiterate individuals (Montgcone, 2011; Azhar, 2024).

Financial advice is considered as an external source in helping financial decision-making process which can boost business performance. This phenomenon is explainable through RBV as RBV posits that firm performance can be boosted through combination of internal and external resources (Barney, 1991). In developing countries, low levels of FP and NFP can be attributed to the poor

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financial decision making which may happen due to not seeking financial advice. According to TPB, financial advice can be regarded as perceived behavioral control. Although, SME owners may have good levels of financial capability but they can still seek financial advice in order to ensure their methods of financial management to be more effective to translate their financial management skills into strong business resilience and boosting SME performance. Therefore, on the basis of reviewed literature, TPB and RBV, it is hypothesized that;

H3: Financial advice moderates the indirect relationship between owners' financial capabilities and SME performance through financial resilience.

Theoretical Model
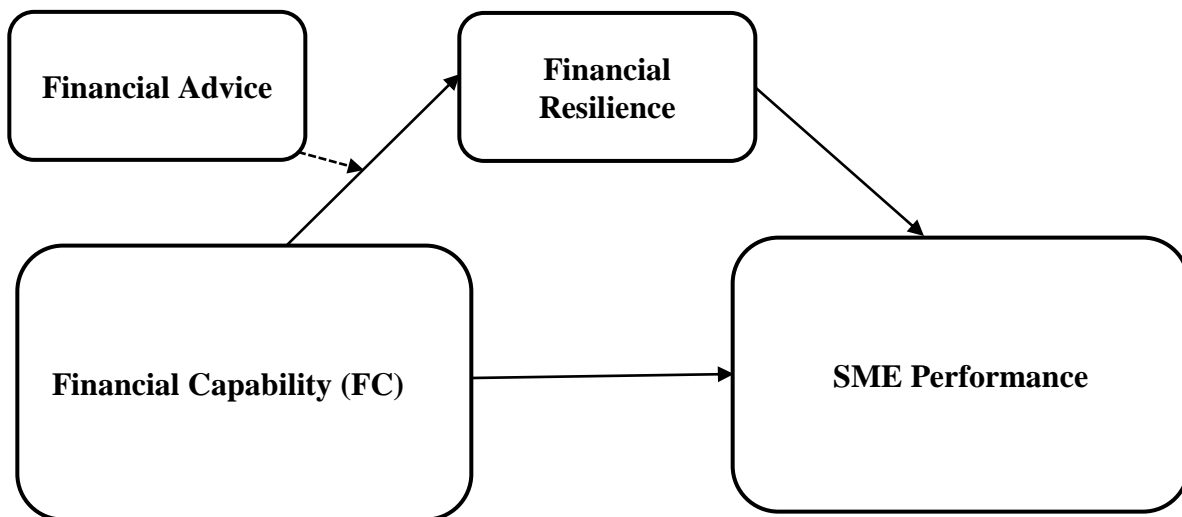The theoretical model of the current study is presented below.

Figure 1: Theoretical Framework

Methodology
Research Philosophy
Examination of beliefs on which the knowledge is developed is referred as research philosophy (Longbottom & Lawson, 2016). Saunders et al. (2009) stated that scientific solution of research problem is regarded as positivism. By following the deductive logic, every activity in the universe can be described (Sekaran & Bougie, 2016). Law of cause-and-effect is followed in positivism and objective solution is achieved for research problem, therefore, results obtained through this philosophy become generalizable (Saunders et al., 2009; Sekaran & Bougie, 2016). A structured research methodology is applied in positivism and hypothesis are developed on the basis of existing theories and results obtained are also compared with existing theories (Crowther & Lancaster, 2012). The current study requires the objective solution of research problem therefore suitable research philosophy is positivism for current study.

