

**RESEARCH PAPER****Moderating Effect of Demographics on the Relationship between Religiosity of Owner/ Manager of SME on Growth of SMEs****<sup>1</sup> Zillay Hussain Dar\*, and <sup>2</sup>Dr. Faheem Qaisar Jamal**

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**\*Corresponding Author:** Zillayhussaindar76@gmail.com**ABSTRACT**

The objective of the study is to pinpoint the moderating role of demographic variables of owner/ manager in relationship between religiosity and growth of SMEs. The hypotheses have been established on the basis of previous theories and review of related literature. The data has been collected from 456 owners/ managers of SMEs by using the adopted questionnaires with 5-point likert scale. In analysis, the descriptive statistics and regression analysis has been carried out. The results of the study are indicating that demographic variables enhance the relationship between religiosity and growth of SMEs. The results of the study are helpful to understand that how religiosity and age of managers and owners of SMEs are essential to business growth. The results recommends to implement the religious teachings at school and college level.

**KEYWORDS:** Age, Experience and Qualification of the Owners/Managers, Growth of SMEs, Religiosity, SMEs**Introduction**

In the sustainability and growth of the economies especially for emerging economies, the input of small and medium enterprises cannot be undervalued (Agyei, 2018) as SMEs' potential are helping to reduce poverty and to contribute in societal welfare (Harahap, Nuruddin, Batubara, Syahnan, & Sukiati, 2019). Therefore, the growth of SMEs is a basic drive to the managers and owners and this growth is mostly depends on the available resources, literacy towards the finance, culture values of the owners (Nunoo and Andoh, 2012). Business growth and achievements are widely dependent on the business size, business age and profile of managers (Smallbone, Leig & North, 1995). Different aspects and characteristics of managers and owners influence the growth of SMEs (Waite & Hawker, 2009:681), but another aspect religiosity is required to explore more. Number of theories in context of business performance are discussed, but one aspect i.e., Religion is overlooked a large scale (Dana,2010).

According to Mathras et al., (2016), religiosity is someone knowledge, his learning of beliefs, his worships and his passion about religious beliefs. These religious beliefs contribute the owners or mangers' decisions pertaining to financial matters, which ultimately impact the business performance (Agyei, 2018). Religiosity in different contexts has been frequently measured by researchers against different business aspects like employee performance (e.g. Zahrah, Abdul Hamid, Abdul Rani, & Mustafa Kamil, 2017) and work motivation (e.g. Mhd Sarif & Ismail, 2011), Religiosity and Company's Decision-making (El Ghouli et al., 2012), Religiosity and Marketing Orientation (Adi & Adawiyah, 2018), Religiosity and Work Ethics (Wisker & Rosinaite, 2016), Religiosity and Attitudes towards Co-workers (Bozeman & Murdock, 2007), Religiosity and Economic Growth (Barro & McCleary, 2003; Campante & Yanagizawa- Drott, 2015) and Religiosity and Environmental Behaviors (Yang & Huang, 2018). The relational strength and

direction of religiosity as an individual factor of growth of SMEs is unclear although correlations between religiosity and other aspects of business have been established in the literature (Wisker, et al., 2019).

In spite of religiosity, a demographic variable that also influence the personality of the managers and owners, which further contributes in growth of business (Kirby, 2003; Wright, Unger, Rauch, Frese, & Rosenbusch, 2009; Blackburn, Hart, & Wainwright, 2013; Batsakis, 2014). This study, carried out an important demographic characteristic that influences the growth of SMEs is the age of the owner / manager. The relationship between the age of owner / manager and the growth of SMEs has revealed conflicting results (Davidson, 1991; Storey, 1994; Woldie, Leighton, & Adesua, 2008).

The objective of the study is to pinpoint the moderating role of demographic variables (Age, Experience and Qualification) of managers and owners of SMEs in relationship between religiosity and growth of SMEs. The remaining part of the paper is about the literature review, development of hypotheses, methodology containing measurement of variables, data collection and use of statistical techniques. In next part, the results of the data analysis and discussion of the results have been presented. In final phase, the research work has been concluded with practical implications, limitations and future direction of the research.

### **Literature Review**

This portion is pertaining to the development of hypotheses on the basis of past literature and theory

### **Religiosity and Growth of SMEs**

Small and medium enterprises are very important business entities run by the owners, which contributes productively in economic growth (Putri and Susanto, 2021). The owners and managers entrepreneurial skill and their different demographic characteristics are essential in running of SMEs as Gupta (2015) discussed that risk-taking, proactivity, and innovation are the components of an entrepreneurial elemental system that together represent an entrepreneurial attitude. In business scenario, a lot of theories are presented, but widely ignore aspect is religion in context of business practices (Dana, 2010).

