

# The Role of Financial Literacy in Resource Acquisition and Financial Performance; Moderating Role of Government Support

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**Abstract:** Adequate resources are considered as success factors for high level of competitiveness and long term survival. However, SMEs have not enough resources which hinder their operational activities and profitability. Acquiring valuable resources has become a challenging question for owners and managers of SMEs. This research is an attempt to examine either the direct influence of financial literacy on financial performance or resource acquisition plays a mediating role. Additionally, this research tests the moderating role of government support between financial literacy and resource acquisition. To test the model, data were collected through a structured questionnaire from the emerging market of Pakistani small and medium size enterprises (SMEs) market. Hypotheses are tested through structural equation modeling (SEM) using Analysis of a Moment Structures (AMOS). The results indicate that financial literacy significantly influences resource acquisition and financial performance. Resource acquisition plays a partial mediating role between financial literacy and resource acquisition. This research recommends SMEs to gainfully employed financially educated managers for better used and to acquire expedient resources. Moreover, this research suggests the government and controlling authority of SMEs support the firms as in accessing valuable resources that can help in high profitability. In turn, these SMEs can contribute to the development of the economy in different aspect. Further implications are discussed.

**Keywords:** Financial Literacy, Government Support, Resource Acquisition, SMEs

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## 1. Introduction

Small and Medium Enterprises (SMEs) are considered the most significant factor of economic development, GDP growth, and poverty alleviation, etc. in developed and developing countries. They (SMEs) encompass 95% of the world businesses and contribute more than 40% to GDP worldwide [1]. For a cohesive and progressive economic structure, long term survival of SMEs is essential. A plethora of research has been conducted to distinguish

factors that can facilitate the performance of firms. More precisely, various tangible and intangible resources have been discovered that can improve firm performance [2, 3, 4]. However, in the SMEs market, the acquisition of resources has become a great challenge for owners and managers [5]. Due to this, many SMEs fail in the initial stage and cannot survive for a long time [6]. Hence, SMEs need very formal strategies and policies to acquire external resources that are essential for high profitability. Some attempts have been made in this perspective to explore the factors help in acquiring valuable external resources such as networking,

entrepreneurial orientation [7], top management capabilities [5] and human capital, etc. [8]. However, in particular, the role of financial literacy in acquiring resources has received minor attention. This research is attempting either financial literacy directly influences financial performance of SMEs or resource acquisition plays a mediating role. Besides, considering the possession of government on valuable resources in emerging economies such as Pakistan [9], government support can play a crucial role in acquiring resources. However, studies are scarce and have not yet discussed this zone. The present study also tests the moderating role of government support between financial literacy and financial performance.

According to Resource Base View (RBV) theory, a firm with rare, unique and immutable resources acquire a sustainable competitive advantage and can perform over other firms, competitor and industry rivals [10]. This claim (e.g., RBV) has supported and debated by many researchers in developed and emerging markets e.g. [11, 12, 7]. Indeed, adequate resources are vital for the smooth running of business operation and high profitability [7]. In contrast, lack of resources impedes firms from new opportunities and high growth. In general, SMEs face a shortage of internal resources [13]. Therefore, SMEs rely on factors that facilitate in acquiring valuable and useful external resources.

This research contributes especially in emerging market of Pakistani SMEs market in acquiring useful external resources that are necessary for boosting operational activities and high profitability. Resource constraint problem is very common in SMEs across the global. Most of the SMEs spend a huge amount of money and time in acquiring resources but many are unable to access. A plethora of research has discussed the determinants of resource acquisition but the role of financial literacy is neglected. Moreover, it is unknown how government support facilitates top Managers in acquisition of resources. This study advances the understanding of the RBV theory by editing new factors (financial literacy and public support) to enrich the literature. As pointed out by [5], SMEs search less expensive ways to acquire precious resources. This research enables them to access external resources through less costly and less costly means. Lack of resources, lack of support and lack of capabilities are the significant barriers to owners and managers of small firms in the turbulent markets. This research helps Small and Medium Enterprises Development Authority (SMEDA) and policymakers in making strategic policies for SMEs and newly established ventures that in turn can contribute to economic growth and GDP. This research encourages the Pakistani government to support SMEs in acquiring resources.

Further organization of the research follows. Literature review section demonstrates the findings and conclusion of previous studies. A methodology section discusses sample and population. In data analysis, all the statistical tests have discussed. Finally, discussion, conclusion, and recommendations, etc. have been stated.

