

Impact of religiosity and branding on SMEs performance: does financial literacy play a role?

Impact on
religiosity and
branding

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Abstract

Purpose – This study aims to examine the relationship between religiosity and branding on small- and medium-scale enterprises (SMEs) performance in Saudi Arabia. It also examines the mediating role of financial literacy on the relationship among Islamic religiosity, branding and SMEs' performance.

Design/methodology/approach – This study adopts the purposive sampling technique in three major commercial cities, namely, Riyadh, Jeddah and Al-Qassim to sample 100 SMEs each, resulting in a total sampling of 300 SMEs in Saudi Arabia. Structural equation modeling is used to analyze the hypotheses formulated in this study. The structural equation modeling is aided with the help of Smart-PLS software.

Findings – This study finds that Islamic branding (on customer, compliance and origin) significantly affect financial attitude, while Islamic religiosity affects financial awareness among the SMEs. Findings reveal that there is a mediating role of financial awareness on the relationship between Islamic branding and Islamic religiosity with the SMEs' performance. No mediation effect was recorded for financial attitude and financial knowledge. Further investigation reveals that financial attitude, financial awareness, Islamic branding (compliance and origin) and Islamic religiosity were the most significant determinants of SMEs' performance in the context of Saudi Arabia.

Research limitations/implications – This study is conducted on SMEs in Saudi Arabia only. Further studies are required to examine SMEs in other Islamic countries and regions to improve the explanatory power of financial literacy on Islamic religiosity and Islamic branding for improved SMEs performance.

Originality/value – This study establishes that Islamic religiosity and branding could further increase the predictive power of financial literacy on SMEs' performance. This study concludes that efforts to improve financial literacy should be religion-based as well as culture-based depending on where the SMEs are located so that specific strategies can be implemented, to enable the conducive growth of the SMEs and maximize the contribution of the SMEs to economic growth.

Keywords Performance, Religiosity, Financial literacy, Islamic branding, Saudi Arabia, SMEs, Branding

Paper type Research paper



Introduction

Studies on the effects of Islamic religiosity and branding on the growth of small- and medium-scale enterprises (SMEs) have largely established inconsistent findings on the

relationship between Islamic practices and firms' growth (Rafiki and Wahab, 2013; Gursoy *et al.*, 2017; Zailani *et al.*, 2019). Since many companies today adopt "religiosity" in their missions and visions by including it in their organizational culture and subsequently developing relevant rules and procedures toward its realization, this has led to a harmony between managers and workers as well as business owners despite the various possible differences in work culture. In this regard, the concept of socialization is adopted to solve any related issues that might arise, thus increasing awareness and knowledge among the stakeholders, resulting in greater sense of togetherness in achieving companies' missions and visions, leading to better performance of the companies (Mabula and Ping, 2018; Zailani *et al.*, 2019).

Studies relating religiosity and performance have generally found that religiosity aspects and practices among SMEs are not enough to sustain firms' growth mainly due to a lack of awareness of financial knowledge, and ultimately affecting access to finance. It has also been identified that there is a low level of financial literacy among SMEs, which adversely affect their access to external financing (Nunoo and Andoh, 2011). Financial literacy has been identified as an important component to enable better management of investment risk, and greater access to finance to intensify the firm's growth and performance.

Existing studies have documented the role of financial literacy on the performance of SMEs (Siekei *et al.*, 2013; Fatoki, 2014; Eniola and Entebang, 2016; Ripain *et al.*, 2017; Mabula and Ping, 2018). However, there is a gap in the literature on the role of Islamic practices to financial literacy and their effects on SMEs' performance (Halabi *et al.*, 2010; Fatoki, 2014). Whether an SME manager displays a high level of financial literacy rests on organizational practices. For example, organizational culture and specific characteristics may be responsible for the weak effects of financial literacy on firm performance. Agyei (2018) proposes that the relationship between financial literacy and SMEs' performance is cultural-context dependent. Culture itself shapes the *Halal* into an Islamic brand, which indicates the religiosity of a society in terms of beliefs and practices (Wilson and Liu, 2011). The work of Gait and Worthington (2008) shows that in the case of Arabian companies, lack of Islamic features of financial literacy among the SME managers may be responsible for reducing SMEs brand patronage and performance. In this regard, a marketing strategy based on segmentation and market targeting can be applied in view of the diversified products of the SMEs (Mabula and Ping, 2018).

Several studies have supported that the empirical evidence on Islamic branding is still infancy and suggest for more studies on the effect of Islamic brands (Alserhan, 2010; Wilson and Liu, 2010; Yusof and Jusoh, 2014). While this suggestion may be important for SMEs in Islamic contexts, the role of financial literacy is important to accomplish this goal. In relation to the resource-based view theory, little has been done in its applicability in the context of the Middle East, especially in the service and manufacturing sectors (Al Matraf, 2017). Also, studies focusing on Islamic branding that describes marketing practices that involve the provision of goods and services that enhance Islamic values, have been scarce (Hussin, 2017). In summary, Islamic branding is the name, term, symbol, design or a group of them identify the goods and services of a single seller or group of sellers and distinguish them from competition services that are consistent with their Islamic beliefs (Idowu and Adeneye, 2017). However, Islamic religiosity is not defined at the level of the owner, workers or managers because the companies are diversified and strive to preserve diversity, especially since there are many experiences that seek to attract them to serve target markets that are consistent with the requirements of customers in those markets with the goals and

directions of the company (Mabula and Ping, 2018). Further critics highlighted that Islamic marketing is a challenger to the classical marketing, with many of the prominent challenges and issues related to Islamic marketing were identified without considerable conceptual grounding and evaluations.

On the back of these issues, the current study examines the mediating role of financial literacy in the relationship between Islamic branding and Islamic religiosity with SME performance in the context of Saudi Arabia. The contribution of SMEs to economic growth in Saudi Arabia and many MENA countries has not been encouraging. For example, in Saudi Arabia itself, SMEs contributed only 20% to economic growth as of 2016 (Saudi Arabia Report, 2016). This contribution is low compared to Japan, Germany and China (Yoshino, 2015), which generally recorded over 50% growth contribution from SMEs. SMEs make an important contribution to economic growth and other economic indicators such as providing job opportunities and increasing exports. Although growing earnings inequalities among countries have contributed to less financial supports accruing to startup businesses (Idowu and Adeneye, 2017), financial literacy is important to design a good business financial strategy, especially in ensuring the survival of newly established businesses.

In the UAE, while awareness on the importance of financial literacy is still lacking, religious factors are an important consideration for investing firms (Al-Tamimi and Kalli, 2009). Interestingly, the significance of financial literacy for managers of SMEs may complement their levels of Islamic religiosity and Islamic branding in Saudi Arabia. Islamic branding is a reality where righteousness is manufactured and that buyers are willing to purchase goods with Halal contents and certifications (Alserhan, 2010). One challenge to the Islamic branding literature is the level of awareness of Islamic brands, especially in Western countries and financing decision to actualize the brands. Similarly, the measures of financial awareness, attitude and knowledge have not covered issues relating to Islamic transactions and financial contracts such as *Mudarabah* and *Musharakah*. Most measures of financial literacy have been on conventional financial transactions and trading system. This may account to the low level of financial knowledge required for SME managers to succeed in their business enterprises as the environment of establishment and location are more Islamic-inclined. Financial literacy is to complement the significance of Islamic branding to achieve brand personality having a connection with brand character and customers. That is, providing financial capabilities by engaging specific customer category with various Islamic brands and also establishing a *Halal* or *Shariah*-compliant good or service (Alam and Sayuti, 2011).

