



Exploring the Mediating Role of Digital Finance in Enhancing Financial Literacy and Inclusion: Insights from Pakistan's Textile SMEs

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ABSTRACT

Purpose- This research aims to evaluate the effectiveness of SME's textile industries in Pakistan by analyzing the financial inclusion and financial literacy of SME's performance mediated by digital finance.

Design/methodology/approach- Data for this research was collected from a survey questionnaire. This study is based on employees of microfinance, considering a sample size of 384. The data were gathered from different SME's Textile Industries in Punjab. The sample size was taken according to (Krejcie, & Morgan, 1970). We will distribute 384 questionnaires among frontline management, middle management, and top management, and in return, we will collect 380 questionnaires. Analysis Variables is used by quantitative methods through SPSS and Smart PLS software. A simple Random Sampling technique will be used for selecting respondents.

Findings- These findings revealed that FI and FL positively affect the DF and SP. Moreover, DF has a little bit of significance on SP.

Originality/Value- Any industry regarding the employees while using digital finance and the SME's performance are facing difficulties, because many organizations are not using the new technologies as digital finance etc, which are very helpful for any organization for their success. This study highlights an overlook that FI and FL show a mediated effect on DF and SP.



Introduction

The primary objective of this paper is to determine the effects of digital financial inclusion and financial literacy on SME's performance mediated by digital finance. The basic aim of this research model is to measure the effectiveness of SME's performance in Pakistan by analyzing the financial inclusion and financial literacy of SME's performance mediated by digital finance. Since Pakistan's independence, the textile sector has been the country's lifeblood. As per State Bank of Pakistan, Pakistan is the biggest manufacturing sector, with \$30.7 billion in exports for 2023–

2024. In Asia, Pakistan has seventh rank in terms of textile exports. The economic contribution is nearly equivalent to 8.5% of GDP. Additionally, Pakistan is the world's third-largest consumer of cotton. There are 464 textile mills in Pakistan overall, with 5% located in PSX. Textiles can be processed over 5.2 billion square meters in total. International companies that operate in Pakistan alongside regional textile mills include H&M, Levi's, Nike, Adidas, Puma, Target, and others. These companies are primarily based in Karachi, which accounts for 38% of the market, and Faisalabad, which accounts for 28%. Punjab and Sindh comprise 316 and 116 of the total 464 textile units (Mubarak *et al.*, 2019). According to author (Karim *et al.*, 2021) the textile industry has to adapt to changing conditions in light of COVID-19's influence on the nation's textile exports. According to him, digitalization is now essential, and using digital tools to research global markets is unavoidable. According to him, the digital show drives the fashion industry by assisting in the establishment of partnerships and fortifying ties between consumers and businesses through exceptional services like matchmaking programs and retail concierge. He continued, "Retailers and buyers also have the chance to network, learn, and do business with new exhibiting brands" SME's performance is a common word used to describe organizational achievement. It describes how a company achieves its goals through strategic planning designed to meet those goals. Furthermore, performance is described as "the comparison of a firm's value creation with the value that its owners expect to receive from the firm" (Alchian & Damsetz, 1972).

Small-medium enterprise performance is defined as "performance that can be measured by comparison between actual outputs by its inputs (Arshad & Arshad, 2019). Performance measurement helps businesses focus on areas that require improvement by evaluating the degree of work progress in terms of cost, time, and quality and linking in capacity by higher output (Pešalj & Micheli, 2018). Babarinde & Abdulmajeed, (2020) defined Digital Finance as financial services provided via mobile devices, mobile wallets, desktop computers, the internet, debit cards, and credit cards connected to a dependable digital payment system. Digital finance pertains to the utilization of digital technologies and gadgets for the acquisition, allocation, and utilization of financial resources among economic actors, including families, businesses, governments, and individuals (Peterson, 2023). According to the author (Yu *et al.*, 2022), delivering traditional financial services via digital devices like PCs, tablets, and smartphones is known as "digital finance". According to the author (Kumar *et al.*, 2022), the International Apparel Federation organized the Digital Global Apparel Expo to lessen the difficulties facing the business community in light of the challenges faced in the wake of the epidemic. Beata *et al.*, (2023) referred to financial literacy as the understanding and awareness of financial ideas and risk associated with them including skills, drive, and ability to utilize this ability in apprehension of efficient decision making that covers not only business financial matters but also improves overall financial well-being of individuals and society, and to make them active participant of economic circle. Making wise business decisions is made possible by having a certain set of abilities and information known as financial literacy (Hassan *et al.*, 2023). Setyowati & Fauzi, (2023) describe financial literacy as a person's ability to work with his financial needs.