Research Design
Research design facilitates the achievement of findings based on research inquiries. According to Wiersma and Jurs (2005), research design helps researchers acquire reliable findings and makes it easier for them to grasp and evaluate study outcomes. Quantitative research often examines causes and consequences in the social sciences using numerical data and standardized methodologies (De Vaus, 2013). The present research has considered this since quantitative data has been used to examine the statistical connection between variables. Moreover, positivism research philosophy also leads towards quantitative research methods. Our study also demands the quantitative solution of research problem. A survey has been used to collect data. Surveys are conducted using various techniques, including self-administrated questionnaires, adapted questionnaires, phone interviews, and online surveys (Saunders et al., 2009). Thus, adapted questionnaires has been used in this research to get data since they recognize the value of gathering data more quickly.

Population and Sampling
The population of the study is consisted of SMEs in Pakistan. However, there is a lack of information availability regarding the exact number of registered SMEs in Pakistan. Although SMEs in Pakistan face lots of constraints which hinder their business growth and performance, but SMEs still are contributing significantly towards local GDP (Anwar, 2018; SMEDA, 2021). These facts related to SMEs are motivating factor behind the selection of this potential population.

Unit of Analysis
The unit of analysis of current proposed study is comprised of individuals, explicitly owners of SMEs in Pakistan. The rationale behind the selection of SME owners that they are involved directly in decision making process which affects their business performance. However, only those SME owners are selected for data collection purpose who are directly involved in financial decision-making process for their organization. Moreover, SME owners also fulfill the purpose of achieving our research objectives due to the fact that SME owners have better understanding of business environment in Pakistan and they can provide notable insights about the effect of their FC on BP under the influence of different factors such as FR and FA.

Sampling Size
Sample size play a vital role in data analysis process as Hair et al. (2007) stated that appropriate sample size guarantees smooth functioning of appropriate statistical technique. Different scholars have given different criterial for minimum selection of sample from a certain population. According to Hair Jr. et al. (2021) for SEM, a large sample size (more than 200) will be sufficient. On the other hand, MacCallum et al. (2001) stated that sample size less than 200 is unacceptable. However, this study has followed the criteria of adequate sample size provided by Israel (1992). The population size is very large as it is reported that around 3.6 million SMEs are currently working in Pakistan and an adequate sample of 400

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respondents is suitable for data analysis purpose with confidence interval of 95% and an error of 5% (Israel, 1992).

Sampling Technique
Samples selected through probability sampling techniques provide generalizable statistical results. Therefore, the researcher has adopted probability sampling method. Moreover, researcher has followed the stratified sampling method. In which the researcher has made strata on the basis of geographical distribution. Pakistan has four provinces; therefore 4 strata has been formed and afterwards from each stratum, equal number of respondents have been selected for data collection purpose by following the simple random sampling. But, before sending questionnaires, it has been ensured that SMEs follow the following criteria i.e. the business must be operating for at least 3 years so that subjective financial measures related responses become valid.

Data Collection
Survey method has been employed for data collection, and previously established scales have been adapted for study variables such as financial capability, financial resilience, financial advice and SME financial performance. The data has been collected by using structured questionnaire. Previous research in the same fields has also effectively employed adapted questionnaires. All scales have been adapted from previous studies related to study variables.

All selected SME firm owners have been contacted and requested to provide their consent for participation in the research. The respondents have been informed of the study's goals and purpose and have been asked to voluntarily participate after being assured that their privacy would be respected. Questionnaires are distributed to the consenting owners, employing a mixed-method approach by delivering them through WhatsApp, email and courier.

Operationalization of Study Variables
SME Performance
The firm's ability to manage and control its resources in such a way that it profits from resources and achieves the objectives is termed as business performance. In this study, the researcher has used financial performance as an indicator of SME performance. Financial performance has been measured through self-reported measure due to lack of financial data availability of SMEs in Pakistan. The similar approach has been adopted by many studies such as (Anwar & Shah, 2021). Financial performance measurement scales have been adapted from Charoensukmongkol (2016) and Danso et al. (2016), which have also been used by Anwar and Shah (2021). Financial performance measure is consisted of 6-item scale and respondents has been asked to rate the performance of their business with respect to industry or main competitors during last 3 years. Likert scale has been used and responses are recorded as 1 = extremely declined to 5 = extremely improved.