## 2. Literature Review

### 2.1. Financial Literacy and Financial Performance

Financial literacy is generally referred to the combination of investors and consumers believes regarding the commercial products, and their capability and confidence level for appreciation of risk and business opportunities, and take a favorable decision, and take such kind of step which helps the firm for their financial aids. It is the knowledge of financial perspective, which allows the investor for taking decision-making [14]. Moreover, education helps investors and able them to understand the knowledge of finance and to amplify financial awareness to gain high profit. From a business perspective, financial literacy relevant to make proper financial decisions regarding financial instrument and products to enhance firm's performance [15]. Besides, high financial knowledge is very beneficial for the firms' outcome, and well financial educated top management improves the firms' performance [15].

Past studies suggest that financial literacy is a fascinating issue for both develop and developing countries, due to the rapid survival in the finance globalization, the finance literacy plays a very vital role for business performance [15], and in a way, it promotes the firm's performance. [16] findings reveal that those investors, which have a high range of financial literacy, alternately achieve high profitable investment outcome. Furthermore, it is also scrutinized that those investors, who are entirely sophisticates from financial literacy, overtake dumping investors by approx. — three percent on the risky decision basis [17]. While [18] enriched the finding between financial literacy and financial performance, suggest that financial literacy is strongly associated with financial performance in developing and emerging economies. Also, an ongoing examination [19] recommended that financial education significantly affects various outcomes of a firm as well as influences firms' economic results.

Those managers, customers or investors, which have full knowledge about finance, it solves all the investment related defaults. For instance, [20] find that particularly in emerging economies, financial literacy contributes significantly to financial performance. Financial literacy supports the firms' financial execution such as saving, wealth and financial practices. To summarize, top manager's financial literacy matters in an organization regarding the financial decision, performance and operational activities [21, 22, 7] [23].

A shred of reasonable distinguishing evidence indicates that increasing financial literacy enhances the financial investment behavior of investors and top managers [14, 24]. While a recent study [25], suggests that finance-related knowledge enhances the financial support of the firms. Based on the past literature, we posit that top managers with adequate financial knowledge can significantly improve high profitability.

*H1: financial literacy has a significance positive impact on financial performance.*

## 2.2. Financial Literacy and Resource Acquisition

According to the RBV theory, external and internal resources are essential for sustainable competitive advantage and superior performance [10]. However, SMEs, despite a big struggle, do not succeed in acquiring adequate external resources. The concept of financial literacy has introduced that can help SMEs in obtaining useful and rare external resources [12]. [2] defined that resource acquisition as the process through which a firm acquires useful external resources. Financial literacy—being an intangible resource has been considered very crucial for new companies' survival and development as it helps in the acquisition of useful information [26]. Financial skill creates the capabilities in the managers to find specific opportunities, problem-solving, pick required resources and operate the internal business effectively, while financial ability and literacy protect the industry from default situation [27]. Financial literacy re-designs the financial and other resources, which helps to facilitate economic growth and financial position of the firms [28]. It is the ability to apply those skills and knowledge of finance which effectively fulfill the requirement of the firms for the beneficial outcome [29]. Moreover, financial literacy does not only limited up to providing financial resources but a well-educated financial manager also has capabilities to reduce the various sort of costs, identify new opportunities and try for finding useful resources [12].

The abilities and practices of finance experts impact the earning management of the business [30]. Financial literacy and financial knowledge enhance the profile of financial institutions and improve financial resources efficiently [31]. For instance, a student having finance related instructions unequivocally influences asset, a commercial power for whom resource acquisition is identified with individual wellbeing and prosperity [32]. A recent study [33] enriches the notion that compression of natural resources, wealth and financial literacy/development such as financial resources effect via national resources power and national resources power is caused via financial resources. Financial education mediations are successful in improving financial behaviors and business outcomes [34]. Based on the past literature, we posit that financial literacy helps owners and top managers of SMEs in resource acquisition.

*H2: financial literacy has a significance positive impact on resource acquisition.*

## 2.3. Resource Acquisition and Financial Performance

As discussed earlier that RBV theory indicates that how a firm transfers the internal and external resources into a significant definite performance shape [2]. Notably, in newly operated ventures, there is a high demand for a large number of resources that can avoid them from a risky situation. As per RBV theory, the newly launched venture significantly dependent on the resource acquisition and in turn, the resources availability significantly improves firm's performance [35]. [36] enriches that the availability of resources is not enough for the growth and survival of the

new venture but the construction of its aptitude, capability, and knowledge to produce a high outcome, survive, and develop for a long time to compete the competitors in the turbulence market. [7] findings suggest that the efficiency of resources is essential for smooth activities and gaining high stable position in the market.