Financial literacy is referred to as gaining more knowledge about money management and Anthes, one can prevent financial issues (Amilia *et al.*, 2018). The term "financial inclusion" describes activities aimed at providing all people and enterprises, regardless of size or personal net worth, with affordable approach to financial instruments (Aloulou *et al.*, 2023). The goal of financial inclusion is to lower all barriers to the public's use of financial services (Irman & Suwitho, 2023). Financial inclusion is a national plan meant to escalate economic growth by lowering poverty, promoting equity on distribution of wealth, and strengthening of the financial system (Triansyah & Khasan, 2024). Since many industries and businesses are under intense pressure to digitally

transform, small businesses face significant challenges in this regard. Instead, the focus should be on improving customer experiences, optimizing operational procedures, and growing business models (Akanle, 2015). For businesses today, the biggest issue is digital transformation. Small and medium-sized businesses that are highly innovative are claimed to face difficulties with branding, finance, digital exposure, and advertising, which have an impact on their growth. In contrast, traditional businesses that deal with the digital process typically lose their competitiveness.

Thus, this paper attempts to examine the impact of financial literacy and financial inclusion on SME's performance through digital finance by answering these questions:

RQ1: What is the relationship of financial inclusion, and financial literacy with SME's performance?

RQ2: What is the relationship of financial inclusion, and financial literacy with digital finance?

RQ3: What is the relationship between digital finance and SME's performance?

This research emphasizes that financial inclusion, and financial literacy are the key factors that contribute toward the SME's performance in the textile industry, also discusses the impact of different variables in digital finance and the SME's performance on board and different sampling. The importance of this study is helpful for any industry regarding the employees while using digital finance and the SME's performance. The main focus of this research is to evaluate the performance of the textile sector and SME's performance from the lens of digital finance. This research offers an empirical analysis of the relationship between financial inclusion, financial literacy, digital finance, and SME success. The textile business has been studied using four different variables: financial inclusion, digital finance, financial literacy, and small and medium-sized enterprise performance. This study intends to determine the relationship between the profitability of the textile industry and innovation in digital finance as part of its examination. The study also looks into the connections between small and medium-sized businesses, the textile industry, digital finance, financial literacy, and financial inclusion.

Literature Review

SME's Performance

Dunmade *et al.*, (2023) defines SME's firm performance as lucrativeness, growth, market value, and customer satisfaction, based on the stakeholders' anticipation. SME's performance refers to completing a task above the commonly accepted norms with a degree of effectiveness and efficiency (Samad, 2020) the results of Small business activities are referred to as its performance in SMEs (Ullo, 2022). SME's performance is measured through the organization's performance and Financial Performance (Ozilli, 2019). SME's performance is the degree to which the business's goal was completed about the final product after the business term. (Yildiz *et al.*, 2016). SMEs Performance is the relationship between the output results and the input resources used in small Medium enterprise's business activities (Tran *et al.*, 2016). SME's performance Refers to accomplishing strategic goals, raising customer happiness, and improving efficacy and efficiency Quality and Production (Kahayan *et al.*, 2015). According to (Harrison & Wicks, 2013). In the present study, the extensive literature on individual variables and their relations to financial inclusion, financial literacy, digital finance, and SME performance can be studied in different aspects. In previous studies, the relationship between the variables is limited to two to three variables and that research was studied in India, but this study will discuss the relationship between four variables in Pakistan. None of the studies has discussed these four variables together (Mahato & Jha, 2023). The previous study was limited to the sample size of 97 employees in

Malaysia. The study will not just be limited to this range but will also take the sample size range of 384 employees in Pakistan (Thathsarani & Jianguo, 2022). By keeping in mind this gap, the present study is going to look into the relationship between the work digital finance and the SME performance of employees working in the textile industry of Punjab.