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Financial Capability (FC)
In literature we find different measures of financial capability which include multi-dimensional measures as well as one dimension measure instrument. Here the researcher has used 7-item unidimensional measure of financial capability adapted from Kumar et al. (2023).

Financial Resilience (FR)
Financial resilience is stated as the ability to withstand the crises and external shocks (Jones & Steccolini, 2014). 9-item scale of FR has been adapted from Nkundabanyanga et al. (2020).

Financial Advice (FA)
4-item scale of financial advice has been adapted from (Khan et al., 2022). 5-point Likert scale has been used to record the responses of FC, FR and FA where 5 represents "strongly agree" and 1 represents "strongly disagree".

Table 1: Summary of Study Variables

Variable	Title	Source	Items	Scale
Dependent	SME Performance	Danso et al. (2016) Charoensukmongkol (2016) Anwar and Shah (2021)	06	5-Point Likert
Independent	Financial Capability	Kumar et al. (2023)	07	5-Point Likert
Mediator	Financial Resilience	Nkundabanyanga et al. (2020)	09	5-Point Likert
Moderator	Financial Advice	Khan et al. (2022)	04	5-Point Likert

Control Variables
By following the similar type of studies, the current study has used gender, firm size, firm age and industry type as control variables. Firm size has been categorized into small and medium by following the definition provided by SBP i.e. enterprises having annual sales turnover up to 150 million PKR are categorized as small and enterprises having annual sales turnover more than 150 million and up to 800 million PKR are categorized as medium (SBP, 2024). In Firm age category, SMEs have been categorized as start-up and regular by following definition provided by SBP i.e. "A small enterprise up to 5 years old will be considered as Startup" (SBP, 2024). Industry types has also been categorized into three categories of SMEs acknowledged by SBP i.e. manufacturing, trading and services.

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Statistical Tools

Smart PLS 4 has been used because of its popularity and advanced calculation methods (Ali et al., 2018). Compared to other methods, it is an adaptable method for model development (Ringle et al., 2005). It also exempts the assumption of normal data distribution (Hair Jr. et al., 2021). Further, the researcher has applied bootstrapping to estimate the factor loading, coefficient, and significance level. The selection of PLS-SEM for current proposed study is multifaceted. According to Shmueli et al. (2019) predictive power assessment of any statistics model is decisive part of research study. In case of path analysis, researchers are left with 2 choices i.e. COV-SEM and PLS-SEM. According to Hair Jr. et al. (2021), in social sciences research field, PLS-SEM is widely used regression based technique in the presence of manifest and latent variables. According to Sarstedt et al. (2021) COV-SEM was designed for explanatory purposes. However, this shortcoming was overcome in PLS-SEM by introducing causal-predictive method. On the basis of these facts, this study has followed the PLS-SEM for data analysis purpose.

Data Analysis and Results
Data Normality

Data normality is not essential for analysis with PLS-SEM as it is a nonparametric technique. However, according to Hair et al. (2007), data normality must be considered before inferential statistics. Therefore, the researcher has followed the guidelines of Munro (2005) to check the data normality through skewness and kurtosis for all study variables. In the current study, all values are within range of normal distribution, hence the data can be used for further data analysis.

Common Method Bias

The researcher has collected the primary data from one source, i.e., SME owners; thus, there may be chances of CMB in the data set due to the research design. Kock (2015) suggested that the collinearity test can determine CMB while employing PLS-SEM. By following Kock (2015), the researcher has tested the CMB through VIF (Variance inflation factors) to ensure that our data is free from CMB. Values of VIF in our dataset are also in acceptable threshold which shows CMB is not available in our dataset.

Descriptive Statistics – Demographic Profile

Descriptive statistics were applied on our data set which provided us general information regarding the respondent profile demographics including gender, firm size, firm age, industry type as shown in table 2.

