Entrepreneurial finance and new venture success - the moderating role of government support

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Abstract

The high failure ratio in newly born ventures across the globe has been raised a challenging question. Numerous strategies have been introduced to enhance the survival of new ventures in the long run but the results are fragmented. The research model examined the influence of entrepreneurial finance on new venture success. The model also considered a moderating role of government support while predicting ventures success. This area is under-researched particularly in the context of Pakistan; therefore, this research may contribute to the existing body of knowledge to appraise the industry in Pakistan. Data were collected from 182 new ventures operating in an emerging economy Pakistan and analyzed by SMART PLS. The results indicate that entrepreneurial finance and government support have a significant influence on new venture success. Moderation analysis demonstrates that Government support strengthens the relationship between entrepreneurial finance and new venture success. The findings suggest implications for policymakers to initiate effective policies and programs for

newly started ventures regarding financial and non-financial support, in this backdrop the incubation services are important.

Keywords: *Entrepreneurial Finance, Government Support, New Venture Success, SMEs performance, SMART-PLS.*

Introduction

The increasing number of new ventures in different countries has created a growing interest in understanding the factors that underpin an organization's ability to gain a sustainable competitive advantage in the market place, with special interest in new small ventures that do not have sufficient resources and at the same time the funders have a great desire to make a difference. Ventures in their early stages face various challenges that hamper their growth and survival in the turbulent markets (Pergelova and Angulo-Ruiz, 2014; Wang et al., 2019). Goldenstein et al. (2019) stress that more than half of newly established ventures across the globe fail due to a lack of resources and capabilities. The high failure ratio of new startup businesses can be explained by lack of networking (Sigmund et al., 2015; Su et al., 2015), limited access to modern technology (Von Briel et al., 2018), inadequate managerial capabilities (Jin et al., 2017) and lack of financial resources (Abor & Quartey 2010; Bongomin et al., 2017; Karlan & Valdivia, 2011) among others. While the majority of studies on institutional support for entrepreneurial activities have focused merely on developed and industrialized countries (e.g., Asakawa et al., 2019; Katila & Shane, 2005; Tajeddini & Mueller, 2009, 2012), little knowledge exists in the emerging economies (Karabag, 2019). Despite the fact that large organizations enjoy accessibility and availability of considerable budget (Beck et al., 2005), new entrepreneurial small and medium firms struggle to survive due to limited tangible and intangible resources (Grilli et al., 2018; Manolova et al., 2014). Despite the possible implications of Entrepreneurial Finance (EF) for New Ventures Success (NVS), empirical studies are still lacking in emerging economies (Howell, 2019). Arguably, not only does access to finance coupled with tangible (e.g., technology, land and equipment) and intangible resources (e.g., information and skills) (Doh and Kim, 2014; Pergelova and Angulo-Ruiz, 2014) is important to ensure the survival of newly-established firms, but they also need strong Government Support (GS) to gain success. As pointed out by Songling et al., (2018), government possesses and regulates the provision of the valuable resources (tangible and intangible) in emerging economies such as Pakistan, and a firm cannot easily access such resources unless it has a strong networking with relevant stakeholders such as government and political organizations (Anwar et al., 2018). Hence, we suggest that GS is very crucial and can

strengthen the link between EF and new ventures' success. However, the moderating impact of GS between EF and NVS has been neglected. Hence, the gap is substantial and needs plentiful efforts to explore the moderating role of GS between EF in NVS.

The landscape for EF has been transformed from traditional to modern over the last few years. For instance, many new players such as accelerators and crowdfunding have arrived in the ground (Block et al., 2018). These newfangled players and tools have appeared, among others, because of the complications confronted by entrepreneurs and new ventures in raising funds, particularly in the financial crisis of 2008-2009 (Block et al., 2018). Nevertheless, new enterprises, especially in the emerging economies are unable to access formal financial services and resources and they typically suffer from financial constraints that threaten their progress and survival (Carpenter and Petersen 2002). EF is promptly growing in emerging and developed economies and particularly new ventures leverage the traditional banks' debts and equity start-up finance including family, friends, angel investors and venture capitalists with innovative funding such as crowdfunding (Schwienbacher et al., 2014).

The conditions of the markets in emerging economies are often observed as inconsistent and volatile (Fatima, 2014) due to a lack of the requisite resources and support for newly established ventures (Su, Xie and Wang, 2015). Financial capabilities are predominantly vital in light of the higher failure rate of entrepreneurial ventures. Around 50% of newly operated ventures fail during their first four years, often because the firms merely run out of cash and are unable to raise additional finances (Coleman and Kariv, 2013). Prior research indicates that one of the major issues faced by new ventures is lack of finance (Brown and Earle, 2017). A recent study conducted by Hyder and Lussier (2016) explored that many ventures fail recently in Pakistan due to lack of proper planning, lack of government and non-government organizations' supports and lack of financial capital.