Digital Finance

Digital Finance powers digital technology, which uses mobile phones and other smart devices as carriers and mobile internet to provide financial services to the underprivileged wherever and whenever they need those (Guo *et al.*, 2024). Digital finance is the process of obtaining, utilizing, and distributing financial resources to economic agents, such as people, households, businesses, and governments, through the use of digital devices and technology (Ozilli, 2023). Digital finance refers to financial services that are offered via smartphones, laptops, the internet, or cards that are connected to reputable digital payment companies, or fintech providers (Ahmed *et al.*, 2021). Digital finance is that individuals who have own smartphones and are adept at using mobile internet can access digital banking services and Other Financial services, products, services, infrastructure, and technology that let people and businesses access credit, savings, and payment facilities online—without having to go to a bank branch or deal directly with the financial service provider (Shofawati, 2021). However, Lyman & Lauer, (2015) defines finance as usage of any digital transactional platform by the client, either it could be direct contact with retail agents, or the use of digital device that may include frequent use of mobile phone to make financial transactions. Digital finance has accelerated the financial sector's development in many developed nations by speeding up the flow of information about the financial market to shareholders, investors, and other market participants. It has also accelerated the speed at which financial transactions, payments, and payment settlement finality are completed (Boukheroura & Shabsigh, 2021). A combination of digital technologies including information, big data, cloud computing, and financial innovation is known as digital finance. It not only broadens the scope of financial services, enabling more associated businesses to benefit from financial services, but it also requires less money and time to complete. Compared to conventional financial services. It reduces the financial barriers that creative and environmentally conscious businesses face. (Zi *et al.*, 2023). Digital finance fills the gap that exists between consumers and traditional finance by making it easier to obtain financial services, enhancing financial inclusion, and fostering a more welcoming community (Aziz *et al.*, 2021). The performance of SMEs is improved by digital finance, with technology knowledge being defined as a manager's ability to take advantage of financial growth revolutions through the introduction of digital financial services (Sharma & Weeranth, 2020). The study showed access to digital finance as a necessary skill for managers to acquire to make businesses more progressive. Researcher data about the digital channels used to access digital finance was found to be either extremely sparse or non-empirical (Kulathunga *et al.*, 2020). According to Digital Finance, mobile money platforms are commonly used for payment; and organizations are integrating digitization into their service delivery; that said, the study was exploratory and did not analyze the relationship between the use of digital platforms and the performance of SMEs (Agypong *et al.*, 2023). Based on the evidence the following hypothesis may be derived:

H1: Digital finance has a significant relationship with SME's performance

Financial inclusion

Ozilli *et al.*, (2023) referred to financial inclusion as the skill of a person and businesses to analyse and make advantages of the financial services and products that are best suited for them and also for the society. Financial inclusion is the condition in which all people have convenient access to a

variety of high-quality financial services at reasonable costs (Beck *et al.*, 2007). Ensuring that all members of the population have access to and use financial services, especially the impoverished and other marginalized groups, is known as financial inclusion (Ozilli, 2018). Another way to characterize financial inclusion is as the provision of low-income and disadvantaged populations with access to cheap banking services (Dev, 2006). Financial inclusion refers to the use and access to the available financial services to each member and low-income people of population (Shayan *et al.*, 2015). It is easier to identify and define financial inclusion. For a variety of reasons, lower-income nations often have a sizable portion of their population and businesses without access to formal financial services. These reasons include a dearth of ATMs and bank branches; comparatively high servicing costs for small deposits and loans; restrictions on acceptable personal identification; and limitations on credit and collateralizable assets (Morgan & Pontiness, 2015). Financial inclusion is to bring the "unbanked" people into the formal financial system so they can utilize credit and insurance as well as financial services like savings, payments, and transfers (Adeola *et al.*, 2016). Financial inclusion is to make people and businesses more active participants of the economic sphere by providing them with inexpensive access to financial products and services (Garica *et al.*, 2016). The implementation of digital finance in developing nations provides the impoverished with accessible, easy-to-use, and safe banking services that eventually increase financial inclusion. Fintech companies facilitate client communication and interaction and serve as a conduit for the delivery of new financial products within this ecosystem. Furthermore, using the available digital finance services appropriately will be a strong instrument in the long run to achieve financial inclusion (James, 2017). Delivering inexpensive financial services to the lower-income segment of society is the primary goal of financial inclusion. In the last few decades, the idea of financial inclusion has taken on four different forms: financial sustainability, which refers to the ease with which all households and businesses can access credit, supervision, and prudential regulation that is governed by stable institutions; alternatives that customers are brought while fierce competition exists among service providers; and institutional sustainability, which is the foundation of the financial institution (Khan *et al.*, 2024). The performance of SMEs can be improved and economic activity can be increased with the appropriate implementation of financial inclusion (Martinze, 2015). Financial inclusion can lead to increased SME performance and low-cost financing availability (Ratnawati, 2019). Financial performance is positively impacted by financial inclusion as well (Yanti, 2019) states that enhancing financial inclusion causes financial performance to significantly improve. The following hypothesis derived:

