The impact of financial accessibility constraints and government regulations on the organisational performance of small-and-medium-sized enterprises

Zaid AbdulKarim Jaradat
Roshaiza Binti Taha
Rosliza Binti Mat Zin
Wan Zuriati Wan Zakaria
School of Maritime Business and Management
University Malaysia Terengganu, Malaysia

Keyword

Financial accessibility constraints, government regulations, organisational performance, SMEs, manufacturing, Jordan.

Abstract

This paper seeks to investigate the impact of financial accessibility constraints and government regulations on organisational performance of small and medium-sized enterprises (SME). On the basis of a literature review covering works specialising in financial accessibility constraints, government regulations and organisational performance, a quantitative study was carried out in Jordan using a sample composed by 291 Jordanian SMEs. Information was gathered by applying surveys addressed to the heads of accounting departments / financial managers in SMEs. The data collected using the questionnaire shows 159 usable questionnaires were received, which gives 54.6% response rate. The findings reveal that financial accessibility constraints negatively influence organisational performance, while government regulations are not significantly linked with organisational performance. In order to reduce the negative impact of financial accessibility constraints on SMEs performance, the government of Jordan and financial institutions should facilitate access to finance for SMEs as a critical factor influencing their performance. Further, the government of Jordan must legislate new regulations to improve performance and continue removing unnecessary burdens that may effect SMEs. Through study outcomes, the interested bodies including the government of Jordan, financial institutions, to name a few, could be assisted in formulating the policies associated with SMEs that are evidence-based. Aside from adding important knowledge to the body of the organisational performance of SMEs, this study can be a starting point for further investigation and analysis of organisational performance among SMEs.

1. Introduction

Small-and-Medium-sized Enterprises (SMEs) have received significant attention from scholars in the various areas of business management and economics. Bai et al. (2017), Cowling et al. (2018), Marri et al. (2007) and Wang et al. (2016) are among the researchers who highlighted the important role of SMEs towards ensuring growth stability. In the context of global economy, SMEs are viewed to have the capacity to provide more opportunities for jobs, growth and progress in comparison to the large manufacturing sector (Dogan et al., 2017; Kuhn et al., 2016; Hijzen et al., 2010).

In general, based on the context of the manufacturing sector, the SMEs form the core of economic development and such enterprises comprise the economic development model, with emphasis on its contribution to domestic production, export earnings, low requirements for investment and job creation (Garengo and Sharma, 2014; Mahmud and Hilmi, 2014; OECD, 2017). In this regard, SMEs are the predominant form of enterprise in the organisation for economic co-operation and development (OECD)

area, accounting for approximately 99% of all firms. They provide the main source of employment, accounting for about 70% of jobs on average, and are major contributors to value creation, generating between 50% and 60% of value added on average. In emerging economies, SMEs contribute up to 45% of total employment and 33% of GDP. When taking the contribution of informal businesses into account, SMEs contribute to more than half of employment and GDP in most countries irrespective of income levels (OECD, 2017).

Within the Jordanian context, as reported in JCI (2015), SMEs constitute 98% of the manufacturing sector. This sector also significantly contributes in promoting the Jordanian dinar exchange rate considering their stability by supporting the Jordanian foreign currency reserves with over $8 billion annually. The market share of the sector represents 60% of the total investments that benefit from investment law, and the sector also contributes to the achievement of financial stability through its provision of over $1.4 billion to the treasury every year via direct and indirect taxes. Although they seem as important, Ando and Kimura (2017), Cowling et al. (2015) and Mahmood and Hanafi (2013) identified that SMEs in many countries exhibit a low level of performance. Focusing on developing countries, SMEs are still lagging behind in terms of their business growth and performance, which has resulted in the inability to provide optimum benefits to both society and economy (Ngek, 2014; Olatunji, 2013; Solanke et al., 2015).

A similar problem was also found in Jordan whose economy relies heavily on the performance of manufacturing SMEs (JCI, 2015). In the midst of the declining performance of most sectors in Jordan (Almajali et al., 2012; ECIJ, 2014), large numbers of SMEs in Jordan are struggling to survive in today's competitive environment, since most SMEs are faced with a number of challenges in their search for competitiveness and sustainability (Al-Hyari, 2013; Al-Hyari et al., 2012; Sami El-Khasawneh, 2012).

In fact, SMEs globally, not only in Jordan, are now facing various issues, including the finance related issues (see Irwin and Scott, 2010; Okpara, 2011; Mina et al., 2013; Lee et al., 2015; Al-Hyari et al., 2012; Cowling et al., 2018; Madrid-Guijarro et al., 2016), as well as issues that arise from government rules (see Al-Hyari et al., 2012; Madrid-Guijarro et al., 2009; Siaw and Rani, 2012; Strobel and Kratzer, 2017; Gill and Biger, 2012).

Majority of previous studies regarding the impact of influence factors on performance were focused on the large manufacturing companies. In the case of Jordan as developing country, previous studies focused on performance in the large manufacturing companies, with obvious neglect of SMEs. Further, there is a need to promote the manufacturing sector which continues to pose challenges among developing countries (Ijirshar, 2015; Sami El-Khasawneh, 2012). Considering this, the vital role played by these sectors must not be neglected by both the developed or developing countries. The declining performance of manufacturing SMEs in Jordan is an issue of serious concern and is worth investigating. Considering the remarkable contribution of manufacturing SMEs in Jordanian economy, this sector has been selected so that some reasonable and plausible solutions could be recommended to enhance the performance of SME manufacturing sector and develop the economy of Jordan.

2. Theoretical Review

Every country's economic growth largely hinges on the performance of its organisations in various sectors with the inclusion of the manufacturing sector as evidenced by Tassey (2014) and Yu et al. (2017). The SMEs performance is linked with the country's performance in the manufacturing sector (Valmohammadi, 2011; Demirbag et al., 2006). Similar to many definitions, Rhodes et al. (2008) claimed that the organisational performance begins from a specific position and reaches an aim that covers target points like profit, cost reduction, market share, sale volume, customer satisfaction and rate of product development. Similarly, Richard et al. (2009) regarded organisational performance as one of the essential constructs in attaining organisation goals. Recently, Nazarian et al. (2017) indicate performance as an evaluation of the level of success. This is consistent with the previous discussion by Selden and Sowa (2004) where they described the organisational performance of the organisation's actual outcomes being gauged through its goals and objectives; in other words, organisational performance indicates the capability of the organisation to effectively realise its goals and objectives.