This research aims to unleash the role of EF in NVS in the presence of GS as a moderator. To put it into another way, this research intends to enhance the survival of newly established ventures in emerging economies through EF and GS. This study makes several contributions to the existing body of literature by using empirical evidence from an emerging market. For instance, in emerging economies, governments control exclusive resources that may be unable for a new venture to gain access without government consents (Khwaja and Mian, 2005). It is hereby argued that EF and GS are the two critical resources and sources that play a significant role in the success of new ventures. Resource-based view theory suggests that a firm's internal

resources and external sources have a significant influence on performance (Barney, 1991). Similarly, social network theory describes that a firm with strong external ties (e.g. having tied with other businesses, customers and political bodies) gains more helpful resources which in turn facilitate their survival (Burt, 1997). Grounded on social network theory, this research suggests the potential benefits of government networks in the acquisition of resources that can spur NVS. Additionally, this study also sheds light on the capital theory (Bourdieu, 1986) which exhibits access to entrepreneurial capital including economic, social, human, cultural and symbolic capital that influences venture growth (Davidsson & Honig, 2003; De Carolis & Saparito, 2006). For instance, we assess how entrepreneurs access external financial and nonfinancial and how the support influences their growth and success in the competitive market. The findings of this study are claimed to be of higher value especially for newly established ventures in emerging markets where there is a higher failure ratio. The results of this study facilitate new ventures to develop strong ties with government and political bodies to enhance their access to valuable resources. To summarize, the findings of this research recommends several significant implications for policymakers to initiate supportive projects and programs for long term survival of new ventures. Moreover precisely, this research helps Small and Medium Enterprises Authority (SMEDA) to give enough attention to the newborn ventures. This research assists SMEDA in improving strategic patterns for new and established ventures to retain them in the long run.

Theoretical Background and Literature Review

Entrepreneurship; Growth and Challenges in Pakistan

Pakistan (796,096 square kilometers) is a South Asian country neighbored by China (Northeast), India (East), Afghanistan (Norwest) and Iran (West). After the first source of income (e.g. farming), the SMEs sector is considered to follow the list, which encompasses more than 95% of all the businesses that contribute more than 40% to the GDP (Anwar, 2018). While a large number of new ventures have emerged in the country, 19% of them fail within the first 5 years after their creation and only 4% of them could survive and grow up to 25 years (Khawaja, 2006). For example, Shah et al. (2011) report that more than 60% of SMEs had shut down due to a lack of resources. The high failure ratio is often attributed to a lack of finances and GS.

Support for entrepreneurial activity and new business creation in Pakistan is mixed. On the positive side, the government has initiated several programs (see Table 1) and established Small and Medium Enterprises Development Authority (SMEDA) to provide financial and nonfinancial support to both the newly established and old ventures (Songling et al., 2018). On the negative side, despite several initiatives taken by the government, a significant number of new start-ups and SMEs have failed to achieve the desired objectives and survive (Anwar et al., 2018).

Much effort has been made to identify the influential factors that might hinder new startups such as insufficient entrepreneurial and managerial skills (Aftab and Rahim, 1986), non-competitiveness or low productivity (Bari et al., 2005), lack of new technology (Hassan, Khan, and Saeed 1998), social and physical infrastructure (Bari et al., 2005; Kemal, 1993), networking with other firms and industries (Aftab, 1991), GS (Songling et al., 2018), finance (Kemal, 2000) and ineffective government policies (Roomi and Hussain, 1998) . In the context of Pakistan, while Ahmed and Hamid (2011) observe a lack of finances as the major constraints of small firms' growth apart from human capital and size, Afraz et al. (2014) claim poor infrastructure and limited finance as major constraints. as predictors of entrepreneurial failures.

Table 1. Initiatives of the Government of Pakistan for SMEs

Name of Program/institution	Year Established
SMEDA[1]	1998
Khushali Bank	2000
Rozgar Micro Finance Bank	2001
Network Micro Finance Bank	2001
SMEs Bank	2002
First MicroFinance Bank	2002
Prime Minister's Youth Business Loan	2018

Entrepreneurial Finance and New Ventures Success

Financial capital is very crucial for newly established business ventures because it can protect new ventures from uncertain and accidental shocks (Wu, et al., 2016; Uzuegbunam et al., 2019). In the first phase of entrepreneurial firms, acquiring external financial capital is one of the major obstacles, which is due to its legal status, as there are high chances of the failures, which makes it less attractive for the financial venture capitalists (Howell, 2019). In developing markets such as Pakistan, sufficient financial capital and resources configure firms to expand their business operations successfully (Degong et al., 2018). A recent study conducted by Khan et al. (2019) demonstrates that entrepreneurial financial capital significantly and positively

contributes to new venture performance. They further suggested that the newly established ventures should focus initially to establish relationships with external financial ties and increase their networks to acquire adequate financial capital for their, survival and growth. In this backdrop, the operational costs overshadow the other costs in running the newly established business which warrants them to seek financial capital to operate their businesses to gain profitability and growth (Huang et al., 2012).