H2: Financial inclusion has a significant relationship with SME's performance.

H3: Financial inclusion has a significant relationship with digital finance^[1]_{SEP}

Financial literacy

A person's ability to demonstrate an amalgamation of financial cognition which include investing into ventures, making budgetary plans, also managing personal finances is collectively defined as financial literacy (Rahayu *et al.*, 2022), this skill not only include management of day to day finances but also making future decisions on how to divide someone's resources. Digital literacy is the capacity to use digital media such as messaging applications, internet networks, and other platforms effectively (Suheri *et al.*, 2021).

Financial literacy refers to enhancing decision-making and financial management and ultimately leads to success, individuals who possess financial literacy possess knowledge, skills, and beliefs that can impact their behavior and attitudes (Ritonga *et al.*, 2019). Financial literacy refers to a person's understanding of money and their capacity to make wise financial decisions (Fauzi, 2021).

Financial literacy can be defined as the process of governing how well each comprehends financial concepts, manages finances, and applies them so they can make investments (Wardani & Darmawan., 2020). Financial literacy is the capacity to read, comprehend, evaluate, and communicate about one's financial situation. (Anthes &Amilia et al., 2018). Financial literacy offers numerous advantages, such as assisting everyone in managing their money sensibly, preventing debt, particularly for less advantageous items, which include support others in makinig financial plan for a person so that they can live a peaceful life after their retirements (stella et al., 2019). A person is considered financially literate when they have the ability or skills necessary to use the resources at their disposal to achieve their goals. It includes the ability or knowledge of a person to efficiently handle all of their financial resources (Rumned, 2010). Financial literacy includes the knowledge to understand, examine, manage, and persuade personal financial perplexity (Prasad et al., 2018). Those with greater financial literacy are more likely to repay their loans and are less likely to shut down their businesses without cause, which increases their chances of getting financing (Wise et al., 2013). By enhancing information asymmetry, financial literacy can expand access to financing (Ye et al., 2016). Additionally, (Oke, 2018) proposed that SMEs' financial access is significantly influenced by their level of financial literacy. According to (Wachira & Kihiu, 2012), there is a good chance that those who lack financial literacy will continue to be financially excluded despite the current level of awareness of the need for financial literacy. The conclusions (Hasan & Hoque., 2021) corroborated the claims that having a solid understanding of finance significantly affects one's ability to obtain funding for the expansion of a business. Knowledge, abilities, and beliefs collectively known as financial literacy impact attitudes and behaviors to enhance the standard of financial management and decision-making to attain wealth (Ye & Kathuaga, 2017). According to the knowledge-based view theory, SMEs can add value to their competitive advantages by aligning their intellectual capital with financial literacy. This requires effective information and knowledge management across a wider range of resources (Ozilli, 2022). SME performance is positively impacted by financial literacy. The knowledge-based view theory outlines how employees of SMEs with strong financial literacy can enhance SMEs' performance because SMEs' financial sector intellectual capital can result in profitable and effective performance for businesses (Kareem et al., 2022).

Therefore, on the base of theoretical framework the following hypothesis is put forward:

H4: Financial literacy has a significant relationship with digital finance^[1]

H5: Financial literacy has a significant relationship with SME, s performance

Theoretical framework

The conceptual framework is developed is depicted in Figure 1.

