ACCESS TO FINANCE AND SMEs GROWTH IN EMERGING ECONOIES: MODERATING ROLE OF FINANCIAL LITERACY (A COMPERATIVE STUDY OF MANUFACTURING AND SERVICE SECTOR)

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ABSTRACT

Thesis Title: Access to Finance and SMEs Growth in Emerging Economies: Moderating Role of Financial Literacy (A Comparative Study of Manufacturing and Service Sector).

The objective of the study was to investigate the impact of financial literacy on the relationship between access to finance and SMEs growth in district Faisalabad. For this purpose, two hypothesis were formulated. First hypothesis was to check direct impact of access to finance on SMEs growth and second hypothesis was to assess the moderating effect of financial literacy on relationship between access to finance and growth of SMEs.

The study followed a descriptive research method for obtaining necessary primary data to provide a clear understanding of the research objectives. The study involved samples drawn from SMEs of two sectors that were manufacturing and service. For this purpose primary data was gathered through the issuing of a set of structured questionnaires to a sample of 204 SMEs. The conceptual model consisted on three variables. First was access to finance as independent variable which was measured using three dimensions of accessibility, usage and quality and this measure was contained of seven items. Second was financial literacy as moderating variable, which was measured by four dimensions knowledge, skills, attitude and behavior. This measure was consisted of thirteen items. Third was growth of SMEs as dependent variable, which was measured by dimension of sale and assets. This measure was consisted of ten items. The data was collected from owners and top managers of SMEs. Convenient sampling was used to collect data. A descriptive statistics, Structural Equation Modeling, (SEM) was used to analyze the moderating effect of financial literacy on the relationship between access to finance and growth of SMEs. These analyses were carried out using Statistical Package for the Social Sciences (IBM SPSS), Smart PLS 3.0 version software.

The finding of this study supports the hypothesis, which argued that financial literacy is important enhancer in relationship between access to finance and SME growth. The results of the study show positive and significant moderating effect of financial literacy in the relationship between access to finance and SME growth in district Faisalabad. In addition, access to finance also has a significant and positive impact on SMEs growth in district Faisalabad

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ACKNOWLEDGEMENTS

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DEDICATION

I dedicate this thesis to my loving family, my parents Abdul Razzaq and brother Muhamamd Wasif. Without their patience, understanding, support and most of all love, the completion of this work would have not been possible.

CHAPTER NO.1

INTRODUCTION

This chapter provides information of the standard problem area to a particular subject matter of inquiry and giving the background along with the problem statement. It provides the scope, framework, and importance of the study. It describes the current understanding and background of the study related to the topic. It gives information about research questions and purpose of study.

1.1 Introduction

Small and medium enterprises play an important role in the development of a country in terms of economic, social and industrial sectors. It plays a key part in the creation of jobs and to improve the living standard of general people. SMEs promote the extensive based development in entrepreneurship and competitive business activities as result, it provides economic benefits in form of innovation and aggregate-productivity growth (Tarfasa et al., 2016). The performance and growth of Small and Medium Sized Enterprises (SMEs) have all over the nations, been of great consideration to, among others, development economists, entrepreneurs, venture capital firms, governments, non-governmental organizations and financial institutions (Eniola & Ektebang, 2014). In the current period, MSEs are considered as a source for entrepreneurship due to its significant contribution towards socio-economic stability and poverty mitigation which is the major subject today of the growing economies (D'Este, et al., 2012).

According to International Financial Corporation (IFC) a study was conducted in 2010 from 132 countries in which suggested that there are 420 to 510 million worldwide Micro, Small and Medium Enterprises (MSMEs). It also exposed that only 9% are formal MSMEs and 80 to 95% are emerging market (Khrystyna, Melina, Mirmulstein, & Rita, 2010). OECD (2017) described in a report that total share of SME is accounted 99.7% in non-financial business-section of OECD part of all enterprises and generate 60% of total employment. The share of services sector in economy higher as compared other sectors of economy in shape of employment and value addition that is 65% or more of total value added and employment. It further adds that average share of value addition is between 50% and 60% and share of value addition and job creation more in high and medium – high research & development intensity service sector as compared to high research & development intensity manufacturing sectors.

Small and medium-enterprises (SMEs) have great contribution to the productivity, employment in both developed and developing countries and add significantly to the renewal of the worldwide economy and national economies of individual (Paul, 2009). As present in global economy, the multinational organizations are more and more focusing their efforts in the direction of branding and the marketing in place of production which causes to prolong supply chain to attaining a way into developing countries and offering new opportunities for micro and small firms (Simeon & Lara, 2005).

1.1.1 Historical Perspective of SMEs in Pakistan

SMEs in Pakistan assume a basic part in the development of an economy, movement of technology advancement, sourcing to big enterprises, cottage industries and encouraging economic restoration and social improvement. .SMEs are one of the major resources to lessen poverty, enlarge national economic system. It can be the base of employment and social elevating. Economy of Pakistan similar to that of numerous developing economies is an immediate impression of its SME segment (Dar, Ahmed, & Raziq, 2017). Pakistan has a various variety of SMEs spread out across the country. It is also proficient with usual clusters of several businesses. The few widely recognized on international scale consist of industrial clusters in Faisalabad, marble clusters in Khyber Pakhtunkhwa, bed wear clusters in Multan, cotton seed processing clusters in Rahim Yar Khan, rice husking clusters in Mandi Bahauddin and sports-goods clusters in Sialkot etc. wherein the clusters are anticipated to strengthen business, improve employment, refine abilities, decrease poverty and stimulate a stable growth (Rakshana & Saleem, 2016).

In many countries, SMEs constitute over 90% of all firms and substantially make a contribution in the direction of economic growth. In Pakistan there are 3.2 million businesses. Around 90% of economic enterprises are SMEs that collectively make a contribution an expected 40% to GDP and above 40% to the exports. SMEs employ nearly 78 percent of the non- agriculture labor force in Pakistan (SMEDA, 2017). Furthermore, the sectors comprise 25 percent of exports of manufactured items and 35% in the value added manufacturing. Just about 53% of all SME activity represent retail trade, wholesale, hotel and the restaurant sector. As regarded 20% of SME activity represents as industrial establishments and 22 % in service sector (Dar et al., 2017).

Pakistan is an emergent economy and has great opportunity in development of all types of business category through CPEC projects. In 2015, Pakistan and China signed the milestone agreement; China Pakistan Economic Corridor (CPEC) wherein China suggested to invest US $51 billion to construct energy and transportation network in Pakistan. It is a pre-imperative for setting up connectivity between two countries, while tending the increasing energy demand of Pakistan. It is an important go into the direction of truly potential industrialization endeavor and this set to finish by 2030. The CPEC is a 3,000-km-long transportation corridor road connecting Kashgar in China's Xinjiang to Gwadar in Pakistan. The trade route so settled will give access to the warm waters of the Arabian Sea and altogether lessen time and expenses for China to transport its merchandise and services and also fortifying its geo-political impact in the area (SMEDA, 2017).

The shortcomings which consist of, as an example, attention on low value-added items, lack of finance, absence of an effective business plan infrastructure, energy disaster, loss of strategic making plans, low levels of financial literacy, unskilled human assets and non-competitive lending techniques by means of banks (Bari & Cheema, 2005).

1.1.2 Access to Finance

Access to finance is one of the key problems which is faced by SMEs. A firm can get finance by two ways. One is formal finance, which include to get finance from formal institutions like commercial banks, SME bank, Small Medium Enterprises Development Authority (SMEDA), Micro Finance bank and other government or non-governmental organizations. Formal institutions provide loan for small, medium and long term on different interest rates and financial institution offers high incentives for marketers by using parting an entrepreneur by full possession of the company. But there are also difficulties to get loan from formal finance source due to its complex procedures such as banks want acceptable collateral, the mortgage amount needs to reach a sure scale, documentation, stiff application process, feasibility analyses and field investigation. All these things frequently serve to discourage borrower concerned in competitive marketplaces in which time is nearly literally money. This all procedure is also time taking as compared to informal financing source.

The second source of finance is informal financing. Informal financing include loan from family, friends, relatives, credit customers, shopkeeper, land lords, prepayments of customers, merchants and personal savings. Informal loan can be more attractive because of its speed, early transaction expenses and liberty from the requirements of collateral. Informal loan can often include much lesser processing costs than the formal loan. Informal debt can be obtained in face to face one or more meeting among parties in which personal formalities permit them to communicate the amount and rate of interest speedily, advancing to a written or oral settlement with stating repayment schedule. However, flexibility of informal loan provide the borrowers loan without any collateral or a guarantor. However, informal loan receives high rate of interest to shield high risk of the advancing without collateral and high interest rate can lead to severe overloading by the borrowers. Informal finance are mostly given for short periods (Buckley, 1997).

SMEs constitute an essential component of the advancement process, and their commitments regarding creation of employment, production and income are broadly perceived in developing countries. Despite the acknowledgment, the improvement of SMEs is always restricted by means of a number of thing for example, lack of entrance to appropriate technology, constrained access to worldwide markets, the existence of legal guidelines, policies, and rules that hinder the advancement of the area; feeble institutional capability and absence of managerial abilities and skills. Notwithstanding, access to finance rests the ultimate difficulty for the dominant part of SMEs (Abor & Quartey, 2010). Absent of formal management competencies places a critical constraints on development of SMEs. It has been referred to that SMEs incline to draw skilled and capable managers but they could scarcely compete with bigger companies. The shortage of financial management expertise, predominant in most of developing countries significantly affects the growth of SMEs (Fraser, Bhaumik, & Wright, 2015).

According to report of Ayyagari, Demirguc-Kunt, and Maksimovic (2017), published in Word Bank, SMEs face severe problem of access to finance. SMEs and big firms have difference in access to finance. SMEs reports that they have 50% access to line credit and overdraft facility by financial institution as compere to large firms, they report having 75% access to line credit or overdraft facility. Further explained that even SMEs do not apply for loan facility from banking institution due to : Difficult application processes for the loans , rates of interest are not satisfactory, magnitude of advance and maturity are unsatisfactory, demands of collateral for loans or line credit are inaccessible, did not consider it would be sanctioned, and other that a large portion of together SMEs and large firms refer to unfavorable rates of interest as the prime cause for not applying for the loan or credit line.

Another research was conducted by IFC (2017), with collaboration of Word Bank to analyses the finance gap of MSME in emerging economies. MSME finance gap is estimated by variance between current supply of fund and its prospective demand that can potentially be spoken by financial institutes. The study further evaluates the likely finance demand for MSME in informal division. The study assesses that there are 65 million formal micro small and medium enterprises that are credit obliged, signifying to 40 percent of all the enterprises in the 128 checked on countries. The potential demand of finance is evaluated at US$ 8.9 trillion for MSME, when contrasted with the present credit supply of $3.7 trillion in these surveyed developing countries. The finance gap endorsed to formal MSMEs in developing countries is esteemed at $ 5.2 trillion, which is proportional to 19 percent of the (GDP) of the 128 nations This, thus, adds up to 1.4 times the current level of the MSME financing to these countries. This finance gap for informal MSME market is another significant part of this study. In that specific situation, there is an expected $ 2.9 trillion in potential demand for the finance informal undertakings in the developing countries. That figure is surely sizeable & is proportionate to 10 percent of the GDP in these nations.

A company which does not have access to external financing can be significantly reserved in its capability to track ultimate funding coverage; which, in turn, can also prevent the growth of the firm. Due to the fact that small and unquoted firms are usually extra financially restrained as compared to their big and cited counterparts, they are, looking back, less inclined to be engine of development in the business segment. Financing is a crucial part of running any organizations. Without satisfactory access to financing, the resilience of the business of firm and its potential for development is risky. Various studies have concluded that access to finance and SMEs growth has a positive relationship (Rahaman, 2011).

Financial and human capital, both are important for the growth of an organization. The positive impact of access to finance on SMEs growth as generally related to firm’s manager’s capabilities who they are confronted with difficult financial decision making to change the fortune of their firm’s businesses (Cooper, Gimeno-Gascon, & Woo, 1994). Firm size, property rights and financial development are important factors in accessibility of finance by SMEs. Access to finance enables SMEs in the developing economies to assume beneficial investment to extend their organizations and to gain the most modern technologies, in this manner guaranteeing their competitiveness, and encouraging innovation, macroeconomic strength, and growth of GDP (Beck, Demirgüç-Kunt, & Maksimovic, 2008).

Afraz et al. (2013) revealed access to fund as the primary imperative for firms in this way demonstrating a decrease in firms' entrance to outer fund. In correlation with the normal 30% rate of South Asia, under 15% firms in Pakistan pick outer financing to finance working capital In Pakistan, Ahmad and Alam (2015) declared access to back to be unbalanced and their contention is very much dependent on reasonable access of the manufacturing part to half of the all-out credit loaned to the private division. The undue grouping of money related foundations' extraordinary credit just to manufacturing divisions and sub-areas is gotten the job done with its 13.5% commitment to all GDP alongside 14.1% offer to the national employment. Ullah et al. (2016) perceived financial establishments' inclination for acknowledge relations as a hidden reason for little firms' poor access to fund. In their examination, Ullah et al. (2016) announced Pakistani banks to keep up far off relations with SMEs; in this way bringing down little firms' rate of credit base offer. This case is in part bolstered by Ahmad and Alam (2015) as far as the unduly developing progression of credit to manufacturing area SMEs. Moreover, little firms' entrance to fund is likewise compelled by poor monetary proficiency; which obstructs little firm proprietors' capacity to use loaning plans dependent on bookkeeping articulations.

In spite of SBP's measures to encourage SME financing by means of miniaturized scale fund and e-credit, little firms' entrance to finance is hampered by the staggering expense of acquiring, debasement, and duties. Thusly, as an option in contrast to outside money, huge quantities of SMEs depend on seller credit, fellowship advances and individual investment funds (Dar et al., 2017).

1.1.3 Economic Growth

Economic growth, firm formation and entrepreneurship is connected with availability of finance to firm. More availability of credit mean more growth in entrepreneurship, firm formation and economic sector. The availability of or limitation of strategically precious recourses which include get access to finance impacts the range to which managers are capable to take decisions concerning financing (Aghion & Bolton, 1997).

Firms might not have a solid capacity to set suitable equity to finance an extension task. Such firms are conceivable to rest on more on advances and outside assist. Smaller companies in precise generally tend to capability most troubles in having access to finance to permit development tasks (Binks & Ennew, 1996). Access to finance is probably going to be a substantial basis for SMEs and a base of competitive advantage for those organizations which have preferable access to it over their competitors (Grande, Madsen, & Borch, 2011). Scholarly evidence recommends that access to finance increases the recreation of resource-intensive growing approaches and increase growth results of firms (Cooper et al., 1994).

The role of SMEs has been limited in the development of economies due to absence of access to financial services, particularly from formal financial institutes. This problem is as a result of low level of the financial literacy among owners of SMEs (Cressy, 2002). It perceives that financial literacy by business training brings about an obtaining of monetary knowledge and business expertise needed for growth of SMEs in the developing countries (De Mel, et al., 2014).

1.1.4 Financial Literacy

Financial literacy has turned out to be fundamental in running of businesses and tasks of organizations in the complicated and dynamic atmosphere today. Te'eni-Harari (2016), described that governments around the globe are concerned with finding successful approaches of enhancing financial literacy of their people through creating strategies for the financial education with the primary purpose of providing several learning opportunities. Financial education as described by Atkinson and Messy (2012), is a method of developing competencies of people to enable them for decisions making that are right and to cope finances effectively. Therefore, it determines that financial education is a knowledge which is among different elements associated with financial literacy.

The study of Karlan and Valdivia (2011), suggested that business education and training has positive impact on female micro entrepreneurs in shape of recordkeeping, reinvest earnings in business, keep up records of sales & expenses, and assume proactively related to new marketplaces and opportunities for the profits. The results recommend that training to enhance knowledge of the finance & financial accounting certainly have a positive effect on the practices of management of small businesses into an emerging market place. Financial training significantly influence the reporting quality along with actual profits (Drexler, Fischer, & Schoar, 2014).

In Small Corporation, ownership and management of capital are normally in the hands of one basic decision maker who exercises capable impact on the manner the firm follows its objectives. The owners by their advance decision making skills can construct firms with the ability to generate excessive ranges of profits and development. Therefore, it is necessary for the owner and manager of an MSE to be financially literary to have capacity to settle on specific decisions with a view to result in profitability of the firm (Margaretha & Supartika, 2016).

Tiwari, Shahbaz, and Islam (2013), stated that theoretical models have a relationship with financial literacy to consumer conduct specifically the parts of savings and consumption use. The theoretical models undertake that people are competent to formulate and implement the plans of saving and consumption and these require skill in managing the money related to markets, understanding about purchasing power, and the aptitude to carry out complex calculations of economic. Besides, Bruhn and Zia (2011), coped that formal business sector and financial training enhanced practices of business and investments among small &medium-scale enterprises. So, it can be contended that financial literacy, which bring about gaining of financial knowledge and expertise, helps owners of SMEs to do wise financial assessments and selections. Siekei, Wagoki, and Kalio (2013), looked at the function of financial literacy on overall performance of MSE firms whose managers had experienced the Equity basis financial literacy training. The results revealed a positive connection between the financial literacy training & the performance of MSE managers that were trained.

It is an imperative component really taking shape of financial decisions for people and organizations. It is for the most part held contention that enhanced financial knowledge is said to bring about more dependable financial conduct and thus compelling effective financial decisions. They further revealed that there are critical contrasts between men, and women regarding how learning, socialization, and mental attributes are ultimately connected with financial behavior. While women seem to gain greater from financial knowledge and paternal impact, careful quality has a more grounded positive relationship with capable financial decision making amongst men. (Tang, Baker, & Peter, 2015).

The outcomes Nunoo & Andoh (2012), demonstrate that there was a moderate level of financial literacy between small and medium business entrepreneurs. In addition, it was found that higher and greater financial literate entrepreneurs will probably use financial services. The most generally used financial service was working a bank account. The study results of Mbabazi & Daniel (2017), indicated that there was a substantial correlation between financial knowledge, financial attitude, financial behavior, and stock market involvement by SMEs.The research also stated that there is a positive and imperative connection between financial literacy and securities exchange market participation by means of SMEs. Therefore, SMEs can take part more in securities exchange through upgraded financial literacy. The investigation suggests that SMEs must be prepared on the financial literacy so as to take an interest in stock market.

1.2 Problem Statement

Access to finance refers to finance facility from formal financial institutions like microfinance bank. Finance is considered as blood for an emprise. If SMEs avail the easily and timely access to finance on ease conditions, so they can handle their operational activities and grow their business. Growth of SMEs refers to growth in sales, assets or employee.

SMEs sector faces a number of problem, which are hurdles for its productivity and growth. Access to finance is major issue among these hurdles that is faced by SMEs firms. Small firms are faced more constraint in access to finance as compere to large companies especially from formal financial institutions. A major part of small firms consist of younger and have informal structure, therefore, due to this reason it is faced more difficulties to raise suitable funds form formal financing sector as cheaper cost. This is because of the fact that these firms can't meet the consistence prerequisites or give satisfactory collateral. Such limitations position this segment a high hazard, cost borrower. Therefore, banks show a more reserved loaning conduct toward SMEs by implication constraining them to choose different sources of finance (Khan, 2015).