Amongst the various capabilities and skills of an entrepreneur, the ability to manage the financial matters of the firm is the most critical skill (Boohene, 2018). Nevertheless, the majority of the entrepreneurs do not fundamentally consider themselves as "financial people", they desire to create an extensive chain of financial capabilities as they progress through the firm's life cycle (Coleman & Kariv, 2014). These capabilities and skills comprise, acquisition of capital for their business growth, managing revenues, paying expenses, and aim to cope with periodic stints of "financial distress" (Amini et al., 2018). Financial capabilities are predominantly vital because of the high rate of failure attributed to the inefficient utilization of the financial resources to boost entrepreneurial ventures (Coleman & Kariv, 2013). It is further argued that business ownership and legitimacy is established based on the entrepreneur's access to both financial and non-financial resources (Erikson, 2001; Morris, 1998). In this regard, entrepreneurship scholars have drawn mostly from the capital theory (Bourdieu, 1986) to determine the influence which the entrepreneur enjoys out of his access to entrepreneurial capital. Furthermore, their economic, social, human, cultural and symbolic capital circumstances also indicative of their capability to launch and grow successful ventures (Davidsson & Honig, 2003; De Carolis & Saparito, 2006). Indeed, all the capitals (e.g. economic, social, human and financial) are required to survive in the long run but in fact, financial capital is a prominent source in NVS (Cooper et al., 1994; Cumming et al., 2019). Despite the significant role of initial finances in newly built ventures, the majority of the ventures still lack access to useful and sufficient finances (Howell, 2019).

SMEs' sustainable competitive advantage is largely determined by its access to both the internal as well as external finances, particularly in the emerging economies such as in China (Fonseka et al.,2013); for example, the higher the level of financial capital, the higher will be the performance of new ventures (Coleman & Kariv, 2013). Especially in developing economies, owners and managers of SMEs need to be financially literate and are required to have sufficient access to financial sources to gain superior performance and growth (Bongomin et al., 2017). Access to finances in emerging economies allows SMEs to commence industrious investments to grow their businesses and to attain the latest technology, thus certify their

competitiveness and adopting innovation, macro-economic springiness, and GDP growth (Beck &Demirguc-Kunt, 2006). It is deemed as a crucial capability of an entrepreneur to produce sufficient entrepreneurial capital to generate future income and achieve efficiency (Erikson, 2001). Access to finance improves firms' performance and growth by smoothing the entry into new markets, risk decline, endorsing innovation, and entrepreneurial activity in emerging economies (World Bank, 2013).

Financial capabilities can play a dynamic role in integrating other resources and skills and allow SMEs to deal with competitive business activities (Fonseka et al., 2014). A firm's strategy and success fundamentally depend on timing, availability, and effective and efficient use of financial resources in the development and investment phase. Besides, financial capabilities influence (e.g. negatively and positively) the strategic decision-making abilities of owners, managers and entrepreneurs (Gilbert et al., 2006; Zou et al., 2010). EF has become one of the prominent factors and plays a significant role in venture success (Huang 2016). Additionally, Wu et al. (2016) exhibited that EF has a significant influence on innovation performance; furthermore, their results depicted that this relationship is contingent upon the accessibility of formal finances and the levels of institutional development. Studies in this perspective have argued that financial strategy has a significant influence on the SMEs' survival and performance (Colemen and Kariv, 2013; Filser et al., 2014; Coleman, 2007). Drawing on these arguments, we hypothesize,

H_1. Entrepreneurial finance has a significant influence on new venture success.