This study aims to offer several aspects of novelty and to enrich the literature in this area in various ways. This is the first study to mediate for the role of financial literacy (including financial awareness, financial knowledge and financial attitude) on the relation between Islamic religiosity, Islamic branding and SMEs performance in Saudi Arabia, an Islamic context. Secondly, this study establishes financial literacy as a complementary factor for Islamic branding and religiosity. Financial literacy must be Islamic-based in Islamic countries rather than the conventional-based financial knowledge that seems not to be in practice in Islamic countries. Third, this study establishes how a manager's characteristics or traits and organizational resources such as Islamic branding could improve the performance of SMEs in Saudi Arabia through an increasing level of financial literacy. The theoretical implication of the resource-based view theory implies in this context that both managerial financial knowledge and the business branding activities could increase the competition level of SMEs. Theoretically, this study establishes that Islamic branding could increase the predictive power of financial literacy among SMEs managers. Fourth, this

study is the first to provide an SEM-PLS approach to the complementary role of financial awareness, financial knowledge and financial attitude in improving SMEs performance. Fifth, this is the first study to conduct an analysis in a single-country context in Saudi Arabic with a mix of Islamic branding and financial literacy. Sixth, we established whether Islamic branding by compliance has indirect effects on SMEs performance than Islamic branding by origin and by customers. [Alserhan \(2010\)](#) posits three classifications of Islamic brand; by compliance, origin and customers. Finally, this study establishes how large could Islamic branding predict SMEs performance with the mediating effect of financial literacy, and in turn, contribute to economic growth. The mediating role of financial literacy accounts for an average of 23.50% of SMEs performance in Saudi Arabic. The role of financial literacy increases Islamic branding and religiosity variations between 3.8% and 11.5%, higher than the initial model. This indicates that financial literacy in SMEs could improve their contribution to economic growth by 3.8%–11.5%, with the same amount decreases in unemployment. The findings of this study are novel especially in the Saudi Arabia context.

Islamic branding, Islamic religiosity and financial literacy: a review in relation to the resource-based theory

[Barney \(1991\)](#) conceptualized the resource-based view theory of the firm after which [Wernerfelt \(1984\)](#) opines that a firm's resource can be both tangible and intangible to compete for performance and survival. Firms and business enterprises compete in the sector or industry they are located after an assessment of the strength, weaknesses, opportunities and threats of the firm ([Barney, 1991](#)). However, due to culture and the growing nature of marketing, marketing has now developed largely into branding, given the switching behavior and traditional beliefs of customers ([Baumgarth, 2010; Renton et al., 2016](#)). [Wernerfelt \(1984\)](#) argues for the importance of branding to achieve greater performance rather than emphasizing on the benefits of the firm's financial and tangible assets in the case of corporate financial managers. Supporting this submission on the intangible benefit of branding, [Barney \(1991\)](#) argues that a firm's intangible resources such as branding, and the technological process must be characterized by value, rare, inimitable and non-substitutable, that confirm the value, rareness, imitability, non-substitutable model of resource-based view. A firm's branding should address the internal processes and strategic intent of the business enterprises. Empirical evidence has supported religious branding as important for business enterprises in religious-dominated countries and spiritual organizations ([Meyer, 2004; Gromark and Melin, 2013](#)). Islamic branding is important for the survival of SMEs in Arab countries. For example, in UAE, people and SMEs investment after considering the religious and Islamic issues surrounding an intended investment opportunity ([Al-Tamimi and Kalli, 2009](#)). Although the resource-based view (RBV) theory has been critiqued for its lack of holistic approach in relation to the external environment ([Wilson et al., 2014](#)), Islamic branding does not only consider the business owners but also consider the external stakeholders ([Yusof and Jusoh, 2014](#)). Islamic branding portrays a good deed on how a business would deal with all relevant stakeholders in the business cycle ([Alserhan, 2010](#)). Thus, Islamic branding is significant to reduce the problem of brand-meaning gaps created by conventional and Western branding activities and orientations ([Merrilees et al., 2012](#)). [Wilson and Grant \(2013\)](#) stated that Islamic marketing is a recent phenomenon that has led to the participation of religiosity in many marketing practices. The use of Islamic branding does not only address the predictive power of internal environment but also the external factors (such as the customers) and is important to reduce the brand-meaning gaps in the literature of marketing and branding.

Despite this, there are differing views as to the definition of Islamic marketing, especially in terms of its exclusivity and domain of interpretations. [Wilson and Grant \(2013\)](#) suggested

that Islamic marketing represents a new area of contention that poses a challenge to the conventional concept of marketing. In upholding values central to Islamic culture, such as modesty, nobility, sacrifice and struggle, there are high tendency toward glaring differences between Islamic marketing and Western marketing. However, it can be argued that “[...] storytelling with a commitment to artistic design, craft and beauty; a sacred feeling of reverence, for beauty and craft; and a commitment to unity appears to follow more Eastern mythological values, although the “icon worship” is similar (Wilson and Grant, 2013).

The other view emphasizes the importance of religion in affecting the social environment sphere that establishes a link between God and social practices (Gümüşay, 2015). The religiosity of business actors and entrepreneurs is important for social science literature. [Barney \(1991\)](#) opines that religion is a resource for the firm in the context of a resource-based view. An Islamic brand consists of quality and image-related goods and services produced on the principles of Islamic economics and marketing. Islamic businesses or enterprises produce goods that are in line with the serving of God, thus the manufacturing, selling and buying are within the tenants of Islamic Shariáh. For example, an Islamic brand must be free of pork and alcoholic contents. It must also provide a service free from casino or gambling activities. Customers of SMEs in Islamic countries consider Islamic brands are success seeking in this world and Hereafter. The Sunnah (teachings of the prophet Muhammad-PBUH), Ijma (consensus), Qiyas (Analogy) affect Islamic entrepreneurship (Gümüşay, 2015). Thus, the success and performance of SMEs in Muslim countries are motivated by religion that produces Islamic brands for socio-economic and spiritual well-being achievements (Audretsch and Bonte, 2007).

Resource-based theory on financial literacy

The internal resources of the firm in terms of capabilities are responsible for improved performance and sustainable competitive advantage (Barney, 1991). Barney argues that a firm's portfolio of internal resources is important to achieve market leadership and increased customer patronage for competitive advantage. It may be an antidote to industry forces affecting the business environment (Bridoux, 2004; Tavitiyaman *et al.*, 2011; Pervan *et al.*, 2017). Al Matrafi (2017) argues that the firm's capabilities are distinctively and reproducibly. Distinctive capabilities relate to the business brands, patents, leadership and importantly tacit knowledge, and cannot be created by rivals while reproducible capabilities are purchased. [Barney *et al.* \(2011\)](#) opine and suggest knowledge is the most pivotal resource in maximizing the firm's goals and assets value. Knowledge is an intangible resource that can create competitive sustainability, achieve a non-physical barrier to entry, to produce desired goods and services (Matrafi, 2017). Moreover, the significance of the RBV theory to SMEs can be tested through the demographic attributes of the managers and employees such as the level of financial knowledge (Richard, 2000).