The planned behavior theory postulate that three dimensions of behavior are subjective norms, control on perceived behavior and attitude that triggers the behavior intentions to act in a specific manner (Ajzen, 1991). Therefore, managers with different behavior work differently although in the presence of religiosity they have strong influence on work values (Parboteeah et al., 2009). Religiosity influences the behavior of the individual, which further contributes in growth of business (Ramasamy et al., 2010).

According to Saroglou (2010), religiosity is the degree to which an individual practices their religion, incorporates it into their daily life, or indicate to transcendence. Religiosity is the most precious and valuable assets to save the societal values (Gursoy, Altinay, and Kenebayeva 2017). A person who practices religion will make an effort to follow its precepts, acquire information about it, carry out its rituals, hold onto its ideology, and have religious experiences (Risnawita & Ghufroon, 2010 in Irfani et al. 2016), therefore, a religious personality always tries to work honestly, which contributes in business performance. According to stewardship theory, managers are stewards and they perform their duties with inner feelings that they are responsible to commit in growth of business (Gibson, 2000; Manville and Ober, 2003). Compared to those who do not believe in religion, managers who incorporate religion into their everyday life are more likely to

see improvements in their ethical behaviour, attitudes, and decision-making (Walker, Smither, and DeBode, 2011).

H1: Religiosity has positive significant impact on growth of SMEs

### **Moderating Role of Demographic Variables in relationship between Religiosity and Growth of SMEs**

Business success is significantly impacted by demographic parameters as age, gender, education, income, and job experience (Chiliya & Roberts-Lombard, 2013). According to the upper echelon's theory, managers' abilities to comprehend and analyze a company's state determine how well a corporation performs (Ge et al., 2011). The field of organizational and management science behaviour provides the foundation for the upper-echelon hypothesis. According to the theory, age, experience, and educational attainment are among the demographic factors that senior management considers when making strategic choices. Thus, the traits of managers have an impact on the performance of the business. According to the upper echelons hypothesis, managers make distinct decisions because of their distinct characteristics and cognitive styles, which are non-interchangeable, particularly in complex settings (Bamber, Jiang, and Wang, 2010).

A study revealed positive relationships between the managerial capacity of owners/managers, including age, on the capital structure of the SMEs, particularly as it relates to the optimum capital structure decision (Chin et al., 2020). A quantitative study found that age is among the three factors (others were higher educational level and experience) that are statistically significant (Eze et al., 2021). Age matters because of the influence of prior work experience on SMEs' performance (Ahinful et al., 2021). Because the experience of owners/managers is accumulated over time, owners/managers with more age, especially those working in an SME, influence the improved SMEs' performance (Ahinful et al., 2021). The demographic variables of the SME executives influence the adoption of mobile marketing technology in SMEs (Eze et al., 2021). The past studies reported that in demographic variables, the age, experience and qualification of the respondents are the characteristics, which further enhance the SMEs' growth (Kirby, 2003; Unger et al., 2009; Batsakis, 2014).

In the light of the above discussion, it is evident that as when as demographic variables of managers/owners are changed, the tendency towards religiosity is changed and these demographic variables also influences the SMEs' growth. Therefore, demographic variables enhance the relationship between religiosity and growth of SMEs.

H2: Age of the owners or managers affects positively and significantly on growth of SMEs.

H3: Age of Managers/Owners enhances the relationship between religiosity and growth of SMEs

H4: Work experience of owners / managers affects positively and significantly on growth of SMEs.

H5: Work experience of owners / managers moderates the relationship between religiosity and growth of SMEs

H6: Education Qualification owners / managers affects positively and significantly on growth of SMEs.

H7: Education Qualification owners / managers moderates the relationship between religiosity and growth of SMEs

**Material and Methods**

The main objective of the study is to pinpoint the moderating role of demographic factors i.e Age in relationship between religiosity and growth of SMEs in Pakistan. The data has been gathered by using the questionnaires adapted from the study Ramadani et al. (2015, p. 256). The growth of SMEs is measured by using the likert scale 1 to 5. 1 is for Extremely declined, 2 is for declined, 3 is showing the average growth, 4 means the growth of SMEs has improved and 5 is demonstrating the extremely improvement in growth of SMEs. Only 5 items have been used in the questionnaires growth of SMEs (GTH). The religiosity of the respondents has been measured by taking 40 items in questionnaires with 5-point likert scale 1 to 5. 1 is for less tendency and 5 is for high tendency towards religious of the respondents.