According to SBP (2015), report in which described that SMEs have different key issues that affects the SMEs growth. Each issue is stated with percentage share in all issues that are faced by small firms. Access to finance is a main and as at top among others issues and considered 55% issue is access to finance in lack of growth of small and medium firms. Additional issues are identified by percentage as lack of skill labor 38 percent, attainment business site 39 percent, orders/marketing of products 28 percent bribes, 21 percent, lack of knowledge12 percent, Government interference 10 percent, raw material 12 percent, certificate of work 8% and innovative technology 8 percent.

Financial literacy is reason for lack of access to finance because owners and managers do not aware about basic financial concepts that are helpful to raise the funds. Olawale Fatoki (2014), trusts that financially educated SMEs proprietors tend to settle on better financial choices with managerial type mistakes than their competitors who're financially illiterate. Moreover, the Cohen and Nelson (2011), additionally observed that financial literacy enables SMEs, owners to assess financial items and, as a result, make knowledgeable decisions that encourage proper loan management amongst owners of SMEs. Low stage of financial literacy can keep SMEs from thoroughly evaluating and understanding diverse financing alternatives, and from exploring composite credit use methodology.

McKenzie and Woodruff (2013), noticed that financial literacy by business training, brings about acquirement of financial knowledge and business skills essential for growth of SMEs' in developing countries. Lusimbo and Muturi (2015), advised that financial literacy is essential for the progress of small enterprises and managers of the small enterprises had reasonable expertise of debt management literacy understanding, majority don't have know-how of inflation and interest on amount of loan which influences the profitability of the firms.

The growing acknowledgement of the significance of small and medium enterprises (SME's) in developing countries is not always through choice however out of the need keeping in mind to increase value of the economies by way of creating jobs, improving income, fortifying purchasing power amongst others.

The textile segment has been considered as the spine of the country as it makes employment and provides export revenues. The textile part contributes 57 percent to the exports of Pakistan. The textile industry is the second biggest employment area in Pakistan. Pakistan is the eight biggest exporters of textile products in Asia and the textile sector contributes 8.5 percent to the GDP of Pakistan. SMEs contributed 30% to GDP, 25% to exports and 78 % to industrial employment that told their importance in the economic development of the country, Therefore, growth of SMEs is straightforward correspondence to a dynamic economy. In Pakistan, SMEs together share an estimated 40 percent to GDP & more than 40 percent to exports (SMEDA, 2018).

Under National Financial Inclusion Strategy (NFIS) and strategic course of SBP, SME sector has been recognized as one of the basic significance areas. In accordance with the SBP's strategic direction, key benchmarks to be accomplished via 2020 are to expand SME share from existing 8 % of private segment credit to 17 % and to rise the range of borrowers from current 174,000 to 500,000. (SBP, 2017).

The purpose of this study is to explore and understand the variables access to finance and SMEs growth of SMEs with moderating role of financial literacy in Pakistan context.

1.3 Research Questions

1.3.1 Is access to finance significantly related with SMEs growth in district Faisalabad?

1.3.2 Is financial literacy moderate the relationship between access to finance and SMEs growth in district Faisalabad?

1.4 Research Objectives

The general objective of research is to probe the effect of financial literacy in terms of how financial literacy moderate the relationship between access to finance and growth of Small and Medium Enterprises in District Faisalabad Pakistan.

1.4.1 Specific Objectives

The objectives of the research are to:

1.4.1 Investigate that access to finance significantly related with SMEs growth in district Faisalabad.

1.4.2 To determine financial literacy moderate the relationship between access to finance and SMEs growth in district Faisalabad.

1.5 Significance of study

The results of this study are predicted to be of helpful to the following individuals among others.

1.5.1 Researchers, Academicians and SMEs Sector

This study will be a main addition to the prevailing source of the knowledge and subsequently may be of interest of both researchers and academicians who try to investigate the significance of financial literacy amongst other aspects on the growth of small and medium enterprises in Pakistan or any other country. It will help managers and owners of SMEs to gain knowledge, abilities, and aptitude to manage their financial choices and adoptions. Moreover, it will get ready SMEs for difficult financial times through plans that diminish different risks for example escaping from over-indebtedness.

1.5.2 The Government and Financial regulators

It is a goal of each government to promote progresses of all types in a country and Small and Medium enterprises being of the economic benefits cannot be disregarded. Further to the observed economic benefits, development of SME has for quite some time been seen by policymakers to expand earnings of the poor people. The outcomes of this study will offer information on conceivable ways the government can handle the issue of lack of finance and financial illiteracy among owners of business and possible methods of encouraging the financial education among small business owners and the entrepreneurs which will in response promote the growth of the SME's. It will also help the government and financial controllers on combining these SME's in their policies on regions like having the access to finance and other financial advantages which will in long run give greater opportunities for the members in that industry and the poor people.

1.5.3 Investors and Financial Institutions

This study will be beneficial to investors since it will feature the benefits that a purpose to be derived through their firms from a procurement of financial literacy. These benefits will consist of appropriate skills of financial management that it will lead to the growth of their firms and also for investors who are helped by others, it will highlight the significance of financial literacy so that they can have the capacity to know the financial reports of the firm. For the financial institutions, it will helpful to assess the credibility of SMEs by the financial know-how of the owners.

1.6 Scope of the Study

This study will cover Small & Medium Enterprises in district Faisalabad.

1.7 Definition of Terms

1.7.1 Small Enterprises

A Small Enterprise (SE) is a business entity which meets both the following parameters:

Number of employees up to 20 including contract employees and annual sales turnover up to Rs. 75 million.

1.7.2 Medium Enterprises

The number of employees should be 21-250 and annual sales revenue above to Rs. 75 million and up to Rs. 400 million in case of Manufacturing & Service Medium Enterprises.

Definition from Different Department

Institutions	Small	Medium
SME Bank	Total assets of Rs. 20 million	Total assets of Rs.100 million
Federal Bureau of Statistics	Less than 10 employees	N/A
Punjab Small Industries Corporation	Fixed investment up to Rs. 20 million excluding land and building	N/A
Punjab Industrial Department	Fixed assets with Rs. 10 million excluding cost of land	
Sindh Industrial Department	Entity engaged in Handicrafts or Manufacturing/ Producer goods with fixed capital investment up to Rs. 10 million including land & building	
State Bank of Pakistan (SME Prudential Regulations)	An entity, which does not employee more than 250 persons in Manufacturing and 50 persons in Trade/Services & also fulfil one of the following condition **(i)**A trade or services concern with total assets excluding land and building up to Rs. 50 million. **(ii)**A manufacturing concern with total assets at cost excluding land and building up to Rs. 100 million **(iii)**Any concern (trade, services or manufacturing) with net sales not exceeding Rs 300 million as per latest financial statements	

(SBP, 2015)

1.7.2 Financial literacy

The (OECD, 2011), defined financial literacy as a combination of awareness, , skill, attitude, knowledge and behavior needed to make complete financial decisions and finally achieve individual financial well-being. That is to say, it is the capability to utilize knowledge and abilities to manage financial assets of enterprises efficiently for lifetime of financial welfare.

CHAPTER NO.2

LITERATURE REVIEW

The objective of this chapter is to present an assessment of existing literature on the importance of Access to Finance and moderating role of financial literacy on the profitability of small and medium enterprises. The chapter covered the elements of each variable and how Growth of SMEs is precious by the variable.

2.1 Problems are faced by SMEs

Beck et al., (2008), researched how different patterns of firm financing around the worldwide for big versus small firms. The use of a particular firm-stage survey database in 48 international locations, in which 80% firms have comprised on SMSs. They found that firm estimate, financial improvement, and property rights assurance are imperative factors in clarifying the watched variety in financing patterns to finance and role of SMEs is restricted due to lack of access to finance in economic development of a country. They analyzed a more extensive range of outside financing sources, which incorporates not only debt financing and equity financing however additionally supplier, leasing financing informal finance and development bank. Small firms utilize less outer finance, particularly bank finance. However, small firm likewise benefit the most from better assurance of property rights as far as getting to formal sources of external finance, especially bank finance. Fund from advancement banks and other government sources are utilized to a more prominent degree by large firms. Supplier finance and leasing financing do not helpful for filling financing gap of SMEs sector. They recommended, the best method for enhancing small firms' entrance to external financing seems, by all accounts, to be through institutional changes tending to the weaknesses in legal and financial structures.

Finance for micro scale, small, and medium-sized firms (MSMEs) has been a worry for all partners including the businessman, financial institution, and government associations. The main target of the investigation of Singh and Wasdani (2016), was to recognize different difficulties looked by MSMEs in sourcing of finance during various phases of their life cycle in Bangalore city of India. The examination additionally investigated whether the financial awareness of entrepreneurs of MSME is a noteworthy confinement in the distinguishing proof and usage of sources of fund. They featured the fundamental sources of finance for MSMEs which incorporates bank advances, advances from nonbanking organizations, microfinance institutions, venture capital, advances from family, relatives, and companions, own funds fund, and equity finance. Information was gathered through individual meetings utilizing an organized poll from a sample of 85 MSMEs. The examination found that the fundamental difficulties looked in underutilization of formal sources were an insufficiency of collateral assets and absence of budgetary entrepreneurs financial awareness. Based on the assumption that prerequisite of finance varies with the life-cycle phase of the every MSME, recommendations have been projected for entrepreneurs, policy makers, and financial institutions that are to enhance financial awareness, reduce complex documentation and to make easy legal requirements.

Hassanein and Adly (2008), described the magnitude of the financing obstruction looked by Small Egyptian Construction firms (SCFs). The methodology utilized for this examination was survey through questionnaire that was conducted among various Egyptian contractor. The principle focus of this review was to examine the constrained access to appropriate financing sources that confronted Egyptian small construction firm particularly with respect to acquiring working capital for operations activities and organization growth. They found that all small construction firms demonstrated that main source of their firm's startup is owner equity.86% of SCFs showed equity as their single source of financing for startup of business. 71% of firms showed that they observed troubles in getting credit both for start-up or financing for operations.86.8% of total population affirmed that if they acquired greater access to credit they would be more grow and also competitive. The magnitude of the financing obstacle includes that 74% to 85% of SCFs demonstrated equity as their sole spring of start-up financing. 70% to 75%

of SCFs indicated the accessibility of no less than one kind of finance facility and 58% of firms were have been deprived of getting a formal kind of finance. 56% of SCFs indicated inner resources of firm as their only source of a working capital. 50% small construction firms directed that they did not approach financing for both start-up and the working capital. Furthermore, 86% indicated the major obstacle for their growth and competitiveness is absence of proper financing.. They recommended that in spite of the want for various types of government help, SME proprietors understand the significance of building up their own particular procedures for defeating issues. For example, to defeat furious rivalry, proprietors investigated new markets, particularly emerging markets, for example, China and Russia, expanded promotion by means of conventional and new techniques for advertising, included new lines of items and value added services to clients .To overcome the problem of lack of finance, most connected for bank advances or government financing, yet a couple of acquired from relatives and companions or depended on individual investment funds.

Abor and Quartey (2010), conducted a study in Ghana and South Africa to explain the constraints that are faced by SMEs and importance and impact of access to finance on SMEs growth and as result small business role in economic development. They explained that SMEs frequently fall into two classifications, that is, urban and rural ventures. The previous can be sub-partitioned into organized and unorganized firms. The organized set have enrolled offices and the paid specialists, while the un-organizes ones are predominantly comprised of craftsman's. Rural firms are generally comprised of family setup and individual craftsman. The study additionally observed that SMEs represent a crucial component in development process and their involvement in terms of creation of employment, production and income is broadly recognized in developing countries. Despite the acknowledgment, the improvement of SMEs is constantly restricted by several aspects, for example, nonexistence of access to proper technology, limited entrance to global markets place, the existence of laws, guidelines and regulations that obstruct the development of the division; feeble institutional ability and absence of managerial skills & training. But, access to fund remains the best worry for majority of the SMEs. Their study recommended that, to enhance access to credit to SMEs, entrepreneurs ought to be to encourage to shape actives since financial organizations trust peer weight frequently diminishes the risk. Better availability of funds improve the growth of SMEs and increase the economic development They also recommended that technology exchange through easy, economical and versatile technology ought to be elevated to upgrade the efficiency of SMEs.

Binks and Ennew (1996), made a study in England on SMEs growth and hurdle to access to finance. They used a questionnaire over 6000 small firms as taking sample. They said financial problems is caused basically as a significances of information asymmetries. The adverse impacts of these may to a limited extent be offset by the utilization of collateral as indicating and holding component or potentially by the improvement of a good working connection between bank and borrower. In the event that the type of information asymmetry contrasts for firms growth or if the impacts of information asymmetries are less effectively improved at that point growth of firms might be all the more harmfully influenced by constraints of credit. If the growth is dependent upon access to credit then the summed up suggestions for the economy might be significant and harmful. They found that the credit imperative for developing firms per se is no more noteworthy however growth firms may in any case encounter a credit limitation as a result of their relative youth. Notwithstanding, there is proof to recommend that organizations hoping to develop in the future do see a somewhat more tightly credit limitation however this might be mostly or completely balanced by a by and large better relationship with their bank.

Coad and Tamvada (2012), had conducted a research on small manufacturing firms and barriers in growth in India by using Questionnaire. They used variables in the observed analysis consist of an age of company, size of the firm, proprietorship type, entrepreneur's gender, the status of exporting, the basis of technical expertise and, firm growth tariffs. The control variables incorporate industry dummies, energy sources, & regional dummy variables. Their results said small young firms have a tendency to grow quicker than that of large firms. Female organizations are probably going to have brought down growing rates. Exporting firms positively affect the growth, particularly for young organizations and as well female small organizations. Proprietary firms aspect lesser growth, on the entire, especially young small proprietary organizations. It noticed that technical know-how to affect output development. However some little organizations in their dataset can change over know-how into commercial achievement, numerous others don't have any technical information, and the individuals who are maybe not able to utilize it beneficially. At long last, they investigated the most pressing troubles looked by means of various types of declining firms and acquire a few stimulating bits of knowledge into the elements that consider about as per obstacles to the development of little firms in the context of developing countries. The outcomes for obstacles to firm development models recommend that the fundamental issues looked by female firms appear to concern raw supplies and problems of market. Rural firms are helpless against issues concerning raw supplies, management, equipment, and deficiencies of control. Whereas they are generally less presented with issues with reference to labor and absence of demand.

A cross-country research with a causal connection amongst SMEs and development in economies, directed by Beck and Demirguc-Kunt (2006). They found that small firms aspect larger constraints for growth and have less availability to formal bases of outer finance, conceivably clarifying the absence of SMEs' commitment to growth. Financial along with institutional development reduces SMEs' growth imperatives and enhance their entrance to external finance. Specific tools of financing, which include leasing and factoring may be valuable in facilitating more access to finance without very much developed institutions. They recommended that a competitive business condition, of which access to finance is a vital part, encourages section, exit, and development of firms and is subsequently fundamental for the advancement procedure. An emphasis on enhancing the business condition for all firms is more vital than essentially trying to encourage an expansive SME part which may be described by an extensive number of small yet dormant firms.

Hutchinson and Xavier (2006), had research on impact of internal finance on SMES growth by making compression of two countries Slovenia and Belgian firms as a recognized market economy. They took sample of 108,184 firms recording employment for Belgium cover around 90% of whole manufacturing and for Slovenia 34,028 firms covering employment consistent to almost 80% of total firms of Slovenian manufacturing. They performed their estimations on two sets of data. The first data set defined the span of the firm on a year on year foundation while the second considered into access, deciding the magnitude of the firm such as its magnitude when it go in into the sample. For Belgian firms they found that cash flow performs a littler part in the development of firms and this relationship is even much less for bigger firms. For Slovenia they researched whether firms are beneficiaries of soft budget imperatives or truth be told, they perform in inadequate capital markets. They observed that by all accounts, to be the situation with cash flow being a vital determinant of the development of Slovenian firms. In this manner looking at the two countries features the contrasts in usefulness between capital markets in the west and a previous socialist country. They discovered access to finance as the fundamental constraint for the growth of SMEs in Slovenia. In any case, managers in organizations may guarantee that they are obliged when in truth their constraints are because of their activities instead of the condition of the capital markets.

A case study conducted by Malo and Norus (2009), to check the effect of four factors that were human capital, organization framework for new businesses, financial capital and intellectual belongings rights on the developing biotechnology industry into Poland, Estonia, Lithuania and Latvia and concentrated the vital response of two extremely effective devoted biotechnology organizations. They demonstrated that dedicated biotechnology firms (DBFs) from Poland, Estonia, Lithuania and Latvia are presented to a deficiency of talented labour, expensive registering methods and extreme financial restrictions. Additional information are without a doubt reliable through the hypothesis that above said components have taken substantial toll at the business. Their findings uncover that DBFs from the Estonia, Latvia, Lithuania and Poland nations are generally very few, take more time to develop to a specific size, give less value added items and are minor innovators than their competitors. However for this proof, it ought to be perceived that cross-country contrasts counteract clearing generalization. This recommended one favorable policy approach is to establish up a strategy and an adequate public fund for empowering international associations. Moreover, in animating foreign direct investment. Policymakers ought to guarantee that the intellectual property rights remain steady with international standards. Most likely, more potent patent assurance would likewise add an extra motivating force to interface with DBFs from progress economies.

A survey of 500 entrepreneurs conducted by Robson and Obeng (2008), situated in six sections of Ghana. The survey is drained from the segments of services, agriculture, and manufacturing. The 37 elements which considered as obstructions to entrepreneurs organizations attaining their goals and these had been categorized into seven groups that are finance, market, technical, managerial, inputs, socio cultural, economic and regulatory and other. The investigation found that organizations which utilized family members have been more probably to bear more number of issues than that of the non-family members companies. This especially applied to financially connected issues. The outcomes of the exploration also uncovered that in common firms in cities have been much more probably stumble upon obstacles. The firms in metropolitan sectors demonstrate that the infrastructure into the Ghana should be enhanced, if future development and improvement are not to be risked. Scope of the enterprises and segment were both observed to be emphatically identified with the probability of firms experiencing hindrances, yet the nature of the connections was blended. The effects also normally demonstrated that developing businesses had been more probably than other corporations to encounter obstructions. But the type of connections was blended. The outcomes also stated that developing businesses were almost certain then that of different businesses to encounter obstructions. The examination found that regardless of whether business was exporter type business was not identified with the experiencing of business troubles. Though, on account of innovation the outcomes demonstrated that non-innovated were more probable than innovator to experience managerial type and technical hurdles. But, innovators had been more possibly than non innovators to stumble upon the barrier, the excessive price of utility expenses, and the low quality of power and supply of water, which had been together infrastructure obstructions. They gave recommendations to the government to take a gander at those components where they can make a difference an enhancing the infrastructural structure in Ghana, especially enhancing the nature of power and the supply of water, the telecommunications arrange and giving more mechanical destinations to business improvement.

2.2 Access to Finance and SMEs Growth

Carpenter and Petersen (2002), analyzed the long-standing hypothesis that little firm development is frequently obliged by the amount of internal fund. Under conceivable expectations, when financing imperatives are authoritative, an extra dollar of inside fund ought to create somewhat in excess of an extra dollar of development in assets. This quantitative forecast ought not to hold for the generally SMEs with access to outside equity. They tested these expectations by a panel of more than 1600 small firm. They found that the typical firm holds the majority of its income, raises moderately minimal outer fund, and has a normal development rate like its ratio of cash flow. For firms who make small or to zero utilization of outside equity finance, their results showed that a slightly more prominent than a dollar-for-dollar connection among development and internal the fund. Their outcomes proposed that the development of most of small firms is obliged through internal finance, together with a little leverage impact. Interestingly, the little division of firms that make overwhelming utilization of new shares issues display development rates far above what can be upheld by the internal fund. For these organizations, the connection between development & internal finance is less, proposing a relaxation of the inner fund limitation.