Financial literacy among SMEs managers describes the financial decisions, financial products at every business cycles and growth stages of the business enterprises (USAID, 2009; Remund, 2010). [Remund \(2010\)](#) opines financial literacy is the understanding of financial concepts, financing choice and long-term financial care. [Eniola and Entebang \(2017\)](#) argue that financial literacy serves a firm's resource to achieve increased performance. Practical evidence supports that lack of financial human and resources reduces a company's performance as no financial initiatives to maintain and adjust various financial situations and conditions (Hewitt-Dundas, 2006). A lack of adequate financial literacy leading to low financial resources has retarded SMEs growth and performance (UNCTAD, 2002; Wiklund and Shepherd, 2005; Ihua, 2009). Financial literacy describes the financial capital influences the use of external financing for the positive increase in SMEs

performance (Eniola and Entebang, 2017). Consequently, Eisenhardt and Martin (2000) opine that financial capital explains the resource-based theory in the SME context. Eniola and Entebang (2014) also linked capital structure as a financial strategy needed for the performance of SMEs. Managerial skills and financial knowledge are internal resources that result in SMEs firm's performance (Morgan *et al.*, 2004). Thus, financial knowledge and awareness of SMEs managers are internal resources that determine the performance of business enterprises (Thang *et al.*, 2010; Barney and Hesterly, 2015). The importance of financial literacy supports the claim which most SMEs failures are linked to poor financial literacy that undermines their entrepreneurial innovative activities (Bosma and Harding, 2006; Spinelli *et al.*, 2011; Oseifua, 2010; Drexler *et al.*, 2014).

Relationship between Islamic branding, Islamic religiosity, and financial literacy

Islamic branding is important for SMEs managers who intend to gain product and services acceptance from Muslim customers. It involves Islamic brands devoid of interest, haram ingredients and activities (Asif and Anjum, 2012). The level of financial literacy with respect to Islamic-based banking would signal to customers that SMEs products and services are Halal and can be accepted (Alserhan, 2010). This contrasts with non-Muslims customers who are about the product, service quality with the religiosity of the brands (Loo, 2010). Islamic branding different product acceptance in Islamic countries than conventional branding. For example, Jalil and Rahman (2014) argue that 63% of Muslims are aware of Islamic products and thus, may explain the huge difference in product acceptance across Arab countries. Religiosity and Islamic branding play an important role in a cluster of beliefs and financing structure without interest-based transactions (Dusuki and Abdullah, 2007; Haq and Smithson, 2003). Empirical link between Islamic branding and financial literacy is still missing in the SMEs research. However, some submissions have been made on Islamic branding in connection to financing literacy (Nga *et al.*, 2010; Fornero *et al.*, 2011; Ohlsson, 2012; Tuominen, *et al.*, 2016). Nga *et al.* (2010) submitted that the level of financial institutions to promote financial awareness may restore ethical trusts among their customers like SMEs since customers of SMEs practice repeat-passive behavior when they have a certain level of knowledge of the financial providers. Thus, Islamic branding and religiosity may influence SMEs' level of financial literacy toward increasing performance.

The importance of Islamic branding can assist SMEs managers in financial literacy. They must be aware that of an Islamic business to business transaction and should not involve interest in any of the financing choice, production process and outputs to increase patronage, acceptance and survival for increased performance. This study intended to measure the dimensions of Islamic branding (compliance, customers and origin) as modeled in the studies of Alserhan (2010) and Jumani and Siddiqui (2012). Islamic religiosity has shaped SMEs choice of financial awareness, attitude and knowledge toward financial providers (Johan *et al.*, 2014), with SMEs in Islamic countries more likely to enhance their financial literacy on Islamic banking. Islamic religiosity enhances financial literacy as Idris *et al.* (2011) submitted that Islamic religiosity influences SMEs to choose Islamic finance products. Based on the importance of Islamic branding and the dimensions of financial literacy (financial awareness, financial knowledge and financial attitude), it is hypothesized that:

H1a-1d. There is a positive effect of Islamic branding (compliance, customers and origin), and Islamic religiosity on financial attitude of SMEs performance in Saudi Arabia.

H2a–2d. There is a positive effect of Islamic branding (compliance, customers and origin), and Islamic religiosity on financial awareness of SMEs performance in Saudi Arabia.

H3a–3d. There is a positive effect of Islamic branding (compliance, customers and origin), and Islamic religiosity on financial knowledge of SMEs performance in Saudi Arabia.

Mediating effect of financial literacy toward SMEs performance

This study intended to measure the mediating role of financial literacy (financial attitude, financial awareness and financial knowledge) on the relationship between Islamic branding on compliance, Islamic branding on customers, Islamic branding on origin and Islamic religiosity. This is because the RBV echoes that financial literacy can be used to manage firm resources (both tangible and intangible) to achieve competitive advantage through improved performance. This also supports the conservative economic theory that financial literacy is a form of human capital investment that configures other firm's resources toward such improved performance in an increasingly complex environment ([Lusardi and Mitchell, 2014](#)).

SMEs usually want to pursue financial literacy based on their number and category of customers, such as high-income groups regarding how it will benefit their enterprises by keeping and retaining customers and increasing their marketing of new products and services toward increased performance. The dimensions of Islamic branding (compliance, customers and origin) were included in this study and models of [Alserhan \(2010\)](#) and [Jumani and Siddiqui \(2012\)](#) along with Islamic religiosity are expected to have an indirect relationship with SMEs performance. Financial literacy has been used as mediators in similar studies ([Bongomin et al., 2016](#); [Xiao and Porto, 2017](#)). However, as suggested by [Atkinson and Messy \(2012\)](#) that a multidimensional approach to financial literacy will help to capture the level of long-term financial plans by SMEs, this study intended to measure financial literacy using financial attitude, financial awareness and financial knowledge.

In relation to financial attitude, Islamic branding (such as Halal products and services) have been linked to the financial attitude of SMEs managers toward improved performance. For example, [Jaffar and Musa \(2014\)](#) argued that SMEs should not only focus on Islamic branding, but also buy. SMEs managers much exhibit financial attitude in relation to Halal-based financing. Thus, the degree of financial attitude in terms of Islamic personal financing will influence Islamic branding and religion obligation toward SMEs performance.

The level of financial knowledge is also important for increased Islamic products and religiosity among SMEs in Islamic countries. There is increasing evidence that SMEs in Islamic countries thrive better when financed using *Mudarabah* (partial equity partnership) and *Musharakah* (full equity partnership) than using conventional banking finance ([Jaffar and Musa, 2014](#)). [Atkinson and Messy \(2012\)](#) posit that many SMEs lack knowledge of diversification and compound interest. This is mainly due to their size and perhaps in countries such as Saudi Arabia where religiosity is high. Thus, SMEs cannot understand financial knowledge of conventional banking as conventional banking finance gives less room for Halal products following the number of customers who will be ready to buy SMEs products and services. *Mudarabah* represents a risk-sharing approach, where both the SMEs and Islamic bank share risks in venture capital and so may trigger and enhance the use of Islamic products and building Islamic religiosity into customer–SMEs relationship toward increased performance.