The population of the study is the managers and owners of the SMEs of Pakistan. However, a random sampling has been used to collect the data. The questionnaires have been distributed to 500 owners and managers of SMEs all over the Pakistan. Only 476 responses have been received back, but only 456 were in useable form. Therefore, sample size of the study is 456. After complying the data, the SPSS has been used to analyze the data. For analysis purpose, the descriptive statistics carried out to describe the data and to describe the frequency of the respondents as per their age group, the frequency distribution has been mentioned. However, to test the hypotheses, the regression analysis has been carried out. The following research equations are the part of the study.

$$GTH_i = \beta_0 + \beta_1RG_i + \beta_2Age_i + \beta_3RGAG_i + \mu_i \quad \text{Model-I}$$

$$GTH_i = \beta_0 + \beta_1RG_i + \beta_2Exp_i + \beta_3RGEXP_i + \mu_i \quad \text{Model-II}$$

$$GTH_i = \beta_0 + \beta_1RG_i + \beta_2Qul_i + \beta_3RGQUL_i + \mu_i \quad \text{Model-III}$$

The above-mentioned equation is representing the growth of SMEs by GTH, religiosity is denoted by RG, and age is for the age of the respondents. Exp and Qul are representing the experience and qualification of the owners/managers respectively. The RGAG, RGEXP and RGQUL are the interaction terms, which are used to detect the moderating role of age, experience and qualification in relationship between religiosity and growth of SMEs.

**Results and Discussion**

**Frequency Distribution**

In table-I, the results are showing the frequency distribution of demographic variables (Age, Experience and Qualification). It is showing that total 456 respondents (Managers and owners) are the part of the study, who are belonging to different age groups. Mostly respondents are from age groups are 28-37 and 38-47 years.

**Table 1**  
**Frequency Distribution**

Age			Experience			Qualification		
Group	f	%	Group	f	%	Group	f	%
18-27	62	13.6	1-5	64	14.0	SSC	61	13.4
28-37	135	29.6	6-10	139	30.5	HSSC	137	30.0
38-47	130	28.5	11-15	126	27.6	Bachelor	131	28.7
48-57	89	19.5	15-20	89	19.5	Master	89	19.5
58 and above	40	8.8	21 and above	38	8.3	MS and above	38	8.3
<b>Total</b>	456	100.0	<b>Total</b>	456	100.0	<b>Total</b>	456	100.0

Similarly, mostly respondents fall in experience groups of 6-10 and 11-15 years. Mostly, respondents have qualification HSSC and Bachelor.

**Table 2**  
**Descriptive Statistics**

	Minimum	Maximum	Mean	Std. Deviation
Age	1.000	5.000	2.803	1.162
Exp	1.000	5.000	2.776	1.161
Qual	1.000	5.000	2.794	1.151
RG	1.143	4.714	2.734	0.856
SG	1.167	4.667	2.839	0.755

Age=Age of respondent, Exp=Work experience of Respondents, Qual=Qualification of respondents, RG=Religiosity, and SG=SMEs' Growth

Table 2 is representing the descriptive statistics of the variables used in the study. The demographic variables (Age, Experience and Qualification) are showing that the average values are 2.803, 2.776, and 2.794 respectively, which means on average respondents having age 28-47 years, experience 6-15 years, and qualification Intermediate and Bachelor. Moreover, it has variation in age group representing by standard deviation.

The results are also showing that average value of the religiosity is found as 2.734, which means on average respondents are at 3 on likert scale, which means mostly respondents are neutral. As the likert scale of religious survey have values from 1 to 5 (From less tendency to high tendency towards religious). However, it is an average value and may differ from respondent to respondent as indicating by value of standard deviation i.e., 0.856, which means average value of religiosity (RG) may change on average 0.856points on likert scale. Similarly, the average value of business growth (GTH) is 2.839, which means on average business growth is between declined and average as measured by likert scale from 1 to 5 (1 for extremely declined and 5 for extremely improved). Moreover, the average change in business growth has been measured by standard deviation i.e., 0.755, which means on average 0.755 points the business growth may differ from average value.

**Table3**  
**Regression Analysis-Dependent Variable -GTH**

	Model-I		Model-II		Model-III	
	Co-efficient	P-value	Co-efficient	P-value	Co-efficient	P-value
<b>(Constant)</b>	1.3976***	0.0000	1.3922***	0.0000	1.3865***	0.0000
<b>RG</b>	0.2327***	0.0041	0.2418***	0.0019	0.2303***	0.0036
<b>Age</b>	0.1497*	0.0283				
<b>Rage</b>	0.0471*	0.0434				
<b>Exp</b>			0.1408*	0.0356		
<b>Rexp</b>			0.0487*	0.0316		
<b>Qul</b>					0.1551*	0.0216
<b>Rqul</b>					0.0477*	0.0377
<b>F-Statistic</b>	205.31***	0.0000	207.28***	0.0000	210.18***	0.0000
<b>R-Square</b>	0.5767		0.5791		0.5825	
<b>ΔR-Sq</b>	0.0038*	0.0434	0.0043*	0.0316	0.0040*	0.0377

RG= religiosity, Age=Age of the respondent, Exp=Experience of Respondents, Qul=Qualification of respondents, GTH=SMEs' Growth, Rage, Rexp, Rqul are the interaction terms to show the moderating role of age, experience and qualification between religiosity and SMEs' growth respectively

Table 3 is showing the results for regression analysis. The results are indicating that the p-value of F-statistic for each model is 0.000, which is significant and shows the specification of the models. Moreover, the explanatory power each model is showing by R-square. The explanatory powers are 57.67%, 57.91%, and 58.25% for Model-I, Model-II and Model-III respectively.

