

# Improving Female Entrepreneur through Financial Literacy

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## Abstract

The aim of this study is developed entrepreneurs especially females through financial literacy in developing countries. The quantitative approach was used to collect the sample of 250 respondents who have started their business back in one to three years. Women's business growth barriers have categorized and financial literacy has been identified as the most frequent, while the entrepreneurial capability identified as the key to success and finally the self-efficacy was found as the element that strengthen the relationship between entrepreneur capability and entrepreneur performance. The outcomes of this examination have critical approach suggestions for policymakers in the territories of business in general and particularly locally situated business keeping in view the women enterprise in Pakistan. This study used cross-sectional data for the results elaboration the data was collecting by using non probability sampling technique. This research adds to the rare learning about entrepreneur in developing, growing nation like Pakistan, which can give more bits of knowledge from a less investigated setting. This investigation results can assist the researcher in the area of female entrepreneur.

**Key words:** Financial literacy, Self-efficacy, Entrepreneurship, Entrepreneur performance

## Introduction

Small enterprises are one of the important factors considered for economic growth and creating employment in both developed and developing countries (Lockea, 2012). Some important contribution toward of this factor includes Job creation, provide economic agility and facilitate information and contribute toward a strong and successive of economic growth of a country (Sandhu et al., 2012). SMEs are considered dominant entities in the world (Kheng & Minai, 2016).

Small enterprises have many advantages which bring change in the economy. Harting, (2005) examined that knowledge and experience of the business owner are driving forces to increase the success and

prosperity in the business. Almost 90% of the businesses in Pakistan fall in the category of small business and most of them continue their work without any document in the informal sector. They contribute significantly to Pakistan's economy in terms of providing income and jobs. Rehman, Ahmad, & Awan, (2007) the share of these businesses in annual GDP is approximately 40%.

Cole & Fernando (2008) contend that there is a hefty affiliation among financial literacy and the aptness to take financial decision. Financial knowledge mean hold adroitness and credence to make significant decision to supervise the personal and business finance (Taft et al., 2013). It was also examined that female have low business growth as compare to male Akanji, (2006); and it was also found that causes of having low access to finance, lack of education, training and capital (Shane, 2003). Females especially in developing countries have lack of education, training (Markets, (2007). So the effect of education and empower female on performance have not sufficiently written in literature. Taking awareness of particular situation of female in developing countries in term of poverty, low education level and other discriminated factor (Porter & Nagarajan, 2005); (Roomi & Parrott, 2008). The status of women in the public sphere varies according to regions of the world. It is often argued that women do not have the same chances to start a business. This is not limited to a specific country or network. The goals of business cooperation with poor women are the same all over the world and there are conflicts.

According to Ingalagi et al., (2021) companies owned by women are one of the world's rapidly growing employers. Financial literacy helps to better build and handle finances. Financial literacy cannot be ignored because it not only leads to people's well-being but also allows them to be economically motivated. In recent years, financial literacy has been the most exploration field in the world in terms of women's economic empowerment (Yoopetch, 2019). For both men and women, financial literacy and positive financial attitudes are equally relevant. Women must be financially empowered to run their households and to play their role in society and the economy (Pradhan, 2020).

As the largest portion of society, women have requested a significant proportion of the workforce and increased their participation in financial affairs (Sholevar & Harris, 2020). Gosal & Kamase, (2021) supported countries' residents, in order to be able to assess and contrast financial items, need a certain degree of financial comprehension. Many people who lack financial expertise can't calculate a percentage correctly, compute compound interest correctly and don't understand interest rates or investment terms. The results lead to the lack of financial literacy in developed as well as developing countries. These findings are not encouraging; particularly for the ageing groups they should be financially experienced. Lusardi & Mitchell, (2007) find it difficult to answer a simple question on the rate of interest with older respondents, although the fraction of correct answers decrease sharply with age. Persons with financial history are more likely to have retirement plans. Some financial experts have addressed many factors leading to the performance of small and medium-sized enterprises through the talk of human / social and financial capital (Caputo & Dolinsky, 1998). Effective entrepreneurs tend to have training, job experience or the ability to maintain enough resources to begin small and medium-sized enterprises. Unfortunately, the lack of financial education in females who examine the role of socio-cognitive in the performance of small and medium-sized companies has still been observed. There is very little literature to describe or quantify the features of self-confidence and self-reliance in female entrepreneur.