Furthermore, a firm accepts various techniques for resource acquisition like resource magnetism, internal resource development, and resource hiring. While these resources sequentially provide different performance results which are effected via resources either new or is a result of many connections a firm holds with accomplices or entirely possessed by the firm. In any case, an expense is lined up with the technique for asset procurement whichever a firm proceeds.

[3] scrutinized that supportable resource acquisition can manage the operational activities of new ventures very usefully. In the growth stage, business managers focus on the resource acquisition and co-operative activities to increase the resource facilities, availability of new opportunities and very quickly pick the new capabilities, which are very beneficial for the firms' innovation and success [37]. Therefore, [37] scrutinized that both kinds of resources, e.g., internal and external play a vital role in firms financial and non-financial performance. Particularly in the SMEs sector, external resources of the firms play a critical role in the long term of performance [38] as they have limited internal resources. Based on the past literature, we posit that resource acquisition helps firms in improving their financial performance.

*H3: resource acquisition has a significance positive impact on financial performance.*

## 2.4. Mediating Role Resource Acquisition Between Financial Literacy and Financial Performance

Both kinds of resources tangible (technological and financial) and intangible resources (CSR, goodwill, social work financial capability), play a vital role in sustainable performance [39]. A resource that is acquired through networking and abilities help ventures and facilitate them to perform over the competitors and prepare a useful model. Financial literacy helps managers in obtaining helpful external resources which in turn configure high profitability. Therefore, resources and finance knowledge positively related to performance [5, 7]. Financial literacy is the intermediate between the knowledge and acquisition and significantly effects expertise and resources. [40] claim that limited resources and lack of financial literacy are not the sources of competency in the turbulence market. [41] findings suggest that business performance purely depends on the two kinds of resources; financial resources (help to improve the firms' assets and liabilities), institutional capital (the more extensive industry impacts that can upgrade or ideal utilization of asset capital). [42] suggested that financial literacy supports financial performance through acquiring rare, unique and immutable resources, which help to provide competitive performance.

A recent study of [43] explains the importance of resources for growth and high performance; suggests that internal and external capabilities (e.g., knowledge and information about markets and finance) are required for valuable resources, which helps the superior performance. Financial literacy also influences on the financial performance, financial well-being, via financial knowledge, financial behavior and financial ability [44]. More considerably, [44] demonstrate that financial behavior, perceived financial resources actively mediate the relationship between financial literacy and financial performance. Because internal and external resources strongly to financial literacy and financial performance.

Based on the past literature, we posit that Resource acquisition mediates the relationship between financial literacy and financial performance

*H4: Resource acquisition mediates the relationship between financial literacy and financial performance*

### 2.5. Moderating Role of Government Support Between Financial Literacy and Resource Acquisition

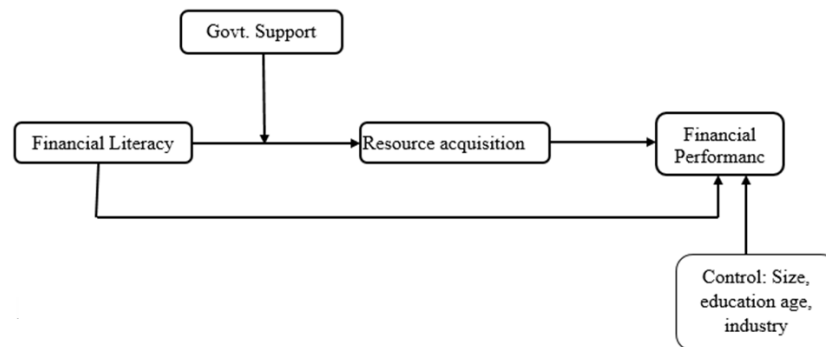
Government support plays a vital role in SMEs growth and a long term survival [45, 46]. Government support is one of the facilities of external supporting factors to enhance the new financial knowledge, which increases the performance. In the previous studies, it is suggested that government plays a vital role in the crucial determinates of firm's performance rather than a mere exogenous determinant, and profoundly influences financial activates of the performance [47]. Further [47] suggest that public research and development subsidies and grants are positively impacting on the financial performance of the firms. Indeed, government support can significantly enhance firm's performance [9]. But it is not an easy task for top managers and owners to get the support of the government. It needs competencies and skills to obtain

the consent of the government in acquiring resources.