The paper of O Fatoki and Garwe (2010) researched the hurdles to growth of new SMEs in South Africa utilizing the principal components approach. The target of the examination was to explore the interior and outside environmental hurdles to the development of new SMEs. A new business creates, it exists and gets by in a domain described by both interior and outer variables which affect contrarily on the new business' survival. Thirty factors were distinguished as hurdles. The principal component technique and varimax rotation were employed to decrease the variables into five clusters. The most critical obstruction to the development of new SMEs was a fund which was an inner factor. This is trailed by the market and economic which are outside elements. Another inner factor which is an obstruction to the development of new SMEs is management. The minimum vital factor is the framework which is an external component. They recommended that New SMEs ought to have the capacity to create marketing strategies that capable to forecast requirements of cash flow, have an operational arrangement and show reasonability and manageability so as to secure source of debt finance. A government must support organizations that can help new SMEs with fund and training. Concessional advances for SMEs ought to have low financing costs so as to facilitate the advance burden on the rising ventures.

The study of Bartlett and Bukvič (2001), depended on the discoveries of an exploration venture which intended to distinguish the basic hindrances to small venture development in Slovenia. The key boundaries distinguished in the examination included variables connected to the institutional condition including constraints for the external finance, bureaucracy and high cost of the capital. Interior association and asset issues, and social help through nearby advancement alliances were observed to be less vital. The examination depended on an sample of small firm in Slovenia, and on an econometric investigation of the wellsprings of firms' development. The results indicated that organizations' development was adversely connected to firms' size, and that development was lessened by the nearness of financial and institutional obstructions. The worker advantages, for example, severance pay were positively connected to development.

Wagenvoort (2003), analyzed that whether little and medium-sized ventures (SMEs) in Europe experience the effects of a basic financing issue that blocks their development. He assessed the development capital sensitivities for firms in various size classes. his results demonstrated that the affectability of organization development to cash flow increase as organization size falls, which recommends that SMEs without a doubt experienced financial imperatives that kept them from completely abusing their development potential amid the sample time frame 1996-2000. Though the littler the firm is, the more the binding idea of finance is.

SMEs are a critical a part of the private division in numerous nations, there is clear proof that little firms confront massive development limitations and have less access to the outer fund. SMEs are less inclined to approach formal fund than bigger firms for a few reasons, including data asymmetry, an absence of security, and the higher expense of serving little transactions (Cowling, Liu, & Ledger, 2012).

Banks are viewed as the best simplest parties for giving financial help to SMEs Moro, Lucas, and Kodwani (2012), however the troubles that SMEs experience when attempting to get to bank credits can appear as, an inadequate scope of financial items and services, regulative rigidities or gap in the legitimate structure, or an absence of the information with respect to both the bank and the SME. Banks may abstain from giving finance to specific sorts of SMEs, specifically new companies and extremely young firms, as a result of the poor guarantees gave, or firms whose exercises offer the likelihood of exceptional high return however at a considerable danger of loss (Aly, Simon, and Hussainey (2010); Muller et al. (2015).

The role of SMEs are often seen from various perspectives that relate basically to the essential pretended by SMEs in with respect to innovation, export, job creation, and private sector production, in the developed nations, and in addition in emerging and developing economies (Harvie and Lee, 2002; Beaver and Prince, 2004). Different analysts have picked rather to help vast enterprises and have focused on their focal points. Specifically, they have contended that vast firms offer more steady employment than little firms, with positive ramifications for mitigation of poverty. They likewise proposed that extensive firms may abuse economies of scale which can impact their efficiency (Pack and Westphal (1986).

There are various structural market disappointments limiting some practical SMEs from getting to fund. This is because of inadequate or awry information between fund supplier and SMEs. It shows debt funding gaps influencing organizations that lack the track record or collateral guarantee. Banks and financial organizations require a guarantee that is ordinarily higher than the estimation of the advance. Banks and monetary foundations neglect to give debt to SMEs due to the presence of unbalanced data between the loan specialist and the businessman. It is hard for the bank to recognize high and low business risk without encountering noteworthy expenses. To evade the expenses related to collecting such information, banks consistently request that borrowers proof of a financial reputation and additionally guarantee as security for the debt (Steijvers, Voordeckers, and Vanhoof 2010). Karadag (2015), recognized that banks are as yet the most widely recognized wellsprings of SME fund in Turkey, anyway issues connected to guarantee, validity and money related explanations decrease their fruitful usage of bank advances.

They discovered that the qualification criteria to get to government credit is the same as that utilized by commercial business banks which centers around collateral, historical financial reports, and evaluation of business plans. Small-scale farms are regularly not capable to get to fund in financial organizations as compared big firms as they are esteemed hazardous and liable to default on their installments. MSE's credit constraints in access to formal finance have been predominantly ascribed to the high administrative expenses of small-scale type loaning, risk attached to their absence of collateral, asymmetric information, and inadequate ability to get ready business plans & local applications. These reasons are in general be more critical in developing nations where organizations supporting credit markets are frequently less created (Naser, Al Salem, and Nuseibeh 2013).

(Musamali, Tarus, & Review, 2013), stated on an examination to see whether firm profile impacts financial access amongst Small & medium endeavors in Kenya utilizing multiple regression technique. They discovered that risk uncovered divisions may not access as much fund when contrasted with different less risky parts while less profitable segments might be impeded in getting to finance. In their investigation a noteworthy end was that firm explicit attributes influence the capacity of firms to get to finance. Then again Bigsten et al. (2003), discovered that large firms are bound to get more advances and have preferred access to credit over little firms.

Atieno (2009), expressed that linkages between the firms and financial institutions capable firms to get to financial guidelines. Moreover, she discovered that participation to affiliation arrange seems, by all accounts, to be essential in encouraging access to financial guidelines/services.

Okurut & Ama, (2013), surveyed factors that influence women and youth small-scale entrepreneurs in Botswana. They concluded that commercial banks are not appropriate to meet the credit needs of smaller scale endeavors since they depend intensely in the traditional models of banking while evaluating a potential borrower. The traditional models of banking for access to outside finance corporates utilization of insurance for advances, verifiable fiscal reports, and anticipated income statements. The utilization of traditional models of banking is an impediment for MSE's as accentuation depends on security which the greater part of the little scale endeavors don't have. The banks focusing consideration on assessing income streams spilling out of an investment, the banks give careful consideration on the estimation of guarantee accessible hence business by collateral that has the highest value will have the capacity to get to fund than the individuals who don't have.

Babajide (2012), examined the impacts of microfinance one growth of micro and small enterprises in Nigeria. The goals are one, to look at the impacts of various practices of loan administrations in respect of advance size and tenor on the criteria of small ventures growth. Second, to analyze the capacity of Microfinance-Banks (MFBs) in respect to given its advance size and rates of the premium charged towards changing smaller scale organizations to formal little scale undertakings. The paper utilized panel data & multiple regression analyses to dissect an overview of 502 randomly chosen ventures finance by microfinance banks in Nigeria. They found solid proof that entrance to microfinance does not upgrade development of micro scale and little ventures in Nigeria. Be that as it may, other firm dimension qualities, for example, business size and business area, are found to have a significant positive influence on business development. The paper prescribed that a recapitalization of the Microfinance banks improve their ability to help small venture development and extension.

Akhtar, S., and Liu, Y. (2018), investigated that Financial proclamations contain wise insights about likely hazard and the arrival relationship of numerous choices and have huge job in firms' prosperity, especially for SMEs. Along these lines, through a sample of 94 Pakistani little and medium ventures (SMEs), this investigation reviews the impacts that could have sway on firms' routine with regards to the financial reports in settling on huge money-related choices. Principal component examination discovers key components which characterize utilization of fiscal summaries containing; background, information, and capacity. Logit examination at that point unveils that these factors have a critical relationship with whether Pakistani SME proprietors utilize fiscal reports while settling on business choices. Discoveries demonstrate that the proprietors of Pakistani SMEs practice budget summaries in basic leadership rendering as far as anyone is concerned about fiscal summaries, experience lastly their capacity to translate figures kept in financial reports.

Ahmad and Alam (2015), analyzed the progression of credit to Pakistan's manufacturing segment, concentrating especially on manufacturing SMEs. The information proposes that, in outright terms, credit streams to the manufacturing area developed consistently between December 2006 and December 2014. Notwithstanding, a lot of all out industry credit to declined definitely from 35 to 16 percent amid this period. Besides, the progression of credit is amassed in a couple of subsectors both in the manufacturing segment in general just as among assembling SMEs. This mirrors the low dimension of broadening where financing is concerned.

Hussain et al. (2010) proposed a factually noteworthy job of outer basic disappointment factors in the expanded disappointment rate of SMEs. A basic supporter of these disappointments is lacking access to budgetary guide or nonappearance of simple credit. Poor people get to is because of SMEs' restricted capacity to reimburse obligations (Bari et al.2005). The circumstance ends up grave since SMEs' capacity to create inward subsidizes shrivels proportionate to the span of firms (Bilal et al., 2016).

This investigation of Mutoko & Kapunda (2017), described the factors that impact Micro and Small Enterprises' (MSEs) get to finance in Botswana. The examination included a survey of MSEs in the manufacturing sector. A structured questionnaire was randomly controlled to MSEs and an aggregate of forty-seven respondents was gotten from the industries sector. The investigation utilized the Binary Logistic model with the credit result as an independent variable & the dependent variables including the size of the firm, a period of operation, financial performance, & level of formality. The best model chose depended on the Omnibus Tests of model coefficients, the Chi-Square tests, and the Nagelkerke R-Square qualities the Cox and Snell R-Square. The significance of each factor was resolved utilizing the Wald measurement esteem. The outcomes showed that the dimension of financial performance and the level of formality were essential factors impacting access to fund. There is a requirement for micro-finance bundles that would be customized towards the informal division.

The fundamental goal of the investigation of Mersha and Ayenew (2017), was to distinguish factors empowering successful access to formal finance sources. 200 example MSEs chose from three towns in west oromia district are utilized for the examination. The finding showed that; accessibility of collateral, Sector of the MSEs, Legal possession, MSE's age, proprietor's or director's age, proprietor's or administrator's religion and Size of the MSE altogether decide access to bank credit. It was also found the legal ownership, Keeping accounting record, owners or manager's age, Sector, owner's or manager's experience of business and MSE Size significantly decided access to credit from MFIs. From the supply side, high financing cost and long credit methodology are the principal factors. This suggested, however, MFIs are set up to give credit to MSEs, the arrangement of credit management is relatively comparative with banks.

Nikaido, Pais, and Sarma (2015), explored the determinants of development in a sample of SMEs firms. Firm development is inspected on various firm explicit and relationship loaning attributes. The informational collection gives a phenomenal chance of researching that specific variable of firm's impacts firm development. The examination explored the connection between firm development and relationship loaning factors. The outcomes on relationship loaning impacts propose that an expansion in the no. of loaning banks diminishes development rates in the bigger firms and that an increment in the no. of banks working in the region where the firm is found upgrades development of the bigger firms and reductions development rates of the small firms. It could, in this way, be contended that close loaning connections upgrade development for all organizations, however, that just the bigger firms in the sample to get benefit by more competitive markets of banking.

Field, Jayachandran, and Pande (2010), panel data procedures to investigate a study of 297 new small undertakings in Romania. They found solid proof that entrance to external credit expands the development of both sales and employment, while taxes show up as a hurdle to development. The data recommended that entrepreneurial aptitudes have a small independent impact on development when demand conditions are considered. The proof for the effectiveness of specialized help is feeble: just help given by outside accomplices yields a beneficial outcome. A wide assortment of elective measures of the business condition (property rights, contract enforcement, and corruption) are tried, yet none are found to have any reasonable relationship with firm development.

Ibrahim and Shariff (2016), examined the intervening role of access to finance on the positive connection between entrepreneurial orientation, technology orientation, marketplace orientation and performance of SMEs in Nigeria. A sample of 522 SMEs working in, Kaduna, Sokoto, and Kano states of Nigeria were chosen utilizing stratified random examining procedure. Partial Least Squares & Structural Equation Modelling was utilized to analyze the information. Subsequently, the smart PLS was used for analyses. The results of the path of the examination showed that entrance to fund intervenes the positive connection between entrepreneurial orientation, technology orientation (TO), market orientation and performance of SMEs in Nigeria. The outcomes further recommended that SMEs.

(Cooper et al., 1994), tried to foresee the overall performance of new ventures in light of elements that can be seen at the time of startup. Indicators of starting human and financial capital are reflected to decide how they bear upon the likelihood of three conceivable performance results as dependent variables which were a failure, minimal survival, or high development. Four groups were taken as independent variables that were of starting human and financial capital are inspected. General human capital spoke here by education of entrepreneur, race, and gender may replicate the degree to which the entrepreneur has had the chance to create significant abilities and contacts. Management know-how, compressed in the entrepreneur or accessible through guides or accomplices, reflects management particular abilities and information, without respect to the form of business. Industry-particular know-how reflects particular involvement in comparative organizations. Financial capital is a standout amongst the most observable assets. The study used a longitudinal investigation of 1053 new ventures, illustrative of all industry parts and geological areas. They discovered that measures of general human capital impacted both survival and both (aside from gender, with ladies possessed ventures being less inclined to grow, yet similarly prone to survive. The variables of management know-how had the more restricted effect. Having guardians who had possessed a business added to marginal survival, yet not to growth. The Number of accomplices added to development yet not to survival. Management level, earlier work in non-profit associations or not having been in the labor drive, and the utilization of expert advisor did not have critical impacts. Industry-particular know-how added to both survival and growth. The measure of initial financial capital was also added to both.

Alhabashi (2015), study planned to assess how Islamic financial establishments will support SMEs in Kuwait. The examination used a qualitative technique that was enunciated through a case study plan. The case is the marvel of SME financing as authorized by two authoritative structures. This examination utilizes two relative cases; the cases are confirmed to the idea of the financing associations in Kuwait and the connection of SME proprietors with these associations. Twenty four faces to face semi-organized interviews were directed with individuals from three distinct groups. SME proprietor, managers, financial institutions managers, and Sharia board individuals to investigate their thinking and observations as to the job of Islamic finance for SMEs. The primary discoveries show that, in Kuwait, access to fund remains a central test for SMEs. Moreover, collateral is one of the primary issues they confront while getting fund from Islamic banks. The discoveries recommended that without government help, the banks would not have the capacity to finance SMEs, and in this manner, specific SME fund organizations were more perfect than other Islamic banks with little and medium firms. Furthermore, the examination demonstrated that the instruments of Islamic finance were more reasonable than commercial instruments. It likewise demonstrated that incorporating zakat, waqf, philanthropy, and qard hassan would be useful to the SME section in Kuwait. The discoveries add to the comprehension of the job of Islamic fund and add to learning about SME advancement, utilizing Islamic finance techniques, in Kuwait. This could urge the government to imply related arrangements to provide the better facility of access to finance for SMEs.

Trbovich, Nešić, and Subotić (2018), gave new experimental proof of more extensive pertinence for financing innovation, by evaluating access to finance for the youth, creative ventures in Serbia. A data set was broke down utilizing an online overview, expanding upon a more extensive literature review, policy reports, and related business reviews. Determined outcomes, validated through comprehensive interviews by stakeholders, recommended that youthful inventive ventures in Serbia, i.e. those more youthful than 6 years, as a rule of smaller scale and little size, and those presenting new or enhanced item, method of marketing or process, or another authoritative strategy in their business practice – are excessively dependent on inside wellsprings of financing, and when they require outside financing, they are for the most part interested into grants counting co-financing, sponsored bank credits and equity ventures, instead of traditional bank financing. While applying for such type sources of financing, they will, in general, be effective.

Research of Kevane and Wydick (2001), made a comparison of entrepreneur performance of female and male in a microenterprise credit program in Guatemala. They performed estimations through survey statistics of 342 firms in western Guatemala. Their examination proposed that focusing on microenterprise credit at women, in specific conditions, appears to encapsulate an exchange off of economic development for a decrease of poverty. The experimental outcomes demonstrated that amid childbearing years in which ladies must assign quite a bit of their opportunity to administer to kids, female entrepreneurs are confined in their capacity to create work inside their ventures contrasted with different business people in the sample. Their outcomes showed no factually significant contrast in increments in business sales after credit arrangement amongst female and male entrepreneurs. The exploration also proposed that concentrating on the sharp concavity that exists in the production capacity of family unit ventures in developing countries. It is a misstep to accept that maintained microenterprise financing can routinely take household unit undertakings from a size of maybe a couple workers to a size of, say, twenty to thirty representatives. They suggested development experts associated with microenterprise loaning plans ought not to direct 20 credit far from women, in light of a conviction that their undertakings are probably going to develop more gradually than those worked by male business people. Microenterprise loaning establishments might have the capacity to dual dip by focusing using a credit card at moderately aged ladies; more youthful grandmas are probably going to have low peripheral supervision costs, but at the same time are probably going to coordinate benefits toward the welfare of grandchildren.

Rahaman (2011) expressed the relationship of quoted & unquoted organizations and usage the varieties in access to inner and outer financing inside a firm after over time to examine the impacts of financing springs on the growth of firm by taking sample of 5214 firms out of which 2741 (52.57%) are small firms, 1776(34.07%) are medium size organizations and 697 (13.36%) are big firms. He took firm growth as the dependent variable and internal financing (owners' equity) and external financing (bank credit) as independent variables and control variables were firm size, firm age, productivity, leverage and governance. He found that entrance to internal financing significantly influences firm development. Be that as it may, the impact of inter financing on organization development diminishes with an expansion in the firm's entrance to outer facility of bank loan. To the degree that entrance to a facility of bank loan is an all the more statistically intense measure of financing hurdles. The findings also recommended that external financing imperatives are mitigated, the firm, depends less on inner finances and changes to outer financing as its essential spring of financing for its development. He also demonstrated that this arrangement of progress amongst springs of inner and outer financing is especially articulated in small-unquoted firms. Little unquoted firms in his sample become excessively more than their medium & large partners. Despite the fact that these small unquoted firms are probably been financially compelled, they conquer their financing restrictions by aggregating more internal assets which, thusly, empowers them to finance higher growth. The findings of the paper recommend that the impacts of financing springs on firm development are quantitatively critical and that the genuine impact of financial arrangement emerges out of the chunk between the cost of internal financing spring and outside private loan. Additionally, there is complementarity amongst inner and outside financing particularly for small organizations and furthermore unquoted firms confronting enlightening issues. Access to inner wellsprings of financing can assume the twin parts of proxying for inner financial limit and also giving a signal about the nature of future development chances. Such signals, thus, lessen the outer financing source limitations.

Carpenter and Petersen (2002), tried to explain the relationship of growth of SMEs and constraints of internal financing. For this purpose they took panel of 1600 sample of manufacturing firms. Their findings stated that the firm holds the greater part of its income, raises moderately minimal external financing, and has a normal growth rate like of its cash flow proportion. For firms who make practically zero utilization of outside equity financing, their regressions results show a marginally more noteworthy than a dollar-for-dollar connection amongst growth and interior fund. The outcomes suggested that the growth of most little firms is obliged by internal financing, together with a little leverage impact. The small division of firms that make a substantial utilization of new offer issues displays development rates far above what can be upheld by inner financing. For these organizations, the connection amongst growth and the inner fund is feeble, proposing an unwinding of the internal financing imperative. For firms confronting internal financing imperatives, development rates might be around autonomous of size since income is roughly independent of size and the change of development rates may decay with the size in light of the fact that the difference of inside fund decreases with the size of firms. At long last, their outcomes are significant for a few lines of research in an industrial association including vital conduct among firms.