In all models, the co-efficient of religiosity (RG) are positive and significant. These results are showing that religiosity (RG) has positive significant influence on growth of SMEs (GTH), so the hypothesis H1: Religiosity has positive significant impact on growth of SMEs is accepted.

In model-I, the co-efficient of age is 0.1497 with P-value less than 0.05, which means the age has positive influence on SMEs' growth. So, the H2: Age of the owners or managers affects positively and significantly on growth of SMEs is accepted. Moreover, the co-efficient of interaction term (Rage) of religiosity and age is 0.0471 with P-value=0.0434 (Less than 0.05). Moreover, the R-square-Change is also significant. Therefore, the results are showing that age of the managers/owners enhances the relationship between religiosity (RG) and SMEs' growth. H3: Age of Managers/Owners enhances the relationship between religiosity and growth of SMEs is accepted.

In model-II, the results are indicating that the co-efficient of experience of managers/owners is positive and significant (B=1408, P-value=0.0356), which shows the positive influence of experience on SMEs' growth. So, the H4: Work experience of owners / managers affects positively and significantly on growth of SMEs is accepted. The interaction term of experience and religiosity is also showing the positive and significant co-efficient, which indicates that experience enhances the relationship between religiosity and growth of SMEs. So, the Hypothesis-5 of the study is accepted.

In model-III, the outcome of the analysis, is expressing that the co-efficient of qualification is positive and significant (B=0.1551, P-value=0.0216), which indicates that qualification of managers/owners influences the SMEs' growth positively. Therefore, H6: Education Qualification owners / managers affects positively and significantly on growth of SMEs is accepted. Moreover, the results are also showing that the co-efficient of interaction term of qualification and religiosity is positive and significant. Thus, the H7: Education Qualification owners / managers moderates the relationship between religiosity and growth of SMEs

These results are supported by the previous studies that the religious role in life has significant influence in the performance while working in work place (Adi and Adawiyah, 2008). Religiosity and growth of SMEs are showing linkage directly or through any other variables as reported by past studies (Zahra et al. 2017; Mhd Sarif and Ismail, 2011; Adi and Adawiha, 2018; Wisker et al., 2019). The previous studies demonstrated that demographic variables affect the growth of SMEs (Kirby, 2003; Wright et al., 2009; Blackburn, Hart, & Wainwright, 2013; Batsakis, 2014). However, only one demographic variable i.e. age of the respondents. The other demographics are required to take simultaneously with age of the respondents.

## **Conclusion**

The ultimate aim of the study to capture the influence of religiosity on growth of SMEs with moderating role of demographic variables i.e., age, experience and qualification of the managers or owners. After thoroughly reviewing the literature, the hypotheses have been developed and to check the empirical status of the hypotheses, statistical techniques applied i.e., regression analysis. In analysis, sample size is 456 and respondents are the managers and owners of the SMEs in Pakistan. The results of study are showing that religiosity and demographic variables of the managers and owners have

positive and significant impact on growth of SMEs. Furthermore, the demographic variables moderate in relationship between religiosity and growth of SMEs.

### **Implications of the study**

Based on the outcome of the study, it is concluded that religiosity affects positively the growth of SMEs. Moreover, the age, experience and qualification of managers and owners also matter in contribution of growth of SMEs, which means as when as age is increased, the managers and owners get the experience and education, which ultimately contribute in business performance. So, the religiosity creates the self-accountability in managers and age give them experience due to which they work for the growth of the business. This study has shown how crucial it is to instill religious ideals in society, and among entrepreneurs in particular, as moral standards to reinforce moral behaviour when running firms. Therefore, government should focus to implement the religious teachings at school and college level.

### **Limitations**

The study attempted to capture the moderating role of demographic variables i.e., age, experience and qualification of the respondents in relationship between religiosity and growth of SMEs. The study did not include other demographic variable of the respondents, income or profit of the respondents, marital status, and gender diversity. The study has been carried out in context of Pakistan only and small sample size used in the study. The study did not include any control variable. Moreover, the study includes only one explanatory variable i.e., religiosity.

### **Future Implications**

In future study, the researcher may use other demographic variables e.g., income or profit, marital status and gender of the managers or owners of the SMEs. The study may use the size of the SMEs as control variable. The results of the study may be compared by taking the data from other countries. The index of all demographic variables may be used as moderator in relationship between religiosity and growth of SMEs in future study.

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