

Financial Literacy As A Moderator In The Relationship Between Entrepreneurial Skills And Risk Management On Sustainable Performance

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Abstract- This paper investigated the influence of entrepreneurial skill and risk management on sustainable performance. Also, investigated the mediating role of financial literacy on the association between entrepreneurial skill and risk management on sustainable performance. The sample of the study is drawn by using a simple random sampling method. There are 431 respondents is observed in this research. Both primary data and secondary data are used to determine the entrepreneurial skill and competency of start-ups in Tamil Nadu. The results reveal that entrepreneurial skill and risk management significantly influence sustainable performance. Financial literacy has positive moderating effect in the relationship between that entrepreneurial skill and competency toward sustainable performance. This research can support policymakers in formulating relevant strategies to encourage budding entrepreneurs that have been worst hit by the COVID-19 pandemic to perform sustainably. Several other implications for financial institutions and entrepreneurs have also been drawn.

Keywords- Entrepreneurial Skills, Risk Management, Financial Literacy, Sustainable Performance, Entrepreneurs.

I. INTRODUCTION

Entrepreneurship, particularly the start-ups, is known to be crucial for new job creation, mitigation of poverty, and economic development and growth, as well as for minimizing socioeconomic problems [1]. Start-ups act as drivers of indigenous entrepreneurship and contribute immensely to economies worldwide, particularly in terms of eradicating poverty, providing substantial employment opportunities, and enhancing technological capabilities, followed by diffusion of innovations and capital mobilization. Sustainable and successful SMEs require individuals with unique competencies and personality traits that have profound influence over organisational success [2]. In particular, entrepreneurial competence is known to determine

organisational [3]. Financial literacy facilitates SMEs' management of corporate risk, reduces their financial restrictions, and has a positive impact on firms' innovativeness, recognition of opportunities, and enterprise performance [4]. According to research [5], financial literacy is a crucial knowledge resource for decision-making. The rapid economic decline along with sharp contraction in consumption and surge in unemployment are all results of the ongoing pandemic that has caused a severe setback to the global economy, extending huge challenges to enterprises around the world [6]. In this regard, recent research has highlighted a critical need for entrepreneurs to explore entrepreneurial skills and entrepreneurial competency, as these are directly associated with business success [1]. Unfortunately, research on financial literacy is still at an early phase and hence remains uneven and inadequate [4].

Objectives of the Study

1. to examine the influences of entrepreneurial skills towards sustainable performance among the entrepreneurs.
2. to know the level of risk management among the entrepreneurs in Tamil Nadu
3. to investigate the moderating effect of financial literacy towards sustainable performance.

II. LITERARY REVISED

Entrepreneurial Skill

Entrepreneur skills include various skill sets such as leadership, business management, time management, creative thinking and problem-solving. You can apply these skills in many job roles and industries. These entrepreneur skills are vital for promoting innovation, business growth and competitiveness. Developing these skills means developing many skills together. For example, to be a successful

entrepreneur, you may need to develop your risk-taking skills and sharpen your business management skills.

Risk Management

Market risk is determined by a number of causes focused on the overall level of market competitiveness [5]. Market risk can be defined as the strategic risk of SMEs which consists in the long-term retention of the existing customers and in the acquisition and retention of new customers and in the production of new products or delivery of new services. Nothing but a sufficient number of customers allows SMEs to implement a reasonable sales volume which allows them to maintain their market position [6-7]. The level of a company's competitiveness is largely based on two main factors of the competitive environment: customers and competitors. The level of financial risk must be assessed in terms of the risk performance in a company towards successful financial risk management decisions because risk is considered an integral part of a company's business [8].

Financial Literacy

In general, financial literacy encompasses a wide range of concepts, including knowledge and awareness of financial products, understanding of financial institutions and financial skills, and abilities such as financial planning and money management [9]. For the present study, the meaning of financial literacy was adopted from Thung [10] that focused on managing and investing money, managing credit, perception of financial needs during retirement, maintaining financial records, preparing budget, and understanding of financial instruments. According to research [11], financial literacy positively and directly influences entrepreneurial skills. When they are based on adequate financial literacy, business decisions can lead to development, simultaneously increasing the competencies of businesses required for surviving a crisis and ultimately enabling them to internalise long-term resilience [12]. A recent study [4] noted that financial literacy has a positive influence on firms' innovation and performance. It also significantly and positively influences saving behaviour by individuals who in turn can ensure the sustainability of their enterprises [7]. Financial awareness is further known to mediate the effect of several factors on SME performance [13].