Self-efficacy of entrepreneurship is entirely acceptable in view of the nature of its tasks, including the appreciation of self-confidence internally (personality) as well as externally (the environment). Fuller, Liu, Bajaba, Marler, & Pratt, (2018) has found that the self-efficacy becomes a strong indicator. The self-efficacy is a prominent factor in new business growth This research centered on one such trait, that is, women entrepreneurs' self-efficacy in financial management, which is important to help start and operate small and medium-sized enterprises.

Pakistan is a nation in South Asia with 96.4% Muslim

population. It ought to be noticed that 49.2% of the all population comprises of ladies. Traditional Pakistani social ladies are considered as housewives and guardian of family honor. In developing countries, for example, Pakistan, the management of social standards and traditionalist practices has widespread. Pakistan's law pursues Islamic standards, however the social condition is regularly affected by pre-Islamic ancestral patterns Pakeeza, (2015); Qaisrani, Liaquat, & Khokhar, (2016) that advance disaster and guarantee that ladies are basically subservient to men. These social standards give men power over ladies' lives, so gender is a sorting out rule for Pakistani society. Traditional and conservative social values construct assumptions regarding the role of gender in Pakistani society (Naidu & Chand, 2017).

In Pakistan, very few female entrepreneur exist. Those who working as an entrepreneur are facing many obstacles. It is a fact that we have a respectable number of taught female people however the quantity of females who are really adding value to the different strata of economy is less. They are facing issues like lack of financial education, less entrepreneur capabilities because they have less management expertise, experience, training and less resources, lack of self-efficacy to make better performance of business.

This study has not done before in developing countries like Pakistan. The novelty of this study is that we are checking

the effect of financial literacy on business performance with mediating effect of entrepreneur capability (ecommerce) and moderating effect of self-efficacy that has not done before. This study result can be implementing over the Muslim countries around the globe not only in Muslim countries this result can be implement other European and south Asian countries and it would not dramatically change if we ignore the culture, religion, custom, norm etc. this study want to explain the following research question

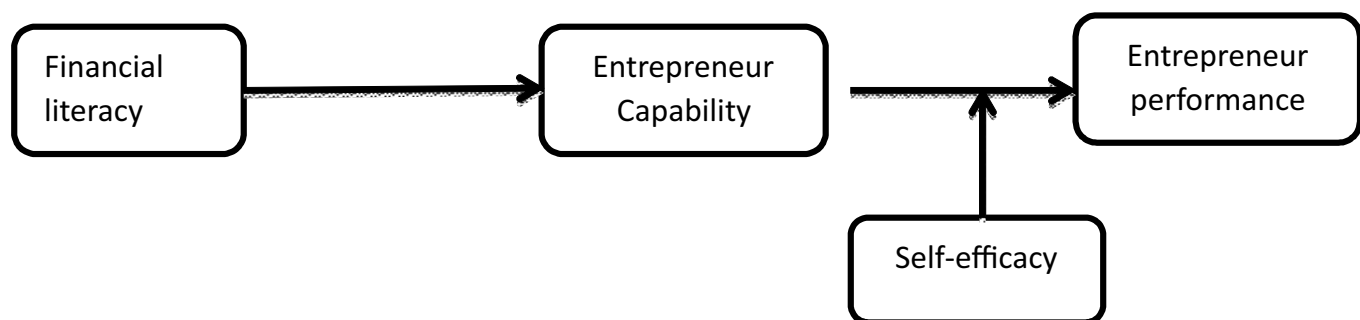
Is financial knowledge has a significant impact on entrepreneur performance?

Is entrepreneur capability mediating the relationship between Financial knowledge and Entrepreneur performance?

Is self-efficacy moderate the relationship between Entrepreneur capability and Entrepreneur performance?