As pointed out by [9], in emerging economies, government possess valuable resources. Hence, those managers are successes who have built strong network ties with political bodies and this tie, in turn, help them to acquire beneficial resources [4, 7]. In other words, there is a failure ratio of SMEs in emerging economies as compared to developed economies. Mainly, newly established ventures are unknown to markets; they spent a tremendous amount of money on acquiring resources and information [6]. One of the less expensive resources is the financial literacy that can help firms in obtaining funds by snatching government support. Despite a significant role of government tie and support, surprisingly many owners and managers do not give enough attention to brace their relationship and connection with political and government bodies. In conclusion, these ventures are not proficient in surviving in the long run, and they often fail. Hence, managers need to improve their financial knowledge as well as their ties with the government to access valuable external resources [48, 49]. Hence, the building relationship with government and political bodies is not only sufficient for newly established ventures to acquire useful resources, but they need educated financial managers. [50] claimed that there is a strong relationship between government support, financial literacy and acquiring and launching new technologies, information, and infrastructure. We argue that both the hard support (finance) and soft support (advisory) by the government are essential for smooth running of operational activities and this can strengthen the relationship between financial literacy and acquisition of resources. Therefore;

*H5: Government support moderates the relationship between financial literacy and resources acquisition*

*Research model is shown in Figure 1.*



**Figure 1.** Research Model.

## 3. Methodology

### 3.1. Sample and Data

The model of this research is based on empirical evidence collected from the SMEs operating in an emerging market. SMEs from the two big cities of emerging market of pakistan are surveyed as the majority of the firms have their head office

in the regions. We obtained registered firms lists from Rawalpindi chamber of commerce and industry (5817 firms) and Islamabad chamber of commerce and industry (3753 firms). We applied a probability-based sampling formula with 95% confidence and 5% margin of error and calculated 370 sample size. To achieve a better response rate, we distributed 800 questionnaires among the SMEs. In the survey, only top managers and owners were requested for filling as they are

more aware of their business activities and strategic planning. We received 349 questionnaires of which only 300 questionnaires were useable, and the rest were excluded from the analysis for being miscorrectly filled. The response rate of the data collection is 37.5%. The rational of the study is that, Since the target population of the study is SMEs who do not publish their financial information. Hence it is difficult to use secondary data For analysis. Moreover, it is also difficult to get information on government support through secondary source. Additionally, we use deductive approach For which we needed data to test the theory. The respondents who participated in the study are given in table 1.

*Table 1. Profile of the firms.*

Description	Frequency	Percentage
Manufacturing	110	36.7
Trading	120	40.0
Services	70	23.3
10-50 employees	127	42.3
51-100 employees	110	36.7
101-250 employees	63	21.0
10 years and less	118	39.3
11-20 years	108	36.0
21 and above years	71	23.7
Missing	3	1.0
Intermediate and below	109	36.3
Bachelor	74	24.7
Master	104	34.7
PhD etc.	13	4.3
Total	300	100

### 3.2. Measures

**Financial Literacy:** It donates the knowledge and understanding of CEOs, owners, and top managers towards financial terms and policies. There are many measures of financial literacy in the previous literature where knowledge about the inflation rate, interest rate, and future income is measured [5, 1]. However, we relied on the most used measures where financial literacy of owners and managers of SMEs is assessed. Studies such as [5, 7] have used 13 items for financial literacy in SMEs that are also used in this study.

**Resource Acquisition:** resources can be tangible and intangible, and both are necessary for a firm to boost its operational activities. Hence, this research considered both physical and substantial resources. We used 6 items to

measure resource acquisition that is adapted from the prior study of [7].

**Government support:** In emerging economies, government support is vital for business organizations. It denotes the support and facilitation of political and government bodies for business firms. We used 6 items to measure government support (non-financial support) that are adopted from [9].

**Financial Performance:** In the case of listed firms, it is easy to measure financial performance as all financial reports are exited. However, SMEs are reluctant to provide financial information to the general public which makes it difficult to measure their business performance [52]. We used 8 items to measure performance that was used in various prior studies e.g., [52, 12] and have slightly merged to gain more valuable insights.

### 3.3. Control Variables

We controlled age, size, education and the nature of the industry to reduce the spurious results of the model. Though, kind of the industry is tested through a group difference analysis where manufacturing, trading, and services firms are compared with each other. The results confirmed that the nature of the industry is not a significant factor in the model. In the mediation model, age and size are substantial while education has not played a significant role. In moderation model, none of the control variables; age, size, and culture played a significant role.