SMEs that are well aware of the financing options can design Islamic brands to maintain a certain liquidity level. The increasing financial awareness among SMEs has increased Islamic brands and growth in Halal business while contributing to their overall performance. For example, many studies have documented the increasing level of awareness as a determinant of SMEs intention to adopt Islamic brands and using Islamic religiosity to increase the value of Halal products consumption among customers (Asnawi *et al.*, 2018; Hakimi *et al.*, 2018). Financial awareness of capital availability is a success factor among SMEs in Saudi Arabia (Al-Tit *et al.*, 2019), which has led SMEs to post informative content of local brands using Islamic messages, Arabic language and women dress in modest clothing, all signifying the SMEs level of Islamic branding and religiosity affecting their success (Abuljadail and Ha, 2019). Baron and Kenny (1986) stated how to formulate hypotheses based on mediating variables. Based on this, this study proposes mediating hypotheses as:

- H4a-4d.* Financial attitude mediates the effect of Islamic branding (compliance, customers and origin) and Islamic religiosity on SMEs performance in Saudi Arabia.
- H5a-5d.* Financial awareness mediates the effect of Islamic branding (compliance, customers and origin) and Islamic religiosity on SMEs performance in Saudi Arabia.
- H6a-6d.* Financial knowledge mediates the effect of Islamic branding (compliance, customers and origin) and Islamic religiosity on SMEs performance in Saudi Arabia.

Relationship between financial literacy and SMEs performance

Several studies have examined the relationship between financial literacy and SMEs performance (Al-Tamimi and Kalli, 2009; Xu and Zia, 2012; Siekei *et al.*, 2013; Eniola and Entebang, 2016). Siekei *et al.* (2013) examined 82 SMEs in Kenya using random sampling technique. The authors investigated pre- and post-financial literacy training. They found the significant result in post-financial literacy training, arguing that financial analysis, budgeting, bookkeeping and credit management increased SMEs revenue. The implication of financial literacy program enhances financial standardization and professionalism among SMEs. Similarly, in the study of Njoroge (2013) among 79 entrepreneurs in Kenya, the emphasis was placed on entrepreneurial success and the success of SMEs as measures of SMEs performance using a qualitative approach. Njoroge (2013) found a positive relationship between financial literacy, entrepreneurial success and SMEs success. A high successful entrepreneur is a function of high financial knowledge, while less successful SMEs are attributed to a low degree of financial literacy, mostly among the informal sectors. This, however, suggests that SMEs in the formal sector perform better than those in the informal sector, as the demands and challenges of the formal sector require a standard level of financial professionals.

Country differences may also be important for the level of SMEs performance in relation to financial literacy (Ottaviano and Martincus, 2011; Al-Tamimi and Kalli, 2009). Al-Tamimi and Kalli (2009) submit that there is a nexus between financial literacy and level of investors in the United Arab Emirates. The level of income, education, gender and workplace was found to difference high-income investors from low-income investors. Contrary to past studies, Al-Tamimi and Kalli (2009) document that the most important factor that determines the decision to invest in UAE is religious reasons. This implies that financial

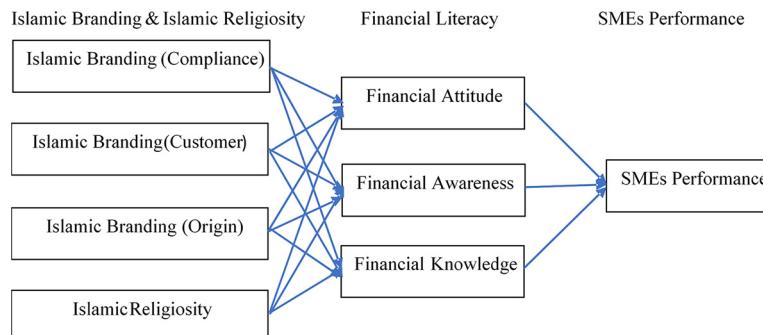
literacy must be complemented with religious values to improve SMEs performance. Additionally, firm size and age are important for a strong nexus between financial literacy and SMEs performance. For example, in South Africa, SMEs at their early lifecycle as microenterprises experience a low level of financial literacy in bookkeeping, financial information skills as well as sources of financing and financial planning. These factors are responsible for their low level of performance and survival rate (Fatoki, 2014).

Xu and Zia (2012) did an extensive study on financial literacy among SMEs around the world. Novel findings were recorded in their study. The level of financial outreach and capability is low in low-income countries and thus making SMEs not to perform well or increase the number of available microenterprises. On average, 65% of SMEs in high-income countries know compound interest, 25% in middle-income and 51% in low-income. Inflation and risk diversification among SMEs also recorded similar findings. Xu and Zia (2012) suggest that to increase SMEs performance in middle and low-income countries, increased financial awareness and the leveraging of social networks is important. Moreover, social networks significantly affect SMEs performance (Franco *et al.*, 2016; Stoian *et al.*, 2017). Adeneye and Ahmed (2015) related social networks to establish corporate social responsibility, which may define the extent of SMEs manager to be financially aware of future performance. Few studies, however, establish a negative relationship between financial literacy and SMEs performance in terms of access to finance (Warue and Wanjira, 2013; Fatoki, 2014; Galstian, 2017). Galstian (2017) found a negative relationship between financial literacy and performance of SMEs in Portugal and Russia. In Africa, specifically, Nigeria, a large number of SMEs does not have access to financial services due to the low level of financial literacy, which has a negative spillover effect on the economic growth (Ketley *et al.*, 2012). It implies that the higher the level of financial literacy, the lower the level of financial constraints (OECD, 2013). This has the implication that access to finance by SMEs is a determinant of financial literacy, which in turn influences their performance. The low level of financial literacy was also documented among Australian SMEs using qualitative approach (Halabi *et al.*, 2010). Given the importance of financial literacy and its dimensions on SMEs performance, it is hypothesized that (Figure 1):

H7a. Financial Attitude affects SMEs performance in Saudi Arabia.

H7b. Financial Awareness affects SMEs performance in Saudi Arabia.

H7c. Financial Knowledge affects SMEs performance in Saudi Arabia.



Impact on religiosity and branding

Figure 1.
Research model

Research methodology

Sample and data collection method

Survey method through the questionnaire was designed to collect data on the variables of measurement on a purposive sampling basis. SMEs are studied, making this study an organizational one. Business owners or managers were asked to fill the questionnaire after consent form, and participant information sheet was checked and agreed. Purposive sampling technique was adopted to sample 100 SMEs each from three main commercial cities in Saudi Arabia (Riyadh, Jeddah and Al-Qassim). Emphasis was placed on Riyadh, Jeddah and Al-Qassim because it is the most cities possessing SMEs at the level of Saudi Arabia, as well as increasing the level of religiosity in these cities according to previous reports and literature, however, regarding generalization, this issue is considered a limitation in any study due to the focus on specific cities as well as a different culture. We focus our identification of SMEs to those of 6–249 employees. In total, 25 SMEs managers were sampled for a pilot test in the manufacturing sector for the reliability of the variables of measurement (dependent and independent). Data analysis follows the procedure of data presentation, data entry, data filtering and data analysis.