This study used the convenient sampling for data collection. The data (250 respondents) was collected from the UNO of (Pakistan) belonging to various type of SMEs. PLS use for analysis of results. The rest of the paper continues as follows. Section 2 surveys the current study 'improving female entrepreneur through financial literacy'. Section 3 analysis of results and investigation, Section 4 reports the results.

### Conceptual model:



## Literature Review

### Financial knowledge

Financial knowledge means having adroitness and certainty to take suitable decision to oversee individual or business accounts (Taft, Hosein, & Mehrizi (2013). Financial knowledge means having adroitness and confidence to make accurate decision to manage and personal finance. Usually financial literacy rate is higher in the age of 50 and 60 years, which includes different professionals, and in those who got the graduation degree from university(Singla & Mallik, 2021). The ability to make financial decisions while considering one's own interests both now and in the future is being supported by financial literacy(Younas & Rafay, 2021; Mohsin et al., 2022b; Li et al. 2021).

It is obvious that financial experience direct towards financial knowledge which makes financial literacy more significant (Frijns et al, 2014). Normally, less education and less financial sophistication show weak performance. It was found that females without financially literacy were not able to make suitable decision for retirement and having less wealth and ability to invest in stock (Salmon, 2021), ultimately these people borrowed loans at high interest rate(Andriamahery & Qamruzzaman, 2021; Mohsin et al.,2021b).

Knowledge gap theory accent that knowledge is not balance diffuse over the society (Bonfadelli, 2002). This theory proposed that more educated person has antecedent knowledge that enable them to deal with any concern matter in society more efficiently and effectively than those with insufficient knowledge(Tichenor et al., 1970). Hence the knowledge gap theory suggested that there is a contrast or glaring knowledge among owner operator who has prior knowledge experience and have financial education and those who has lack of experience and lack of education (Muteru, 2014).

Studies show that financially educated females are less in number and majority of the people have no financial education and even are not aware of the basic concepts of economics which leads to many misconceptions while making financial decisions(Bernheim & Garrett, 2003). People having financial knowledge are proved to be more

competitive and eventually they help the economy in innovation and economic growth(OECD., 2005; Mohsin et al., 2021a; Mohsin et al., 2019). Chan & Stevens, 2008, Bernstein & Carayannis (2012) described the significant effect of education in entrepreneurs and suggested that entrepreneurs with education are more successful than others.

Al-shami, Razali, & Rashid, (2018) has discussed by getting more awareness, board expertise such as management adroitness and learning, which enable the female entrepreneur to survive in present environment. Mokroš (2007) is emphatically confident that business result would be interface with knowledge of entrepreneur business. The business owner competencies needed for success and awareness about the business activities is another significant factor to determine the success of business and holds very similar effects of bookkeeping and financial management knowledge. Giving the accurate and enough preparation and teaching to entrepreneur that would enhance their information and minimize the failure of business Jusoh et al., (2011).

It was discovered that education is the basic part which give influence on the owner-manager performance that should positively effect on company performance. Dzathor, Mosley, & White, (2013) examined the relationship between the level of education and the success of business performance. Dzathor et al., (2013) examined the effect of owner on organization performance. The author uses the financial indicator to measure the performance of the company. The author adopted his data from Kauffman Firm Survey. The results showed that level of education, experience and hours spend in the business have positive effect on the organization performance.

The entrepreneur training enhance the entrepreneurial activities and enhance the strength of new project (Bernstein & Carayannis, 2012). The study described the significance of educated female entrepreneur who are more successful. Bernstein & Carayannis (2012) confess that self-efficacy encourages the relationship among education and business success. Bernstein & Carayannis, (2012); Augustine Yao Dzathor, (2013); Jusoh et al., (2011); Kaseeah & Thoplan, (2012) have elaborated more



education of business promote the knowledge and performance of entrepreneur.