In contrast, there are obstacles that inhibit firms' growth and considered as growth barriers (Davidsson, 1991; Patanakul and Pinto, 2014). Environment-related obstacles that face firms include

government regulations and bureaucracy (Hadjimanolis, 1999; Strobel and Kratzer, 2017). Specifically, government regulation can dampen the entrance and daily functioning of firms (North, 1990) but can also ease entrepreneurship activity, for instance, the setting up of new business (Sathe, 2007). Therefore, government regulation is among the external factors that can substantially affect the performance of the organisation, directly and indirectly (Kitching, 2006).

In a similar context, financial constraints are firms' inability in obtaining funds for profitable investment projects, such inability causes inefficient resources allocation and diminishes firm performance (Banerjee et al., 2015). It is clear that financial constraints significantly affect the capacity of the firm in expanding and sustaining in the market (Fraser et al., 2015; Mina et al., 2013). Also, the likelihood of firm survival is highly determined by financial constraints (van der Schans, 2015).

2.1 Research Model

The establishment of the theoretical framework is an instrumental step within a research methodology, owing to the fact that the theoretical framework clarifies the study's directions and contributions. As such, the theoretical framework offers a model that explains logical connections among numerous ascertained factors pertinent to the research problem (Cavana et al., 2001).

Financial accessibility constraints refer to the extent to which relevant parties believe that various financial obstructions restrict performance, and these obstructions include collateral requirements, unfavourable interest rates, insufficient firm-retained earnings, local banks having insufficient resources, as well as access to a non-bank equity investor (Martin et al., 2007). For SMEs, Cowling et al. (2016) and Fraser et al. (2015) believed that the access to financial services enhances business performance. Government regulations can affect productivity and competitiveness of the firms because of the increased operating cost burden (Patanakul and Pinto, 2014). Furthermore, Huggins (2000) and Mag and Varothayan (2015) reported government regulation as an outside factor effecting the performance of SMEs.

This research used institutional theory to support the research model. Institutional theory concentrates on the resilience aspects of the social structure; this includes rules, norms, and routines deemed as an influential guiding principle for social behaviour (Scott, 1987). The institutional theory posits that the survival of the organisation to attain an efficient level of production necessitates compliance with the social norms of acceptable behaviour (Hussain and Gunasekaran, 2002).

Institutional theory calls particular attention to the role of government and professional associations in an organisation's institutional environment and their potentially profound influence on the organisation's performance (Scott, 1987; Zucker, 1987). Furthermore, the institutional theory has emerged as a powerful explanation to account for the influence of external institutional factors on organisational decision-making and outcomes (DiMaggio and Powell, 2000; Mizruchi and Fein, 1999). Thus, this study attempts to offer a better understanding of organisational performance. As such, the institutional framework was employed to examine the linkage between financial accessibility constraints and government regulations as independent variables, with organisational performance as the dependent variable as shown in Figure 1.
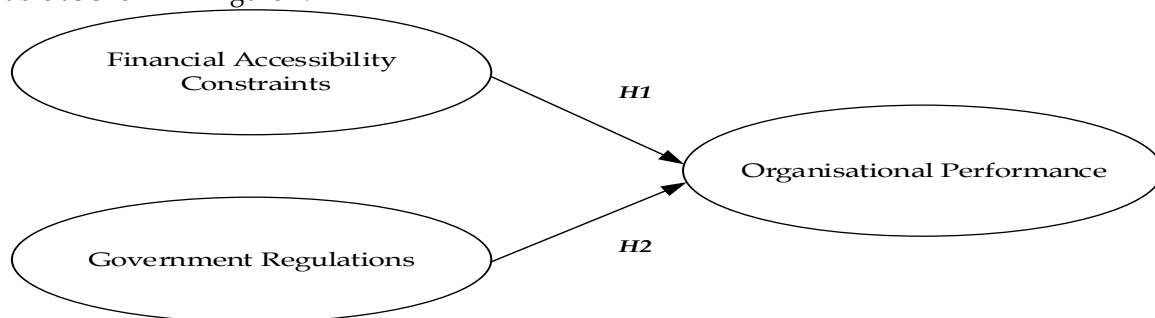

Figure.1: Research Model

2.2 Hypotheses development

Access to finance is very important in assuring the growth of firm (Cowling et al., 2018). A strong positive link between financial status and the economic growth of a country has in fact been reported by a

number of studies. Kerr and Nanda (2009), Smolarski and Kut (2011) and Tsoukas (2011) affirmed that the probability of investment and employment is increased by financial status. In Jordan as well as in other developing countries, SMEs are plagued by numerous growth constraints aside from possessing less access to formal sources of external finance including banks (Hassanein and Adly, 2008; Al-Hyari et al., 2012; Al-Hyari, 2013). According to Abdesamed and Wahab (2014), the proportion of SMEs indicating access to finance as their most pressing problem is substantial and broad, whereas only 10% of large firms consider access to finance as their most pressing issue.

Beck et al. (2006) indicated financial access as a crucial determinant of the enterprises' performance due to the working capital that the access provides; it also promotes better firm innovation and dynamism, improves entrepreneurship, stimulates asset allocation that is more efficient and gives the firm better capacity in exploiting growth opportunities. Poor access to finance among firms is caused by the information problems, weaknesses in financial and legal systems, high default risk and insufficient financial facilities (De Maeseneire and Claeys, 2012; Beck, 2007).

Looking into the factors that impact SMEs' survival and performance, Harash et al. (2014) and Shariff et al. (2010) reported the strong influence of access to finance on business performance. In other words, enterprises with access to finance should demonstrate superior performance in comparison to those without. This is in line with the viewpoint of Cowling et al. (2016) and Fraser et al. (2015), where they claimed that the firms could improve their performance when they have access to finance, while Zhou (2015) concluded that the constraints in access to finance adversely impacted the performances of Chinese SMEs. Therefore, this leads to the below hypothesis:

H1: There is a negative relationship between financial accessibility constraints and organisational performance of SMEs.