Ageba and Amha (2006), stated the factors that causing successful access to sources of formal finance for Ethiopian MSEs by taking sample of 200 firms. Bivariate analysis and multivariate analysis was used to test the hypothesis. The analysis included twelve variables, two of which are dependent (access to bank credit" and access to micro finance institution credit) and the residual ten are independent (owner's /manager's age, entrepreneurship capability , religion, experience of owners/ mangers , legal form of MSE, ownership of collateralized asset , size of the MSEs ,sector of the MSEs ,age of the MSEs, accounting system).Their investigation explained that availability of collateral, , Sector of the MSEs, MSE's age, Legal ownership, owner's or manager's religion or manager's age, owner's and Size of the MSE considerably define access to bank credit .Other variables consisting of owner or manager entrepreneur capability, keeping accounting record, owner or manager experience are not establish to decide access to bank credit. They also described that observance accounting record, Legal ownership, Sector, age of owners or manager, experience of business of owner's or manager's and MSE size positively determine the access to credit from micro finance institution. The left behind variables comprising of owner or manager entrepreneur capability , accessibility of collateralized asset, religion of owner or manager, and MSE's age, are not found to determine access to loan from MFIs. From side of supplier, procedure of loan and high rate of interest indicted by financial institutions are the basic problems that obstruct MSEs from retrieving formal credit. They recommended that both banks and financial institutions essential to make certain that the credit settled should be calm back. They further suggested that micro finance institutions do not want to take specific sort of risk of credit similar to their bank colleague.

Alhabashi (2015), conducted the study by receiving a qualitative approach that was enunciated through a case study layout. The case is the wonder of SME financing as established by two organizational structures. This exploration utilized two relative cases; the cases are confirmed to the idea of the financing associations in Kuwait and SMEs's owners' interaction with these associations. Twenty semi-organized interview face to face was directed with individuals from three distinct groups that were SME proprietor manager, financial manager of institutions, and members of Sharia board to investigate their conclusions and observations as to the part of Islamic fund for SMEs. The investigation found that collateral is one of the fundamental issues facing SMEs while acquiring finance from banks. Some owners and managers of SMEs appealed that banks require collateral that is commonly higher than the estimation of the advance. The bank directors, then again, consider security to be a decent indicator of the capacity and genuine points of the SME owners. However, discoveries of this examination additionally revealed that the high cost of credit now not simply in the shape of collateral as well as the prerequisite business plan, financial statements and records as a consumer, affects the performance of SMEs. Other than the distinguishing proof of and individual connections regarding dealing with banks. Results recommended that family foundation and solid individual connections can influence credit approval and therefore empower firms to get financial resources. Moreover, the investigation found that the intercession of the Kuwaiti government with the help of SMEs was as yet restricted to offering finance through particular SMEs financial organizations. Moreover, it was discovered that most of the SME proprietor or manager trusted that banks are not the ideal place to fund SMEs; the respondents felt that it was simpler for SMEs to acquire finance from specific SME financial institutions than from the banks. The exploration additionally found that Islamic banks in Kuwait don't fund start-up SMEs, just specific SMEs financial organizations do this. The discoveries recommended that musharaka is a high-hazard contract in light of the fact that the financial establishment teams up with owners and managers of SMEs. The investigation found that zakat and philanthropy would be useful methods for help for SMEs.

The objective of the study of Ibrahim and Shariff (2016), was to investigate the mediating role of access to finance on the positive connection amongst entrepreneurial orientation (EO), learning orientation, (LO), technology orientation (TO), market orientation (MO), and performance of SMEs in Nigeria. A sample size of 522 SMEs were designated using stratified simple random sampling techniques. To analyze the data Partial Least Squares-Structural Equation Modelling was used. The results indicated that access to finance mediates the significant connection between entrepreneurial orientation and SMEs's performance but statistical end result suggests that access to finance does now not mediate the connection between entrepreneurial orientation and firm performance of the firm. Secondly, access to finance mediates positive connection amongst market orientation and performance of SMEs. But, in this investigation, market orientation did not fundamentally influence firm performance specifically, but rather it has an immediate and positive effect on the access to finance. Curiously, the outcome demonstrates that market orientation influence firm execution through access to fund. Thirdly, access to fund intercedes the connection amongst learning orientation, and firm performance. As indicated by this finding executing learning orientation, may help SMEs to expand their accessibility of finance and thusly enhance firm performance. This outcome likewise demonstrated that regardless of how much a firm is learning oriented. Finally, the mediatory part of access to finance amongst technology orientation and firm execution relationship is very huge. To this end, the aftereffects of this examination recommended that SMEs in Nigeria should be technology arranged which will lead them to better access to funding and prevalent performance. The outcomes additionally proposed that SMEs need to utilize their vital exercises to enhance their capacity to acquire funds keeping in mind the end goal to perform well. While vital introductions show up as practical indicators of the firm performance, the confirmation recommended that SMEs, joining it with a different orientation, have higher access to finance and perform much better.

Pansiri and Yalala (2017), determined the aspects that influence Micro and small Enterprises' (MSEs) access to finance in the Botswana. Their study elaborated a survey of MSEs of manufacturing sector. Structured questionnaires were randomly administered to MSEs and a total of forty seven answers were got from the areas of industry. The study utilized the Binary Logistic model with the outcomes of loan as taking dependent variable and the independent variables comprised period of operation, financial performance, firm size and level of formality. The investigation demonstrated that level of convention and financial performance are the most imperative factor in impacting access to finance. They contended that education is a vital factor that adds to the accomplishment of MSEs in light of the fact that the educated business person is better ready to react to changing business condition. Government and Non-government associations should venture up endeavors in instructing the business group particularly the little scale division on the significance and advantages of maintaining a formal and profitable business undertaking. They offered recommendations to the government has increased its exertion intending to issues looked by MSEs as it has understood the potential that the area had, it is imperative that it keeps on making arrangements that will empower private lenders to better ready to help the administration in financing the part. The part of the government in cultivating a favorable approach condition for microfinance is a basic to the manageable development of the business as the administration arrangement is vital in supporting the practical advancement of microfinance. Microfinance organizations need to develop with the goal that they can sever or exploit the miniaturized scale and little market specialties. As the Local Enterprise Authority is critical in supporting the MSEs access to finance, it is vital for the specialist to proceed in supporting the division in getting to fund by outfitting the entrepreneurs with current patterns of international markets.

Babajide (2012), tried to explain the effects of microfinance on the growth micro and small business in Nigeria. The purposes of his study was to test the effects of various practices of loan administration (in sense of size of loan and tone) on the growth criteria of small business. Second, to explore the aptitude of Microfinance Banks (MFBs) (given its size of loan and interest rates charged) in the direction of changing micro-businesses to formal small scale business. He used panel data and multiple regression technique to probe a study of 502 randomly selected firms finance through microfinance banks. The fundamental discoveries of his examination uncovered that microfinance banks don't improve growth and extension limit of micro and small firms in Nigeria. The outcome additionally uncovered that variables, for example, education of owners, credit interest, a span of asset advance, business area, technology training got and size of asset advance, all effect fundamentally on smaller scale firm growth, however, the value of the beta coefficient of micro and small-scale firms finance variables are so little. His examination recommended that policies went for advancing the growth of micro and small firms ought to receive a sectorial approach and, inside that, address particular issues that influence firms at the lower and upper finishes of the range of growth and extension. He additionally suggested that enterprises bolstered by micro and finance banks should be connected up with bigger financing window like the Small and Medium Enterprise Equity Investment Scheme (SMEEIS) subsidize or Strategic Partners for development and development finance after survival. The business owners could likewise be connected up with other business banks who will service the business people through the MFBs in light of social capital. He further added Government should set up significant very much adjusted and fittingly organized foundations and associations to offer help for MSEs in such angle as; supply and dissemination of raw material, procurement, supply of local and imported in machines for usage on concessional terms, training in a few specialized evaluations, and make ideal economic situations.

Business growth is ordinarily characterized and estimated, utilizing outright or relative changes in productivity, sales, employment, profits assets, and profit margin. Sales information is typically promptly accessible and entrepreneurs themselves join high significance to sales as a pointer of firm execution. Furthermore, sale development is additionally simpler to gauge contrasted and some different catalog and is considerably more prone to be recorded. Sales are a decent pointer of size and development. Sales may likewise be viewed as an exact pointer of how a firm is contending with respect to their market (Barringer, Jones, and Neubaum (2005)

According to Lewis and Churchill (1983), as small firm begins and creates, it travels through some development organizes, each with its very own unmistakable attributes. They recognized five phases of development: "existence, survival, success, take-off and resource maturity". In each phase of development, an alternate arrangement of elements is basic to the company's survival and achievement. The Churchill Lewis demonstrate gives a knowledge into the elements of SMEs development, including the distinctive attributes, issues, and prerequisites of developing SMEs and clarifies business development forms among SMEs. The exact time in which a start-up endeavor turns into another business has not yet been hypothetically decided. Notwithstanding, the possibility of business survival could be likened with a firm that has completely finished the transaction to arrange two association in the five phases of independent company development.

2. Financial Literacy

The term financial literacy proposed by different financial experts and in various literature none of the precisely the equivalent. Budgetary proficiency is defined as the appearance of a man's capacity to make individual and family decisions related to financial management. Orton (2007), clarified that financial proficiency is vital to one's life in light of the fact that education is a vital device for making well-versed financial decisions. Remund (2010), clarifies that there are five areas of financial literacy, the capability to communicate related to financial concepts, the skill to make financial choices, the aptitude to communicate related to financial conceptions and the sureness to sort financial planning bout future.

Financial literacy implies that a person must have capability and self-reliance to usage financial knowledge to create financial decisions. Financial literacy is an element of human capital that may be used in financial actions to rise projected lifetime usefulness from consumption (Huston, 2010).

Xu and Zia (2012), said that the term financial literacy incorporates ideas that start with mindfulness and comprehension of financial items, financial establishments, and concepts related to financial aptitudes, for example, the capacity to compute compound interest rate and in addition financial skills, for example, to manage the money & financial planning. They further add that finance related proficiency has distinctive ramifications relying upon the dimension of income in the nation. In high- income nations, finance related education is viewed as a supplement to the buyer protection. One of the primary targets of financial education is to outfit everybody with the capacity to design existing monetary items, for example, retirement. It is accounted by Fraser et al. (2015), for that, a scarceness of skills financial management is correlated with corporations' access to finance that unfavorably impacts firms' capacity to get to ideal credit & equity, that causes of bankruptcy.

Byrne (2007), discovered that low financial learning will be caused by wrong financial plans, and cause predispositions in the accomplishment of prosperity at an inefficient age. Krishna, Rofaida, and Sari (2010), found diverse discoveries that male students have the lower the probability financial proficiency rates than women fundamentally concerned about learning of insurance, credit and investment.

Financial literacy made empower proprietors/supervisors to be more innovative in the utilization of credit and liability, the checking of spending plans, the convenient obtaining of crude material, generation, settled and variable expenses and stock use (Reich and Berman, 2015). Brugiavini, Cavapozzi, Padula, and Pettinicchi (2014), proposed SMEs with financial education empower proprietors/directors to implant great financial practices and to create frameworks to record, investigate and deliver the executives and financial data that guide productive task and basic leadership to upgrade the capacities of big business to prompt a higher and quicker development. Better checking of income enhances firms' entrance to fund and lessens default.

Financial choices landed at without sufficiently assessing financial results could contrarily affect a company's central goal, operation, financial structure and offer ascent to financial trouble

(Horngren, Harrison Jr, and Oliver, 2009). Van Praag (2003), proposed that poor decisions making are the result of poor management and financial literacy that frequently offer ascend to high losses rates among SMEs.The failure of SMEs to give sufficient data to hazard appraisal to assess whether the administration has the ability to oversee fallout from the emergency implied that entrance to outer finance was diminished; this leads to in addition to other things expanded credit charges and requirements of collateral (Engelen, Kube, Schmidt, and Flatten, 2014)

The examination set of Eniola and Entebang (2016), to review the impact of financial literacy on the execution of the SMEs from Nigeria's context. He expressed that study talks about one of the essential issues: financial literacy is a specific issue of small and medium firms, the organization has a tendency to have considerably higher rates of job development, yet additionally will probably leave the business or stay hindered because of institutional and financial literacy issues. The importance of the little and medium undertakings sector is recognized in economies around the world, paying little respect to the economies propelling stage. The commitment en courses execution development, work creation and social advance are esteemed extraordinarily and small and medium enterprises (SMEs) consider as an essential factor in a fruitful equation for getting economic development. He said that, the absence of concentrates in this regard is because of the complex and the ambitious idea of the little and medium undertakings and the diverse destinations, particularly in Nigeria.

The study of Tang et al. (2015), investigated how financial training, financial experience, and guardians' financial experience impact youthful grown-ups' financial knowledge. They depended on a general model of figuring out how to theorize the determinants financial knowledge procurement. Utilizing information on 3,597 youthful grown-ups from a national longitudinal study, they found that financial education, budgetary experience, and guardians' financial experience all apply a positive effect on youthful grown-ups' financial knowledge In addition, these determinants work intelligently. Both individual and guardians' money related experience help limit the hole in financial knowledge caused by absence of financial education

The objective of the study of Olawale Fatoki (2014), was to explain the degree of owners' financial literacy of new small firms into South Africa. His study utilized financial planning, book-keeping, exploration and control, thoughtful of funding sources, skills of finance and information, and business terms, accessibility of technology and techniques of risk-management to determine the financial literacy of new established entrepreneurs. His results told that majority of the owners of small firms' do not involve in formal planning financing, budgeting and control method and only have few books of account. A large portion of respondents comprehends commercial banks such as a wellspring of the fund, however, don't comprehend the wellsprings of equity finance and the prerequisites to get an advance. There is a comprehension of straightforward terminologies of business, be that as it may, the comprehension of current interest, rates of tax and exchange appear to be lacking. There are significant shortcomings in fund and data related aptitudes, utilization of technology and management of risk. His outcomes recommended a low degree of financial literacy by the proprietors of new smaller scale enterprises. He suggested that financial literacy should be included in the curriculum of high schools and universities so that entrepreneurs can realize financial literacy timely in life. Owners of microenterprises must to take better obligation for their own education. Therefore, they require to build a positive attitude in the direction of entrepreneurship. They can join training programs designed by universities on financial management for managers, who do not know the financial knowledge.

Okello Candiya Bongomin et al. (2016), conducted an examination to look at moderating influence of the network in the connection between financial literacy & financial inclusion between poor families in the rural area of Uganda. The study focused on 375 poor households as a sample. The examination utilized a cross-sectional research layout. Their findings stated that there is a positive & significant impact of networks in connection between financial literacy and financial inclusion. The Network moderates connection among financial literacy and financial inclusion. Moreover, the outcomes also showed that financial literacy emphatically and altogether influenced financial inclusion. Financial literacy comprises the securing of learning and aptitudes encourages the poor to settle on shrewd financial choices and decisions. Other than this, the outcomes also demonstrated that networks positively and the significantly affects the financial inclusion of poor family units in Uganda. The presence of extensive networks among poor people affected their degree of financial inclusion. That is justified by the way that when poor families are in the networks, it encourages data flow and sharing, particularly about existing assets including financial administrations, for example, credit among others. They recommended that financial inclusion promoters, policymakers, and administrators of financial establishments ought to guarantee that financial literacy preparing is directed through existing interpersonal organization structures. Financial proficiency backers and policymakers ought to heighten financial education exceed through financial literacy preparing programs with a specific end goal to achieve all the poor family units in rural zones. Further added that financial organizations/banks and financial consideration promoters ought to guarantee that financial administrations, particularly credit/advance services are stretched out to the poor through existing informal networks.

Drexler et al. (2014), directed a randomized control manage trial through a bank into the Dominican Republic to look at the effect of two unmistakable projects that are a standard accounting preparing versus a disentangled, rule of thumb preparing that shows essential money related heuristics. The sample comprised of 1,191 existing business / individual credit customers from Santo Domingo and survey was utilized to gather the information. The aftereffects of their investigation proposed that training to enhance the learning of finance and monetary bookkeeping without a doubt can positively affect the administration practices of small ventures in an emerging business sector. They demonstrated that the effect of training essentially relies upon the frame in which financial literacy preparing is given. Organizations in the rule of thumb preparing will probably execute the material that was educated, continue bookkeeping records, figure month to month incomes, and distinct their business & individual money related records. Underneath these normal outcomes, there is a reasonable example of heterogeneity. The relative additions from the rule of thumb preparing were especially substantial for firms beginning on the lower closures of execution, capacity or intrigue ranges. This features the significance of decisively assessing the components through which preparing works or does not work. They demonstrated that one size does not fit all with regards to preparing programs. It is vital to coordinate the preparation to focus on the customer base. Their outcomes accompanied two admonitions. To start with, business execution is at last estimated by profits, not income. Not exclusively are private venture profits hard to quantify, however as we illustrate, preparing can influence the quality of reporting and also genuine profits. Second, they discovered suggestive confirmation that at any rate a portion of the watched income builds originate from swarming out sales by different firms in the region. All things considered, in light of these discoveries, it gives the idea that in at any rate a few settings critical additions could be produced using disentangling preparing programs and depending more on simple-to-execute, down to earth general guidelines.

Bruhn and Zia (2011), studied the effect of a broad business and financial literacy platforms on results of firms of young businesspersons in emerging economy of Herzegovina and Bosnia. They select the sample of 445 of active clients of business loan through stratified sampling technique. They found that preparation program does not affect business perseverance. It does basically improve business practices and venture between enduring associations. Specifically, surviving associations are out and out increasingly inclined to execute new production shapes and to imbue new speculation into the business, unsurprising with the central point of the preparation exercises, which was to invigorate progressively capital advancement. Further, they found preparing associations will most likely disconnect individual and business accounts, renegotiate their advances for progressively extraordinary terms and obtain new credits with cutting down repayment parts. They do not found significant average treatment effects of their training program on business performance. However, they identify that entrepreneurs by relatively great ex-ante financial literacy exhibit improvements in sales due to the training program. Their results have important policy implications for business promotion that lack of business knowledge is not the primary constraint to new entrepreneurship because they do not find any significant impact of our treatment on business entry or exit. They showed significant effects on existing entrepreneurs, and on specific aspects of their businesses. They found that teaching entrepreneurs the value of capital investment indeed encourages them to change business practices that allow for greater innovation, for instance by implementing new production processes and making personal investments in the business. They didn't discover huge normal treatment impacts of the training program on business performance. However, they recognize that entrepreneurs with generally high financial literacy show changes in sales because of the training program. Their outcomes have vital strategy suggestions for the business advancement that absence of business information isn't the essential limitation to new enterprise since they don't locate any huge effect of training on a business section or exit. They indicated noteworthy impacts on existing business people, and on particular parts of their organizations. They found that showing business visionary the estimation of capital investment for sure urge them to change business practices that take into account more prominent development, for example by actualizing new creation procedures and making an individual investment in the business.