### **Relationship between financial knowledge and entrepreneur capability**

Financial literacy has gained a lot of attention all over the World and it is said to be the major factor in success of entrepreneurship and personal finances. According to a report of United Nations in 2003, number of countries is creating financial education opportunities to decrease poverty. African development bank in 2007 listed 6 major countries (Egypt, Uganda, Ghana, South Africa, Tanzania, Kenya) which were majorly involved in creating opportunities of financial literacy (African Development Bank, 2007). Financial Sector Deepening (FSD) was established by the government of Kenya in their country to create opportunities of financial literacy. Through financial literacy an individual can make informed decisions as well as it also plays an important role in wise decision making of saving investing and borrowing and become the reason to increase the entrepreneur capability (Galbreath et al., 2020). Evolutionary economics Nelson & Winter, (1980) reveal that superior ability of firms have introduced new organizational capabilities, this assumption showed that superior ability of firms to make new knowledge which is responsible to introduce organizational capabilities (Wu et al., 2007). The increase in the knowledge that lead to competitive advantage frequently increase the entrepreneur capabilities (Christensen & Overdorf, 2000; Day, 1994). From RBV theory, these benefits are the result of formation of capabilities that can increase the internal source of the firm. However, capabilities have derived the key factor in firm performance base on RBV (Eisenhardt & Martin, 2000; Makadok, 2001; Teece et al., 1997).

According to OECD., (2005) financial literacy helps women in managing personal finances, creating entrepreneurial activities and choose appropriate financial services which is ultimately responsible to increase the entrepreneur capability. Jiyane & Zawada, (2013) in their study observed nonregistered entrepreneurs that can be characterized as low skilled, low organized market access and non-stable income level. Through improvement of

financial literacy skills like literacy and numeracy, skills of information searching, and communication will be enhanced which will contribute in confidence and good income generation and entrepreneur capabilities. It can help women to gain equal learning chances and fight against poverty. In 2015 report of OECD contends that both consumers and entrepreneurs are relevant to financial literacy. It is said that financial education has a growing potential through which innovation can be encouraged and access or use of financial services can be improved for entrepreneurs. Financial literacy can also help to improve practices of financial management.

There is a wide need of financial literacy for business owners to increase the entrepreneur capabilities. So the needs of financial literacy can vary from financial concepts to available financial options. Businesspersons or Entrepreneurs constantly remains involved in activities of financial decision-making regarding acquisition, allocation and utilization of resources. In order to make effective financial decisions businesspersons or entrepreneurs should be literate financially (Kojo Oseifuah, 2010).

H1: financial knowledge has a significant impact on entrepreneur capability

### **Relationship between financial literacy and entrepreneur performance**

Financial literacy has significant role in financial decision making which gained attention in both developed and under developing countries. USA government in January 2008 started an Advisory Council of President on Financial Literacy instructed to advance financial matter at all degrees of the economy. Previous literature gives convincing evidences demonstrating a sturdy relation between entrepreneurs' success and financial literacy. Some previous studies suggest that small and medium enterprises that are managed by high level of literate or educated entrepreneurs have more success probability rather than illiterate or uneducated businessperson. Kraaijenbrink, Spender, & Groen, (2010) suggested that RBV theory have one of the most cited and widely acceptable theory. RBV elaborate the internal resources of the firm that should be very important to give the competitive advantage to the

firm. RBV stated knowledge of a person is responsible as the which type of assets would be give competitive advantage and responsible to continue performance (West III & Noel, 2009). RBV create a link to research Question that we want to examine the effect the financial knowledge female entrepreneur effect on performance? RBV stated knowledge as a source of the company. A person with knowledge can take the better decision for the success of organization (West III & Noel, 2009).

Financial literacy can be defined as “The skill and knowledge needed to effectively act by individuals in financial economy”. Hutahtayan, (2021) study shows that there is a strong relation between positive financial behavior and financial literacy. Moreover, Nunoo & Andoh, (2011) in the study observed the effect of financial literacy on small and medium enterprises of Ghana which showed that financial literacy is an influential factor in encouraging small and medium enterprises.