Research Methods

Respondents and data collection procedure

The data have been collected by using questionnaires which are based on variables defined in above sections. Data for this purpose is collected from a survey questionnaire that includes all variables which encompass this research. The study consists of population of employees' considered sample size of 384. The data were gathered from different SME's Textile Industries in Punjab. The sample size was taken according to (Krejcie, & Morgan, 1970). We will distribute 384 questionnaires among frontline management, middle management, and top management, and in return we will collect 380 questionnaires. The online/Email data collected technique was also used to request the people to fill out the questionnaire.

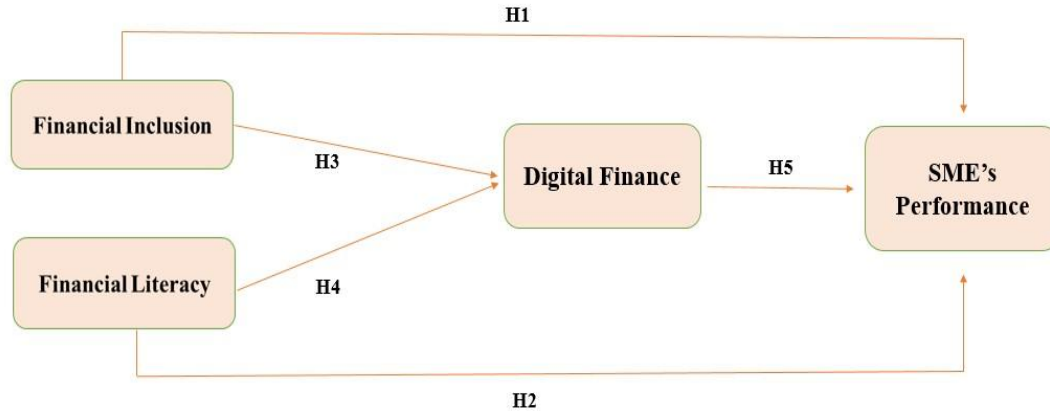


Figure 1. Research Model

The population of this study was selected from the textile industry of Punjab. Quantitative methods use Analysis Variables through SPSS and Smart PLS software. A simple Random Sampling technique will be used for selecting respondents so that we can easily collect the sample from the industry employees from frontline management, middle management, and top management.

Table 1 shows the numbers and the percentages of the gender. Male responses are 96.9% and females are 3.1%. According to age group 20-30 (67.3%), 31-40 (18.8%), 41-50 (6.7%), 51-60 (7.2%) respectively. Then according to the position of the employees: Junior (36%), middle (56.3%), senior (7.7%). The last one is qualification according to that: Diploma (25.2%), Graduate (39.1%), Postgraduate (29.6%).

Table-1: Respondents Profile (N = 380)

Gender	Frequency	Percent
Male	368	96.9
Female	12	3.1
Total	380	100
Age	Frequency	Percent
20-30	261	67.3
31-40	73	18.8
41-50	24	6.7
51-60	22	7.2
Total	380	100
Position	Frequency	Percent
Junior	131	36
Middle	219	56.3
Senior	30	7.7
Total	380	100
Qualification	Frequency	Percent
Diploma/Degree	98	25.2
Graduate	156	39.1
Postgraduate	126	29.6
Total	380	100

Measures

The Financial Inclusion scale developed by (Nyasani, 2021) will be used. The number of items that will be used for meaningful work is 5 items ranging from 1 (strongly agree) to 5 (strongly disagree). Financial Literacy will be measured by using a scale of 5 items ranging from 1-5 developed by the author (Choi et al., 2023). Digital Finance will be measured by using a scale of 5 items ranging from 1 (strongly agree) to 5 (strongly disagree) developed by the author (Ismael et al., 2021). SME's Performance scale was developed by a scholar (Desalegn, 2021). The number of items that will be used in these questionnaires consists of 5 items ranging from 1 (strongly agree) to 5 (strongly disagree).

Results

Measurement model

Construct reliability and validity

Reliability tests focus on measuring the consistency of the data, while validity tests assess the quality of the data. On the alpha scale, confidentiality is determined by Cronbach's. The range of Cronbach's alpha is 0-1. The scale is considered acceptable (Nunnally, 1978) if the Cronbach's alpha significance increases, indicating that a Cronbach's alpha significance below 0.5 is insufficient. This table demonstrates that every Cronbach's Alpha value is less than 1, indicating an acceptable mean scale.