Cole, Sampson, and Zia (2009), explained to measure of financial literacy and demand of financial services of household in India and Indonesia. They took data through surveys from 1128 household.They found that a precisely outlined and conveyed training program of financial literacy in Indonesia did not animatedly demand of financial accounts among the overall public. This was not on the grounds that accounts are exceptionally hard to open, as small money related motivating forces made an expansive number of individuals to open bank accounts. They said that their outcomes don't really constitute bolster for financial literacy training even a few of the low-education subpopulation. Financial literacy programs are deliberately focused on, they may even no longer be cost-effective. The review information from Indonesia and India showed that financial literacy is an essential associate of family financial conduct and family prosperity. This gives advance suggestive proof that financial literacy is essential, and that educated customers settle on better choices. Their test comes about demonstrated that a training program of the financial literacy does not influence financial decisions among the overall public. It might be that financial literacy is an auxiliary, or even tertiary, the determinant of demand for financial services. Conversely, they exhibited that demand for accounts is exceedingly touchy to little financial impetuses.

Annamaria Lusardi and Mitchelli (2007), tried to answer the question why people of America fail to make plan for retirement. For this purpose they checked the impact of financial literacy on retirement decision making. They found that half portion of the respondents effectively answers two basic inquiries with respect to inflation and interest compounding, and just a single third accurately answer these two inquiries and an inquiry regarding risk diversification. Financial literacy is boundless among more established Americans. Second, they assessed whether individuals attempted to make sense of the figure out they have to put something aside for retirement, regardless of whether they contrived a plan, and whether they prevailing in the plan. They found that retirement counts are not a simple easy because just 31% of older individuals had ever attempted to devise a retirement plan, and just 66% of these succeeded. Third, they located that financial knowledge and arranging are unmistakably interrelated. Fourth, they assessed the planning tools individuals utilize. The respondents who planned were more averse to converse with family and relatives or associates/companions than they were to utilize formal means, for example, retirement adding machines, retirement courses, or financial specialists. Their study recommended that if financial literacy is boundless among specific representatives, a one-time financial training lesson is probably going to be deficient to impact arranging and sparing choices. Thus, instruction programs focused on particularly to specific subgroups might be more qualified to address extensive contrasts in inclinations and saving needs.

Yoong (2011), established a causal relationship between illiteracy about stock related investment and participation in stock market. The questionnaire is used to gather data with sample of 1000 aged of 40 and older individuals. This study explained that numbness of financial issues, or financial illiteracy, adversely influence securities exchange cooperation, notwithstanding for individuals whose riches, education, and financial proficiency are high with respect to the all-inclusive community. This finding is vigorous to the utilization of various risk measurements and foundation controls including wage, social variables, and behavioral proxies for different clarifications recommended. However, the discoveries proposed that absence of nature with finance can be an important obstruction to financial participation, and for people who are exceptionally disinclined to the obscure, building an essential attention to investing may influence the long-term capacity to collect wealth. As per his investigation, a few potential roads are accessible for future research. To start with, the model does not represent how time discounting and exacerbating enter the assets distribution issue. Second, the observational investigation is confined to the twofold stock interest choice and further research can be led toward basic estimation of the model's parameters. At last different kinds of conduct, for example, money related and something else and their relationship to financial literacy stay to be investigated.

The purpose of Kojo Oseifuah (2010), study was to evaluate the magnitude of financial literacy & effect on youth entrepreneurship in the South Africa. He used questionnaire completed by interview to measure the degree of financial literacy among entrepreneur’s youth in the Vhembe District of the Limpopo, South Africa. His Analysis revealed that the mainstream of youth entrepreneurs (almost 71.5 %) are in the age of 26-36 years bracket and 69.5 % have minimum undergraduate level. Also, over half (53 %) of the respondents youth assessed their mathematical literacy as being overhead average, whereas 62 % evaluated their computer literacy as upstairs average. Other than half of the respondents have an indication regarding interest rates, National Credit Act, VAT, and insolvency, however just a third (30.4 %) have slight or no knowledge regarding the stock exchange. It can be decided that the degree of financial literacy among youth entrepreneurs is above average. Though, because of the small sample utilized for this research, the result cannot be widespread. It is therefore suggested that a more wide study be started to attest the level of financial literacy along with its effect on youth entrepreneurship. The study recommended that Education and training together at high school and college levels with highlighting on financial literacy & skills of entrepreneurial may have important consequences for development of small, micro and medium-sized enterprise and growth for the young entrepreneur in common in South Africa.

The research of Lusimbo and Muturi (2015), examined the connection between financial literacy education and the development of MSEs in Kenya. The descriptive cross-sectional overview technique was used and 306 MSEs were chosen to utilize stratified random sampling from a populace of 1300 MSEs. The survey was used to gather primary data. Data were investigated utilizing rates and frequencies utilizing SPSS. The study concluded that a positive relationship exists between business growth and financial literacy. MSEs that are more effective is controlled by business people who have financial literacy and comprehend key financial concepts that consist on, debt management, interest rates, bookkeeping. There was a low level of debt administration education among managers of MSE which may adversely influence their financial decision making of when to obtain, how much and from whom bringing about poor business execution. The Study also inferred that most MSEs in the investigation zone don't keep business records that can empower them to gauge precisely the financial performance of their organizations because of unacceptable learning and abilities on record keeping. The absence of records expands information obscurity and may hurdle their entrance to finance. Financial Literacy was likewise observed to be decidedly identified with formal instruction; business visionaries that scored high in financial literacy had no less than a confirmation/authentication education, while conversely, business owners with the low level of formal education showed a low degree of financial literacy.

Siekei et al. (2013), surveyed the impacts of the training of financial literacy on performance of micro & small scale undertakings in Njoro District Kenya. The study researched the skills of financial literacy money conferred, and their part on performance of little scale ventures. Particular targets of the examination were to build up how accounting abilities impact performance of MSEs under financial literacy program in District Njoro, to set up the impacts of credit administration aptitudes on performance of SMEs under monetary education program in District Njoro and to discover how planning aptitudes influence performance of SMEs under that budgetary education program. Descriptive research study design was utilized to direct the study. The objective population for the examination was 467 recipients. A sample size of 82 was chosen through random sampling technique. Primary information was gotten utilizing questionnaire to the chose program recipients. Examination was finished utilizing percentage, frequency counts, means, standard deviation and t-test was used to investigate the distinction in before and after training programme. The examination discovered that the program accentuated on financial analyses, budgeting, credit administration and accounting aptitudes. In reality there was a huge change in income performance of little undertakings whose managers had gone to financial education program. Credit administration aptitudes acquired through the financial literacy program improved performance through obtaining of credit financing, and administration of advance portfolios to guarantee that advance liability and interest expenses was limited and intrigue costs limited. Budgeting technique has huge parts in developing sales, incomes and guaranteeing smooth running of the business. . The impact of this programme is marked in improving performance of business. Therefore, the government should fund the mainstreaming training programmes financial literacy all over the country as a policy for augmenting performance of small and micro enterprise.

Robb and Woodyard (2011), conducted a research to look at the connection between individual financial knowledge (subjective and objective), financial fulfillment and chose demographic factors regarding best practice financial conduct. A sample of 1,488 members taken and are examined by multiple regression analyses. The discoveries proposed that objective type knowledge may not be the most imperative factor in deciding if people settle on great financial choices or not. Other factors that significantly affect financial conduct incorporate financial fulfillment, salary, age, instruction, ethnicity, and race. The objective financial knowledge and subjective financial confidence show a low level of relationship and both significantly affect the behavior. Buyers who are more confident about respects to their own financial knowledge really take part in more favorable behavior. Personal financial knowledge significantly affects financial behavior. Income has the most noteworthy effect on financial conduct, trailed by monetary fulfillment, financial confidence, and education. Knowledge is plainly a critical segment in financial decision making basic, yet other variables assume a huge part too. They recommended that Policymakers, both Government and private, must know and give assets that encourage in choices identified with retirement and, risk administration, healthcare planning and emergency planning as they are attempted by their customers, representatives, and different constituents.

Clark, Lusardi, and Mitchell (2014), investigated whether investors who are all the more financially educated acquire more on their retirement design investment contrasted with their less modern partners, utilizing a one of a kind new dataset connecting regulatory information on investment execution and financial learning. Their outcomes demonstrated that the most financially educated investors held eighteen percentage focuses more stock than their slightest proficient partners. Secondly, they could expect acquiring eight percent focuses every month more in overabundance returns. Thirdly, they had forty percent higher portfolio unpredictability. Lastly, they held portfolios with around thirty-eight percent less specific risk, when contrasted with their minimum sharp counterparts. Their outcomes were subjectively comparable in the wake of controlling on observables and also modeling sample test. They likewise inspected portfolio changes to evaluate the potential effect of the financial proficiency mediation. Controlling on different elements, the individuals who chose to take the financial literacy review helped their equity distributions by sixty-six percent points and their month to month expected excess returns ascended by two point three percentage points. While these discoveries identify with just a single firm, they envision that they may branch different endeavors to improve financial knowledge in the working environment.

The purpose of the paper of Potrich, V., and Mendes-Da-Silva (2016), was to construct and analyze the models that survey financial literacy university students' in Brazil. The sample was made out of 534 students and to evaluate the information structural equation molding technique was utilized. They said that financial behavior of the students of Brazilian university communicates the capacity to set up long-haul points and savings funds for future acquisitions or emergency spending. This conduct is specifically impacted by fundamental questions such as interest and inflation and propelled questions such as risk and earning from various resources of financial information and furthermore by the significance credited to attitude through building up aims, controlling spending and b reserves of finance. They recommended that one of the conceivable measures to be taken is the consideration of issues of individual financial administration and financial proficiency of the market in all courses, paying little respect to the zone of education. An extra conceivable measure identifies with the advancement and selection of educational projects, which ought to advance individual financial education in all divisions of society.

The study of Sucuahi (2013), decided the financial literacy of the chosen small-scale business visionaries in Davao City. An aggregate of 100 smaller scale business entrepreneurs in Davao City was arbitrarily chosen. The respondents were given a study questionnaire that takes 5-point Likert scale. A regression technique was utilized in deciding the entrepreneur's financial literacy. The financial literacy was taken as the dependent variable and the sex and the instruction of the respondents were utilized as explanatory variables. The investigation could decide the qualities of the miniaturized scale business entrepreneurs in maintaining their organizations. The outcomes expressed that the entrepreneurs were not complex in record-keeping, financing, saving, and budgeting. They were also not unpolished in using their abilities. It was also discovered, that utilizing regression analyses that education is a factor that would increment financial predominance of the entrepreneur however not with their sexual orientation. The outcome demonstrated ladies have the lower level of financial literacy than that of the male.

The main role of the study of Guliman (2015), was to assess the financial literacy of Micro and Small Enterprise proprietors in Iligan City in Philippine which centers on financial knowledge and abilities. Additionally, this examination expects to distinguish the components that could influence the quality and level of financial knowledge, abilities and financial literacy overall. A sum of 100 respondents with heterogeneous sorts of business were requested to answer 38 questions that were separated into three sections. Results demonstrated that college education is the main noteworthy factor and is decidedly identified with financial knowledge while years in task contrarily influence the financial aptitudes of the business visionaries. In addition, this exploration demonstrated that college education improves the probability of having a more elevated amount of financial literacy with respect to secondary school education. The investigation found that the majority of the proprietors of these undertakings have lesser levels of financial knowledge in tax collection, financial establishments, time value of money, and investment securities. Also, financial aptitudes of the respondents showed low mean rate evaluations in saving funds and record keeping yet arranging and planning abilities posted a reasonable mean rate rating. In this way, comes about demonstrated that by and large, that owners have low levels of aggregate financial literacy in view of the estimations utilized. The discoveries have down to earth pertinence to MSMEs and policymakers to have the capacity to decide the intercessions important to help the MSME division.

Mandell and Klein (2009), analyzed the differential effect on 79 secondary school students of an individual course of financial management finished 1 to 4 years sooner. This examination utilized a coordinated sample configuration in light of an educational system's records to distinguish students who had and had not taken a course in individual financial management. Following quite a long while, their outcomes showed that the individuals who took the course was no more financially literate than the individuals who did not take the course. The individuals who took the course did not view themselves as a bigger saving oriented than the individuals who did not take the course. The individuals who took the course improved financial conduct than the individuals who did not take the course. Then again, the positive financial behavior is related to respondents who were permanent students of college or graduates.

The investigation of Agyei and Finance (2018), broadened the literature on monetary proficiency and social convictions to SME performance in a developing economy setting. Two essential inquiries propelled the examination: (1) does culture impact financial education?; and (2) does culture intervene the connection between financial proficiency and firm performance in Ghana? The outcomes, from 300 sample tested SME-Owners and dependent on Ordinary Least Squares and Logit regression, proposed that cultural qualities militate against financial information obtaining. Besides, Protestant convictions fortify the likelihood that SMEs would exploit development opportunity because of financial education. Along these lines, the examination inferred that the connection between financial literacy and SME development is cultural setting subordinate. The investigation prescribed that (1) religious bodies ought to instill financial literacy in their lessons; (2) financial education preparing programs for SME-Owners ought to be customized to address their issues; and (3) social convictions of SME-Owners ought to be of prime thought in structuring financial proficiency programs.

The main target of the study was to research factors that related to FL utilizing statistic variables and SME factors. To be specific education, age, sexual orientation, SME ages. This goal attempted to test generic demographic issues on the various sets of SME blended with another factor that identified with SME factors. The second goal was to comprehend the impact of FL on the financial behavior of the proprietor/administrator of SME in their SME financial ability. In this second target, the paper endeavor to appreciate the advantage of FL on SME monetary capacity, to be specific their access to an credit. FL expected to add to SME access to credit. They used 80 sample through purposive sampling strategy for SME in Surabaya. They utilized regression investigation utilizing Ordinary Least Square (OLS). They expounded that Positive connections in demographics variable just met in the middle of a dimension of education on SME proprietor/chief with a dimension FL. Besides, another statistic level wasn't altogether related to FL.FL verification to had a positive association with the access to credit (Hakim, Oktavianti, and Gunarta, 2018).

The investigation of Roslan, Pauzi, Khairiah Ahmad, Shamsudin, and Ibrahim (2018) analyzed the degree of accounting literacy which centers around accounting records and Financial administration among entrepreneurs in Jasin area. The sample of the study was 51 small business entrepreneurs. Discoveries of examination uncovered that, as far as accounting records, a dominant part of the entrepreneurs don't have appropriate record keeping and don't worry about the division of business and a personal transaction. In addition, relatively 70% of them didn't keep up any financial reports for business. As far as financial administration, the vast majority of the proprietors utilize self-financing in maintaining the business since they are stressed they can't manage the cost of the advance duties. Aside from that, it may be troublesome for them to apply for an advance because of no appropriate business record & financial reports arranged for the business. Their outcomes demonstrated that accounting proficiency is still exceptionally weak among the entrepreneurs of small business in Jasin region. They recommended that administrative bodies indorse explicit reporting guidelines rule custom fitted made for SMEs.the competent authority should establish simple and less complicated reporting templates to support small business owners in reporting related to their financial status. Fiscal and moral help from nearby experts is likewise basic in enhancing the dimension of mindfulness among small companies in reporting and dealing with their monetary transactions.

The examination inspected the intervening impact of competitive advantage among firm risk management practices & enactment of SME and the moderating impact of financial literacy between firm practices of risk management and competitive advantage. An organized questionnaire was utilized to gather information from 302 SMEs working in emerging business sector of Pakistan. The theories of proposed investigation are tried through Structural Equation Modeling (SEM) in Analysis of a Moment Structures (AMOS). The outcomes demonstrated that firm risk management practices essentially impact SMEs performance and competitive advantage. Competitive advantages mediate connection between firm's practices of risk management and performance of SME. Furthermore, financial proficiency significantly directs the connection between firm practices of risk management & competitive advantage. Organizations are encouraged to execute practices of formal risk management to increase competitive advantages and firm performance. Highest administrators essential enough financial knowledge that they will have the capacity to perform risk administration practices in a proficient method to pick up a focused place in the market (Yang, Ishtiaq, and Anwar, 2018).

Eniola and Entebang (2017), inspected the dimension of small and medium endeavors (SMEs) business owners– supervisors' financial literacy and its effect on a company's performance. The article used a random sample technique and structural equation modeling basic (SEM) approaches in evaluating the impact of SME business owners– supervisors' dimension of money financial proficiency inside the three states in southwest Nigeria. The results demonstrated the complete impact of the business owner– director's financial learning, financial attitude and financial awareness budgetary state of mind in changing over financial proficiency to increment in the firm performance. Also, they affirmed that financial literacy and consciousness of SME business owners– chiefs are clearly not an essential for the execution of SMEs, but rather business visionary qualities in basic leadership and relationship to financial attitude have a correlation with financial proficiency. Instructional classes through vital introduction on the attitudinal impression of SME business owner– supervisor and essential business skills related business management, capacity building angle, authority improvement and additionally networking by means of relationship management and the marketing on financial education may have huge impact on SMEs' execution and development for the administrators by and large in Nigeria.

The goal of the paper of Korutaro et al. (2014), was to research the connection between business bank loaning terms, financial literacy & access to formal credit by SMEs. In this cross-sectional examination, they overviewed 384 entrepreneurs or directors of SMEs in Uganda. They used confirmatory factor analysis to diminish the number of elements and distinguish the critical components that catch business loaning terms, financial literacy and an access to credit. They tried two hypothesis identifying with the importance of the connection between perceived business bank loaning terms, financial proficiency, and access to formal credit utilizing Structural Equation Modeling (SEM) with Analysis of Moment Structures (AMOS). The outcomes proposed that a positive and noteworthy connection between observed business bank loaning terms, financial literacy & access to credit. Also, the ANOVA results fortunately demonstrated that entrance to formal acknowledges changes for a type of business and turnover. Be that as it may, guarantee and credit reimbursement periods were not watched factors for business bank loaning terms. The most critical watched variable for business bank loaning terms was the rate of interest. This, together with financial proficiency, clarifies 31 percent of the changes in access to formal credit by SMEs in Uganda. They prescribed that business banks wishing to enhance the turnover of their microscale loaning plans and governments made a move to better access to a loan to conquer income imbalance issues, and furthermore enhance their development prospects.

2.4 Moderating Role of Financial Literacy

The target of the examination was to survey the impacts of the financial literacy education on execution of small and medium scale firms in Njoro District . The examination explored the skils of financial literacy granted, and their impact on execution of small scale undertakings. Explicit targets of the investigation were: to set up how skills of book keeping impact execution of MSEs under financial education program in Njoro District, to set up the impacts of skills related to credit managemnt on execution of SMEs underfinancial proficiency programe and to discover how planning abilities influence execution of SMEs under financial proficiency program in Njoro District.a daecriptive survey was utilized to manage the investigation. The target populace for the examination was 467 stakeholdrs of equity group foundation in nigeria. A sample size of 82 was chosen random inspecting strategy. Essential information was acquired utilizing questionaire to the chose program recipients. The examination discovered that: the program stressed on credit management, budgeting, book keeping skills and financial analysis, to be sure there was a huge enhancement in turnover performnce of little ventures whose directors had gone to the financial proficiency program. skills of Creditmanagemnt got through the financial education program improved execution through obtaining of credit financing, and the board of advance portfolios to guarantee that advance liabality was limited and interst costs was decreased. Planning aptitudes noteworthy rols in growing turnover, net profit and guaranteeing smooth running of the business. The governmnet ought to finance the mainstreaming traning of fianacil literacy programs all through the nation as a system for improving little and smaller scale undertaking performance (Siekei, Wagoki, and Kalio, 2013)

The focus of the examination was to assess the literature and conducted overviews to inspect the significance of financial literacy, measure the dimension of financial literacy among, latest new companies and set up firms, and discover the connection between financial literacy and access to finance and the development of a firm. The investigation dependented on the above targets makes the accompanying commitments to the current literature. a quantitative approach was utilized, it gave proof on the connection between financial literacy and access to finance; it provided a few answers with respect to whether there is a positive connection between expanding financial literacy and access to fund. it examined whether financial proficiency enhances the development capability of SMEs.Using the purposive testing strategy, the sample of 38 little and medium size endeavors enterprises from the city of Birmingham and the interview procedure was utilized to gather the information. The aftereffects of this investigation explained view that financial literacy education programs will upgrade the viability of SMEs to get ready financial data that thusly enhance their capacities to get to outside finance. The discoveries went before legitimately to the hypothesis that financial proficiency upgrades access to finace and subsequently the development of the firm. (Hussain, et al., 2018)).