**H2:** financial knowledge has a significant impact on entrepreneur performance

### Self-efficacy

Bandura, (1977) was the first person who used the term self-efficacy in social learning theory, it is about the belief of a person on his own abilities to perform different task, after ten years this term have used in the literature of organizational behaviors that link with job creativity, productivity, learning and success (Gist & Mitchell, 1992). Some stereotype and efficacy threat that brought the negative impact and said an individual person would not be able to accomplish the task alone. Although this approaches has failed on the study of women entrepreneur behavior on finance, some studies have examine by giving education and check the behavior of female entrepreneur. It was quantitative and productive in characteristics (Ladge et al., 2019).

It is said that the anxiety of females is about the result of less confidence to face the problems started in early age. This is actually effect the performance of female entrepreneur (Jang, 2019; Mohsin et al. 202b; Naseem et al., 2021; Naiwen et al., 2021).

There are too much theoretical concept that elaborated how SE developed and effect on entrepreneurial activity. ESE (entrepreneur self-efficacy) is derived from the SE concept rooted in social cognitive theory which describes the social learning, observation and social behavior for the concept of self-efficacy. Thus the self-efficacy and its derivate show the phenomenon of self-motivation, confidence, mental state and ability to take decision (Widarno, 2021). Self-motivated females who has the financial knowledge act differently in business environment rather than those who have low confidence, self-efficacy and mental state. These business women affect the performance of the business in positive way (Elliott et al., 2020).

**H3:** self-efficacy moderate the relationship between EC and EP

### Relation between financial knowledge, entrepreneur capability, entrepreneur performance and self-efficacy

The financial self-efficacy is not too much studied as an objective of financial knowledge, but existing literature has shown the positive relationship with entrepreneur performance. In the national survey of US there is eight percent increase in the emergency saving because of self-efficacy (Babiarz & Robb, 2014). Having more financial knowledge and self-efficacy is the result to easy access of financial product, services and financial institution that lead to increase the financial capability of the business. This opportunity determined that increase the financial benefit has increase the performance of the business. “Those with a high level of self-efficacy are not only more likely to succeed, but they are also more likely to bounce back and recover from failure” (Sherraden, 2013).

### Research methodology

The current study used the convenient sampling for data collection. The data was collected from the UNO of (Pakistan) belonging to various type of SMEs. The target population for this study was the female entrepreneur from formal and informal sector of Pakistan, and 250 respondents were selected for this study. Data was collected from that female entrepreneurs who were approachable,

afterword data has collected from World Bank which arranged the session of training for female entrepreneur. This training session helped to collect data by applying snow ball sampling.

The study used PLS (partial least square) for data analysis and all the hypotheses were checked by using smart PLS. The measurement model (outer model) has used to find the relationship between constructed and related items. However, the relationship between endogenous and exogenous construct has been established by the structural model (inner model). In measurement this study has used the different reliability test. While the significant level of each variable in the structural model has determined by path coefficient using the T-value, P-value, and SD.

9 items have used to measure the financial literacy by (Prawitz, 2011; Shields & Young, 1994; Van Rooij et al., 2012; Salamat et al., 2021). Initially, the study used some multiple options to know about respondents and afterward to measure the financial knowledge five likert scale from 1) nothing to 5) very high extent was used. Many

researchers have used this scale to measure the financial literacy so that it is reliable scale. To measure the entrepreneur capability this study have used the questionnaire of (Acedo & Florin, 2007; Buttner & Rosen, 1988; Marcati et al., 2008). To measure the entrepreneur performance this study have used the questionnaire of Hansotia, (2004); Jayachandran et al., (2005); Reinartz et al., (2005) in this research.

This study has conducted descriptive study to know the relationship between financial literacy and entrepreneur performance as shown in Table 1. This descriptive study shows that the people who have more financial literacy, they are doing successful business. We took average of financial literacy that is 22.5, those females, having the score of 22.5 usually low performances that is 59 in number and only 9 persons having more EP. FL less than 22.5 shows the poor performance of entrepreneurs that is 79 in number and only 14 with high performance. It is also concluded that FL higher than 22.5 having high performance that is 56 in number, only 12 with low performance.