Government regulations can put needless burdens on SMEs. As such, start-up, investment, innovation as well as employment growth of SMEs can be impeded. This can consequently impact the national economic performance on the whole (Fiori et al., 2012). Freeman and Reid (2006) found that government regulations and bureaucracy were a key constraint facing small firms in Europe. Also, in investigating the impact of regulation on the performance of small firms, Kitching (2006) reported that regulation has both direct and indirect significant impact on organisational performance. SMEs are suffering from the adverse impact of government regulations aside from being victimised by the unintentional consequences of regulations for large companies (Baldwin et al., 2012). Moreover, other studies including the works of Huggins (2000) and Mag and Varothayan (2015) reported government regulation as an outside factor affecting the performance of SMEs.

Specifically, government regulations can have a negative effect on productivity and competitiveness of the firms because of the increased operating cost burden. This was evident in several European industrial sectors, where there were increased worries about the decline in competitiveness of a number of European industries compared to those of the US and Asian countries (Patanakul and Pinto, 2014). Moreover, Gill and Biger (2012) found that the regulatory issues and rules have adverse effect on small business growth in Canada. In Jordan, the results show that government regulations have a significant negative relationship with the export performance of SMEs (Al-Hyari et al., 2012).

On the other hand, organisations need government regulations because regulations assure best practices at all stages. This leads to the assurance of risk management, and businesses have assured the preservation of public interest, thereby assuring business's success and progression. In a similar context, in a market economy, it is suggested that the government take maximum advantage of modern regulations and incentives and employ them to create effective market economy (Dai et al., 2009). Therefore, this leads to the below hypothesis:

H2: There is a significant relationship between government regulations and organisational performance of SMEs.

3. Research Methodology

A questionnaire was used for the purpose of investigating the impact of financial accessibility constraints and government regulations on organisational performance. The population for this study comprised the Jordanian manufacturing SMEs. SMEs, as defined by OECD (2017), are firms that employ

10-249 workers. Sample composed of 291 firms was randomly drawn from two subsets; small and medium manufacturing firms. The questionnaires were distributed to heads of accounting departments /financial managers.

The questionnaire was developed after an extensive review of the literature related to financial accessibility constraints, government regulations, and organisational performance. The researchers adapted items for financial accessibility constraints from the measurement instruments of Martin et al. (2007). We adapted items for government regulations from the studies of Yu and Cannella (2007). Finally, we adapted items for organisational performance from the past studies of many researchers (e.g., Baines and Langfield-Smith, 2003; Chenhall and Langfield-Smith, 1998; Jusoh and Parnell, 2008).

A five-point Likert scale was used for the items that measured the financial accessibility constraints and government regulations; the scales range from S1 which is indicating "strongly disagree" and S5 which is denoting "strongly agree." Regarding the organisational performance, the instrument employed to measure organisational performance is based on six items. The perceptions of financial managers or heads of accounting departments about increase/decrease organisational performance for their firms were assessed using the non-financial and financial indicators. The respondents were asked to rate their company within the period of the past three to five years by indicating the degree of perceived performance represented by six items using a five-point Likert scale; the scales range from S1 which is indicating "decreased significantly" and S5 which is denoting "increased significantly." The data collected using the questionnaire over the period of five months from June 2016 to November 2016 shows 159 usable questionnaires were received, which gives 54.6% response rate.

4. Results and Discussion
4.1 Background Information about the Responding Companies

In the survey phase, respondents were asked to provide background information of their companies. The summary of the key characteristics of their companies, such as company age, manufacturing activities, number of employees, annual sales, and type of ownership are provided in

Table 1: Background information of responding companies

Years of Operation	Frequency	Percentage	Cumulative Percentage
6-10 years	19	12	0
11- 15 years	38	24	12
More than 15 years	102	64	36
Total	159	100	100
Manufacturing Activities	Frequency	Percentage	Cumulative Percentage
Food and beverages	38	24	0
Electronic	19	12	24
Leathers and clothing	24	15	36
Pharmaceutical and medical	19	12	51
Chemical	54	34	63
Other	5	3	97
Total	159	100	100
Number of Employees	Frequency	Percentage	Cumulative Percentage
10-49	43	27	0
50- 249	116	73	27
Total	159	100	100
Annual Sales Turnover	Frequency	Percentage	Cumulative Percentage
1- 3 million JD	49	30.8	0
More than 3 million JD	110	69.2	30.8
Total	159	100	100
Type of Ownership	Frequency	Percentage	Cumulative Percentage
Government-owned company	10	6.3	0
Private company	114	71.7	6.3
Shared between private sector and foreign partner	22	13.8	78
Shared between government and private sector	13	8.2	91.8
Total	159	100	100

Note: Jordanian Dinar (JD) = 1.41 US Dollar ($)

4.2 Data Analysis

This section reports the results of factor analysis. The construct measures are evaluated in this study in terms of reliability and validity. The unidimensionality of the study variables is implied by the outer model, in the meaning of factor analysis. Following the affirmation of the construct measure's reliability and validity, the structural models were evaluated, and the linkages between the latent variables were studied. The assessment of the outer model and inner model was the step that followed the data checking and screening (Hair et al., 2013, Vinzi et al., 2010). The evaluation of the outer model (measurement model) and the inner model (structural model) in this study were performed using the PLS-SEM.

4.2.1 Measurement Model

First, the PLS-SEM evaluated the measurement model (outer loadings). The outer model includes the component measurement; it ascertains how well the indicators (items) theoretically load and relate with the corresponding constructs. Thus, based on the analysis of the outer model, the survey items indeed measure the constructs they were created to measure. In other words, the items are reliable and valid.

The two key criteria employed in PLS-SEM analysis in the evaluation of the outer model are reliability and validity (Hulland, 1999). The deduction made about the relationship nature among constructs (inner model) is dictated by the measures' reliability and validity. The outer model's suitability is assessable by scrutinising the individual items reliabilities, convergent validity of the measures and discriminant validity. The reliabilities of individual item comprise indicator reliability and internal consistency reliability with the use of composite reliability (CR), whereas the measures' convergent validity is linked with individual constructs with the use of average variance extracted (AVE), while the discriminant validity employs the criterion of Heterotrait-Monotrait ratio (HTMT). Researchers generally refer to the guidelines by Hair et al. (2011) and Götz et al. (2010) when evaluating the reflective measurement items.