Table 2: Descriptive Statistics – Demographic Profile

Variable	No. of Observations	Percentage
Gender		
Male	371	91.60
Female	34	8.40

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Firm Size		
Small	263	64.94
Medium	142	35.06
Firm Age		
Less than 5 Years	119	29.38
More than 5 Years	286	70.62
Industry Type		
Trading	185	4568
Services	115	28.40
Manufacturing	105	25.92

The study section presents the participants' demographics. The researchers received responses from 478 SME owners directly involved in financial decision making. After screening, 73 responses were eliminated with missing values, and 405 responses were analyzed. Descriptive statistics has been performed on respondents' demographics, such as gender, firm size, firm age, industry type. Descriptive analysis showed that 91.60% of respondents are male while only 8.40% are female. The analysis also showed that majority of the respondents belong to small enterprises (64.94%) followed by medium enterprises (35.06%). In terms of firm age, it is found that 29.38% of SME firms have less than 5 years of business operations while, 70.62% have firm age more than 5 years. In terms of industry type majority of the respondents belonged to trading sector (45.68%) followed by services sector (28.40%). Only 25.92% respondents belonged to manufacturing sector.

Measurement Model Assessment
In order to confirm the validity and reliability of study variables and constructs, different statistical tests have been applied and results are reported in table 3 and table 4 below. Instruments' reliability has been assessed using Cronbach's alpha value.

Table 3: Convergent Validity

Variable	Items	Loading	Alpha	CR	AVE
Financial Advice	FA1	0.729	0.860	0.904	0.702
	FA2	0.884			
	FA3	0.891			
	FA4	0.838			
Financial Capability	FC1	0.795	0.829	0.874	0.542
	FC2	0.791			
	FC3	0.629			

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	FC5	0.787			
	FC6	0.833			
	FC7	0.536			
Financial Resilience	FR1	0.779	0.893	0.914	0.571
	FR2	0.706			
	FR3	0.757			
	FR4	0.747			
	FR5	0.743			
	FR6	0.790			
	FR7	0.773			
	FR8	0.747			
SME Performance	P1	0.867	0.875	0.903	0.651
	P2	0.873			
	P3	0.745			
	P4	0.776			
	P5	0.765			

*FC4 and P6 removed due to low factor loading

Values of factor loading shows the convergent validity of instrument used for data collection. Its minimum acceptable value is 0.5 and according to table 3, those items are excluded which have values lower than 0.5. According to Hair Jr et al. (2021), construct validity can be measured through AVE. Table 3 shows that all values are above 0.5, which shows that constructs used in this study are highly relevant and valid. In terms of CR the values should not be lower than 0.7 and according to table 3, all CR values are well above 0.7 which shows that items used in every construct assess the underlying concept. For the reliability measure of instruments used in this survey the Cronbach alpha is measured and all values are above 0.7 which shows that instrument reliability is sufficient for data analysis purpose.

Discriminant Validity
HTMT (Heterotrait-Monotrait Ratio) has been used to test discriminant validity as suggested by Henseler et al. (2015). For all study variables, HTMT values are presented in table 4. HTMT should be less than 0.90 which is usually considered as a good discriminant validity. According to table 4, our study variables possess discriminant validity.

Table 4: Discriminant Validity (HTMT)

HTMT	Financial Advice	Financial Capability	Financial Resilience	SME Performance
Financial Advice				
Financial Capability	0.389			
Financial	0.375	0.316		

Resilience			
SME Performance	0.210	0.228	0.382

Structural model Assessment

After the measurement model was evaluated, the bootstrapping procedure in Smart PLS-4 was used to evaluate the structural model. Results of bootstrapping and various other statistical tests performed on study variables has been presented below in table 5 and 6. Table 5 presents the results of path analysis without control variables while table 5 presents the results of path analysis with control variables. Both tables show similar results for main study variables with slight changes in beta values. Path analysis shows that direct impact of financial capabilities on SME performance is positive and significant. Similarly, the table also shows that direct impact of financial capabilities on financial resilience as well as direct impact of financial resilience on SME performance is also positive and significant. Path analysis for mediation test shows that indirect impact of financial capabilities on SME performance through intervention of financial resilience is also positive and significant. Finally, table 5 also shows that direct impact of financial advice on financial resilience is positive and significant while, interaction effect of financial advice and financial capabilities on financial resilience is also positive as well as significant. In the end, table 6 shows that impact of all control variables in the current study is statistically insignificant.