**Table1: Descriptive Comparison**

FL		EP	
FL	No. of respondent	low	High
FL=22.5	68	59	9
FL< 22.5	93	79	14
FL> 22.5	68	12	56

### Moderating equation

$$EP = \beta_0 + \beta_1 FL + \beta_2 SE + \beta_3 (FL * SE) + \epsilon \dots \dots \dots (1)$$

The following equation was used to check the impact of moderation in the path analysis

$$EP = \beta_0 + \beta_{11} FL + \beta_{21} FE + \beta_{31} AMF + \epsilon \dots \dots \dots (2)$$

The following equation, which controls for the mediator (EC), was employed to investigate the moderating impact of OC on the link between EC and EP.

$$EP = \beta_0 + \beta_{13} FL + \beta_{43} SE + \beta_{53} EC + \beta_{63} (SE * EC) + \epsilon \dots \dots \dots (3)$$

For moderated mediation, we need the significance of following betas.

$\beta_{63}$  in equation 3.

### Evaluation of measurement model

It is technically more appropriate to use a different internal consistency reliability measure, known as composite reliability, due to Cronbach's alpha's limits. The various outer loadings of the indicator variables have been taken into consideration in this reliability measurement. The loading is around 0.7 or higher, according to the following table, and the AVE for all items more than 0.5. The validity of the data was examined using the composite reliability and AVE. Consequently, the value of composite reliability and AVE is shown in the following table to be greater than 0.7 and 0.5, respectively. it shows that all the value is at right level. Reliability of item have examined through the value of Cronbach's Alpha. The value of Cronbach's Alpha is supposed to be at least 0.5 and it is more than 0.5 for this tool as in Table 2.

**Table 2: Evaluation of measurement model**

Construct	Items	Factor loading	Ave	Cr	Cronbach's Alpha
EP	B_P1	0.876	0.675	0.786	0.780
	B_P2	0.769			
	B_P3	0.835			
	B_P4	0.798			
	B_P5	0.876			
EC	ENT_CAP Aut1	0.768	0.606	0.870	0.870
	EntT_CAP Aut2	0.879			
	Ent_CAP Aut3	0.870			
	Ent_CAP Inn1	0.897			
	Ent_CAP Inn2	0.798			
	Ent_CAP Inn3	0.798			
	Ent_CAP pro1	0.778			
	Ent_CAP pro2	0.879			
	Ent_CAP pro3	0.980			
	Ent_CAP RT1	0.879			
	Ent_CAP RT2	0.798			
	Ent_Cap RT3	0.769			
	Ent_CAP RT4	0.879			
FL	FL1	0.776	0.757	0.865	0.923
	FL2	0.889			
	FL3	0.987			
	FL4	0.789			
	FL5	0.889			
	FL6	0.779			
	FL7	0.896			
	FL8	0.897			
	FL9	0.970			
SE	SE1	0.786	0.765	0.843	0.789
	SE2	0.795			
	SE3	0.789			

Qualities having more value than 0.90 (and certainly more than 0.95) are not attractive on the grounds that they have shown all the indicator factors have estimated a similar marvel and are in this manner not to be expected an authentic measure of construct. In particular, such composite reliability value have happened on the off chance that one uses semantically redundant things by somewhat reshaping the very similar plan with same question. As the missing items produce unfavorable results for measuring the content validity. Rossiter,

(2002) indicated that it may increase the value of error term. The researchers like (Drolet & Morrison, 2001; Hayduk & Littvay, 2012), advised to minimize the number of missing items.

### **Structural model (Inner Model)**

#### **Path coefficient ( $\beta$ ) and t-value.**

The association between the constructs that were hypothesised in this study was examined by using the path coefficient test (Mustamil, 2010). To calculate the



confidence interval of the route coefficient and make statistical inferences, bootstrapping has been used as a resampling strategy (Tenenhaus et al., 2005). Table 3

displays the results of the 2000-sample bootstrap analysis, including the standardised path co-efficient, related t-value, and p-value.