This study Adomako, et al. (2016), had viewed moderating impact of financial literacy on the access to finance and firm development relation in Ghana. They took access to finance independent variable, financial firm growth as the dependent variable and financial literacy as moderating variable. The hypothesis was empirically verified utilizing an empirical study of 203 SMEs and hierarchical regression analysis. Their findings bolster the experimental hypothesis which contended that financial literacy is a significant enhancer of the connection between access to finance and firm development. An important ramification is that managers ought to perceive and deal with the learning procedure of financial management. This examination recommended that financial literacy is critical in making an interpretation of access to fund higher development results.

Okello et al. (2017), tried to set up the moderating impact of financial literacy on the connection between access to finance and growth of SMEs in the developing economies in Uganda. The cross-sectional study design was utilized in the investigation and data were gathered from 171 SMEs. Excel program was utilized to test the relationship of factors. The outcomes showed that there is a significant connection between access to finance and growth of SMEs in the developing economies. The increase in access to finance by SMEs can enhance financial conditions in developing nations by increasing innovation, macroeconomic flexibility, and GDP growth. Furthermore, the results of regression analyses also uncovered that financial literacy has an important impact on access finance by SMEs in developing countries. In fact, sound financial administration is basic to the survival and administration of SMEs in developing economies on the grounds that financial literacy aptitudes engage and teaches SMEs proprietors and directors so they can assess financial items and settle on informed choices. Additionally, the outcomes demonstrated that there is a noteworthy effect of the financial literacy on the development of SMEs in developing economies. Financial literacy causes SMEs to procure knowledge, ability and skills to financially strategize keeping in mind the end goal to settle on financial choices and decisions. At last, the hierarchical regression relapse comes about showed that financial literacy significantly moderate the connection between access to finance and development of SMEs in developing economies. Financial literacy helps SMEs proprietors and directors to secure financial learning and abilities important for them to make business arranging, initiative saving plan, and settle on strategic investment decisions.

2.5 Theories

2.5.1 Resource Based Review (RBV)

The Resource Based Review (RBV) Barney (1991); Mahoney and Pandian (1992); Mahoney and Pandian (1992) recommended that firms are the bundle of the resources. The RBV takes firm-particular point of view on why firms succeed or flop in the market place (Dicksen, 1996). The fundamental thought of the RBV is that a firm can accomplish sustainable competitive advantage and inevitable superior development and performance, if it obtains and controls "valuable, rare, inimitable and non-substitutable resources" and capacities, as long as it can ingest and apply them (Barney,1991).

(1)Valuable: Resources are significant in the event that it gives strategic incentive to the firm. Resources offer some incentive in the event that it helps firms in misusing market opportunities or aides in decreasing threats of market. There is no favorable position of having resource in the event that it doesn't include or upgrade value of the firm. (2) Rare: Resources must be hard to discover among the current and potential competitors of the organization. Consequently resource must be uncommon or different offering competitive advantages. Resources that are controlled by many firms in the commercial center can't give competitive advantage, as they can't plan and execute a distinctive business procedure in correlation with different competitors. (3)Imperfect Imitability: Imperfect imitability implies making duplicate or impersonate the resources won't be viable. Bottlenecks for the Imperfect imitability can be numerous viz., challenges in obtaining resources, uncertain connection among capacity and competitive advantage or multifaceted nature of resource. Resource can be premise of managed competitive advantage just if firms that don't grip these resources cannot procure them. (4)Non-Substitutability: Non-substitutability of the resources infers that resource can't be substitute by another elective resource. Here, contender can't accomplish same execution by supplanting resources with other elective resources.

For instance, resources that can produce sustainable competitive advantage incorporate capabilities, assets, organizational procedures, information & knowledge. (DeSarbo, et al. 2005; Slater, Olson, and Hult 2006; Song, Di Benedetto, & Nason, 2007; Teece 2012). Along these lines, inner capacities are essential for the access to finance and growth linkage. As per the RBV, organizations are unequally dispersed packs of resources (Teece 2012;Wernerfelt 1984), making asset heterogeneity that holds on after some time and gives a basis to firm development (Barney, 1991). It is viewed as that access to finance & financial literacy are packs of resources access to a firm that is basic for creating competitive advantages (Song et al., 2007)) and can be utilized to attempt different activities to attain growth. Entrepreneurs, as well as financial literacy, is an inward firm ability that can supplement access to finance to attain prevalent growth results. This point has been discussed by past scholarly investigations Brush and Chaganti (1999), contending that the setup of an association's capacities empowers the firm to effectively seek peruse its development.

2.5.2 Dynamic Capability

“Dynamic capabilities have been defined as the ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments management” Teece, Pisano, and Shuen (1997).To have the capacity to play out the distinctive financial decisions like investment, saving and retirement plan productively, firms may depend on dynamic capabilities, for example, financial literacy, that can help firms transform assets into an assortment of purposes, for example, creation, augmentation and modification in resources (Helfat et al., 2009).

Zaidy and Othman (2012) portrayed the goal of dynamic ability hypothesis fit as a fiddle of various articles idea in their examination paper that first, DCs is a high order capacity more often than not as intangible (process/capabilities/skills/) resources. Second, DCs is intended to change asset base that can be inside as well as outside to the firm as long as they have authority over them. Third, as DCs is to change asset base, it very well may be utilized to restore assets as well as to redeploy, recreate, conserving, and even to demolish them. Fourth, despite the fact that DCs can be adequately used to reaction to quickly changing condition. Fifth, the fundamental target of DCs isn't simply to accomplish competitive advantages yet in particular is to support the competitive advantages under challenging condition. Finally, the intangible capacities/skills/processes must be the biases of DCs when they are significant, once in a while accessible in the market, hard to-copy by contenders, and no substitutable that develops from way reliance and heterogeneity among firms.

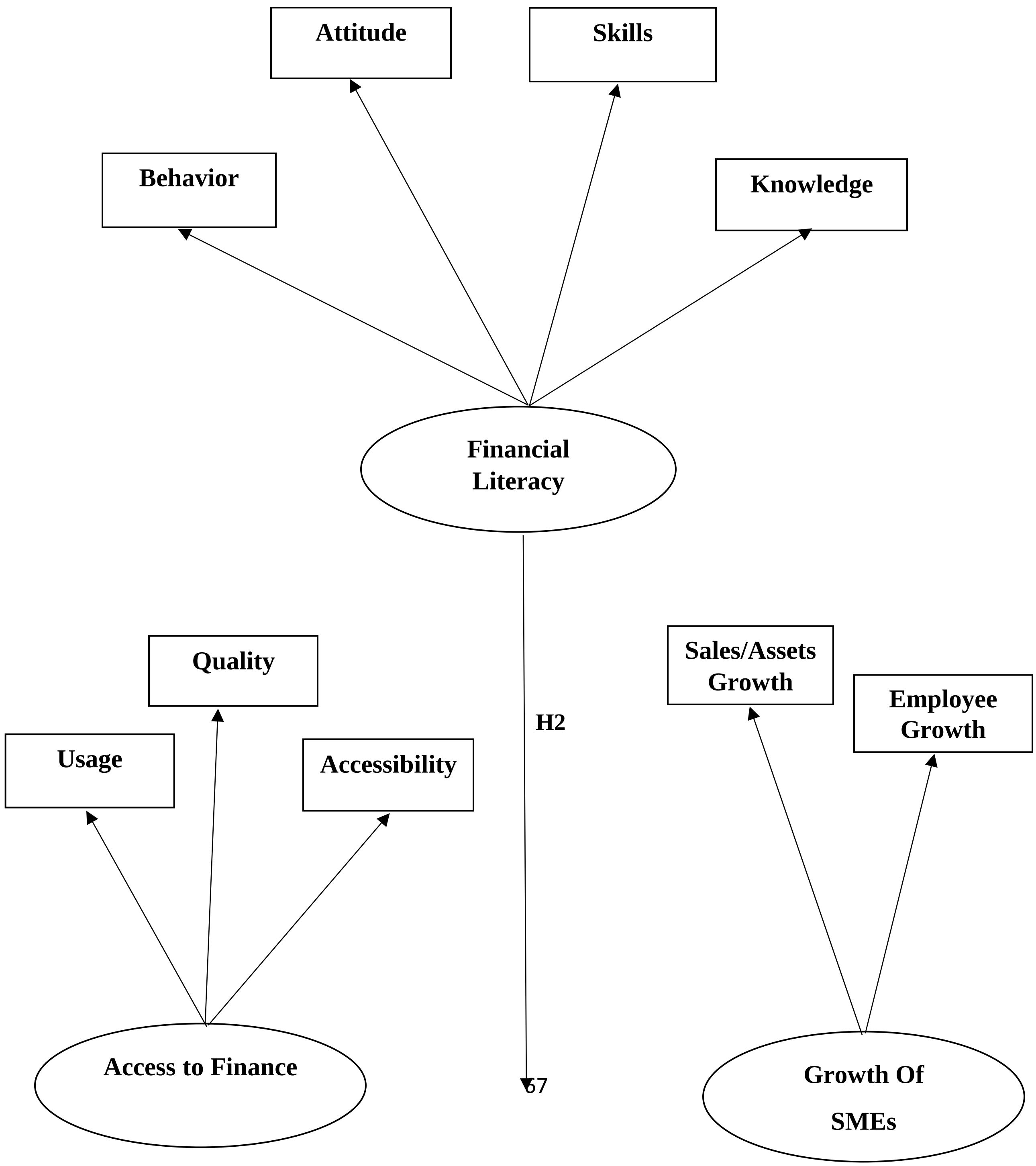
According to Annamaria Lusardi (2012), "financial literacy encompasses knowledge and cognitive skills with a set of desirable attitudes, behaviors and external enabling factors”. In this investigation, it is conceptualized that financial literacy as the fulfillment of information and aptitudes to oversee finances, use of financial services & plan the market of consumer successfully to accomplish the financial targets of a firm. This comprises skills such as budgeting, debt acquisition, bill payment, and management of customers issues, and examination shopping (Reich and Berman, 2015).

Dynamic abilities enable organizations to reshape their current resources and capacities (Teece et al., 1997). it is argued that, so as to put financial resources into legitimate use, a reconfigurations of the current resources or abilities that dynamic capacities can give is critical, as the latency of steady, 'ordinary' assets and abilities may not enable the maximum capacity of access to finance to be worked out as fulfilment (Eisenhardt and Martin 2000; Engelen et al. 2014; Helfat et al. 2009; Teece, Pisano, and Shuen 1997).

2.3 Research Gap.

Previous studies such as Abor & Quartey (2010); Drexler et al. (2014); Kevane and Wydick (2001); Cressy (2002); Beck et al. (2008); Stevenson & St-Onge (2005), have examined the impact of access to finance on the growth of SMEs in both developed and developing economies. However, these studies ignore the moderating role of financial literacy in the relationship between access to finance and growth of SMEs in developing economies. However, it was suggested in the future direction of the study to be conducted in either developed or emerging economy like Pakistan, India and Germany etc. The study conducted by Okello et al.(2017), was focused on specific sector with the moderating role of financial literacy. Therefore, generalizability can be issued in such a study. Present study is an attempt to fulfill this gap by conducting research on comparison between of two sectors manufacturing and service as access to finance and SMEs growth with moderating effect of financial literacy.

2.4 Conceptual Framework Figure 2.1



H1

H1

The conceptual framework is formed to explain the expectations of your findings through your study. It is a tool of analytical nature that have numerous perspectives. Conceptual descriptions among various variables can be made by using this frame work. A conceptual frame work is helpful in remembering and applying something in an easy way. It guides the reader regarding the work of researcher as well as it depicts the consideration of researcher regarding the association among independent and dependent variables. In the above figure of conceptual framework three variables are used. First is access to finance as independent variable with five dimensions which are accessibility, usage and quality. Second is growth of SMEs as dependent variable with two dimensions that are employee growth and assets growth and third is financial literacy as moderating variable with four dimensions that are behavior, attitude, skills and knowledge.

2.5 Hypothesis

H1: Access to finance significantly affects the growth of SMEs in District Faisalabad.

H2: Financial literacy significantly moderates the relationship between access to finance and growth of SMEs in District Faisalabad.

CHAPTER NO.3

RESEARCH METHODOLOGY

This chapter provides the detailed research methodology that was adopted in the study. It addresses the research design, population and sampling design used in the study. The chapter further discusses the data collection methods, research procedures and data analysis methods that were implemented.

3.1 Research Design

A research design as described by Kothari (2004), is the plan of conditions for gathering and examination of data in a way that expects to give bearing and pertinence to the analyses purposes with the economy in procedure. It is an arrangement that gives the general system to the gathering of information for the study. That is, it’s an arrangement for choosing subjects, analyses sites, and information assortment procedures to answer the analyses question to give valid outcomes. S. Lewis (2015), characterized research design as a key system for activity that fills in as an extension between research questions and the execution, or usage of the research procedure. It is a time-based plan that guides selection of sources and types of information all based on the research questions (Cooper, Schindler, and Sun, 2006).

The appropriate research outline for an investigation is one that limits bias, maximizes the reliability of information to be gathered and in accordance with the purpose of the examination.

Diverse research outlines can be advantageously sorted as either research design if there should arise an occurrence of exploratory analyses studies about with significant accentuation on the invention of thoughts and bits of knowledge; analysis style in case of descriptive and or diagnostic analysis studies with main aim of explaining characteristics related to population or determinant the frequency with that one thing happens or its association with one thing else; and analysis style in case of hypothesis-testing analysis studies additionally called experimental studies and focuses on causative relationships between variables.

The research outline that was utilized in this investigation was the descriptive review that is unhindered which is an effort to investigate and clarify a topic, while making a fuller image of the topic.

That is, it looks to answer queries, for example, who, what, where and how to any given topic. This style is chosen for the study as a result of it permits for getting a numerical and structured description of the population and can provide a clear understanding of moderating effect of financial literacy and how it affects the growth of SMEs in Faisalabad.

3.2 Population

Cooper et al. (2006), characterized population as the component which we wish to make derivation on. They additionally specified that it is the aggregate accumulation of components about which one would expect to make interferences. Population is entire cluster of individuals, things or places underneath study. The population can likewise be viewed as all units or components establishing a set or universe (Abbott and McKinney, 2013).

Total population of manufacturing and service small and medium enterprises for this study was 1808 in Faisalabad FCCI (2017)). From which manufacturing SMEs were 1457 and service SMEs were 351.

3.3 Sampling Technique

Walliman (2017), characterized population as the component which we wish to make derivation on. They additionally specified that it is the aggregate collection of elements about which one would plan to make deductions. Sampling is a strategy that enables the researchers to construe data about populace supported results from a set of the populace, while not having to research each individual. Reducing the number of people in a very study decreases the price and work, and should create it easier to get top quality data. If a sample is to be utilized, by whatever technique it is picked, it's vital that the people elect as representative of the entire population (Barreiro and Albandoz, 2001).

There are diverse sampling technique accessible, and that they can be divided into two main group that is probability sampling and non-probability sampling technique. In probability or random sampling, you begin with an entire sampling frame of every single qualified individual from which you choose your sample. Along these lines, every single qualified individual has a possibility of being decided for the sample, and you may be further able to generalize the results from your study. Probability sampling techniques have a tendency to be additional tedious and costly than non-probability or non-random sampling techniques. In non-probability sampling, you don't begin with an entire sampling frame, so some people don't have any probability of being chosen.

Subsequently, you cannot assess the result of sampling error and there's a big risk of ending up with an non-representative sample that produces non-generalisable results. However, non-probability sampling ways tend to be cheaper and additional convenient, and that they are helpful for the explorative analysis and the hypothesis creation. But, probability sampling has more accuracy, generalizability and effectiveness as compare to non-probability sampling method. Non-Probability sampling method has different types convenient sampling, Quota Sampling, Judgment sampling and Snow Ball sampling.

Convenient sampling method was used to collect the data in this study. The individuals who may be easily accessed were selected as for sample. This technique was preferred due to its less time consuming and also less money consuming

Convenience sampling is maybe the best methodology of sampling, as a result of participants are chosen in view of accessibility and willingness to participate. Helpful outcomes can be acquired, however, the outcomes are inclined to critical bias, on the grounds that the individuals who volunteer to participate might be not quite the same as the individuals who elect not to, and the sample may not be illustrative of different qualities, for example, age or sex. Advantages of this technique is that it is economical and less time consuming.

3.4 Unit of analysis

Data was collected from owner and top managers as they are further answerable for strategic planning and presentation of their firms (Anwar, 2018). The unit contains what we are contemplating and who is analyzed. Commonly units of examinations include Groups, the social artefacts, and individual and so forth in a business research as indicated by (Hair, 2010)

3.5 Sample Size.

Sampling is a technique to choose a sample from the population (Fraenkel and Wallen, 2003). The sample size is that the actual range of respondents that will be representative of the population under analysis, and will bear some correspondent relationship to the dimensions of the population from that it's drawn (Cooper et al., 2006). To conduct research of the entire data about the populace isn't conceivable and it is tedious and costly. Along these lines, we require a proper sample size so we can make the implications regarding population dependent on that sample.

Sampling is an imperative method of the research process as it depends on how the populace is characterized to choose the sample. Deciding the target populace is the initial move of sampling through which finding of research utilized and the following stage of sampling is to decide the available populace and the last step of sampling is to draw. A primary data was collected from SMEs through the questionnaire. 350 questionnaires were floated personally and through an online questionnaire to managers and owners of small and medium enterprises in Faisalabad. From which 232 questionnaires were received from respondents and 21 questionnaires were partially filled and 7 questionnaires such in which respondent tick on two options. Equal number of questionnaire (102) was selected from both sectors manufacturing and service. So, 204 questionnaires were considered as valid for analyses (Sivo, et al. 2006: Adomako et al. 2016)

3.6 Data collection Methods.

There is a range of data kind’s tools accessible to analysts contingent upon the sort of data to be gathered. There are two kind of data, primary data and secondary data. Primary data are gathered a new and for the first time, and in this way happen to be unique in character and therefore, on the opposite hand the secondary data, which are those that have just been gathered by somebody and which have just been gone through the statistical procedure (Kothari, 2004).

The primary data gathering strategy was utilized in this investigation a self-administrative Questionnaire was utilized for gathering information. The Questionnaire involves two sections comprise information, like demographic information and therefore the second portion contains the variables and its things. The questionnaire contains thirty items to measure the model. The question is estimated with 5-point likert scale with responses “strongly disagree” to “strongly agree “.the demographic portion has four items including business type, age, experience, and education.

Likert scale

To check the answers of the respondent within the study, likert scale is utilized. The likert scale is utilized to watch that how articulations on the five-point scale depict how unequivocally subjects concur or can't help contradicting these mentioned proclamations as indicated by (Sekaran, 2006). Following options are utilized in likert size of five points.