Government support and New Venture Success

In the initial stage, a venture cannot survive effectively due to several deficiencies such as lack of skills, new to the market and very few customers. GS is the key factor in the development of newly established ventures (Cancino et al., 2015). It is not surprising that governments across the globe have shown great interest in sponsor ventures (Brander et al., 2015). Moreover, SMEs may be depending on the GS at various stages of their business cycles, such as for startup, to carry on the operational activities and sometimes for the process innovation (Shu et al., 2015). Government incentives, directly and indirectly, affect the performance of SMEs regarding innovation and new technology (Kang and Park, 2012). Hence, improving networking in terms of making good ties with political and government organizations is often recommended for SMEs (Gao et al., 2017) to access useful resources or to avoid some bad consequences out of the government policies, which may have a bad effect on the SMEs. Social network theory suggests that a firm with strong ties (e.g. with suppliers, political bodies, customers etc.) may be able to access rare resources at lower costs which in turn enhances its performance (Burt,1997). Though traditionally, GS in terms of industrial growth was neglected but recently, the government has shown a high interest in industrial growth by investing in R&D and technology (Eijdenberg et al., 2018). In this perspective, recent research has unleashed the importance of GS in SMEs' success. For instance, Songling et al. (2018) scrutinized that GS significant spurs sustainable competitive position and financial performance of SMEs operating in the emerging market like Pakistan. Idris and Saad (2019) found that GS has a direct positive effect on firm performance whereas entrepreneurial characteristics do not. Park and Lee (2019) findings reveal that financial resources from the Korean government indeed helped Korean SMEs in their long term survival, but do not necessarily help them in achieving higher performance and profitability. Additionally, GS also helps firms to capture entrepreneurial opportunities both locally as well as internationally (Ma, Ding, & Yuan, 2016) and significantly enhance the firm performance (Shu, Clercq, Zhou & Liu, 2019). Bruton et al., (2018) demonstrate that GS has a profound impact on new venture performance in transition economies. Similarly, Hoque (2018) found a significant positive effect of GS policy on SME's performance. Holtbrügge and Berning (2018) suggested that home GS has a direct significant relationship with firm performance and it has amplified the benefits of different market entry strategies. In addition to this, several other studies have discussed the importance of GS in the growth and success of newly established ventures (Doh

and Kim, 2014; Pergelova and Angulo-Ruiz, 2014). Drawing on the social capital theory and the above arguments, we assume,

H_2. Government support has a significant and positive influence on new venture success.

Moderating Effect of GS between EF and NVS

Government institutions can help small ventures in acquiring financial capital which in turn helps them in the business promotion (Fonseka et al., 2013). For instance, government financial supports improve the innovation success of SMEs which help them to possess a competitive position in the market (Doh and Kim, 2014) such as GS in terms of tax relaxation, interest-free loans, and other financial and non-financial incentives further increases their chances of survival and growth (Guan and Yam, 2014). Resource-based view theory (Barney, 1991) also suggests that the firms' internal and external capabilities are very important in determining the success of the SMEs and their performance; we argue that GS may play a significant role in access to financial capital and other scarce resources that may facilitate the success and development of newly established ventures. In emerging economies, governments have control over the unique resources (Khwaja & Mian, 2005), hence support from the government enables the newly established venture to access the financial capital to effectively run their business operations (Yang and Wang, 2017). Holtbrugge and Berning (2018) demonstrated that the performance of the Chinese firms operating in Germany is affected positively by GS. Moreover, Osano and Languitone (2016) indicated that GS facilitates SMEs to gain financial capital to expand their operations. therefore, we hypothesize that:

H_3: Government support strengthens the positive relationship between entrepreneurial finance and new venture success.

Methodology

Sample and Data

To test the model, data were collected from newly established ventures operating in Peshawar (the oldest trade city of Pakistan). Enterprises with less than 250 and more than 20 employees were selected as SMEs defined by Small and Medium Enterprises Authority (SMEDA). In addition, this research merely focused on those ventures which have started their operation during the last 10 years are considered as new ventures (Biggadike, 1979). A self-administered questionnaire was designed to collect data while the email approach was skipped due to a lower response rate. In Pakistan, the "Chamber of Commerce" contains the detail of the SMEs from

registration to wind up. Each city has its own chamber of commerce and contains all the records fo SMEs. We focused on "Peshawar"—a longstanding historical business area of Pakistan. The reason for choosing SMEs from the area is a very high failure ratio of the new ventures. For instance, Shah et al. (2011) claimed that more than 60% of ventures are failed in the initial stage in the area due to lack of support and lack of resources. The registered firms' list contains 2072 firms (i.e. manufacturing, trading and services firms) was taken from Sarhad Chamber of Commerce and Industry. In the list, around half of the firms were new ventures which have started their operation for the last 10 years. Hence, we tried to contact 50% of the new ventures. Therefore, using a simple random sampling technique, a total 500 questionnaires were distributed among the ventures of which 223 were received back. Certain questionnaires were having missing values while few of these were incorrectly filled and hence excluded from the study. Only 183 usable questionnaires were included in the final analysis with a response rate of 36.4%.