Table-2: reliability and validity

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Digital Finance	0.607	0.607	0.791	0.559
Financial Inclusion	0.677	0.678	0.823	0.607
Financial Literacy	0.688	0.693	0.828	0.616
SME's Performance	0.699	0.701	0.815	0.525

Table shows the reliability and validity test that computes the Cronbach Alpha value, and if the result is 0.60 or below, it indicates that the instrument has low reliability, which is unacceptable. When the Cronbach Alpha value falls between 0.60 and 0.80, it indicates that the value is moderate and acceptable. The AVE (extracted variable) should be 0.5, in this study, the 0.616 AVE meets the AVE standard (Huang et al. 2013).

Statistical Analysis

This section explains the T-value and P-value of the construct which indicates acceptance and rejection of hypotheses.

Table-3: T-value, P-value

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
DF1 <- Digital Finance	0.770	0.770	0.032	24.137	0.000
DF5 <- Digital Finance	0.721	0.720	0.038	19.046	0.000

DF6 <- Digital Finance	0.751	0.749	0.042	17.985	0.000
FI2 <- Financial Inclusion	0.787	0.787	0.028	28.169	0.000
FI6 <- Financial Inclusion	0.774	0.774	0.030	26.226	0.000
FI7 <- Financial Inclusion	0.777	0.777	0.030	25.761	0.000
FL2 <- Financial Literacy	0.761	0.760	0.030	25.158	0.000
FL3 <- Financial Literacy	0.773	0.772	0.032	24.055	0.000
FL4 <- Financial Literacy	0.819	0.819	0.022	37.101	0.000
SP1 <- SME's Performance	0.709	0.707	0.040	17.622	0.000
SP4 <- SME's Performance	0.730	0.730	0.033	22.262	0.000
SP5 <- SME's Performance	0.764	0.764	0.032	24.100	0.000
SP6 <- SME's Performance	0.694	0.694	0.040	17.493	0.000

R-square (R^2) and F-square (F^2)

For the observed data, this is the regression model's validity. The value of R^2 is between 0.50 and 0.75, according to Hair et al. (2011 and 2013). This is sometimes expressed as R^2 or r^2 , also referred to as R Squared, and it shows how much of an impact a certain independent variable has on the dependent variable. Generally, values range from 0 to 1. According to the table, the values below 0.3 indicate little influence, while those between 0.3 and 0.5 indicate moderate influence. Predictors that are not essential to the regression model can be adjusted using the adjusted R-Squared modification of R-Squared. The lower adjusted R-squared suggests that the additional input variables have little impact on the model's value when compared to the model with additional input variables. R^2 -adjusted values of 33.6% and 46.0% indicate that input factors have a significant impact on the models.

Table-4: R^2 and R^2 – Adjusted

	R-square	R-square adjusted
Digital Finance	0.340	0.336
SME's Performance	0.464	0.460

F- Square

The factors in the models are explained by the f-square measured variance. According to the Cohen (1988), ≥ 0.35 is large, ≥ 0.15 is medium and ≥ 0.02 is small effect size. Table-11 shows that F^2 statistic

Table-5: F Square

	f-square
Digital Finance -> SME's Performance	0.029
Financial Inclusion -> Digital Finance	0.111
Financial Inclusion -> SME's Performance	0.194
Financial Literacy -> Digital Finance	0.185
Financial Literacy -> SME's Performance	0.125

Fornell-Larcker criterion

In this study, the Fornell-Larcker criterion is one of the most popular techniques used to check the discriminant validity of measurement models.

Table-6: Fronell-Larcker criterion

	Digital Finance	Financial Inclusion	Financial Literacy	SME's Performance
Digital Finance	0.747			
Financial Inclusion	0.466	0.779		
Financial Literacy	0.516	0.429	0.785	
SME's Performance	0.488	0.580	0.551	0.725

Discriminant Validity (Heterotrait-monotrait ratio (HTMT) – Matrix)

HTMT values close to 1 indicate a lack of discriminant validity. Using the HTMT as a criterion involves comparing it to a predefined threshold. If the value of the HTMT is higher than this threshold, one can conclude that there is a lack of discriminant validity. Some authors suggest a threshold of 0.85 if the HTMT value is below 0.90, discriminant validity has been established between two reflectively measured constructs (Henseler et al., 2015).