Table 2: Convergent validity analysis

Construct	Items	Loadings	Cronbach's Alpha	CR	AVE
FAC			0.866	0.908	0.713
	FAC1	0.850			
	FAC2	0.877			
	FAC3	0.752			
	FAC4	0.892			
GR			0.857	0.909	0.771
	GR1	0.773			
	GR2	0.952			
	GR3	0.900			
OP			0.935	0.949	0.756
	OP1	0.920			
	OP2	0.722			
	OP3	0.902			
	OP4	0.891			
	OP5	0.882			
	OP6	0.885			

Note: FAC= Financial Accessibility Constraints, GR= Government Regulation, OP= Organizational Performance

The CR and Cronbach's alpha values for each construct were inspected in this study, and the results are shown in Table 2. As can be seen from the table, all values of CR and Cronbach's alpha are higher than the proposed threshold value of 0.70 by scholars (e.g., Hair et al., 2013; Henseler et al., 2009; Wong, 2013). In particular, this study shows (CR) values ranging from 0.908 to 0.949 which affirms the measurement model's reliability. Convergent validity is about the extent to which measures of the same theoretically linked constructs are related (Henseler et al., 2009). Convergent validity thus demonstrates the correlation level among the measures of the same construct (Hair et al., 2013).

Further, the identification of an element of convergence in the construct's measurements employs the AVE with a threshold value of 0.50 and higher (Henseler et al., 2009; Hair et al., 2012). AVE value of 0.50 means there is sufficient convergent validity. This means that the latent construct describes 50% of the variance of its indicators and shows sufficient convergent validity (Hair et al., 2013). In this study, the evaluation of convergent validity is through the examination of AVE values, where the researcher has applied the method of bootstrapping of a certain number of subsamples (e.g., 5,000) in a random manner with the initial dataset used for replacement. As highlighted in Table 2, the value of AVE of all the constructs lies between 0.713 and 0.771, which is higher than the threshold value of 0.50. Thus, convergent validity is established in this study.

Heterotrait-Monotrait ratio (HTMT) is a new approach to the evaluation of construct's discriminant validity (Henseler et al., 2015). During this stage, the HTMT method was employed as a more stringent criterion as opposed to the conventional approach. Using the PLS-SEM software, the HTMT criterion of correlations in this study was computed. In this study, HTMT values were all smaller than 0.85 for each latent variable and were within the range of 0.099 to 0.599. Based on HTMT values in this study, there is discriminant validity, as mentioned by (Hair et al., 2016). Table 3 presents the results of HTMT criterion for each variable in more detail.

Table 3: Discriminant validity based on HTMT criteria

HTMT criterion			
	FAC	GR	OP
FAC			
GR	0.099		
OP	0.599	0.110	

Note: FAC= Financial Accessibility Constraints, GR= Government Regulation, OP= Organizational Performance

4.2.2 Structural Model

In PLS-SEM path modelling, the structural model (inner loadings) is assessed by estimating the path coefficients along with the R^2 value. While path coefficients show the strength of the associations among the predictor and criterion constructs, the R^2 value is a scale of the predictive intensity of a model for the criterion (dependent) constructs (Chin et al., 2003). The significance of path coefficients in the model lends support for hypothesised associations (Chin, 2010). Smart-PLS included the use a bootstrap resampling method (5000 resamples) to determine the significance of the paths within the structural model. As evidenced in the literature on multivariate data analysis, the structural model is assessable through R^2 value, R-Square Adjusted and the cross-validated redundancy; all will be elaborated in Table 4.

Table 4: Predictive quality of the model

Variable	Variable type	R^2	R^2 adjusted	Q^2
OP	Endogenous	0.322	0.314	0.222

OP= Organizational Performance.

Coefficient of determination (R^2) of endogenous latent variables is among the most typically employed criteria in structural model assessment (Hair et al., 2013). Specifically, R square value at or larger than 0.67 is deemed substantial, at 0.33 is deemed moderate and at 0.19 is deemed weak (Chin, 1998). R^2 values larger than 0.10 are also deemed substantial (Falk and Miller, 1992). Based on the criteria mentioned, the R^2 of the endogenous variable which is organisational performance are at 0.322. These values are deemed moderate which reflect the sufficiency of the established model.

Stone-Geisser's Q-test is another fit indicator of the model. It determines the model's capacity in making a prediction of the parameter estimation. Using the blindfolding routine, the Q test value was obtained via PLS software. For each endogenous latent variable, the cross-validated redundancy value attained is greater than zero. In particular, the value attained is 0.222 for organisational performance. As evidenced by the estimated outcomes, the structural model has the capacity of predicting the associated estimations because the construction of the values was good (Chin, 1998; Hair et al., 2013; Henseler et al., 2016; Henseler et al., 2009).

4.2.3 Hypotheses Testing

The determination of the goodness of the outer model is followed by the testing of hypothesised linkages among the constructs. With the application of PLS-SEM 3.0, the test was performed on the hypothesised model using the algorithm of PLS-SEM. Then, the path coefficients were created (see Figure 2 and Figure 3).
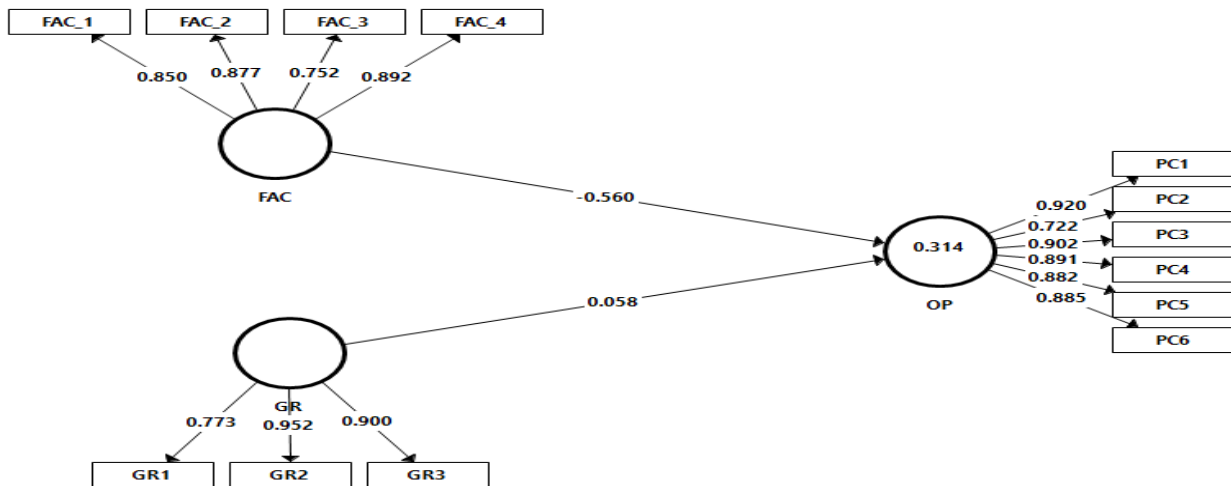