The quantitative method is used in this study. Generalization of results is based on the deductive approach involving the use of a survey questionnaire. Variables in the questionnaire were adapted from previous studies. Items on Islamic branding were adopted from the studies of [Jumani and Siddiqui \(2012\)](#) and [Jalil and Rahman \(2014\)](#). This study followed the categorization of [Alserhan \(2010\)](#) on Islamic branding into compliance, origin and customers as used by Jumani and Siddiqui. Items on Islamic religiosity was sourced, modified and adapted from the study of Ramadani *et al.* (2015, p. 256). Items on financial awareness were adopted from the studies of [Oseifuh \(2010\)](#), [Sulaiman \(2014\)](#) and [Eniola and Entebang \(2017\)](#). Items on financial knowledge were adopted from the [OECD \(2013\)](#), [Lusardi and Bassa Scheresberg \(2013\)](#) and [Ibrahim \(2017\)](#). Items on the financial attitude were adopted from [Potrich *et al.* \(2015\)](#). This study identified two categories of SMEs performance: financial and nonfinancial performance. Items on both the financial performance measures were adopted from the study of [Irfani *et al.* \(2016\)](#). In total, 100 SMEs each from Riyadh, Jeddah and Al-Qassim were sampled using a closed-ended questionnaire. Out of the total 300 questionnaires distributed across three cities, 255 valid responses were selected and analyzed. The SEM-PLS was used for analysis. The superiority of the partial least square (PLS) lies in its ability to execute latent variable or outer model and the structural inner model analysis for PLS is to examine the nexus between latent variables. Report of coefficients is based on *t*-statistics, significant values and indicating weight as suggested by [Hair *et al.* \(2012\)](#).

Findings

Descriptive statistics

Of the total 300 SMEs sampled in Saudi Arabia, 255 valid responses were found usable for this study. Of the valid responses, 71.8% of the SMEs respondents or entrepreneurs were males, while remaining 28.2% represent female entrepreneurs. From the results of the location, it shows that there are many businesspersons and SMEs in Riyadh representing 54.1%, followed by Jeddah with 34.5% and 11.4% represents SMEs located in Al-Qassim. Most SMEs owners and managers sampled are in the age bracket of 25–35 years representing 44.7% followed by those aged between 36 years and 45 years representing 26.7%. Majority of the SMEs sampled has been in business for about 10 years. More than half of the SMEs representing 62.7% are run by appointed managers while 34.5% of the SMEs practice “Owner Duality” (this means a situation whether the owner of the SME is

also the manager of the enterprise). In terms of ownership status, 67.1% of SMEs are sole proprietorship while 31.0% have partnership ownership status ([Table 1](#)).

Majority of them have books of accounts (especially sales and purchases daybooks) due do not have report statement of financial position, as these SMEs have business names and are not companies. Thus, need not file annual financial statements but they keep books of daily transactions. About 50% are either school leavers, have completed secondary schools or are diploma holders.

Reliability and validity

[Table 2](#) represents the measurement model of all the variables used in this study (financial attitude, financial awareness, financial knowledge, Islamic branding-compliance, Islamic branding-customers, Islamic branding-origin, Islamic religiosity and SMEs performance). The loadings for all the items of measurement for all the variables are well above 0.7 thresholds except Islamic religiosity with two items (IR14 and IR4) that have 0.667 and 0.653. This is accepted according to Cohen. The results of these loadings conform to the specification of [Wong \(2013\)](#) and [Hair et al. \(2017\)](#).

The results of the Cronbach's alpha also show good results except for financial knowledge (FINKNL). However, authors have argued that composite reliability (CR) is much more a better indicator of internal consistency. The threshold for CR is 0.7, and all the variables or constructs met this threshold ([Hair et al., 2014](#)). This study also achieves good AVE results, which indicate that the convergent validity criterion is achieved as all constructs have AVEs higher than the threshold of 0.5 as submitted by [Bagozzi et al. \(1991\)](#). There is no case of multicollinearity problem as the VIF values are less than +4 as opined by [Hair et al. \(2010\)](#).

Heterotrait–Monotrait Ratio (HTMT) ([Table 4](#)) and Fornell–Larcker ([Table 3](#)) criteria were also used to achieve more robust results of discriminant validity assessment. For the Fornell–Larcker criterion ([Fornell and Larcker, 1981](#)), results showed that the AVE for each construct is greater than the construct's highest squared correlation with another construct. The results of the HTMT, which is the correlation coefficient between constructs, paralleling the disattenuated construct score, showing that the values are well below the 0.9 threshold criterion as submitted by many studies ([Gold et al., 2001](#); [Henseler et al., 2015](#)). Following the results of the HTMT and Fornell–Larcker criterion, this study does not lack from discriminant validity issue.

[Figure 2](#) shows the empirical model of this study given the independent variables (Islamic branding-compliance, Islamic branding-customers and Islamic branding-origin and Islamic religiosity), mediating variables (financial attitude, financial awareness and financial knowledge) and dependent variable (SMEs performance). This shows that multiple regressions can be performed using the PLS-SEM as against the SPSS software, which is a traditional or first-generation technique that allows only single linear dependence connection.

Path analysis

As shown in [Table 5](#), Islamic religiosity had a significant positive effect on financial awareness ($H2a$) but does not significantly affect financial attitude ($H1a$) and financial knowledge ($H3a$). The f^2 of $H2a$ is 0.121, it indicates that Islamic religiosity has a medium effect on financial awareness. Second, results showed that Islamic branding-compliance had a positive effect on financial attitude ($H1b$, $\beta = 0.24$, a p -value of <0.01) by does not have a significant effect on financial awareness ($H2b$) and financial knowledge ($H3b$). Third, Islamic branding-customers had a significant negative effect on financial attitude ($H1c$, $\beta =$

	N	Frequency
<i>Gender</i>		
Male	183	71.8
Female	72	28.2
<i>Age</i>		
Less than 25 years	40	15.7
25–35 years	114	44.7
36–45 years	68	26.7
46–55 years	30	11.8
Above 55 years	3	1.2
<i>Work experience</i>		
Less than 5	74	29.0
6–10	96	37.6
11–15	43	16.9
16–20	31	12.2
Above 20	11	4.3
<i>Educational qualification</i>		
Less than secondary school	24	9.4
Secondary school	66	25.9
Diploma	42	16.5
Bachelor's degree	97	38.0
Master	25	9.8
Doctoral	1	0.4
<i>Position</i>		
Owner and manager at the same time	88	34.5
Manager	160	62.7
Owner	7	2.7
<i>Firm age</i>		
Less than 5 years	98	38.4
5–9 years	75	29.4
10–14 years	34	13.3
15–19 years	20	7.8
20 years and above	28	11.0
<i>Location</i>		
Riyadh	138	54.1
Jeddah	88	34.5
Al-Qassim	29	11.4
<i>Type of business</i>		
Accommodation and food services	63	24.7
Manufacturing	192	75.3
<i>Employment</i>		
6 to 49 employees	148	58.0
50 to 249 employees	107	42.0
<i>Income</i>		
Made profit for the last two years	183	71.8
No profit and no loss	53	20.8
No profit for the last two years	18	7.1

Table 1.

Descriptive statistics

(continued)

	N	Frequency	Impact on religiosity and branding
<i>Ownership</i>			
Sole proprietorship	171	67.1	
Partnership	79	31.0	
Company	5	2.0	
<i>Training in business management</i>			
Yes	152	59.6	
No	101	39.6	
<i>Target market</i>			
Retail	167	65.5	
Wholesale	25	9.8	
Manufacturing	63	24.7	
<i>Reporting of financial transaction</i>			
Yes	217	85.1	
No	38	14.9	
<i>Reporting frequency</i>			
Quarterly	87	34.1	
Biannual	31	12.2	
Yearly	98	38.4	

Table 1.