Table 5: Path Analysis (Without Control Variables)

Path Coefficient	Beta	t-value	P	LLCI	ULCI
FC -> SMEP	0.104	0.041	2.525	0.012	0.019
FC -> FR	0.225	0.070	3.222	0.001	0.087
FR -> SMEP	0.317	0.046	6.829	0.000	0.235
FC -> FR -> SMEP	0.071	0.027	2.634	0.008	0.026
FA -> FR	0.334	0.067	4.956	0.000	0.206
FA x FC -> FR	0.103	0.046	2.268	0.023	0.013

Table 6: Path Analysis (With Control Variables)

| Path Coefficient	Beta	t-value	P	LLCI	ULCI
FC -> SMEP	0.092	0.042	2.175	0.030	0.004
FC -> FR	0.225	0.070	3.220	0.001	0.087
FR -> SMEP	0.313	0.048	6.509	0.000	0.225
FC -> FR -> SMEP	0.070	0.027	2.628	0.009	0.026
FA -> FR	0.334	0.067	4.953	0.000	0.206
FA x FC -> FR	0.103	0.046	2.268	0.023	0.013
Gender -> SMEP	0.178	0.131	1.358	0.174	-0.093
F Size -> SMEP	0.068	0.091	0.744	0.457	-0.118
F Age -> SMEP	-0.075	0.096	0.780	0.435	-0.264
Industry -> SMEP	-0.060	0.049	1.230	0.219	-0.155
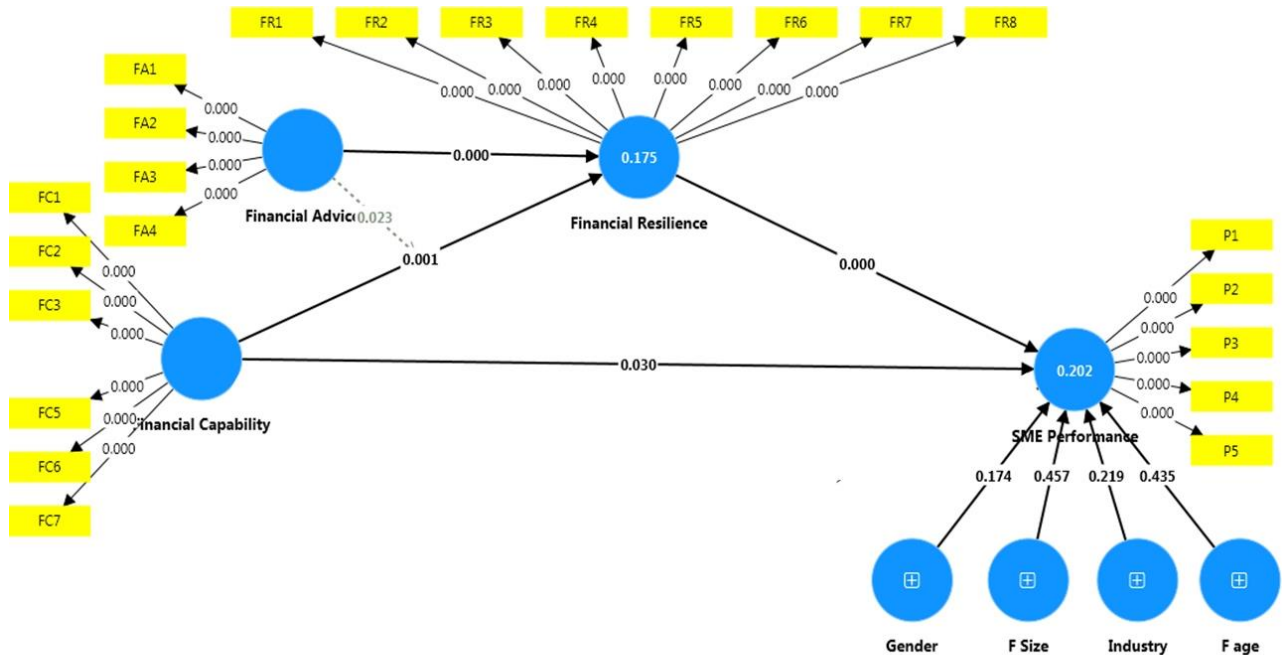
Figure 2: SEM Diagram