Table-7: Discriminant Validity

	Digital Finance	Financial Inclusion	Financial Literacy	SME's Performance
Digital Finance	-			
Financial Inclusion	0.715	-		
Financial Literacy	0.791	0.629	-	
SME's Performance	0.737	0.841	0.786	-

Path Coefficients

Since all of the beta values are positive and the p-value variables exhibit a significant link, all of the assumptions have been confirmed. The value of the standard deviation indicates that both variables revolve around their mean.

Table-8: Path Coefficients

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Digital Finance -> SME's Performance	0.152	0.153	0.054	2.799	0.005
Financial Inclusion -> Digital Finance	0.300	0.302	0.051	5.830	0.000
Financial Inclusion -> SME's Performance	0.376	0.377	0.052	7.293	0.000
Financial Literacy -> Digital Finance	0.387	0.388	0.052	7.515	0.000
Financial Literacy -> SME's Performance	0.312	0.313	0.056	5.559	0.000

Structural model and tests of hypothesis

Scaling and structural sub-models comprise the PLS structural equation model. The observed data variables are represented by measurement models. The link between long-term variables is represented by the structural model.

Figure 2 shows the relationship between the constructs. Factor loadings are displayed by the values between a construct's arrows and its determinant. The path coefficient (β) is the value between the arrows connecting one construct to another, while the coefficient of determination (R^2) is represented by the values under the blue shade. The structure model is followed by a description of each value individually

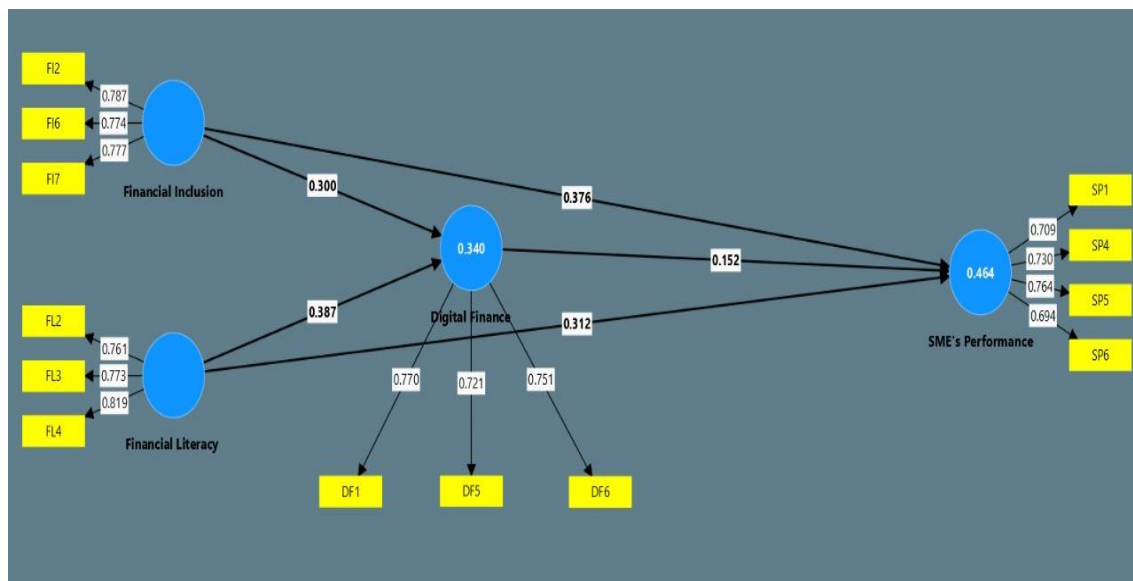


Figure-2: Structural Modeling

Indirect Effects

Table-9: Hypothesis Testing

Hypothesis	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Financial Inclusion -> SME's Performance	0.046	0.046	0.019	2.469	0.014
Financial Literacy -> SME's Performance	0.059	0.059	0.023	2.612	0.009