Table 2 illustrates the profile of the firms that participated in the survey. There were 85 firms from the manufacturing sector, 29 from the trading and 69 from the service industry. This study also asked about the internal sources of finances (own capital, friends, relatives and other domestic funds). The results show that the majority of the firms (67.7%) are not receiving funds from internal sources, 14.8% are neutral while only 17.50% of firms were those who have internal sources of finances. The mentioned figure indicates that external funding (e.g. EF) is crucial for their operation. The size of the firms is categorized into five sections where 19 firms have employees from 20 to 50, 38 firms have employees from 51 to 100, 38 firms have employees from 101-150, 63 have employees 151 to 200 and only 25 firms were those having employees 201 to 250.

Table 2. Profile of the Firms

	Frequency	Percentage
Nature of Industry		
1. Manufacturing	85	46.4
2. Trading	29	15.8
3. Services	69	37.7
Internal Finance		
1. Strongly Disagree	50	27.3
2. Disagree	74	40.4
3. Neutral	27	14.8
4. Agree	30	16.4
5. Strongly Agree	2	1.1

Size			
1.	20 to 50 employees	19	10.4
2.	51 to 100 employees	38	20.8
3.	101-150 employees	38	20.8
4.	151-200 employees	63	34.4
5.	201 to 250 employees	25	13.7
Total		183	100.0

Measures

The below section demonstrates the measures and scale of the variables. We have made very minor modifications to the adopted measures to fit in the study. Reliability and items total statistics of the variables have shown in Table 3 and Table 4 respectively.

Entrepreneurial Finance: The purpose of this study is to assess the success of newly established ventures affected by finance and GS. Hence, it is essential to consider all the sources of funding available to them. Regarding EF, this study considers external finances available for the growth and development of new ventures. However, the internal sources of finances (e.g. friends, own and relative, etc.) that may be available to owners and managers have been controlled. This research relied on six items adopted from (Ahmad and Xavier, 2012) to assess if there is sufficient EF available for newly established ventures. A sample item indicates "We can easily access sufficient equity funding available for new and growing firms". Cronbach Alpha of the items was calculated 0.967 as shown in Table 3.

Government Supports: Since, financial availability is already covered in EF, here this research focused on non-financial GS towards the growth of newly established ventures. Six items were adopted from a prior study of Zamberi Ahmad and Xavier, (2012); a sample item is "In my country, a wide range of government assistance for new and growing firms can be obtained through contact with a single agency". The items were tested in SMEs and resulted in 0.89 reliablity (Songling et al., 2018). Our analysis indicated Cronbach Alpha value 0.964 for the measures that has shown in Table 3.

New Ventures Success: There are different tools to measure the performance, for example, Return on Equity (ROE), Return on Investment (ROI) and Return on Assets (ROA) etc. subject to availability of the financial data of the SMEs. However, in the case of SMEs, there is no published data regarding their financial conditions as they are not obligated by the government to publish their financial data online, they rarely do it. In this backdrop, we relied on the self-reported approach to measure SMEs' performance (Su et al., 2015). Semrau, Ambos and Kraus

(2016) also suggest that in emerging economies, self-reported measures of SMEs performance provide more accurate results as compared to other alternatives. Hence, this research used a self-report approach (e.g. six items used by Anwar, 2018) to measure NVS where, owners and managers were asked to rate their firm performance compared with their major competitors based on ROE, ROI and ROA etc. for last three years. The reliability value of the items is 0.882 as presented in Table 3.

Table 3. Cronbach's Alpha Values

Variables	No. of Items	Cronbach's Alpha
Entreprneurial Finance	6	0.969
Government Support	6	0.964
New Venture Success	6	0.882

The items total statistics indicate (see Table 4) that there is not problematic item the research to be deleted. For instance, deleting any factor from any factors does not provide better results. Though in the removal of any item of NVS, we can get a high Alpha, but we have already a satisfactory value that is 0.882. Hence, we do not need to exclude any item from the list. According to George and Mallery (2003), the corrected item-total correlation represent " ↑0.9 - Excellent, ↑0.8 – Good, ↑0.7 – Acceptable, ↑0.6 – Questionable, ↑0.5 – Poor, and ↓0.5 – Unacceptable". We have satisfactory total correlation values in all cases.