### 3.4. Data Analysis

Data were analyzed through AMOS using confirmatory factor analysis and structural model. However, before performing AMOS, we executed several screening tests (see Table 2) such as normality and common method bias using SPSS. We confirmed that our data are standard as all the factors have skewness and kurtosis values in the recommended range  $\pm 2$  (53). For common method bias, we executed Harman's One-factor test using principal component analysis. The results showed four factors with eigenvalues greater than one, of which the first represented only 32.99% variance. Hence, we found satisfactory results as the primary factor did not explain major, e.g. 50% [54].

*Table 2. Descriptive Statistics.*

Variables	Min	Max	Mean	S.D	Skewness	Kurtosis
Financial Literacy	1.97	4.06	2.9658	0.35023	-0.192	0.947
Government Support	2.14	4.93	3.6519	0.44581	-0.791	2.014
Resource Acquisition	1.86	4.04	2.8745	0.34531	0.192	1.223
Financial Performance	2.09	4.29	3.2003	0.32752	-0.678	2.501

### 3.5. Confirmatory Factor Analysis

We executed the confirmatory factor analysis in AMOS to calculate factor loading, validity, and reliability of the items and factors. The results generated satisfactory model fits as the value of  $CMIN/DF=2.561$ ,  $RMR=0.018$ ,  $RMSEA=0.072$ ,  $GFI=0.81$ ,  $AGFI=0.79$ ,  $NFI=0.84$  and  $TLI=0.87$  are found in

the acceptable range as suggested by [55, 56]. Standardized regression weights of the items were significantly aligned to the respective elements ( $p < 0.001$ ). Convergent validity of all the factors provided acceptable value, e.g. above 50 and confirmed that enough Everage Variance Extracted (AVE) by the items [55]. Discriminate validity (e.g.,  $\sqrt{AVE}$ ) of all the factors also provided satisfactory values, e.g. above 0.70 as

recommended by [55]. Composite reliability also has shown acceptable values for all the variables, e.g. above 0.70 as suggested by [57].