Sustainable Performance

In general, sustainability performance could be perceived as the development of stakeholder-focused business strategies that attend diverse aspects of performance both for short and long term without exploiting the limits of nature and society [14]. According to Fazal et al. [15], enterprise

sustainability is related to ethical concerns, income inequality, working conditions, as well as human rights, and has emerged as a growing concern. The context of sustainability performance envelops economic, social, and environmental performance of firms that is reflected in the firms' strategies employing the best business practices to address both current and potential stakeholders' interest [16].

III. METHODOLOGY

Sample and Data

The sample of this research includes entrepreneurs of start-ups in Tamil Nadu. The researcher used a simple random sampling technique with a structured measurement scale and the survey was conducted during September and December 2022 through online mode. In a survey, 500 responses were received from the respondents, among them only 431 responses as valid. In this research, there is an entrepreneurial skill has 9 items were adopted from Dalyanto *et al.*, (2021), risk management has 9 items were adopted from López-Núñez et al. (2022), sustainable performance has 5 items adopted from Al Mamun et al., (2018), and financial literacy has 7 items adopted from Thung (2019). The range of every Cronbach's Alpha value lies under the acceptable range.

The Conceptual Model

(Insert Figure 1 Here)

Hypotheses Development

H₁: Entrepreneurial Skill is positively related to Sustainable Performance

H₂: Risk Management is positively related to Sustainable Performance

H_{1a}: Financial Literacy moderates the relationship between Entrepreneurial Skill and Sustainable Performance

H_{2a}: Financial Literacy moderates the relationship between Risk Management and Sustainable Performance

IV. ANALYSIS AND INTERPRETATION

(Insert Table 1 Here)

Among 410 respondents, 232 were males (56.6%) and 178 were females (43.4%). In the age category, 93 (22.7%) respondents were below 18 years old, 118 (28.8%) were between 18 to 20 years, 138 (33.7%) were between 21 to 23 years old, and 61 (14.8%) were 24 years and above. According to educational qualification, 197 (48.0%) respondents are undergraduates and 213 (52.0%) respondents

are postgraduates. Based on the opinion of the importance of start-ups, 36 (08.8%) respondents strongly disagreed, 42 (10.2%) respondents disagreed, 69 (16.8%) respondents were moderate, 147 (35.9%) respondents agreed, 116 (28.3%) respondents were strongly agreed.

The structural equation modeling technique was adopted to assess the hypotheses. First, the measurement model was tested. The outcomes of confirmatory factor analysis revealed that all the indicators of the constructs had good factor loadings. To test multicollinearity, it is recommended to see the variance inflation factor (VIF). If VIF values for the variables are lower than '5', multicollinearity is not a problem (Hair et al, 2011). So, multicollinearity is not a problem in the present study.

(Insert Table 2 Here)

Before testing the model, it is essential to find the discriminant validity of the constructs. Table 2 shows the discriminant validity of the measures. We tested for discriminant validity by the procedures described by Fornell and Larcker (1981) and Netemeyer *et al.*, (1990), by comparing the variance extracted estimates of the measures through the square of the correlation between the constructs. Construct reliability and validity are presented in Table 3. HTMT criteria have been used to check discriminant validity. The correlation values of the HTMT construct are less than the threshold value of .9.

(Insert Table 3 Here)

As mentioned in the methodology part, the reliability coefficient of all the variables is more than 0.7. Thus establishing construct reliability and also the composite reliability of more than 0.8.

(Insert Table 4 Here)

Among these variables, there is a positive effect and significantly proved at 0.01 significance level among the variables. The path analysis renders support to Entrepreneurial Skill as positively and significantly related to Sustainable Performance (H1), Risk Management as positively and significantly related to Sustainable Performance (H2), Financial Literacy moderates the relationship between Entrepreneurial Skill and Sustainable Performance (H1a), and Financial Literacy moderates the relationship between Risk Management and Sustainable Performance (H2a).