–0.169, a *p*-value of <0.10) and a significant positive effect on financial knowledge (*H3c*, $\beta = 0.189$, a *p*-value of <0.05), however, does not have an effect on financial awareness. Furthermore, results showed that only Islamic branding-origin had a significant positive effect on financial attitude (*H1d*, $\beta = 0.313$, *p*-value of <0.01), financial awareness (*H2d*, $\beta = 0.299$, *p*-value of <0.01) and a negative effect on financial knowledge (*H3d*, $\beta = -0.226$, *p*-value of <0.005). In terms of factors affecting SMEs performance, results showed that financial attitude and financial awareness had positive effects on SMEs performance while financial knowledge had a negative effect. The *f*² for financial awareness (*H7b*) is the highest with the value of 0.151, indicating that financial awareness explains a medium effect on SMEs performance.

Table 5 also showed the results of the r^2 . R^2 explains the level of variation in the dependent construct by the number of independent constructs. Results showed that financial literacy (financial attitude, financial awareness and financial knowledge) explained 23.5% variations in SMEs performance. Equally, 28.5% of the variation in financial awareness was explained by Islamic branding (compliance, customers and origin) and Islamic religiosity. Only 13.9% and 4.0% variations in financial attitude and financial knowledge, respectively were explained by Islamic branding-compliance, Islamic branding-customers and Islamic branding-origin and Islamic religiosity.

Financial attitude, financial awareness and financial knowledge had medium predictive relevance for SMEs performance given the *Q2* value of 0.167. This is also the same in terms of financial awareness where it had a medium predictive relevance by Islamic branding-compliance, Islamic branding-customers and Islamic branding-origin and Islamic religiosity. Financial attitude and financial knowledge, both received small predictive relevance with *Q2* values of 0.067 and 0.012, respectively.

Constructs	Items	Loadings	CA	CR	AVE	VIF
1. FINATT	FATT5	0.791	0.67	0.82	0.602	1.161
	FATT7	0.763	—	—	—	—
	FATT9	0.773	—	—	—	—
2. FINAWR	FAW11	0.713	0.865	0.904	0.653	1.158
	FAW12	0.784	—	—	—	—
	FAW13	0.893	—	—	—	—
	FAW14	0.86	—	—	—	—
	FAW15	0.779	—	—	—	—
3. FINKNL	INF	0.836	0.422	0.775	0.633	1.014
	RISK	0.753	—	—	—	—
4. IBCO	IBCO1	0.785	0.706	0.826	0.613	1.635
	IBCO2	0.717	—	—	—	—
	IBCO3	0.843	—	—	—	—
5. IBCU	IBCU1	0.816	0.741	0.851	0.656	2.404
	IBCU2	0.768	—	—	—	—
	IBCU3	0.844	—	—	—	—
6. IBOR	IBOR1	0.886	0.854	0.901	0.696	1.818
	IBOR2	0.831	—	—	—	—
	IBOR3	0.899	—	—	—	—
	IBOR4	0.707	—	—	—	—
7. ISMRE	IR10	0.703	0.806	0.859	0.505	1.156
	IR14	0.667	—	—	—	—
	IR4	0.653	—	—	—	—
	IR6	0.729	—	—	—	—
	IR7	0.786	—	—	—	—
	IR9	0.72	—	—	—	—
8. SMEsPF	PER1	0.863	0.852	0.91	0.772	—
	PER2	0.919	—	—	—	—
	PER3	0.853	—	—	—	—

Table 2.
Assessment of
measurement model

Notes: IBCO: Islamic branding (compliance); IBCU: Islamic branding (customers); IBOR: Islamic branding (origin); ISMRE: Islamic religiosity; FINATT: Financial attitude; FINAWR: Financial awareness; FINKNL: Financial knowledge; SMEsPF: SMEs performance

Source: Authors' data analysis

	1	2	3	4	5	6	7	8
1. FINATT	0.776	—	—	—	—	—	—	—
2. FINAWR	0.366	0.808	—	—	—	—	—	—
3. FINKNL	-0.103	-0.09	0.795	—	—	—	—	—
4. IBCO	0.276	0.295	0.086	0.783	—	—	—	—
5. IBCU	0.201	0.341	0.083	0.605	0.81	—	—	—
6. IBOR	0.31	0.421	-0.065	0.384	0.663	0.834	—	—
7. ISMRE	0.173	0.428	0.085	0.317	0.298	0.289	0.711	—
8. SMEsPF	0.305	0.436	-0.191	0.215	0.197	0.234	0.427	0.878

Table 3.
Discriminant validity
(Fornell–Larker
criterion)

Notes: IBCO: Islamic branding (compliance); IBCU: Islamic branding (customers); IBOR: Islamic branding (origin); ISMRE: Islamic religiosity; FINATT: Financial attitude; FINAWR: Financial awareness; FINKNL: Financial knowledge; SMEsPF: SMEs performance

Source: Authors' data analysis

	1	2	3	4	5	6	7	8	Impact on religiosity and branding
1. FINATT	—	—	—	—	—	—	—	—	
2. FINAWR	0.482	—	—	—	—	—	—	—	
3. FINKNL	0.192	0.146	—	—	—	—	—	—	
4. IBCO	0.377	0.336	0.163	—	—	—	—	—	
5. IBCU	0.283	0.416	0.156	0.85	—	—	—	—	
6. IBOR	0.394	0.472	0.108	0.467	0.819	—	—	—	
7. ISMRE	0.226	0.493	0.153	0.411	0.38	0.33	—	—	
8. SMEsPF	0.401	0.502	0.321	0.247	0.246	0.269	0.495	—	

Notes: IBCO: Islamic branding (compliance); IBCU: Islamic branding (customers); IBOR: Islamic branding (origin); ISMRE: Islamic religiosity; FINATT: Financial attitude; FINAWR: Financial awareness; FINKNL: Financial knowledge; SMEsPF: SMEs performance

Source: Authors' data analysis

Table 4.
Discriminant validity
(HTMT criterion)