Figure 2: Path coefficient and R² values for the research model
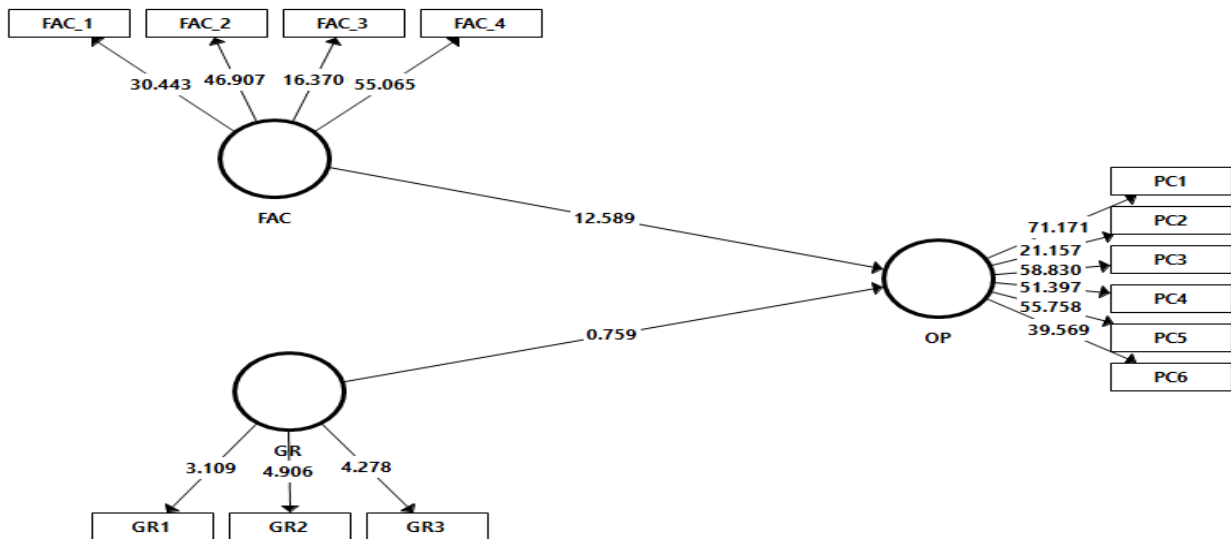

Figure 3: PLS bootstrapping (t-values) for the research model

Table 5: Results of the inner structural model

No	Hypotheses	Path coefficient	S\D	T Statistics	P-Values	Decision
H1	FAC -> OP	-0.560	0.044	12.589	0.000	Supported
H2	GR -> OP	0.058	0.074	0.759	0.448	Not Supported

Note: FAC= Financial Accessibility Constraints, GR= Government Regulation, OP= Organizational Performance.

4.3 Discussion of Results

The results of the study demonstrate a negative relationship between financial accessibility constraints and organisational performance. This result supports the hypothesis of the study, H1. This result is consistent with previous studies conducted by Zhou (2015) and Mutuku et al. (2016), who concluded that constraints to finance access adversely impact the performance of SMEs. In addition, the

results of the study are consistent with studies that support a negative relationship between financial accessibility constraints and performance such as Mbogo (2011), who claimed that insufficient financing and inaccessible finance are critical factors or constraints that have an adverse impact on the performance of SMEs. Also, the study results are in line with the viewpoint of Cowling et al. (2016) and Fraser et al. (2015), who claimed that the firms could improve their performance when they have access to finance. Furthermore, this result is also consistent with institutional theory, which asserts the impact of institutional factors on the outcomes of organisation (DiMaggio and Powell, 2000; Mizruchi and Fein, 1999). Based on the above, financial accessibility constraints seem the critical factor that has an adverse impact on the organisational performance in the context of SMEs.

The result of the study has not found enough evidence to support a significant relationship between government regulations and organisational performance of SMEs. This result does not support the hypothesis of the study, H2. However, this finding is inconsistent with the viewpoints of researchers such as Al-Hyari et al. (2012), Freeman and Reid (2006), Huggins (2000), Kitching (2006) and Mag and Varothayan (2015), who reported that government regulations are an outside factor affecting firm performance. Furthermore, the result is inconsistent with an institutional theory which assumes the impact of government and professional associations on the outcomes of organisation (DiMaggio and Powell, 2000; Mizruchi and Fein, 1999).

The researchers believe that this difference may be due to the fact that the Jordanian government tries to remove needless burdens that may effect SMEs, and this is part of the national economic performance overall. As well, government regulations for SMEs vary from country to country and from developed countries to developing countries due to differences in culture, industrialisation, and business.

5. Conclusions and Recommendation

This study investigates the impact of financial accessibility constraints and government regulations on organisational performance of SME in the context of Jordan. The results demonstrated that the financial accessibility constraints negatively influence organisational performance, while government regulations are not significantly linked with organisational performance. Considering the study findings, the government of Jordan and financial institutions should facilitate access to finance for SMEs as a critical factor influencing their performance. Furthermore, the government of Jordan must legislate new regulations to improve performance and continue removing unnecessary burdens that may effect SMEs.

This study is providing the knowledge on organisational performance in SMEs in a developing country like Jordan. Through study outcomes, the interested bodies including the government of Jordan, financial institutions, just to name a few, could be assisted in formulating the policies associated with SMEs that are evidence-based. Moreover, by understanding factors that impact organisational performance, the professional bodies could enrich knowledge of Jordanian SMEs about the factors that have an impact on their performance. This could be attained with the use of workshops, professional training, conferences and educational programs. The study can be a starting point for further investigation and analysis about organisational performance among SMEs in the context of Jordan.