Table 4. Item-Total Statistics

Entrepreneurial Finance	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
ef1	19.07	26.564	0.931	0.959
ef2	18.99	27.773	0.858	0.967
ef3	18.99	27.519	0.864	0.966
ef4	19.07	26.504	0.938	0.958
ef5	19.03	27.203	0.890	0.963
ef6	19.04	27.015	0.906	0.962
Government Support				
gs1	19.45	11.254	0.765	0.847
gs2	19.44	11.861	0.807	0.841
gs3	19.38	13.166	0.552	0.881

gs4	19.43	12.125	0.618	0.873
gs5	19.38	12.271	0.677	0.862
gs6	19.40	12.297	0.738	0.853
New Venture Succhess				
nvp1	18.96	18.081	0.902	0.955
nvp2	18.85	18.447	0.916	0.954
nvp3	18.87	18.458	0.859	0.960
nvp4	18.92	18.027	0.927	0.953
nvp5	18.77	19.140	0.818	0.964
nvp6	18.81	18.628	0.889	0.957

Control Variables

We controlled for the firm's size, nature of the industry and internal financial supports available to the newly established ventures to reduce the spuriousness in results. Since the nature of the industry is a categorical variable, group difference analysis was performed after splitting the file into manufacturing (test 1), trading (test2) and services (test3). Comparative analysis was carried out for the results of the three tests, the findings presented no significant difference, therefore, we dropped the variable of the industry due to its non-significant effect. Surprisingly, both the internal factors i.e. size and internal financial sources have insignificant influence on NVS.

Analysis and Results

Data were analyzed using SMART PLS as it deems to be suitable for formative, reflective items and small sample size (Hair, Ringle, and Sarstedt, 2011). We estimated the measurement model by evaluating the outer model (measurement model) to test the factor loading, validity and reliability and then inner model (structural model) using bootstrapping (2000 re-sampling) to check the significance of the path coefficients for hypothesis testing. CFA was performed to assess the factor loading, validity and composite reliability of the reflective constructs. First, the measurement model using the PLS algorithm was conducted to determine the influence of EF and GS on NVS (see figure 1). This model generated acceptable outputs, as all the factor loadings were above the benchmark value (0.70). There was no significant cross-loading among the items (see Table 6). The model has a good fit for data as RMR values is 0.061 and NFI is closed to 0.80. The convergent validity tests (see Table 7) establish the validity of the constructs i.e. above 0.50 which indicates the sufficient Average Variance Extracted (AVE) by

the items. Discriminant validity also illustrated its value in an acceptable range e.g. above 0.70 as recommended by (Hair et al., 2010). Additionally, Cronbach's Alpha and composite reliability (see Table 7) were found in the acceptable range e.g. above 0.70 suggested by (Nunnally and Bernstein, 1994). Overall, the results show that the constructs used in this study were both reliable and valid to measure their intended constructs.

Common Method Bias (CMB)

For this study, data were collected through a structured questionnaire, from the same respondent and at the same time which may cause CMB (Podsakoff and Organ 1986). Harmon's One Factor test applied in this research, which showed only three factors having eigenvalue above 1 of which the first factor explained only 39.36% variance which is less than 50%. Hence, it is argued that neither first factor explain major variation nor any other factor is apparent, as a result of this, we confirmed that CMB is not a problem in this study.

The correlation values give just initial support to the proposed hypotheses. Table 5 indicates positive relationship between EF and NVS (r = 0.377) as well as positive relationship between GS and NVS (r = 0.329). The results confirmed the absence of multicollinearity as all the correlation values are less than 0.80. Additionally, the Variance Inflation Factor (VIF) also indicated the nonexistence of multicollinearity as the values of VIF are less than 3 (Neter, Wasserman, and Kutner, 1983).

Table 5. Correlation

	Entrepreneurial Finance	Govt. Support	Venture Success
Entrepreneurial Finance	1		
Govt. Support	0.107	1	
Venture Success	0.375	0.329	1

Structural Models

Bootstrapping with 2000 re-sampling method was performed to test the hypotheses (see Figure 2). The results indicate that EF has a significant influence on NVS (β=0.332, t=4.332). GS is also significantly related to NVS (β=0.297, t=3.374). The results show that the factors i.e. EF and GS explained 23.3% variance in the NVS when controlled for internal finance and size of the firms which were insignificantly related to NVS. F-values imply that the size effect of EF (f = 0.14) and GS (f = 0.112) on NVS is medium.