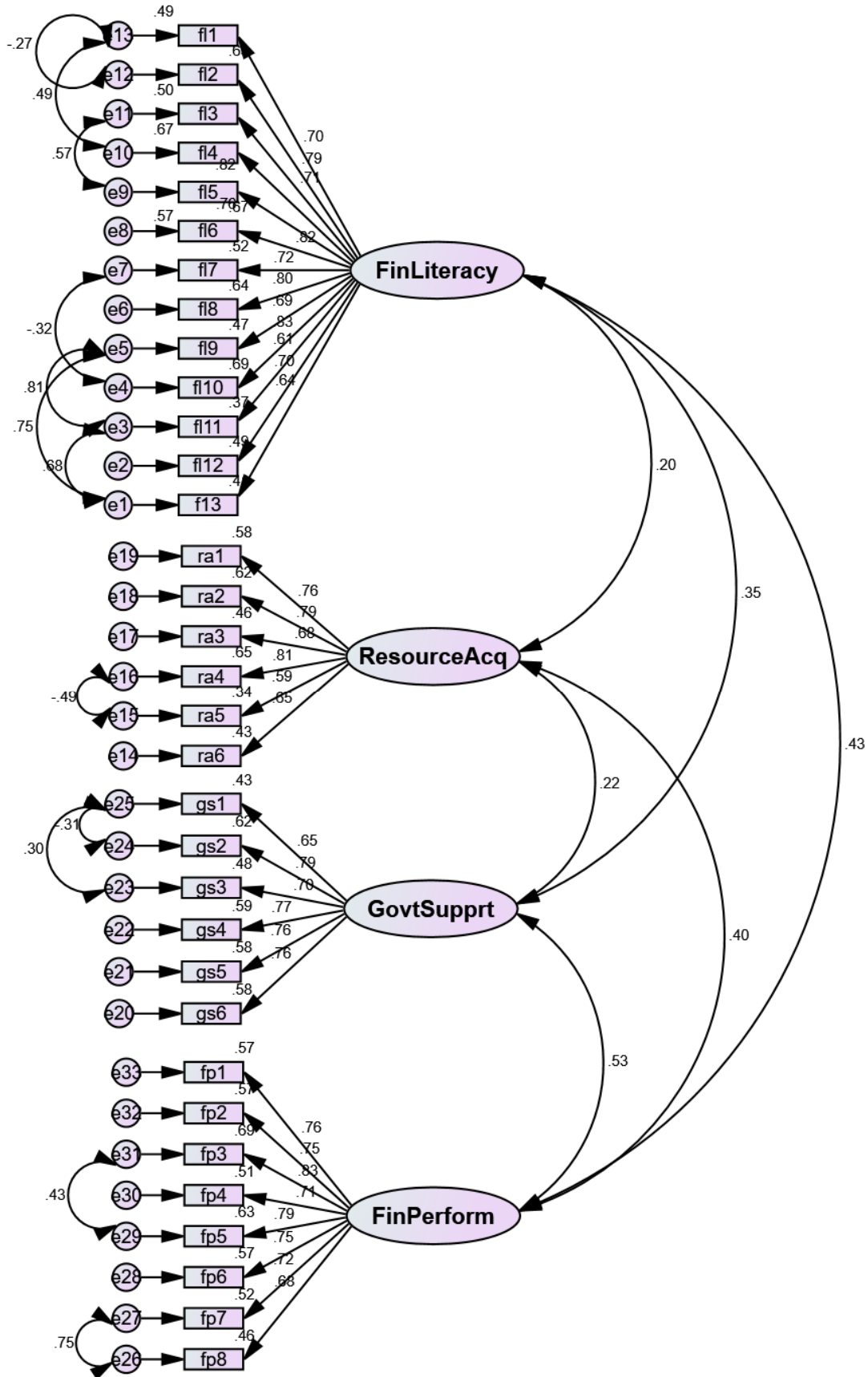


Figure 2. Measurement Model.

**Table 3.** *Standrized Factor Loading, Validity and Reliability.*

Variables and Items	Estimate	AVE	$\sqrt{AVE}$	C.R
Financial literacy		0.55	0.74	0.94
fl13	0.64			
fl12	0.70			
fl11	0.61			
fl10	0.83			
fl9	0.69			
fl8	0.80			
fl7	0.72			
fl6	0.82			
fl5	0.76			
fl4	0.82			
fl3	0.71			
fl2	0.79			
fl1	0.70			
Resource Acquisition		0.51	0.72	0.86
ra6	0.65			
ra5	0.59			
ra4	0.81			
ra3	0.68			
ra2	0.79			
ra1	0.76			
Government Support		0.55	0.74	0.88
gs6	0.77			
gs5	0.76			
gs4	0.77			
gs3	0.70			
gs2	0.79			
gs1	0.65			
Financial Performance		0.56	0.75	0.91
fp8	0.68			
fp7	0.72			
fp6	0.75			
fp5	0.80			
fp4	0.71			
fp3	0.83			
fp2	0.75			
fp1	0.76			

### 3.6. Correlation

SPSS was used to execute correlation coefficients that have shown in Table 4. The results show that there is a significant relationship between financial literacy and financial performance ( $r=0.466$ ,  $p < 0.05$ ) and also a significant

positive relationship between financial literacy and RA ( $r=0.214$ ,  $p<0.05$ ). We found a significant positive relationship between RA and financial performance ( $r=0.440$ ,  $p<0.05$ ). Government support is significantly positively related to RA and financial performance ( $r=0.247$ ,  $p<0.05$  and  $r=0.584$ ,  $p<0.05$ ) respectively.

**Table 4.** *Correlations.*

Variables	1	2	3	4	5	6	7
Size	1						
Age	0.061	1					
Education	-0.030	-0.045	1				
Fin Literacy	0.150**	0.199**	-0.070	1			
Govt. Support	0.260**	0.284**	-0.011	0.381**	1		
Resource Acquisition	0.122*	0.144*	0.051	0.214**	0.247**	1	
Financial Performance	0.420**	0.402**	0.004	0.466**	0.584**	0.440**	1

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

## 4. Structural Model

We used the structural model to test the hypotheses of the research. To articulate the result in a better way, we executed a separate structural model for a mediator and a different for

moderator.

### 4.1. Structural Model 1. Mediation

In this model (see Figure 3), the mediating role of RA has checked between financial literacy and financial

performance. The model was well fitted as the value of CMIN/DF=2.330, RMR=0.027, RMSEA=0.067, GFI=0.84, AGFI=0.81, NFI=0.86 and TLI=0.91 are found in the acceptable range as suggested by [55, 56].

The results show (see Table 5) that financial literacy has a significant influence on financial performance ( $\beta = 0.286$ ,  $p < 0.05$ ) and on resource acquisition ( $\beta = 0.197$ ,  $p < 0.05$ ) that supported H1 and H2. The indirect influence of financial

literacy (via resource acquisition) on financial performance is significant ( $\beta = 0.055$ ,  $p < 0.05$ ) and the direct impact also remained significant that partially supported H3 of the study. In the control variable, size and education play a significant role while education is not significant. R square shows that 46% is explained by financial literacy in the presence of resource acquisition as a mediator and all the control variables.