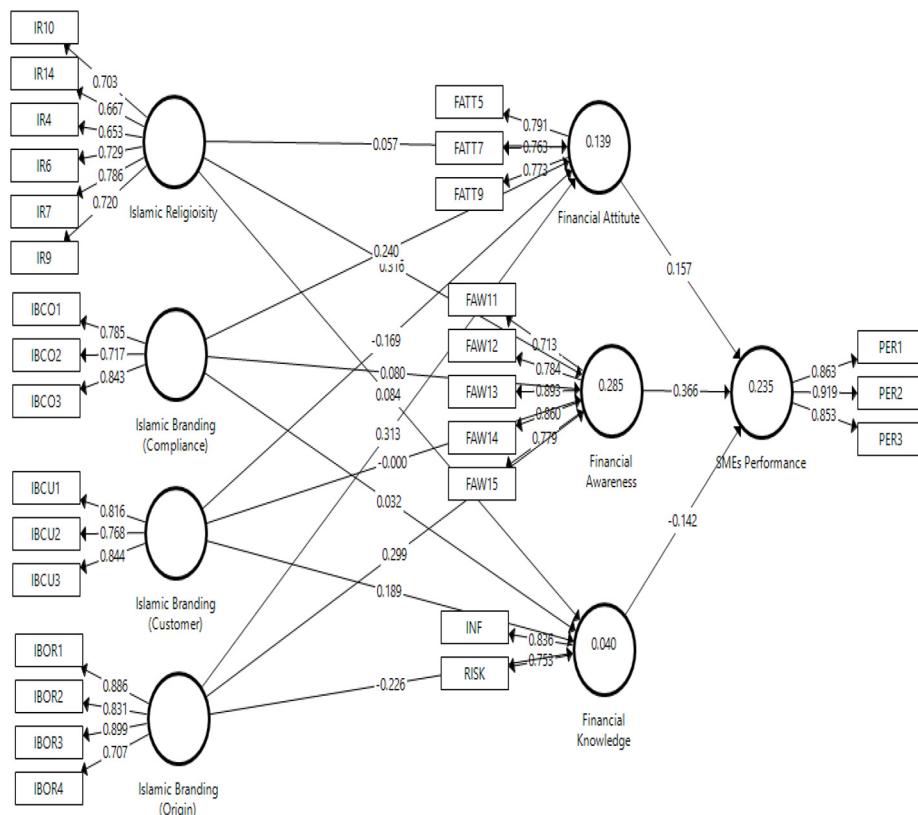


Figure 2.
Model of Islamic religiosity and branding on SMEs: the role of financial literacy by R. K. Alharbi, S. Yahya and S. Kassim (2019)

Paths	β	CI-Min	CI-Max	T	p	R^2	f2	Q2	Decision
<i>Factors affecting SMEs performance</i>									
H7a FINATT → SMEsPF	0.157	0.144	0.32	2.625	0.009	0.235	0.028	0.167	Accept
H7b FINAWR → SMEsPF	0.366	—	—	7.273	0	—	0.151	—	Accept
H7c FINKNL → SMEsPF	-0.142	—	—	2.549	0.011	—	0.026	—	Accept
<i>Factors affecting financial attitude</i>									
H1a ISMRE → FINATT	0.057	0.056	0.199	0.795	0.427	0.139	0.003	0.067	Reject
H1b IBCO → FINATT	0.24	—	—	3.451	0.001	—	0.041	—	Accept
H1c IBCU → FINATT	-0.169	—	—	1.864	0.063	—	0.014	—	Accept
H1d IBOR → FINATT	0.313	—	—	3.821	0	—	0.063	—	Accept
<i>Factors affecting financial awareness</i>									
H2a ISMRE → FINAWR	0.316	0.185	0.379	4.729	0	0.285	0.121	0.169	Accept
H2b IBCO → FINAWR	0.08	—	—	1.057	0.291	—	0.006	—	Reject
H2c IBCU → FINAWR	0	—	—	0.002	0.998	—	0	—	Reject
H2d IBOR → FINAWR	0.299	—	—	4.525	0	—	0.069	—	Accept
<i>Factors affecting financial knowledge</i>									
H3a H1c: ISMRE → FINKNL	0.084	0.004	0.076	1.147	0.252	0.04	0.006	0.012	Reject
H3b H2c: IBCO → FINKNL	0.032	—	—	0.405	0.686	—	0.001	—	Reject
H3c H3c: IBCU → FINKNL	0.189	—	—	1.969	0.049	—	0.015	—	Accept
H3d H4c: IBOR → FINKNL	-0.226	—	—	2.715	0.007	—	0.029	—	Accept
<i>Mediating effect of financial attitude</i>									
H4a IBCO → FINATT → SMEsPF	0.038	0.007	0.085	1.906	0.057	—	—	—	Mediation
H4b ISCU → FINATT → SMEsPF	-0.03	-0.068	0.004	1.47	0.144	—	—	—	No
H4c IBOR → FINATT → SMEsPF	0.05	0.015	0.094	2.25	0.025	—	—	—	Mediation
H4d ISMRE → FINATT → SMEsPF	0.009	-0.011	0.045	0.62	0.536	—	—	—	No
<i>Mediating effect of financial awareness</i>									
H5a IBCO → FINAWR → SMEsPF	0.029	-0.022	0.078	1.092	0.275	—	—	—	No
H5b IBCU → FINAWR → SMEsPF	0	-0.061	0.063	0.002	0.998	—	—	—	No
H5c IBOR → FINAWR → SMEsPF	0.11	0.056	0.159	4.085	0	—	—	—	Mediation
H5d ISMRE → FINAWR → SMEsPF	0.115	0.061	0.182	3.51	0	—	—	—	Mediation
<i>Mediating effect of financial knowledge</i>									
H6a IBCO → FINKNL → SMEsPF	-0.005	-0.032	0.017	0.347	0.729	—	—	—	No
H6b IBCU → FINKNL → SMEsPF	-0.027	-0.074	0.001	1.379	0.168	—	—	—	No
H6c IBOR → FINKNL → SMEsPF	0.032	0.001	0.079	1.637	0.102	—	—	—	No
H6d ISMRE → FINKNL → SMEsPF	-0.012	-0.035	0.01	1.088	0.277	—	—	—	No

Table 5.
Assessment of the structural model

Notes: IBCO: Islamic branding (compliance); IBCU: Islamic branding (customers); IBOR: Islamic branding (origin); ISMRE: Islamic religiosity; FINATT: Financial attitude; FINAWR: Financial awareness; FINKNL: Financial knowledge; SMEsPF: SMEs performance

Source: Authors' data analysis

Mediating effects

In terms of mediating effects of financial attitude, findings revealed that Islamic branding-compliance (*H4a*) and Islamic branding-origin (*H4c*) had a significant indirect effect on SMEs performance, which confirmed that financial attitude mediated the relationship between branding-compliance, Islamic branding-origin and SMEs performance. The findings for Islamic branding-customers (*H4b*) and Islamic religiosity (*H4d*) showed an insignificant indirect relationship with SMEs performance. This indicates that financial

attitude did not mediate between Islamic branding-customers, Islamic religiosity and SMEs performance.

Furthermore, the mediating effect of financial awareness is significant for Islamic branding-origin ($H5c$) and Islamic religiosity ($H5d$) while is not significant for Islamic branding-compliance and Islamic branding-customers. This indicated an indirect effect on SMEs performance through financial awareness. It confirmed that that financial awareness mediated the relationship between Islamic branding-origin, Islamic religiosity and SMEs performance.

Finally, the findings for the mediating effect of financial knowledge showed an insignificant indirect effect on SMEs performance through financial knowledge. This confirms that financial knowledge did not mediate the relationship between Islamic branding-compliance ($H6a$), Islamic branding-customers ($H6b$), Islamic branding-origin ($H6c$), Islamic religiosity ($H6d$) and SMEs performance.

Importance-performance matrix analysis

Post hoc importance-performance matrix analysis (IPMA) is performed using SMEs performance as the target variable. Studies have confirmed the IPMA to explain variation in the endogenous target variable when an additional dimension that considers the average values of the performance of the latent variables (Levenburg and Magal, 2004; Imran *et al.*, 2017). This study rescales the latent variables scores from 0 to 100 (i.e. lowest performance to highest performance). The results in Table 6 showed that financial attitude, financial awareness, Islamic branding-compliance, Islamic branding-origin and Islamic religiosity were the most important determinants or factors of SMEs performance.