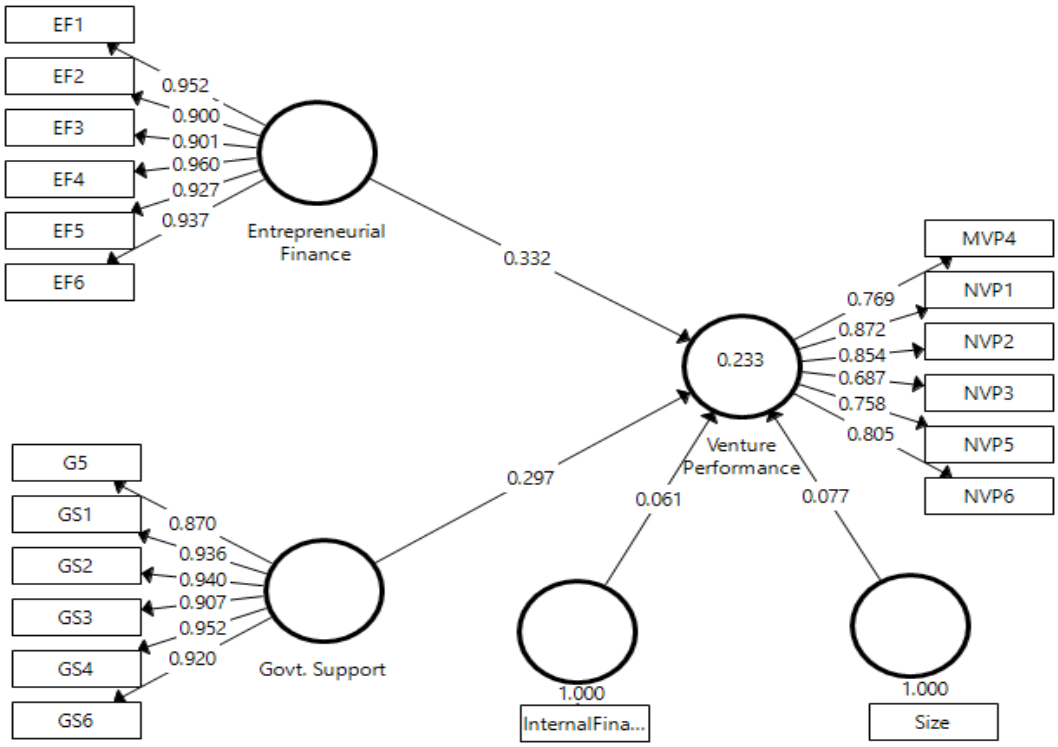

Figure 1. Measurement Model

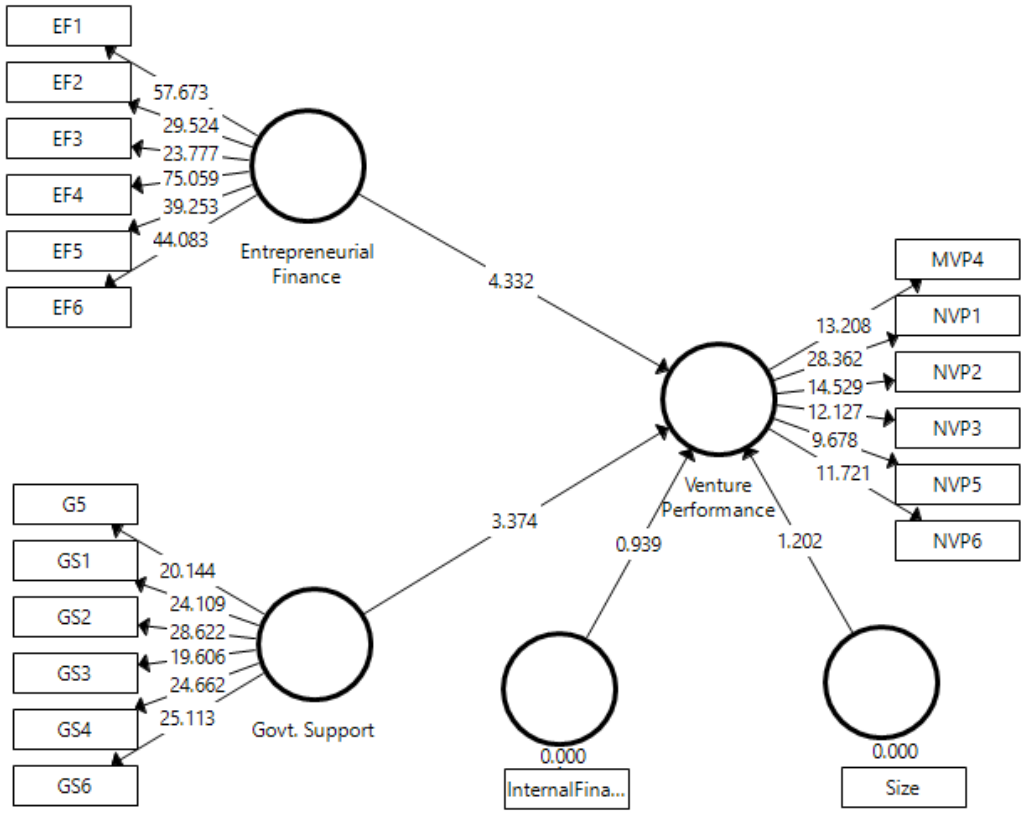

Figure 2. Structural Model - Bootstrapping

Table 6. Cross Loadings

Items	Entrepreneurial Finance	Govt. Support	Venture Success
EF1	**0.952**	0.113	0.344
EF2	**0.900**	0.156	0.361
EF3	**0.901**	0.098	0.303
EF4	**0.960**	0.094	0.357
EF5	**0.927**	0.054	0.366
EF6	**0.937**	0.083	0.352
G5	0.148	**0.870**	0.298
GS1	0.121	**0.936**	0.324
GS2	0.092	**0.940**	0.279
GS3	0.094	**0.907**	0.328
GS4	0.076	**0.952**	0.300
GS6	0.056	**0.920**	0.278
NVP4	0.333	0.294	**0.769**
NVP1	0.399	0.293	**0.872**
NVP2	0.237	0.237	**0.854**
NVP3	0.309	0.225	**0.687**
NVP5	0.201	0.263	**0.758**

NVP6	0.242	0.232	**0.805**

Table 7 Validity and Reliability

	Cronbach's Alpha	Composite Reliability	AVE	Discriminant Validity
Entrepreneurial Finance	0.969	0.975	0.864	0.930