Total Effects Table-10: Hypothesis Testing

Hypothesis	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Digital Finance -> SME's Performance	0.152	0.153	0.054	2.799	0.005
Financial Inclusion -> Digital	0.300	0.302	0.051	5.830	0.000

Finance						
Financial Inclusion -> SME's Performance	0.422	0.423	0.048	8.696	0.000	
Financial Literacy -> Digital Finance	0.387	0.388	0.052	7.515	0.000	
Financial Literacy -> SME's Performance	0.371	0.373	0.050	7.401	0.000	

The total effect is the sum of the direct and indirect effects. All beta values are positive and show a significant relationship between the p-value variables, which means that all assumptions are accepted. The lower the P-value, the greater the statistical significance of the observed difference. A p-value of 0.05 or lower is generally considered statistically significant. According to the table the p-value of all the variables shows the significance relationship which is lower than 0.05 P value.

Model Fit

The model fit index using SEM-PLS is a measure of the hypothetical model by predicting the correlation matrix in a sample. As shown in the table:

Table-11: Model Fit

	Saturated model	Estimated model
SRMR	0.088	0.088
d_UIS	0.709	0.709
d_G	0.220	0.220
Chi-square	482.081	482.081

Discussion

Resources based view theory

Wernerfeldt, (1984) explains resource-based view theory (RBV) which is based on their unique internal resources, businesses function differently. The strengths and shortcomings of a specific company are referred to as internal organizational resources. These consist of the resources, capacities, data, and expertise that the concerned company controls or owns. Recent researchers have also shown the significant impact of financial literacy on SME performance (Charles & Ochieng, 2023). Moreover, the findings of this research work are also supported by Resource Based View (RBV).

Practical implications

According to this study, there is an empirical shows a positive link between digital finance and seems performance in which independent variables are included which affect them, those variables are financial inclusion and financial literacy. This study provides empirical support that 'digital finance has a significant impact on SME,s performance. The use of IVs tells us if initials are financially literate, they will be confident and feel secure about their use of money. it will reduce transaction costs, reduce banking visits, and at any time individuals will send money and take financial series worldwide. According to this research study, it is assumed that how greatly financial inclusion and financial literacy mediated by digital finance impact the seem's

performance. Many seem Still do not digitalization because there is a fear that in many small organizations, there is risk in sending online money. that's why still many SME,s use traditional methods and do not digitalize. but if organizations focus on these problems and get educated and financially literate, these problems can be solved and many small firms and organizations become digitalized.

Conclusion

This current study highlights that the synergy between financial inclusion and financial literacy mediated by digital finance creates a powerful framework to improve SME,s performance. The result of these studies is that id Seems are financially literate, included, and digitally enabled to a better grow, innovate, and contribute to the board economy. Financial inclusion allows seems to get financial services which are important for their growth. When financial service is provided through digital platforms like digital finance, access becomes more efficient and reduces barriers related to geography, cost, and time. The research topic is limited to Punjab's textile industry. The current study makes use of fundamental elements to comprehend how digital finance affects the performance of SMEs. Four variables in total are taken into consideration in this study; many more variables are still unstudied. This study has only benefited the textile business; it may also be used in other industries. Future studies may be able to significantly expand both the demographic and sample size of this investigation. This study aims to check the impact of financial inclusion and financial literacy mediated by digital finance on SME, s performance in the textile industry. According to this research and study, there are some important factors for an organization to check its performance which are financial inclusion, financial literacy, digital finance, etc. In this research on the textile industry in Punjab, by doing analysis and interpretation, some problems occur in digital finance. If the organization understands and focuses on these problems, it will get positive benefits for an organization which enhance the organization's financial growth and productivity of any organization. The First suggestion is that organizations must educate the users and employees on digital finance tools (financial literacy). The second suggestion is that organizations must increase access to secure financial services (financial inclusion) like giving access to trusted platforms and affordable or inclusive services. Organized and implemented community-based financial literacy programs that educate individuals. Moreover, integrated financial literacy into the digital platforms and promoted digital literacy among youth. Moreover, suggestions, by combining financial inclusion with targeted financial literacy mediated by digital finance, reduce the risk significantly, enabling individuals to use digital finance and financial services with confidence and security.

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