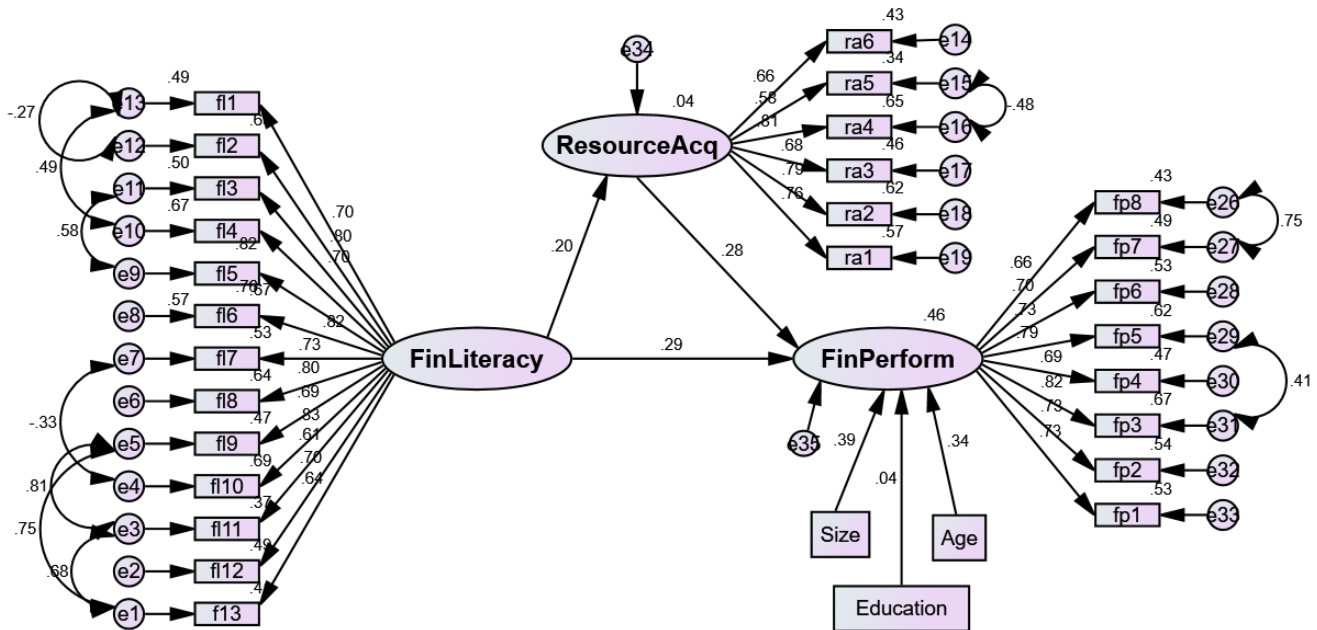


Figure 3. Structural Model (Mediation).

Table 5. Hypotheses Testing (Mediation).

Hypotheses	Direct effect	Indirect effect	Total Effect
H4. FP <--- FL (through RA)	0.286 (0.001)	0.055 (0.020)	0.341 (0.001)
RA <--- FL	0.197 (0.031)	-	0.197 (0.031)
FP <--- RA	0.279 (0.001)	-	0.279 (0.001)
FP <--- Age	0.339 (0.001)	-	0.339 (0.001)
FP <--- Size	0.338 (0.002)	-	0.338 (0.002)
FP <--- Education	0.039 (0.371)	-	0.039 (0.371)

#### 4.2. Structural Model 2. Moderation

In this model (see Figure 4), the moderating role of government support is executed. The results (see Table 6) indicate that government support significantly moderates the relation between financial literacy and RA ( $\beta = 0.033$ ,  $p < 0.05$ ) that supported H4. All the control variables; size, age, and educational background have an insignificant influence on RA. R square shows that only 6% variation is explained financial literacy in resource acquisition when moderating role played by government support.

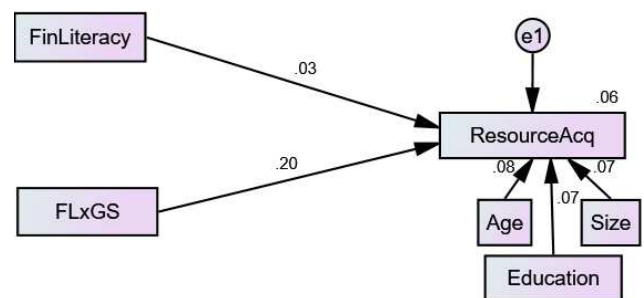


Figure 4. Structural Model (Moderation).