Table 7 shows the values of R². The exogenous variable (Financial Capability) has contributed 16.1% to financial resilience and 19.6% to SME performance. In SME analysis, it is essential to measure the applicability of model to assess the extent our model estimates the data. In this regard, Ringle et al. (2020) suggested a notable metrics for the measurement of model predictability i.e. Q^2. The value of Q^2 should be greater than zero to obtain good predictive relevance and table 7 shows that the value of all endogenous constructs, such as financial resilience and SME performance have Q^2 0.146 and 0.086 respectively which is greater than 0.

Table 7: R Square, Adjusted R square, and Q Square

Variable	R Square	Adjusted R Square	Q Square
Financial Resilience	0.161	0.157	0.146
SME Performance	0.196	0.190	0.086

Discussion, Conclusion and Recommendations
Discussion and Conclusion
Following was the first study hypothesis "there exists a direct relationship between owners' financial capabilities and SME performance". Table 5 as well as table 6 shows that impact of financial capability on SME performance is positive as well as

significant which confirms the acceptance of H1. This shows that owners' financial capabilities have positive impact on SME performance which validates the theoretical contribution of TPB and RBV. Moreover, the results are also in accordance to (Babajide et al., 2023; Khan et al., 2019; Luo et al., 2021; Struckell et al., 2022, Yi et al., 2023; Ali et al., 2023; Shah, Ali & Ahmad, 2024; Nawaz, et al., 2024). Following was the second study hypothesis "financial resilience mediates the relationship between owners' financial capabilities and SME performance." It is evident on the basis of results presented in table 5 and table 6 that financial resilience has not only direct impact on SME performance but it also mediates the impact of owners' financial capabilities on SME performance. This result is also in line with TPB and RBV. Moreover, the results are in line with previous studies such as (Kass-Hanna et al., 2022; Klapper & Lusardi, 2020; Thekkoote, 2024; Imran et al., 2023). Following was the third study hypothesis "financial advice moderates the indirect relationship between owners' financial capabilities and SME performance through financial resilience". It is evident on the basis of results presented in table 5 and table 6 that financial advice has moderated the impact of financial capability and financial resilience which concludes that financial advice moderated the indirect impact of owners' financial capabilities on SME performance through intervention of financial resilience. This result is also in line with TPB and RBV. Moreover, the results are in line with previous studies such as (Kim et al., 2018; de Jong & Wagensveld, 2024; Sherraden & Morrow-Howell, 2015; Raja et al., 2022). This study has concluded that all three hypotheses are accepted.

Study Limitations and Future Directions
This study has few limitations and future directions as well. This study has selected SME owners only as respondents while SME managers related to financial decision making can also be potential respondents. Therefore, it is recommended for future investigation. Moreover, the study has also adapted unidimensional financial capability construct, while researchers can also use multi-dimension financial capability measures in order to grasp more insights about the notable impact of FC on SMEP in developing countries like Pakistan. This study is also limited to Pakistani SMEs and it is recommended for future research to make comparisons with other developing countries as well as developed countries.

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