The sample of the study was restricted to a limited number of variables, which may cause some significant variables to be missed. In other words, being aware of the impact of other factors on SMEs performance would be crucial; these factors include tax regulations and policy instability. Furthermore, a sample of the study was limited to Jordanian manufacturing SMEs only. As such, the findings are not generalizable to other organisations in other industries. Concentrating on other sectors including the service sector may be beneficial. Then, a comparison should be made between the outcomes from both sectors. This way, the possibility of generalising the outcomes would be increased.

6. References

Abdesamed, K. H. & Wahab, K. A. (2014). Financing of small and medium enterprises (SMEs) in Libya: Determinants of accessing bank loan. *Middle East Journal of Scientific Research,* 21(1), pp.113-122.

Al-Hyari, K., Al-Weshah, G. & Alnsour, M. (2012). Barriers to internationalisation in SMEs: Evidence from Jordan. *Marketing Intelligence & Planning,* 30(2), pp.188-211.

Al-Hyari, K. (2013). Identification of barrier factors and potential solutions to SMEs development among Jordanian manufacturing sector. *International Journal of Business and Management,* 8(24), p.132.

Almajali, A. Y., Alamro, S. A. & Al-Soub, Y. Z. (2012). Factors affecting the financial performance of Jordanian insurance companies listed at Amman stock exchange. *Journal of Management Research,* 4(2), p.266.

Ando, M. & Kimura, F. (2017). Job creation and destruction at the levels of intra-firm sections, firms, and industries in globalization: The case of Japanese manufacturing firms. *RIETI Discussion Paper Series* 17-E-100.

Bai, Y., Yuan, J. & Pan, J. (2017). Why SMEs in emerging economies are reluctant to provide employee training: Evidence from China. *International Small Business Journal,* 35(6), pp.751-766.

Baines, A. & Langfield-Smith, K. (2003). Antecedents to management accounting change: A structural equation approach. *Accounting, Organizations and Society,* 28(7-8), pp.675-698.

Baldwin, R., Cave, M. & Lodge, M. (2012). *Understanding regulation: Theory, strategy, and practice*. Oxford University Press on Demand.

Banerjee, A., Duflo, E., Glennerster, R. & Kinnan, C. (2015). The miracle of microfinance? Evidence from a randomized evaluation. *American Economic Journal: Applied Economics,* 7(1), pp.22-53.

Beck, T. (2007). Financing constraints of SMEs in developing countries: Evidence, determinants and solutions. In: *KDI 36th Anniversary International Conference*, pp.26-27.

Beck, T., Demirgüç-Kunt, A., Laeven, L. & Maksimovic, V. (2006). The determinants of financing obstacles. *Journal of International Money and Finance,* 25(6), pp.932-952.

Cavana, R.Y., Delahaye, B.L. & Sekaran, U. (2001). *Applied business research: Qualitative and quantitative methods*. John Wiley & Sons Australia.

Chenhall, R. H. & Langfield-Smith, K. (1998). The relationship between strategic priorities, management techniques and management accounting: An empirical investigation using a systems approach. *Accounting, Organizations and Society,* 23(3), pp.243-264.

Chin, W. W. (1998). The partial least squares approach to structural equation modeling. *Modern Methods for Business Research,* 295(2), pp.295-336.

Chin, W. W. (2010). How to write up and report PLS analyses. *Handbook of partial least squares.* Springer.

Chin, W. W., Marcolin, B. L. & Newsted, P. R. (2003). A partial least squares latent variable modeling approach for measuring interaction effects: Results from a Monte Carlo simulation study and an electronic-mail emotion/adoption study. *Information Systems Research,* 14(2), pp.189-217.

Cowling, M., Liu, W., Ledger, A. & Zhang, N. (2015). What really happens to small and medium-sized enterprises in a global economic recession? UK evidence on sales and job dynamics. *International Small Business Journal,* 33(5), pp.488-513.

Cowling, M., Liu, W. & Zhang, N. (2016). Access to bank finance for UK SMEs in the wake of the recent financial crisis. *International Journal of Entrepreneurial Behavior & Research,* 22(6), pp.903-932.

Cowling, M., Liu, W. & Zhang, N. (2018). Did firm age, experience, and access to finance count? SME performance after the global financial crisis. *Journal of Evolutionary Economics*, 28(1), pp.77-100.

Dai, X., Wu, Y., Di, Y. & Li, Q. (2009). Government regulation and associated innovations in building energy-efficiency supervisory systems for large-scale public buildings in a market economy. *Energy Policy,* 37(6), pp.2073-2078.

Davidsson, P. (1991). Continued entrepreneurship: Ability, need, and opportunity as determinants of small firm growth. *Journal of Business Venturing,* 6(6), pp.405-429.

De Maeseneire, W. & Claeys, T. (2012). SMEs, foreign direct investment and financial constraints: The case of Belgium. *International Business Review,* 21(3), pp.408-424.

Demirbag, M., Tatoglu, E., Tekinkus, M. & Zaim, S. (2006). An analysis of the relationship between TQM implementation and organizational performance: Evidence from Turkish SMEs. *Journal of Manufacturing Technology Management,* 17(6), pp.829-847.

Dimaggio, P. J. & Powell, W. W. (2000). The iron cage revisited institutional isomorphism and collective rationality in organizational fields. *American Sociological Review,* 17, pp.143-166.

Dogan, E., Islam, M. Q. & Yazici, M. (2017). Firm size and job creation: Evidence from Turkey. *Economic Research-Ekonomska Istraživanja,* 30(1), pp.349-367.

ECIJ, (2014). *Economic challenges in Jordan: Jordan independent economy watch* [Online]. Available at: https://jordankmportal.com/resources/economic-challenges-quarter-report.

Falk, R. F. & Miller, N. B. (1992). *A primer for soft modeling*, University of Akron Press.

Fiori, G., Nicoletti, G., Scarpetta, S. & Schiantarelli, F. (2012). Employment effects of product and labour market reforms: Are there synergies? *The Economic Journal,* 122, pp.558.

Fraser, S., Bhaumik, S. K. & Wright, M. (2015). What do we know about entrepreneurial finance and its relationship with growth? *International Small Business Journal,* 33(1), pp.70-88.