Table 6. Hypothesis Testing (Moderation).

Hypothesis	Estimate	S.E.	C.R.	P
Resource Acquisition ← Fin Literacy	0.026	0.055	0.480	0.631
Resource Acquisition ← FLxGS	0.033	0.009	3.650	0.000
Resource Acquisition ← Age	0.034	0.024	1.423	0.155
Resource Acquisition ← Education	0.025	0.020	1.225	0.221
Resource Acquisition ← Size	0.029	0.025	1.175	0.240



## 5. Discussion

How top management abilities facilitate resource acquisition is debatable. Various studies have been conducted to determine factors that help SMEs in the addition of resources. However, many limitations have aligned with prior studies. The present study gives focus to a new zone and tests the influence of financial literacy on financial performance with a mediating role of resource acquisition and the moderating role of government support.

This research finds that financial literacy significantly contributes to business performance. In line with previous studies [58] scrutinized that financial information is very crucial for the high performance of small firms. In contrast, [59] indicate that a lack of business skills among owners and managers impedes them from success and survival. Our study confirms that owners and managers with financial knowledge can acquire high profitability. We also found that financial literacy significantly helps owners and managers of SMEs in obtaining resources. Consistent with [5] who reported that financial literacy allows managers and owners in acquiring external resources. Our findings confirm that high educated (financial literate) owners and managers obtain useful resources for operational activities. These resources in turn significantly enhance the financial performance of SMEs. Consistent with [7] who demonstrated that both tangible and intangible resources are crucial for high performance. We argued that resource acquisition partially mediates the relationship between financial literacy and financial performance. Our findings favor [5] who resulted that resource acquisition plays a partial mediating role between top management intangible capabilities and SMEs performance. It is pointed out in the study that financial literate managers directly enhance business performance through a partial mediation of resources. In addition to this, we also confirmed that government support significantly moderates the relationship between financial literacy and resource acquisition. As pointed out earlier that in emerging economies, the government possesses valuable resources that can be acquired through the support of the government. We argue that in addition to financial education, government support should be gained for accessing useful resources.

### 5.1. Implications

The present study suggests a few significant implications for practitioners, policy makers, owners, managers, and executive of business organizations. Based on empirical evidence, this research concludes that financial literacy plays a significant role in the acquisition of resources which in turn enhance the financial performance of the firms. Therefore, this research recommends owners and managers to gain enough financial knowledge and information that can facilitate them in acquiring useful resources. Especially SMEs sector should consider the importance of financial education as they face a shortage of resources that can hinder

them from a long term survival. In addition to financial literacy, owners and managers should build a strong tie with government and political bodies to access their support. Government need to provide desirable incentives in acquisition of external resources. So SMEs will be able to boost their operational activities. SMEs need to emphasize on financial skills of their Managers, so they will not face problem of limited resources. Both financial literacy and government support should be focused to Access value resources. For instance, this research argues that government support significantly moderates the relation between financial literacy and resource acquisition. Considering the notion of [13], the government possesses valuable resources in emerging economies such as Pakistan, and government support is too worthy in acquiring unique, relevant and useful resources. Firms make various strategies for obtaining valuable resources to enhance their financial performance. For instance, uncommon, rare and immutable resources enable firms to gain a sustainable competitive advantage in a turbulent market over other firms who have a lack of resources and capabilities. This research encourages them to give enough worth to financial literacy and government in term of accessing adequate resources.

### 5.2. Limitations and Future Research

Like other research studies, this research is not free of constraints that can be addressed in future research. The first limitation of this research is that only Pakistani SMEs are surveyed that may not represent the other emerging economies. We encourage researchers to consider other markets as to validate the model. Additionally, future researchers can consider emerging and developed economies to explore more useful insights. From a methodological perspective, this research analyzed the data through AMOS using SEM. As an alternative approach, we suggest if PROCESS—using moderation mediation provides better insights.

Additionally, this research is based on cross-sectional data that may pertain to common method biases. We suggest a longitudinal data study or an in-depth interview with a few owners and top managers to discover fruitful insights. We tested the moderating role of government support between financial literacy and resource acquisition. However, other moderators such as top management capabilities and networking abilities can be examined in this perspective. For instance, [7] claim that networking ties mediate the relationship between entrepreneurial orientation and firm performance. It is better to check if financial literacy moderates the link in this regards

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