Table .Likert Scale

Strongly Disagree.	Disagree.	Neutral.	Agree.	Strongly Agree.
1	2	3	4	5

Likert scale is most generally used and an acknowledged phenomenon that is being employed during this study for scaling that giving answers within the Questionnaire. Likert scale is most generally used and an acknowledged phenomenon that is being employed during this study for scaling that giving answers within the Questionnaire. The respondents express their answers in terms of their level of disagreement or agreements on the giving scale for an arrangement of choices.

3.7 Pilot study

Pilot testing is the utilization of information gathering apparatuses to decide how satisfactory and applicable it is in giving proof of the research study. The motivation behind pilot study about is refining the survey any progressions or to make corrections in the questionnaire in the inclinations of reactions of respondents (Saunders, and Vercken, 2011)

It's additionally necessary because it evaluates the interest of respondents. During this study, pilot testing of the questionnaire was conducted to confirm the validity of the analysis instrument. The pre-testing ensured that necessary revisions were created and modification before the particular study. For this purpose, ten percent of the sample size that was thirty-five respondent was selected (Peter, 1979) and form distributed among them. Responses received against these questionnaires were entered into SPSS then their reliability was calculated. Here extraneous things making drawback in reliability statistics were deleted and the questionnaire was refined on the bases of the remaining item.

3.8 Instrument

Access to finance is measured using three dimensions of accessibility, usage and quality and this measure comprised of seven items. Financial literacy is measured by four dimensions knowledge, skills, attitude and behavior. This measure consisted of thirteen items. Growth of SMEs is measured by dimension of sale and assets. This measure consisted of ten items.

Construct	No. of items	Statements	source

Summary of scales were used in this study

Access to Finance	07	• "The saving product provided by the bank is suitable for us" • "The savings product offered by the bank is safe for us" • "The loan product provided by the bank suits our needs" • "The terms and conditions on use of loans provided by the bank is favorable to us" • "The financial services provided by the bank is safe for us" • "The initial account opening fees charged by the bank is affordable" • "The cost of making a trip to the bank is affordable"	Claessens (2006). Beck et al., 2008). Ardic, Heimann, and Mylenko (2011)
Financial Literacy	13	• "We have the ability to analyze our financial performance periodically" • "My enterprise makes monthly income returns to the lender" • "I receive training on proper book keeping skills" • "My enterprise has bought Formal insurance for our businesses" • "The management of this business can compute the cost of its loan funds" • "My enterprise operates a savings account" • "The entrepreneur can prepare basic books of accounts" • "The firm is aware of the operations of lending firms relating to our financial needs" • "I am aware of the costs and benefits of accessing credit" • "The firm is able to correctly calculate interest rates on my loan payments" • "We have required skills to ascertain the financial trends of the firm" • "We have skills of minimizing losses by minimizing bad debts" • "The manager of this business has basic accounting knowledge"	Atkinson and Messy (2011). Clark et al. (2014). Holzmann (2010).

Growth of SMEs	10	• "The number of employees is small for the current needs of the business" • "We intend to increase the number of employees" • "We intend to increase the number of employees growth of this business" • "There has been a double increase in the growth of our business sales this year" • "Overtime, we have created more avenues for exchanging goods and services" • "Our assets have increased this year compared to last year" • "Our long term assets have facilitated the growth of our business" • "We intend to acquire more assets" • "We intend to acquire more assets sales this year" • "Our annual sales increase each year"	Davidsson, Achtenhagen, and Naldi (2010) Suresh De Mel, David McKenzie, and Christopher Woodruff (2014)

3.9 Data Analysis Software and Statistical Method

Cooper et al. (2006), defined as data analyses is the procedure that makes sure the accuracy of information and their transformation from the raw frame into grouped structures applicable for analysis. After information accumulation, information investigation is done by finishing the means of survey checking, altering, coding, translating, information cleaning, changing the information and choosing an information examination system to assemble sense or significance from the information gathered and the last data can be classified as diagrams and pie graphs.

The information that was gathered in this investigation was broke down utilizing quantitative strategies for examination due to the nature of the information. For analysis of this thesis, hypothesis were tested using Structural Equation Modeling (SEM), Statistical Package for the Social Sciences (SPSS) software and Partial Least Square (PLS). For this purpose, Smart PLS 3.0 version was employed. In spite of criticism for using PLS, it has been well established technique to calculating path-coefficients and have gained popularity recently (Ali & Kim, 2015). Smart PLS has been employed in the thesis due to its capability to model latent constructs under the situation of small to medium sample sizes and non-normality in the data (Hair, et al., 2016).

CHAPTER NO.4

DATA ANALYSIS AND RESULTS DISCUSSION

This chapter presents the findings obtained from the data analysis done. The chapter further gives findings based on the research objectives. The first part covers demographic and general information on the respondents. The second part presents findings on the research and its interpretation.

4.1 Demographic analyses

In this study 350 questionnaires were issued to respondents, from which 204 questionnaires were considered valid for the examination.it was cooperative study, so an equal number of questionnaire 102 were selected from two sectors that were manufacturing and service. The demographics characteristics of respondents have been discussed as under.

Age	Frequency	Percent
20-29	30	14.7
30-39	53	26.0
40-49	90	44.1
50-Above	31	15.2
Total	204	100.0

Table 4.1 Respondents' Age

Majority of the respondents were within the age of 40-49 that was 44.1 percent of the total rate of response. While 26% were within the age bracket of 30-39 and 15.2 % were within the age of 15 and above. In addition. 14.75 were within the age bracket of 20-29.

Experience	Frequency	Percent
1 to 3 year	33	16.2
4 to 6 year	55	27.0
7 to 9 year	48	23.5
above 9 year	68	33.3
Total	204	100.0

Table 4.2 Respondents' Experience

Majority of the respondents had experience within the bracket of above 9 year that was 33.3 percent of the total rate of respondents. While 27% were within the experience limit of 4 to 6 year and 23.5 % were within the bracket of experience of 7 to 9 year. In addition. 16.2% were within the bracket of 1 to 3 year experience.

Education	Frequency	Percent
Matric	9	4.4
Intermediate	25	12.3
Graduation	77	37.7
Master	80	39.2
MPhil- Above	13	6.4
Total	204	100.0

Table 4.3 Respondents' Education

The outcomes of the study indicated that 4.4 percent respondents had got matric education, while 12.3 % had attained intermediate education and 37.7 % had got graduation qualification. Furthermore that 39.2 % respondents had attained master education and 6.4 % had got M.Phil. level qualification.

4.2 Results

4.2.1 Pilot Study Results:

Pilot study was carried out on a sample of 35 respondents as 10% of sample size (Peter, 1979). Results of the pilot study have been presented in the table given below and fulfill the requirements of the measurement or outer model using Smart PLS 3.0. Results lie in the acceptable range indicates the research being carried out in the right direction. Following are the results obtained for factor loadings, Cronbach alpha, composite reliability and convergent validity. Discriminant validity has been reported separately in the table using Fornell and Larcker (1981).

Constructs	Cronbach Alpha	Composite Reliability	Average Variance Extracted (AVE)
AF	0.875	0.903	0.572
FL	0.896	0.909	0.667
SG	0.915	0.928	0.518

Convergent validity of the constructs is assessed on the bases of Average Variance Extracted (AVE) values. It can be noticed from the above table and chart that all three values of AVE for three latent constructs are above benchmark i.e. 0.50. AVE of all latent constructs of AF is 0.572, FL is 0.667 and SG is 0.518. Hence, these results confirm the presence of convergent validity (Hair et al., 2010; Bagozzi & Yi, 1988).

For establishing reliability, firstly Cronbach alpha of all the constructs were measured. All of these values were above 0.70 which is suggested by Cohen (1988). Values of Cronbach alpha for access to finance was 0.875, while 0.896 for financial literacy and 0.915 for SME growth. Therefore, it can be concluded that Cronbach's alpha is not an issue for this model (Hair et al., 2017).

Composite reliability is a modern tool introduced by latest data analysis soft wares for evaluating reliability. Previous literature has recommended to use composite reliability for measuring internal consistency of the constructs (Hair et al., 2012). All values of composite are as follows: 0.903 for access to finance, 0.909 for financial literacy and 0.928 for SME growth. As all these values are above the critical level (Cohen, 1988; Hair et al., 2017). These values shows no problem of reliability using dataset from pilot study.

4.2.2 Measurement Model:

Multivariate analysis is an advanced statistical technique that analyze number of variables at the same point or simultaneously. Multivariate analysis makes use of Structural Equation Modeling (SEM) is also called "Second Generation Technique" which combines the application of factor analysis and regression. Observations are often obtained from the survey questionnaires used for collecting primary data. Structural Equation Modeling (SEM) have gained importance in the social sciences. Structural Equation Modeling (SEM) can also measure direct and indirect effects simultaneously, also considers measurement error in observed variables (Chin, 1998).

Following diagram shows the measurement model of the current thesis. It can be seen that arrow directions are moving towards the indicators of the constructs. It can be said that this model is fully reflective in nature. Whereas AF stands for Access to Finance which is exogenous, FL for Financial Literacy (moderator) and SG for Small and Medium Enterprises (SME) Growth which is endogenous in nature.

Figure 4.1

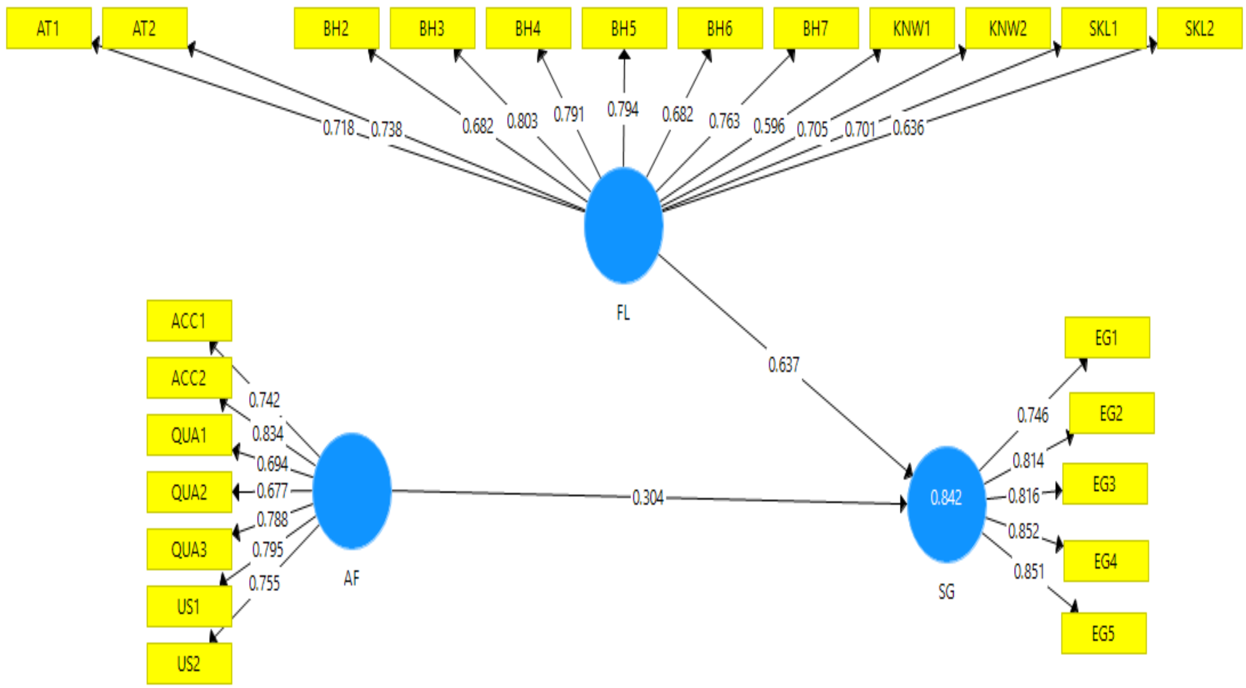


Table 4.4 Construct Validity and Reliability:

variables	Average Variance Extracted (AVE)
AF	0.559
FL	0.507
SG	0.509

PLS Algorithm was run to determine measurement model. Convergent validity of the constructs is assessed on the bases of Average Variance Extracted (AVE) values. It can be noticed from the above table and chart that all three values of AVE for three latent constructs are above benchmark i.e. 0.50. AVE of all latent constructs of AF is 0.559, FL is 0.507 and SG is 0.509. Hence, these results confirm the presence of convergent validity (Hair et al., 2010; Bagozzi & Yi, 1988).

Table 4.5 Discriminant Validity:

Fornell- Larcker Criterion

Variables	AF	FL	SG
AF	0.748		
FL	0.625	0.712	
SG	0.556	0.592	0.713

According to Fornell and Larcker (1981), "square root of AVE (average variation explained) of each latent variable and this value should be greater than other correlation values in same column."

If this criteria holds true for a given model then discriminant validity exists. Bold values are square root of AVE of the given constructs, as can be observed for the above table that all the diagonal values are higher than non-diagonal values or estimated correlation values (Hair et al., 2010). Therefore, it can be concluded that convergent validity exist.

Table 4.6 Cronbach's Alpha Values:

Variables	Cronbach's Alpha
AF	0.868
FL	0.910
SG	0.858

For establishing reliability, firstly Cronbach alpha of all the constructs were measured. All of these values were above 0.70 which is suggested by Cohen (1988). Values of Cronbach alpha for access to finance was 0.868, while 0.910 for financial literacy and 0.858 for SME growth. Therefore, it can be concluded that Cronbach's alpha is not an issue for this model (Hair et al., 2017).

Table 4.7 Composite Reliability:

Variables	Composite Reliability
AF	0.898
FL	0.924
SG	0.890

Composite reliability is a modern tool introduced by latest data analysis soft wares for evaluating reliability. Previous literature has recommended to use composite reliability for measuring internal consistency of the constructs (Hair et al., 2012). All values of composite are as follows: 0.898 for access to finance, 0.924 for financial literacy and 0.890 for SME growth. As all these values are above the critical level (Cohen, 1988; Hair et al., 2017). These values shows no problem of reliability in this thesis.

Table-4.8 Collinearity Statistics (VIF):

Outer VIF Values

Indicators	VIF
ACC1	1.725
ACC2	2.209
AT1	1.853
AT2	1.921
BH2	1.676
BH3	2.955
BH4	2.734
BH5	2.672
BH6	1.844

BH7	2.028
EG1	1.924
EG2	2.258
EG3	2.150
EG4	2.602
EG5	2.641
KNW1	1.488
KNW2	1.700
QUA1	1.621
QUA2	1.513
QUA3	1.915
SG2	1.291
SG4	1.891
SG5	1.752
SKL1	1.698
SKL2	1.690
US1	1.998
US2	1.836

Variance Inflation Factor (VIF) is alternate approach in Smart PLS for assessing multi-collinearity. VIF values for every indicator has been provided in the table. According to Hair et al., (2017), VIF value can go down till 5 not less than that. If it does then there exists problem of multi-collinearity. VIF values for few indicators like SG2 was 2.291, SG4 was 1.892, SG5 was 1.752, SKL1 was 1.698, SKL2 was 1.690. All these values are below 5, hence it can be concluded that multi-collinearity is not an issue for this study.

Table -4.9 Outer Loadings:

Indicators	AF	FL	SG
ACC1	0.739		
ACC2	0.820		
AT1		0.711	
AT2		0.737	
BH2		0.669	
BH3		0.805	
BH4		0.790	
BH5		0.792	
BH6		0.676	
BH7		0.753	
EG1			0.727
EG2			0.800
EG3			0.801
EG4			0.777
EG5			0.834
KNW1		0.592	
KNW2		0.669	
QUA1	0.682		
QUA2	0.681		
QUA3	0.766		

SG2			0.471
SG4			0.604
SG5			0.614
SKL1		0.693	
SKL2		0.622	
US1	0.787		
US2	0.747		

According to Straub et al., (2004), "Items loading should be above 0.40". All the indicator loadings were above the threshold values of 0.40. But some of them were having outer loadings below 0.40 and were removed from the model. These indicators were BH1, SG1, and SG3.

Table-4.10 R- Square:

Variable	R- Square	R- Square Adjusted
SG	0.832	0.830

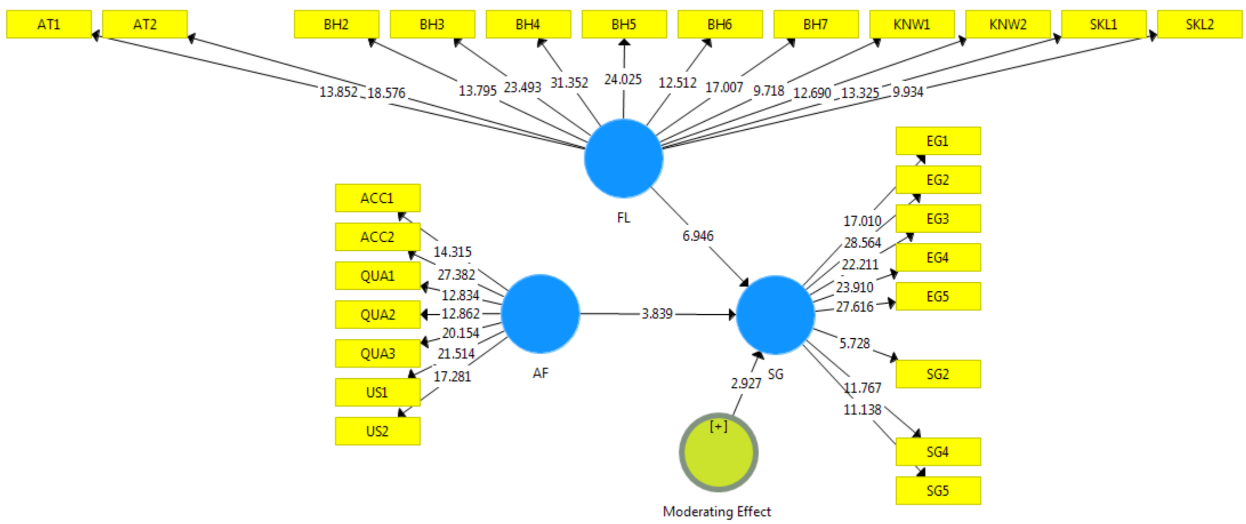
R-square value determines the explanatory power of the endogenous constructs on exogenous ones in the model. According to Chin et al., (2008), categorized the r-square values of the endogenous constructs. Values of R-square equal to or higher than .67 is considered substantial, equal or greater than .33, as moderate and equal to or greater than .19 is considered weak respectively. It can be observed that R-square value for this model is 83.2 which is substantial. It means that 83.2% variation in the SME growth in this model has been caused by access to finance. Access to finance predicts 83.2% of SME growth.

Table-4.11 Model Fit:

	Saturated Model	Estimated Model
SRMR	0.073	0.073

According to Henseler et al., (2016), Standardized Root Mean Square Residual (SRMR) is only the model fit benchmark for evaluating model fit. This value should be ideally zero but can go to the threshold level of 0.08 for PLS path models. If this value is below 0.08 then it indicates the model fit as this value is 0.072 which is below 0.08.