Conclusion

Islamic religiosity and Islamic branding are major practices among SMEs and many enterprises in many Muslims countries. However, SMEs performance has been declining and thus making the development and growth of countries stagnant. Responding to this declining SMEs performance, this study examined the role of financial literacy in SMEs Saudi Arabia. With the economic growth plan of Saudi 2030, this study argues that SMEs compliance with Islamic practices and branding in their daily transaction is not sufficient to actualize the 2030 Saudi vision of SMEs to contribute to more than 50% of GDP. This study argues that access to finance through financial literacy (financial attitude, financial

Constructs Variables	Total effect	SMEs performance	Performance
FINATT	0.173		38.02
FINAWR	0.427		40.25
FINKNL	(0.473)		5.97
IBCO	0.087		43.96
IBCU	(0.060)		39.93
IBOR	0.18		37.27
ISMRE	0.162		41.92

Notes: IBCO: Islamic branding (compliance); IBCU: Islamic branding (customers); IBOR: Islamic branding (origin); ISMRE: Islamic religiosity; FINATT: Financial attitude; FINAWR: Financial awareness; FINKNL: Financial knowledge; SMEsPF: SMEs performance

Source: Authors' data analysis

Impact on
religiosity and
branding

Table 6.
Performance and
total effects

awareness and financial knowledge) must be promoted. Although it is the duty of the government to ensure SMEs accessibility to finance, it is the level of financial literacy among SMEs that can make bank credits and another Islamic financing (such as *Mudarabah* and *Musharakah*) be implemented successfully.

The findings of this study showed that Islamic branding-compliance and Islamic branding-origin had a positive effect on financial attitude, which supports the studies of [Haq and Smithson \(2003\)](#). This study found that Islamic branding-customer had a negative effect on financial attitude, which conform to [Dusuki and Abdullah \(2007\)](#). For Islamic religiosity, this study did not find a significant effect of Islamic religiosity on financial attitude. Contrary to this finding, [Guiso et al. \(2003\)](#) stated that religious denominations and practice are associated with good economic attitudes of individuals and organizations.

In relation to financial awareness, this study revealed that Islamic religiosity and Islamic branding-origin has positive effects on financial awareness. Moreover, [Nga et al. \(2010\)](#) argued that repeat-passive Islamic behavior affects their level of financial awareness. This study found that Islamic branding-customer and Islamic branding-origin had a significant effect on financial knowledge. These findings agreed with [Idris et al. \(2011\)](#) which support the resource-based theory that one form of internal resource (Islamic branding and Islamic religiosity) may influence another form of a firm's resource (financial literacy) toward achieving increased SMEs performance.

On the other hand, financial attitude and financial awareness had significant positive effects on SMEs performance while financial knowledge had a negative effect on SMEs performance. This suggests that lack of financial knowledge on diversification, time value of money and risk-seeking may result in SMEs reluctance to take and access different forms of financing options. These findings further support the RBV theory in establishing that financial literacy factors can help firms achieve increased performance and take on the competition.

In relation to mediation, the financial attitude was found to mediate the relationship between Islamic branding-compliance, Islamic branding-origin and SMEs performance. This finding supports the study of [Jaffar and Musa \(2014\)](#). Similarly, financial awareness was found to mediate the relationship between Islamic branding-origin, Islamic religiosity and SMEs performance. [Asnawi et al. \(2018\)](#) expressed that an increasing level of financial awareness increases firm value following the adoption of Islamic brands and consumption of Islamic brands from customers. However, this study found that financial knowledge did not mediate the relationship between Islamic branding-compliance, Islamic branding-customers, Islamic branding-origin, Islamic religiosity and SMEs performance. As suggested by [Jaffar and Musa \(2014\)](#) and [Atkinson and Messy \(2012\)](#), SMEs must demand more Islamic financial strategies such as *Mudarabah* and *Musharakah*, so reduce future business losses and improve venture capitalist's participation in business.

Moreover, this research contributed to the study of SMEs by integrating the sub-components of Islamic branding, Islamic religiosity and dimensions of financial literacy as determinants of SMEs performance, which extends the RBV theory in the context of SMEs performance. Practically, this study documents what factors could influence financial attitude, financial awareness and financial knowledge. Practically, this study documents what areas of financial literacy that government and policymakers need to focus on to complete provision and accessibility of finance to SMEs. For example, this study found that financial knowledge exhibits negative influence on SMEs performance and could not perform the role of a mediator. Thus, the government needs to take tireless efforts to explain several issues on financial knowledge such as risk-taking, diversification strategies and options, time value of money, capital structure and inflation. This also means that the extent

to which the government can reduce inflation and the provision of more Islamic banking products could change the perceptions of SMEs managers toward increasing performance. As for SMEs managers, they need to focus on what capabilities (i.e. Islamic branding and Islamic religiosity) drive SMEs performance given their level of financial literacy. For example, SMEs managers who have a high level of financial awareness with low or lack of financial knowledge should focus more on Islamic religiosity and Islamic branding-origin. SMEs managers who exhibit a high level of financial attitude should focus on all the dimensions of Islamic branding while given less priority to Islamic religiosity. As for contingent SMEs managers, they need to improve their overall skills in financial literacy so that they can apply two or more branding skills and financial literacy to solve complex problems in Saudi Arabia.

Although this study used a single source data collected through multiple collections (Time 1 and Time 2, online and personnel administration), future studies should focus on a double source data by using actual data collected from the books of financial transactions or annual reports depending on the size of the SMEs to measure SMEs performance. This could better portray the effects of Islamic branding, Islamic religiosity and financial literacy on the actual performance of SMEs as against perceived performance. Future studies should conduct long-duration research to establish the true dynamism of competitive advantage in the principles of the RBV. Cross-sectional studies may not be able to give the consistencies in the matrix of intangibles resources across different countries and regions.

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Appendix

Impact on
religiosity and
branding

Islamic religiosity items	SA	A	UD	D	SD
IR1: Islamic business encourages honesty, truthfulness, investigation and verification before action; right and ethical conduct, true witness	-	-	-	-	-
IR2: Islamic value encourages merit and competency as the standard in the selection and hiring of workers	-	-	-	-	-
IR3: My religion encourages truthfulness, sincerity and honesty in any business dealings	-	-	-	-	-
IR4: We practice a consultative decision-making process	-	-	-	-	-
IR5: We do not avoid our responsibility in business	-	-	-	-	-
IR6: There is presence of managerial hierarchies that are necessary and acceptable to business workers	-	-	-	-	-
IR7: Islamic beliefs encourage multiculturalism in international trade and business, group and team working	-	-	-	-	-
IR8: There is presence of non-discriminatory treatment for everyone in the workplace, no scope for cover-up, encouragement and protection for "whistle blowers"	-	-	-	-	-
IR9: Islamic business encourages entrepreneur relies on accurate information before making business decisions and taking corporate actions	-	-	-	-	-
IR10: Defects in goods are to be disclosed to customers in Islamic business	-	-	-	-	-
IR11: There is excellence and quality of work, no scope for negligent behavior in Islamic business	-	-	-	-	-
IR12: There is no artificial price increase, fairness in contract negotiation with customers	-	-	-	-	-
IR13: Islamic beliefs encourage me to practice fair play in business dealings and do not involve in any financial deception	-	-	-	-	-
IR14: Islamic businesses give fair wages for fair day's labors	-	-	-	-	-

Table A1.

Islamic religiosity items were sourced, modified and adapted from the study of [Ramadani et al. \(2015, p. 256\)](#)

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