**Table 3: Path coefficient ( $\beta$ ) and t-value**

	<i>B</i>	T Statistics ( $ O/STDEV $ )	P Values	Decision
Moderating Effect 1 -> EP	0.062	6.980	0.006	Supported
FL ->EC	0.231	4.382	0.002	Supported
FL -> EP	0.032	2.435	0.000	Supported
EC -> EP	0.042	8.324	0.000	Supported

The results showed ( $\beta=.0231$ ;  $t = 4.382$ ,  $p < .002$ ), which supported H1, financial literacy have significant effect on entrepreneur performance that explain through result H2 ( $\beta= .032$ ;  $t = 2.43$ ,  $p < .0000$ ).Self-efficacy has significant moderating effect ( $\beta=.062$ ;  $t = 6.980$ ,  $p < .0000$ ), by adding moderation it make the relationship significant between entrepreneur capability and entrepreneur performance so the supposing hypothesis is supported H3. In fourth hypothesis entrepreneur capability having a positive impact on entrepreneur performance the outcome shows ( $\beta=.042$ ;  $t = 8.324$   $p < .0000$ ), which support the H4.

## Result and Discussion

The study has observed the entrepreneur performance of the female with financially literate and have started their business minimum one year before with mediating effect of entrepreneur capability and moderating effect of self-efficacy. The main purpose of the study is to predict the relationship between variables. Therefore, a partial least square (PLS) was been used (Henseler et al., 2009; Ringle et al., 2005).

The results showed ( $\beta=.0231$ ;  $t = 4.382$ ,  $p < .002$ ), which supported H1. From previous study it has concluded that Financial literacy have improved women's management of their personal and household finances, and empowers them to take decision in business matter, as well as to develop and manage entrepreneurial activities (OECD., 2005). Whereas the RBV Theory (Shane, 2003) and Knowledge Gap Theory postulates that knowledge is very important of those assets which is very necessary for the firm. Acquisition of knowledge could also lead to opportunity for entrepreneurial activity. From the previous studies it was

proved that the financial literacy increases the entrepreneurial capability of firm. Company performance may result from the wise use of resources acquired through sound business strategy and organisational design (Seraj et al., 2022). From literature it is being supported that effect of financial literacy on small and medium enterprises is an influential factor in encouraging small and medium enterprises. Small and medium enterprises which are managed by financially literate person can manage risk effectively (Nunoo & Andoh, 2011; Mohsin et al., 2022b; Naseem et al., 2019). The second hypothesis proposed that financial knowledge had a significant effect on entrepreneur performance. The results ( $\beta= .032$ ;  $t = 2.43$ ,  $p < .0000$ ), shown are significant and support H2. Some previous studies suggest that small and medium enterprises that are managed by high level of literate or educated entrepreneurs have more success probability rather than illiterate or uneducated businessperson (Menike, 2018)

From previous study we came to know that self-efficacy is a cognitive bias and can be explained as the tendency to overestimate chances of positive outcomes rather than expecting chances of negative outcomes or results (Awais Ahmad Tipu & Manzoor Arain, 2011; Ucbasaran et al., 2010). So the third hypothesis predicted that moderating effect has positively influenced value. The outcomes shows that self-efficacy has significant moderating effect ( $\beta=.062$ ;  $t = 6.980$ ,  $p < .0000$ ), the results shows that by adding moderation it make the relationship significant between entrepreneur capability and entrepreneur performance so the supposing hypothesis is supported H3. In fourth hypothesis entrepreneur capability having a positive impact on entrepreneur performance the outcome

shows ( $\beta=.042$ ;  $t = 8.324$   $p < .0000$ ), which support the H4. A females could play a vital part in advancing the entrepreneur capability for enhancing organizational performance (Covin & Lumpkin, 2011; Wales et al., 2011). This study not only supported by the evaluation of result but also by traditional theories RBV, Knowledge gap theory, social learning theory the result show that there is a significant relationship exist between FL and EC, EC and EP, FL and EP. Knight, Cavusgil, & Innovation, (2004) describe that new established firm's capability to achieve the success in the market that depend upon majorly on the role of internal capabilities, If the internal capability increase the performance of the firm would be increase. It is supported by RBV, Knowledge Gap theory elaborated if the females are more literate they can increase the EC of the firm in effective way and perform well in their business era (Tichenor et al., 1970). This study has made theoretical contributions. First, this study expands the literature on female entrepreneur and their business performance. With the moderating and mediating effect, most previous researches were limited to marginal sample size only. However, by collaborating with female entrepreneur, this study has conducted the survey and gets valid respond from 229 out of 250. This enabled the research to increase data accessibility. Second, the results of this study are providing a more comprehensive view of the female entrepreneur and enhancing represent ability of samples and generalizability of findings. Second, this study is not only supported by results but also by traditional theories RBV, Knowledge gap theory.