4.2.3 Structural Model: Figure 4.2



4.2.4 Path Analysis

Path Coefficients (Bootstrapping Results)

Table 4.12 Complete Data Set

Variables	OriginalSample (O)	T-Statistics (|O/STDEV|)	P Values
AF -> SG	0.310	3.839	0.000
Moderating Effect -> SG	0.119	2.927	0.003

Bootstrapping was employed using Smart PLS for investigating path analysis. Sub samples of 5000 was performed for examining significance of proposed hypothesis. Path analysis determines the significance of the relationships between different constructs. It explains mostly the causal relationships. Two hypothesis were proposed in this thesis. First hypothesis, access to finance affects significantly SME growth and has been accepted through results. Beta coefficient value for this relationship was 0.310 and p-value was 0.000 with standard deviation of 3.839. It means that one unit change in the access to finance causes an increase of 0.310 units in the SME growth keeping other factors constant. Financial literacy moderates the relationship between access to finance and SME growth. This hypothesis has been accepted. Beta coefficient value for this relationship was 0.119 and significance level is 0.003. It means that one unit change in the moderating effect of financial literacy causes an increase of 0.119 units in the SME growth keeping other factors constant.

4.2.4 Multi Group Analysis (MGA):

Table 4.13 Comparison of Path Coefficients:

Variables	Path Coefficients Original (Manufacturing)	Path-Coefficients Original (Services)
AF -> SG	0.432	0.193
Moderating Effect -> SG	0.137	0.116

This table shows the differences of path coefficients of both strata. First strata consists of manufacturing and second consists of services sector. Path coefficient values for the relationship between access to finance and SME growth for manufacturing sector was 0.432 and services was 0.193. It means that one unit change in the access to finance causes an increase of 0.432 units in the SME growth keeping other factors constant in manufacturing sector whereas causes an increase of 0.193 in services sector. Path coefficient values for the moderating relationship between access to finance and SME growth for manufacturing sector was 0.137 and services was 0.116. It means that one unit change in the moderating effect of financial literacy causes an increase of 0.137 units in the SME growth keeping other factors constant in manufacturing sector whereas an increase of 0.116 in services sector.

Table 4.14 Comparison of T Values:

Variables	t-Values (Manufacturing)	t-Values (Services)
AF -> SG	4.015	1.713
Moderating Effect -> SG	2.901	1.799

This table shows the differences of t-values of both sectors data collected through structured questionnaire. First sector consists of manufacturing and second consists of services sector. Minimum value of 1.96 is required for relationship to be significant. T-values for the relationship between access to finance and SME growth for manufacturing sector was 4.015 and services was 1.713. T values for the moderating relationship between access to finance and SME growth for manufacturing sector was 2.901 and services was 1.799.

Table 4.15 Comparison of P Values:

Variables	P-Values (Manufacturing)	P-Values (Services)
AF -> SG	0.000	0.087
Moderating Effect -> SG	0.004	0.072

This table shows the differences of p-values of both sectors data collected through structured questionnaire. First sector consists of manufacturing and second consists of services sector. P-values for the relationship between access to finance and SME growth for manufacturing sector was 0.000 and services was 0.087. These results indicates that this relationship for manufacturing sector was significant whereas insignificant for this relationship for services sector. P-values for the moderating relationship between access to finance and SME growth for manufacturing sector was 0.004 and services was 0.072.

4.2.5 Partial Least Square- Multi Group Analysis (PLS-MGA):

Table 4.16

Variables	**Path Coefficients-diff(Manufacturing-Services)**	**p-Value (Manufacturing VS Services)**
AF -> SG	0.239	0.066
Moderating Effect -> SG	0.021	0.606

Comparison between these two groups was made using a built in feature in Smart PLS called PLS-MGA. This tool makes comparison between two groups on the basis of path coefficients and p values. It can be noticed from the above table that path coefficients showing the difference between two groups which are manufacturing and services for the first relationship was insignificant as indicated by its p-value of 0.066. Its path coefficient value was 0.239. It means this relationship has no different between the two groups. Second relationship was also found to be insignificant for both the groups which shows moderating effect of financial literacy between access to finance and SME growth. It means this relationship was also found no different comparing between the groups.

CHAPER NO.5

CONCLUSION, DISCUSSION AND RECOMMENDATIONS

The purpose of this chapter is to introduce a discussion dependent on findings in contrast with study discoveries from the literature evaluation in section two. Conclusion and suggestions dependent on the finding of the investigation and proposals for further examination were set up thereafter.

5.1 Discussion

H1: The objective of the hypothesis was to check the impact of access to finance on SMEs growth. The outcomes of the study specified that there is significant and positive relationship between access to finance and growth of SME in emerging economies ($\beta = 0.310$, $P \leq 0.000$). Thus, first hypothesis (H1) was accepted. Access to finance through SMEs in emerging economies assists them to enhance their incomes, develop sustainable businesses and decrease their vulnerability related to external shocks. (Beck et al., 2008) states that access to finance through SMEs is helpful for them to recognize the growth in production, generation of employment, efficiency, return on asset, profitability, exports and productivity. The result of this hypothesis also similar with result of (Cooper et al. 1994; Drexler et al., 2014; Adomako et al. 2016; Okello et al. 2017).

H2: The purpose of this hypothesis was to observe the moderation impact of financial literacy in the connection between access tò finance and SMEs growth .There is plenty of literature that reports on the finance gap for SMEs (Hussain, Millman, and Matlay (2006); Blackburn and Ram (2006);Stanworth, Stanworth, Watson, Purdy, and Healeas (2004). Though, the link between financial literacy and access to finance for SMEs is complex and blended and the research limited. As discussed, financial literacy is an asset that empowers entrepreneurs to make the decision of strategic investment. Entrepreneurs with well-furnished business abilities and financial literacy knowledge make upper level financial settlements, leading to informed resource allocation decisions (Drexler et al., 2014)). The result described that financial literacy has positive and significant impact on SMEs growth in emerging economies ($\beta = 0.119$, $P \leq 0.013$). So, this hypothesis was also accepted. Exploration of literature and hypothetical exposition supports the recommendation that financial literacy utilized as a bundle empowers SMEs to get the finance; that thus helps firms to work at an ideal dimension to impact development. This declaration is bolstered by Cole and Fernando (2008), they argue that financial literacy helps effective business choices to enhance performance. Overall, H2 assists prior findings (Brown and Lee (2014) in that there is a staggering convincing case that financial literacy amongst SMEs could upgrade business activities and better access to finance. Furthermore, financial literacy moderates the information gap, enhance financial management practices that confidently impact on firms' credit worthiness', that in turn supports a firm to improve its performances (Van Rooij, Lusardi, and Alessie, 2011) and decrease credit expense. This is in the line with Dionne and Triki (2005), who established that managers with high level of financial education are aware with different techniques of risk and financial ideas; therefore, they can attain a better place in the markets above those who have less financial literacy.

Certainly, Siekei et al. (2013) state that financial literacy is considered as one of the important managerial skills in SMEs and developments in developing countries. Moreover, Kojo Oseifuah (2010), suggests that entrepreneurs irrespective of their age constantly engaged in the activities of decision making related to resource attaining, allocation and its utilization. Such; activities always have financial concerns and so as to be effective, if entrepreneurs in developing countries should be financially literate. The results of this study also are similar with (Adomako et al. 2016; Okello et al. 2017; Yang et al. 2018).

The comparison between two sectors manufacturing and service is also conducted. The comparison makes between two sectors on the basis of path coefficients and p values. It result describe that path coefficients showing the difference between two sectors which are manufacturing and services for the first relationship was insignificant as indicated by its p-value of 0.066. Its path coefficient value was 0.239. It means this relationship has no different between the two sectors. Second relationship was also found to be insignificant for both the sectors which shows moderating effect of financial literacy between access to finance and SME growth. It means this relationship was also found no different comparing between the sectors.

The results of H1 and H2 are also supported with the theories of Resource Based Review and Dynamic Capability. According to the RBV, firms are unequally distributed bundles of resources creating resource heterogeneity that persists over time and provides a basis for firm growth (Barney 1991). Access to finance and financial literacy are bundle of resources available to a firm that are essential for generating competitive advantage and can be used to undertake various activities to achieve growth (Song et al. 2007). Entrepreneurs' financial literacy is an internal firm capability that can complement access to finance to achieve superior growth outcomes. This point has been stressed by Brush and Chaganti (1999), arguing that the configuration of a firm's capabilities enables the firm to efficiently pursue its growth. Dynamic capabilities allow firms to reconfigure their existing resources and capabilities (Teece, Pisano, and Shuen 1997). So, it is individual level capabilities to increase firm growth by arguing that dynamic capabilities play a key role in converting access to finance into improved firm growth.

5.2 Conclusion

The objective of the thesis was to investigate the impact of financial literacy on the relationships between access to finance and SMEs growth in district Faisalabad. For this purpose, two hypothesis was formulated. First hypotheses was to check direct impact of access to finance on SMEs growth and second hypotheses was to assess the moderating effect of financial literacy on relationship between access to finance and growth of SMEs.

The study followed a descriptive research strategy to acquire essential primary data to provide a clear understanding of the research targets. This research design assisted in perceiving the impacts of financial literacy on the associations between access to finance and SMEs growth in district Faisalabad. The study involved samples drawn commencing SMEs of binary sectors that were manufacturing and service. To accomplish the objectives, a deductive approach was used, where primary data was gathered through the issuing of a set of structured questionnaires to a sample of 104 SMEs. The theoretical frame consisted on three variables. First access to finance as exogenous which was measured using three measurements of accessibility, usage and quality and this measure was contained of seven items. Second was financial literacy as moderator, which was measured by four dimensions knowledge, skills, attitude and behavior. This measure was consisted of thirteen items. Third was growth of SMEs as endogenous, which was measured with dimensions of assets & sale. This measure was lied of ten items. The data was gathers from owners and top managers of SMEs. Convenient sampling method was used to collect data.

A descriptive statistics, Structural Equation Modeling, path analysis, and confirmatory factor analysis was employed for analyzing the moderating impact of financial literacy on link between access to finance and development of SMEs. The layouts was used to analyze the findings. These analyses were carried obtainable using Statistical Package for the Social Sciences (IBM SPSS) statistical software and smart (Partial Least Squares) PLS software.

The study has observed the moderating impact of financial literacy between access to finance and growth of SMEs linkage in district Faisalabad. It outlines that financial literacy is helpful for firms to use its resources to increase its growth. The finding of this study supports the empirical hypothesis, which argued that financial literacy is an important enhancer in relationship between access to finance and SME growths. This study adds to finance and also in entrepreneurship research. The results of the study show that positive and significant impact of financial literacy in the relationship between access to finance and SME growth in district Faisalabad. In addition, access to finance also has significant and positive impact on SMEs growth in district Faisalabad.

5.2 Practical Implications and Recommendations

An implication is that scholars layout their studies to include the position of financial literacy when companies record high degrees of access to finance. This new perception infers that by neglecting to consider the moderating function of financial literacy on the relationship of access to finance and growth, we disregard important involvement to entrepreneurship literature, and along these lines, researchers may have a look into an untimely and maybe excessively hopeful perspective of the significance of access to finance in firm development.

There are also managerial and many policy-related implications. The Pakistani government has been more and more engaged for the development of the small & medium type business sector. This investigation proposes that financial literacy is essential in making an interpretation of access to finance into higher development outcomes. First, interpreting from a point of view of the practitioner, the results of the study demonstrate that financial literacy can assist firms to enforce sound financial management by way of strengthening the relationship of access to finance & firm growth. This perception is specifically important of SMEs managers to collect, examine and take advantage of new financial knowledge to empower their firms to enhance the quality and efficiency of financial service to upgrade growth. This is on the grounds that entrepreneurs by sound financial management abilities are better capable to assess and make comparison of financial products consisting of, bank accounts, credit, and advance options, saving products, instruments of payments, insurance coverage and investments ((Drexler et al., 2014)). Therefore, SMEs managers and policy makers in Pakistan and also other developing countries may wish to give greater consideration to not simply access to finance but also an emphasis on financial literacy. As this investigation has found out, that financial literate managers have access to finance reports excessive firm growth. Managers of SMEs may build up their financial ability along studying to access finance. This shows that managers who've access to finance capital as a result in itself to the disregard of financial literacy may not gain higher growth.

The implication is suggested that when SMEs managers have an easy entrance to financial resources, in addition, they need to be liable in the processes of financial management so as to achieve better growth effects. Finally, the result of the study have implications for decision making of venture capital. An implication is that ventures capitalists evaluate the reliability of entrepreneurs' models of business and financial predictions so as to assess the viability of enterprise models (Hsu, and McKelvie, 2014). For instance, business people looking for external funding for investment are enquired to offer a firm financial model, evaluating all cash inflows & outflows such that the (NPV) net present value of those cash flow can be estimated (Douglas, Carlsson-Wall, and Hjelström, 2014)). To have the capacity to accomplish this goal, the business person needs stable financial abilities so as to ventures capitalists to finance (Miloud, Aspelund, and Cabrol 2012; Zacharakis and Shepherd 2005). This examination recommends that a high level of financial literacy especially entrepreneurial capability tends to conceal access to finance to enhance growth outcomes. This is probably going to help venture capitalists into developing countries as a rule in their decisions making to finance entrepreneurs.

The study also recommends financial literacy and training programs by the government together with different institutions that will support utilization of financial literacy on the activities of enterprises owners. These programs must also have the capacity to stimulate and support positive attitude in the direction of future orientation and businesses growth. The research also recommends that the informal region need to be encouraged to hold records of their business transactions to save losses and miscalculations. Furthermore, the Small and Medium Enterprise Development Authority (SMEDA), being an answerable body of SMEs in Pakistan, is suggested to frame its strategies and is prescribed to start program's for top management to train and educate them in financial literac

5.3 Limitations and Future Study directions.

The study has a numerous number of limitations that may overcome through conducting further research on it. First, in this study, two sectors such as manufacturing and service are taken for research. So, the results of this study cannot be generalized for all sectors of SMEs. Future researches could be conducted by considering all sectors of SMEs or making the comparative study more than two sectors or other than manufacturing and service sectors. The comparative study can also be undertaken with a perspective of finance facility to SMEs sectors by Commercial banks verses Islamic banks. Second, sample size and population criteria (SMEs from Faisalabad District) is a limitation in this study, which future researches can overcome this limitation by taking large sample size and increasing population criteria such as taking SMEs from all over the province or more than one city. Third, the generalizability of outcomes is limited due to taking the sample of SMEs from Pakistan. However, the level of institutional development in Pakistan might be similar to other emerging and developing economies and the results of this study may be generalized to other emerging economies. Still; it is significant to consider that there can be variances in the institutional development level among developing countries; which could direct diverse implications. Thus, validating this study results by depending on other emerging and developing economies parts of the world could be productive. The same study might also be conducted in developed economies, where firms normally have more resources so as to decide how the discoveries talked here to change. Lastly, the investigation was simply cross-sectional, hence overlooking the attributes of SMEs, which can be examined utilizing longitudinal investigation design. Therefore; future studies can be undertaken using a longitudinal study to analyze the behaviors of SMEs in emerging economies.

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APPANEDIX

Questionnaire

Dear Respondent,

I am a student of MS (Business Administration) at National University of Modern Languages Islamabad (FSD campus) I am conducting a research on **the relationship between Access to Finance and SMEs Growth in Emerging Economies: Moderating Role of Financial Literacy. (A Comparative Study of Manufacturing and Service Sector)**. You can help us by completing the attached questionnaire, which I think you will find quite interesting. I appreciate your participation in my study and I assure that ***your responses will be held confidential*** and will only be used for education purposes.

Business Type: **(1) Manufacturing** **(2) Service**

E-MAIL: (Optional) :___________________________

Sr.						

1	**Age**	**1-** 20-29	**2-** 30-39	**3-** 40-49	**4-** 50-above	
2	**Experience**	**1-**1 To 3 y	**2-**4 To 6 y	**3-** 7 To 9 y	**4-** Above 9 y	
3	**Education**	**1-**Matric	**2-**Intermediate	**3-**Graduation	**4-** Masters	**5-** MPhil-above

Demographic

SD: Strongly Disagree **D:** Disagree **N:** Neutral **A:** Agree **SA:** Strongly Agree

CODE	#	QUESTIONS	SD	D	N	A	SA
		Dimensions of Financial Literacy					
		Behavior					
BEH1	**1**	We have the ability to analyze our financial performance periodically	**1**	**2**	**3**	**4**	**5**
BEH2	**2**	My enterprise makes monthly income returns to the lender	**1**	**2**	**3**	**4**	**5**
BEH3	**3**	I receive training on proper book keeping skills	**1**	**2**	**3**	**4**	**5**
BEH4	**4**	My enterprise has bought Formal insurance for our businesses	**1**	**2**	**3**	**4**	**5**
BEH5	**5**	The management of this business can compute the cost of its loan funds	**1**	**2**	**3**	**4**	**5**
BEH6	**6**	My enterprise operates a savings account	**1**	**2**	**3**	**4**	**5**
BEH7	**7**	The entrepreneur can prepare basic books of accounts	**1**	**2**	**3**	**4**	**5**
		Attitude					
ATT1	**8**	The firm is aware of the operations of lending firms relating to our financial needs	**1**	**2**	**3**	**4**	**5**
ATT2	**9**	I am aware of the costs and benefits of accessing credit	**1**	**2**	**3**	**4**	**5**
		Skills					
SKL1	**10**	The firm is able to correctly calculate interest rates on my loan payments	**1**	**2**	**3**	**4**	**5**
SKL2	**11**	We have required skills to ascertain the financial trends of the firm	**1**	**2**	**3**	**4**	**5**
		Knowledge					
KNO1	**12**	We have skills of minimizing losses by minimizing bad debts	**1**	**2**	**3**	**4**	**5**
KNO2	**13**	The manager of this business has basic accounting knowledge	**1**	**2**	**3**	**4**	**5**
		Dimensions of Access to Finance					
		Quality					
QUA1	**14**	The saving product provided by the bank is suitable for us	**1**	**2**	**3**	**4**	**5**
QUA2	**15**	The savings product offered by the bank is safe for us	**1**	**2**	**3**	**4**	**5**
QUA3	**16**	The loan product provided by the bank suits our needs	**1**	**2**	**3**	**4**	**5**
		Usage					
USA1	**17**	The terms and conditions on use of loans provided by the bank is favorable to us	**1**	**2**	**3**	**4**	**5**
USA1	**18**	The financial services provided by the bank is safe for us	**1**	**2**	**3**	**4**	**5**
		Accessibility					
ACC1	**19**	The initial account opening fees charged by the bank is affordable	**1**	**2**	**3**	**4**	**5**
ACC2	**20**	The cost of making a trip to the bank is affordable	**1**	**2**	**3**	**4**	**5**
		Dimensions of Growth of SMEs					

Employee Growth							
SGR1	**21**	The number of employees is small for the current needs of the business	**1**	**2**	**3**	**4**	**5**
SGR2	**22**	We intend to increase the number of employees	**1**	**2**	**3**	**4**	**5**
SGR3	**23**	We intend to increase the number of employees growth of this business	**1**	**2**	**3**	**4**	**5**
SGR4	**24**	There has been a double increase in the growth of our business sales this year	**1**	**2**	**3**	**4**	**5**
SGR5	**25**	Overtime, we have created more avenues(path) for exchanging goods and services	**1**	**2**	**3**	**4**	**5**
Sales/Assets Growth							
ASS1	**26**	Our assets have increased this year compared to last year	**1**	**2**	**3**	**4**	**5**
ASS2	**27**	Our long term assets have facilitated the growth of our business	**1**	**2**	**3**	**4**	**5**
ASS3	**28**	We intend to acquire more assets	**1**	**2**	**3**	**4**	**5**
ASS4	**29**	We intend to acquire more assets sales this year	**1**	**2**	**3**	**4**	**5**
ASS5	**30**	Our annual sales increase each year	**1**	**2**	**3**	**4**	**5**