(Insert Table 5 Here)

V. CONCLUSION AND SUGGESTIONS

As an effective remedy for reviving entrepreneurial activities post-pandemic, researchers have been calling for further investigation of the impact of knowledge-resources and personal traits in enabling sustainability. This study has therefore examined the effect of risk management and financial literacy on sustainable enterprise performance. Simultaneously, we have investigated the mediating role of entrepreneurial resilience on the relationship between risk management and financial literacy with sustainable business performance. Our findings contribute to the current entrepreneurship literature in several ways. Theoretically, the findings expand the existing literature by putting forward empirical evidence on the associations between financial literacy, risk management, and sustainable performance.

Based on the findings, the recommendations are the policymakers in formulating strategies regarding financial awareness. Insights from this research can help financial institutions to better evaluate their funding options. Furthermore, the study can support the government and other developmental organizations in creating sustainable economic opportunities for local entrepreneurs that could in turn enable to emerge as one of the major contributors to Gross Domestic Product (GDP). Pertaining to the significance of competence, resilience, and financial literacy in terms of performance, firms should facilitate employees in acquiring an ideal level of such traits, knowledge, and capabilities.

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FIGURE 1

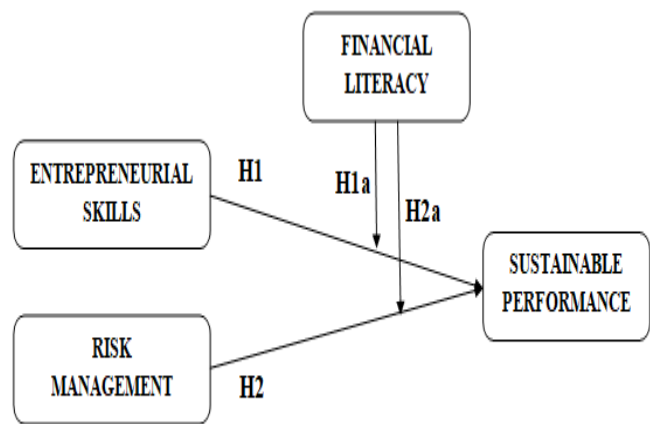


Figure 3.1: The Conceptual Model

Table 1: Demographic Profiles of the Study

Items		Respondents	Per cent
Gender	Male	232	56.6
	Female	178	43.4
Age	Below 18 yrs	93	22.7
	18 – 20 yrs	118	28.8
	21 – 23 yrs	138	33.7
	24 yrs and above	61	14.8
Education Qualification	Undergraduate	197	48.0
	Postgraduate	213	52.0
Importance of Start-ups	Strongly Disagree	36	08.8
	Disagree	42	10.2
	Moderate	69	16.8
	Agree	147	35.9
	Strongly Agree	116	28.3

Table 2: Discriminant Validity (HTMT)

	1	2	3	4
1. Entrepreneurial Skill	0.84			
2. Risk Management	0.69	0.67		
3. Financial Literacy	0.78	0.73	0.73	
4. Sustainable Performance	0.74	0.71	0.76	0.81

Table 3: Construct Reliability and Validity

	Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
1. Entrepreneurial Skill	0.812	0.817	0.853	0.394
2. Risk Management	0.815	0.826	0.855	0.399
3. Financial Literacy	0.877	0.881	0.9	0.474
4. Sustainable Performance	0.856	0.854	0.834	0.367

Table 4: Summary of Path Coefficient

Path relationships	(O)	(M)	(STDVE)	(O/S TDEV)	P	Hypotheses	Result
Entrepreneurial Skill -> Sustainable Performance	0.122	0.113	0.045	2.689	0.01	H1	Supported
Risk Management -> Sustainable Performance	0.192	0.187	0.038	5.037	0.00	H2	Supported
Moderating Effect 1	0.288	0.291	0.036	8.103	0.00	H1a	Supported
Moderating Effect 2	0.347	0.344	0.05	6.915	0.00	H2a	Supported

Table 5: Summary of Hypotheses Testing

Hypotheses	Results
H₁ : Entrepreneurial Skill is positively related to Sustainable Performance	Supported
H₂ : Risk Management is positively related to Sustainable Performance	Supported
H1a : Financial Literacy moderates the relationship between Entrepreneurial Skill and Sustainable Performance	Supported
H2a : Financial Literacy moderates the relationship between Risk Management and Sustainable Performance	Supported