Freeman, S. & Reid, I. (2006). Constraints facing small western firms in transitional markets. *European Business Review,* 18(3), pp.187-213.

Garengo, P. & Sharma, M. K. (2014). Performance measurement system contingency factors: A cross analysis of Italian and Indian SMEs. *Production Planning & Control,* 25(3), pp.220-240.

Gill, A. & Biger, N. (2012). Barriers to small business growth in Canada. *Journal of Small Business and Enterprise Development,* 19(4), pp.656-668.

Götz, O., Liehr-Gobbers, K. & Krafft, M. (2010). Evaluation of structural equation models using the partial least squares (PLS) approach. *Handbook of partial least squares.* Springer.

Hadjimanolis, A. (1999). Barriers to innovation for SMEs in a small less developed country (Cyprus). *Technovation,* 19(9), pp.561-570.

Hair, J. F., Ringle, C. M. & Sarstedt, M. (2011). PLS-SEM: Indeed a silver bullet. *Journal of Marketing Theory and Practice,* 19(2), pp.139-152.

Hair, J. F., Ringle, C. M. & Sarstedt, M. (2013). Editorial-partial least squares structural equation modeling: Rigorous applications, better results and higher acceptance. *Long Range Planning,* 46(1), pp.1-12.

Hair, J. F., Sarstedt, M., Ringle, C. M. & Mena, J. A. (2012). An assessment of the use of partial least squares structural equation modeling in marketing research. *Journal of the Academy of Marketing Science,* 40(3), pp.414-433.

Hair, J. F., Hult, G. T. M., Ringle, C. & Sarstedt, M. (2016). *A primer on partial least squares structural equation modeling (PLS-SEM).* Sage Publications.

Harash, E., Al-Timimi, S. & AlsaadI, J. (2014). The influence of finance on performance of small and medium enterprises (SMEs). *International Journal of Engineering and Innovative Technology,* 4(3), pp.161-167.

Hassanein, A. A. & Adly, S. W. (2008). Issues facing small Egyptian construction firms: The financing barrier. *Journal of Small Business & Entrepreneurship,* 21(3), pp.363-376.

Henseler, J., Hubona, G. & Ray, P. A. (2016). Using PLS path modeling in new technology research: Updated guidelines. *Industrial Management & Data Systems,* 116(1), pp.2-20.

Henseler, J., Ringle, C. M. & Sarstedt, M. (2015). A new criterion for assessing discriminant validity in variance-based structural equation modeling. *Journal of the Academy of Marketing Science,* 43(1), pp.115-135.

Henseler, J., Ringle, C. M. & Sinkovics, R. R. (2009). The use of partial least squares path modeling in international marketing. *Advances in International Marketing,* 20, pp.277-319.

Hijzen, A., Upward, R. & Wright, P. W. (2010). Job creation, job destruction and the role of small firms: Firm-level evidence for the UK. *Oxford Bulletin of Economics and Statistics,* 72(5), pp.621-647.

Huggins, R. (2000). The success and failure of policy-implanted inter-firm network initiatives: Motivations, processes and structure. *Entrepreneurship & Regional Development,* 12(2), pp.111-135.

Hulland, J. (1999). Use of partial least squares (PLS) in strategic management research: A review of four recent studies. *Strategic Management Journal,* 20(2), pp.195-204.

Hussain, M. & Gunasekaran, A. (2002). Non-financial management accounting measures in Finnish financial institutions. *European Business Review,* 14(3), pp.210-229.

Ijirshar, V. U. (2015). The empirical analysis of oil revenue and industrial growth in Nigeria. *African Journal of Business Management,* 9(16), pp.599-607.

Irwin, D. & Scott, J. M. (2010). Barriers faced by SMEs in raising bank finance. *International Journal of Entrepreneurial Behavior & Research,* 16(3), pp.245-259.

JCI, (2015). *Jordan chamber of industry* [Online]. Available at:
 http://www.jci.org.jo/Pages/viewpage.aspx?pageID=175.

Jusoh, R. & Parnell, J. A. (2008). Competitive strategy and performance measurement in the Malaysian context: An exploratory study. *Management Decision,* 46(1), pp.5-31.

Kerr & Nanda, R. (2009). Democratizing entry: Banking deregulations, financing constraints, and entrepreneurship. *Journal of Financial Economics,* 94(1), pp.124-149.

Kitching, J. (2006). A burden on business? Reviewing the evidence base on regulation and small-business performance. *Environment and Planning C: Government and Policy,* 24(6), pp.799-814.

Kuhn, J. M., Malchow-Møller, N. & Sørensen, A. (2016). Job creation and job types–new evidence from Danish entrepreneurs. *European Economic Review,* 86, pp.161-187.

Lee, N., Sameen, H. & Cowling, M. (2015). Access to finance for innovative SMEs since the financial crisis. *Research Policy,* 44(2), pp.370-380.

Madrid-Guijarro, A., García, D. & Van Auken, H. (2016). Financing constraints and SME innovation during economic crises. *Academia Revista Latinoamericana de Administración,* 29(1), pp.84-106.

Madrid-Guijarro, A., Garcia, D. & Van Auken, H. (2009). Barriers to innovation among Spanish manufacturing SMEs. *Journal of Small Business Management,* 47(4), pp.465-488.

Mag, S. & Varothayan, V. (2015). An investigation of strategic factors affecting the performance of manufacturing based small and medium enterprises (SMEs) operating in Batticaloa district in Sri Lanka. *Journal of Emerging Trends in Economics and Management Sciences,* 6(7), pp.228-236.

Mahmood, R. & Hanafi, N. (2013). Entrepreneurial orientation and business performance of women-owned small and medium enterprises in Malaysia: Competitive advantage as a mediator. *International Journal of Business and Social Science,* 4(1), pp.82-90.

Mahmud, N. & Hilmi, M. F. (2014). TQM and Malaysian SMEs performance: The mediating roles of organization learning. *Procedia-Social and Behavioral Sciences,* 130, pp.216-225.

Marri, H. B., Gunasekaran, A. & Sohag, R. (2007). Implementation of advanced manufacturing technology in Pakistani small and medium enterprises: An empirical analysis. *Journal of Enterprise Information Management,* 20(6), pp.726-739.

