

Moderating Effect of Access to Finance and Competitive Environment on Human Capital, Knowledge Management, Market Orientation and SMES Performance

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ABSTRACT

Small and medium enterprises (SMEs) are considered as foundation stones of economic development and growth of any economy (Centobelli, Cerchione, & Esposito, 2019). Performance of SMEs is of fundamental significance for all developed as well as developing nations. Similarly, Pakistan is no exception to aforementioned fact. The economic development and growth of Pakistan depend on the performance of SMEs to a great extent. Like, most countries in the world, SMEs comprise more than 90% of total business entities in Pakistan (Degong et al., 2018; Waqas & Nawaz, 2019) and leather industry in one that is attracted by the researchers of present study. Constraints in the growth of leather industry of Pakistan include, lack of skilled human capital, rising cost of production, lack of modern-day knowledge about new products and processes, low profitability and lack of capability to penetrate into international markets, lack of market research, access to finance, intensive competitive rivalry (Khalique et al., 2011; Daily Times, 2016, Awan et al., 2019). Few studies have revealed mixed findings regarding the relationship between knowledge management and firm performance and there is abundance of literature that demonstrates the presence of significant and positive relationship between Market Orientation and Firm performance (Slater & Narver, 1995; Baker & Sinkula, 2009; Udriyah, Tham, & Azam, 2019). On the other hand, some studies have argued that there is no direct and significant relationship between Market Orientation and Firm Performance (Polat & Mutlu, 2012; Shehu & Mahmood, 2014). Moreover, keeping in view the mixed and inconclusive findings regarding the relationship between cause and effect variables, it is appropriate to introduce moderating variables that can significantly influence the relationship between independent and dependent variables as recommended by Baron and Kenny (1986). Access to Finance and Competitive Environment can be served as prospective moderators which are quite appropriately related to proposed variables of the study (Prajogo & Oke, 2016; Rogo et al., 2016; Jaworski & Kohli, 1993) which are quite appropriately related to selected variables of the study. Thus, the research problem expressed that “Access to finance and competitive environment can potentially moderates and affect the relationship between independent and dependent variables. Hence, based on the past literature and aforementioned discussion, the present study intended to examine the moderating effects of Access to Finance and Competitive

Environment on the Relationship between Human Capital, Knowledge Management, Market Orientation and SMEs Performance in Leather Industry of Pakistan”.

Keywords: Small medium enterprise, performance, access to finance, competitive environment