## Conclusion

This study is based on female small entrepreneurs and the hurdles they are facing to become leader or successful entrepreneur in developing countries like Pakistan. Small enterprises are the important factor to in the economic growth and creation of employment in both developed and developing countries (Lockea, 2012). According to the analysis this study conclude that a female entrepreneur face numerous challenges like lack of financial literacy, low entrepreneur capability, less self-efficacy to start their business that ultimately make poor performance of the entrepreneur. The result of this study also explained by

some traditional theories like RBV, Knowledge gap theories that explain if the entrepreneur is financially literate, he or she would be increase the internal source of business that can ultimately increase the business performance.

## Contribution of study

In developed and emerging countries, the socioeconomic role of small and medium-sized enterprises is known. However, the standards of financial literacy of the entrepreneur have become increasingly concerned in recent times for developing and developed nations. The study will serve as information because it will encourage entrepreneurial success through financial awareness. The applied significant structure established would also enable small and medium-sized businesses owners and policy makers to recognize the value of financial literacy.

Less research has been done in academic studies on the claim that financial literacy improves business success with entrepreneur ability acting as a mediating factor. This claim is examined in our study in a less developed economic countries. The novelty of this research is that we have derived the descriptive results to verify the statistical results. From a theoretical perspective, the relationship between Financial literacy and entrepreneurial performance is very obvious, Furthermore, despite the fact that some earlier study examines the direct effect of financial literacy on entrepreneurial performance. As far as we are knowledge, no prior research has taken into account the entrepreneurial capabilities of the association between financial literacy and entrepreneurial performance. Further, we examine the moderating role of self-efficacy on the relationship between financial literacy and firm performance. It creates the novelty link as a moderator. As a result, we emphasis the value of financial literacy and self-efficacy in raising entrepreneur performance in a context of developing countries. However, the results authorized us to say that the self-efficacy and financial literacy enhance the entrepreneur performance.

## Policy Implication

National policy makers mainly represent governmental and non-governmental organizations. The government is

responsible for achieving economic growth and development goals. The results have mainly significant implications for market participants (women workers), women's rights regulators, and policy makers. Financially literate female are better ready to perform at work place by expanding efficiency, upgrading potential outcomes and opportunity that improve the social and economic condition of developing countries. Expanded interest and involvement of females in work power help in the prosperity of these females and their families overall. This study make stress on the area of less financially literate females and their less trend regarding saving and investment, that are need to improve to make woman economically empower. Hence, we suggest that financial literacy projects should be plans for ladies, ways ought to be set up for creating positive financial attitude in females and appropriate consideration should be given to female to improve the economic condition of any developing country as well. The obtained results indicate the role of strengthening the sense of self-efficacy as a factor that increase the entrepreneurial performance. The results of this study also have consequences for people who need to forecast the success of Female entrepreneurs, such as venture capitalists and development agencies. High Self efficacy makes a person appear competent and socially high for doing business.

### Limitation and future direction

This study used cross-sectional data for the results elaboration. But the longitudinal data would clear a vivid picture about the study. In this study we have applied non-probability research method while the probability sampling is more absolute to generalize the results. We have used limited sample of female entrepreneurs from Punjab from Faisalabad only which is not sufficient to generalize the results over the whole population. This study cannot be applied over the whole population of female entrepreneur, because it has not categorized the aspect of successful female's entrepreneur. The further research can be conducted on female entrepreneur with reference to religion aspect in developing countries that how female entrepreneur act in different religion of same country.

Similarly, a study can be conducted on how female's entrepreneur of minorities can contribute something in the economy of Pakistan.

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