Martin, K. D., Cullen, J. B., Johnson, J. L. & Parboteeah, K. P. (2007). Deciding to bribe: A cross-level analysis of firm and home country influences on bribery activity. *Academy of Management Journal,* 50(6), pp.1401-1422.

Mbogo, M. (2011). Influence of managerial accounting skills on SME's on the success and growth of small and medium enterprises in Kenya. *Journal of Language, Technology & Entrepreneurship in Africa*, 3(1), pp.109-132.

Mina, A., Lahr, H. & Hughes, A. (2013). The demand and supply of external finance for innovative firms. *Industrial and Corporate Change,* 22(4), pp.869-901.

Mizruchi, M. S. & Fein, L. C. (1999). The social construction of organizational knowledge: A study of the uses of coercive, mimetic, and normative isomorphism. *Administrative Science Quarterly,* 44(4), pp.653-683.

Nazarian, A., Soares, A. & Lottermoser, B. (2017). Inherited organizational performance? The perceptions of generation Y on the influence of leadership styles. *Leadership & Organization Development Journal*, 38(8), pp.1078-1094.

Ngek, N. B. (2014). Determining high quality SMEs that significantly contribute to SME growth: Regional evidence from South Africa. *Problems and Perspectives in Management,* 12(4), pp.253-264.

North, D. C. (1990). *Institutions, institutional change and economic performance*, Cambridge University Press.

OECD, (2017). *Enhancing the contributions of SMEs in a global and digitalised economy*. Meeting of the OECD council at ministerial level Paris, OECD publishing, Paris, 7-8 June 2017 [Online]. Available at: https://www.oecd.org/mcm/documents/C-MIN-2017-8-EN.pdf.

Okpara, J. O. (2011). Factors constraining the growth and survival of SMEs in Nigeria: Implications for poverty alleviation. *Management Research Review,* 34(2), pp.156-171.

Olatunji, T. (2013). The impact of accounting system on the performance of small and medium scale enterprises in Nigeria. A survey of SME's in Oyo state–Nigeria. *International Journal of Business and Management Invention,* 2(9), pp.13-17.

Patanakul, P. & Pinto, J. K. (2014). Examining the roles of government policy on innovation. *The Journal of High Technology Management Research,* 25(2), pp.97-107.

Rhodes, J., Hung, R., Lok, P., Ya-Hui Lien, B. & Wu, C. M. (2008). Factors influencing organizational knowledge transfer: Implication for corporate performance. *Journal of Knowledge Management,* 12(3), pp.84-100.

Richard, P.J., Devinney, T.M., Yip, G.S. and Johnson, G. (2009). Measuring organizational performance: Towards methodological best practice. *Journal of Management*, 35(3), 718-804.

Sami El-Khasawneh, B. (2012). Challenges and remedies of manufacturing enterprises in developing countries: Jordan as a case study. *Journal of Manufacturing Technology Management,* 23(3), pp.328-350.

Sathe, V. (2007). *Corporate entrepreneurship: Top managers and new business creation*. Cambridge University Press.

Scott, W. R. (1987). The adolescence of institutional theory. *Administrative Science Quarterly*, 32(4), pp.493-511.

Selden, S. C. & Sowa, J. E. (2004). Testing a multi-dimensional model of organizational performance: Prospects and problems. *Journal of Public Administration Research and Theory,* 14(3), pp.395-416.

Shariff, M. N. M., Peou, C. & Ali, J. (2010). Moderating effect of government policy on entrepreneurship and growth performance of small-medium enterprises in Cambodia. *International Journal of Business and Management Science,* 3(1), pp.57-72.

Siaw, C. L. & Rani, N. S. A. (2012). A critical review on the regulatory and legislation challenges faced by Halal start-up SMEs food manufacturers in Malaysia. *Procedia-Social and Behavioral Sciences,* 57, pp.541-548.

Smolarski, J. & Kut, C. (2011). The impact of venture capital financing method on SME performance and internationalization. *International Entrepreneurship and Management Journal,* 7(1), pp.39-55.

Solanke, A. A., Fashagba, P. F. & Okpanachi, J. (2015). Maintenance of accounting records and business growth among small and medium enterprises in North-Central Nigeria. *Journal of Accounting and Finance Management,* 1(3), pp.1-7.

Strobel, N. & Kratzer, J. (2017). Obstacles to innovation for SMEs: Evidence from Germany. *International Journal of Innovation Management,* 21(3), pp.1-28.

Tassey, G. (2014). Competing in advanced manufacturing: The need for improved growth models and policies. *The Journal of Economic Perspectives,* 28(1), pp.27-48.

Tsoukas, S. (2011). Firm survival and financial development: Evidence from a panel of emerging Asian economies. *Journal of Banking & Finance,* 35(7), pp.1736-1752.

Valmohammadi, C. (2011). The impact of TQM implementation on the organizational performance of Iranian manufacturing SMEs. *The TQM Journal,* 23(5), pp.496-509.

Van Der Schans, D. (2015). The British business bank's role in facilitating economic growth by addressing imperfections in SME finance markets. *Venture Capital,* 17(1-2), pp.7-25.

Vinzi, V. E., Chin, W. W., Henseler, J. & Wang, H. (2010). *Handbook of partial least squares: Concepts, methods and applications.* Springer Science & Business Media.

Wang, T., Thornhill, S. & Zhao, B. (2016). Pay-for-performance, employee participation, and SME performance. *Journal of Small Business Management.*

Wong, K. K. (2013). Partial least squares structural equation modeling (PLS-SEM) techniques using Smart PLS. *Marketing Bulletin,* 24(1), pp.1-32.

Yu, C., Zhang, M. & Zhou, F. (2017). China's manufacturing sector: Development characteristics and typical patterns over 35 years. In *A Research Report on the Development of China's Manufacturing Sector*, pp.1-26. Springer, Singapore.

Yu, T. & Cannella, A. A. (2007). Rivalry between multinational enterprises: An event history approach. *Academy of Management Journal,* 50(3), pp.665-686.

Zhou, A. (2015). *Access to finance: The effect of financial constraints on private firms' performances in China.* Georgetown University.

Zucker, L. G. (1987). Institutional theories of organization. *Annual Review of Sociology,* 13(1), pp.443-464.