Govt. Support	0.964	0.971	0.849	0.921
Venture Success	0.882	0.910	0.629	0.793

Moderating Effect

To examine the moderating effect of GS between the FC and NVS we conducted interaction effect estimation (see Figure 3). First, the PLS algorithm has performed which indicates a positive moderating role of GS (β =0.191). The R^2 in the presence of the moderating effect shows a 27% variance in NVS. Furthermore, bootstrapping was performed (see Figure 4) to check if GS significantly moderates this relationship. The results (see Table 8) indicated that GS significantly moderates the relationship between EF and NVS and it strengthens the positive relationship between EF and NVS (β=0.191, t=2.433).

The overall results of the research are presented in Table 5.

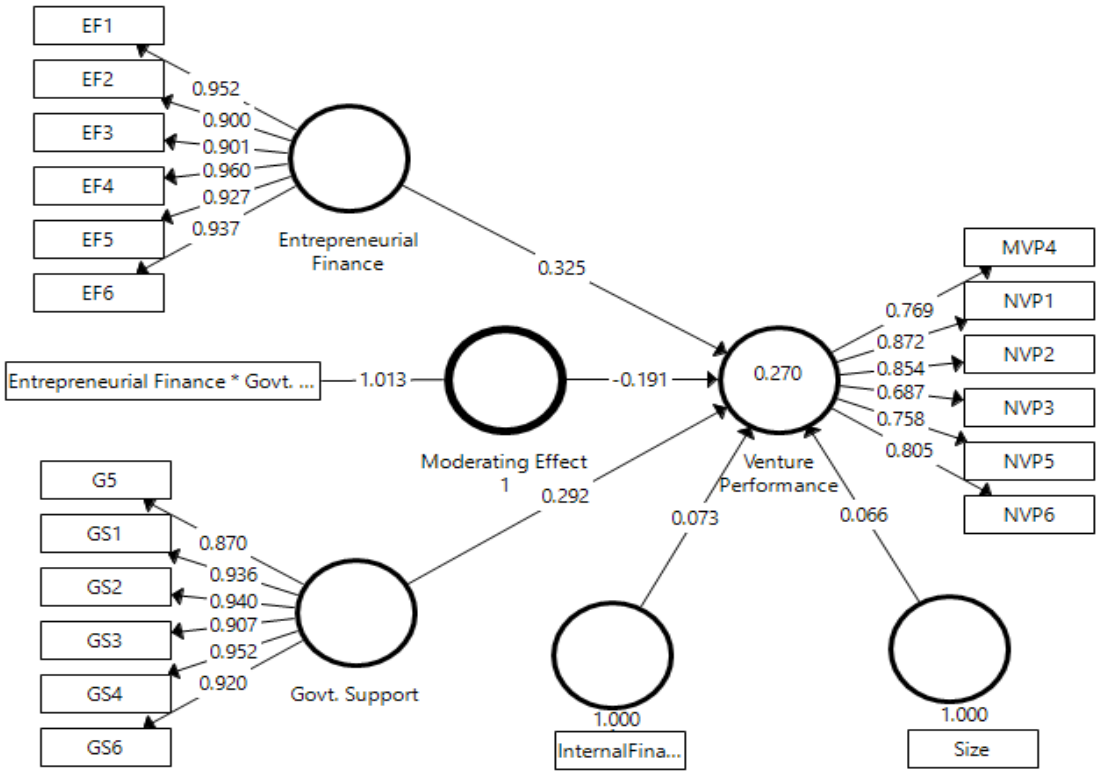

Figure 3. Measurement Model (with Moderation)

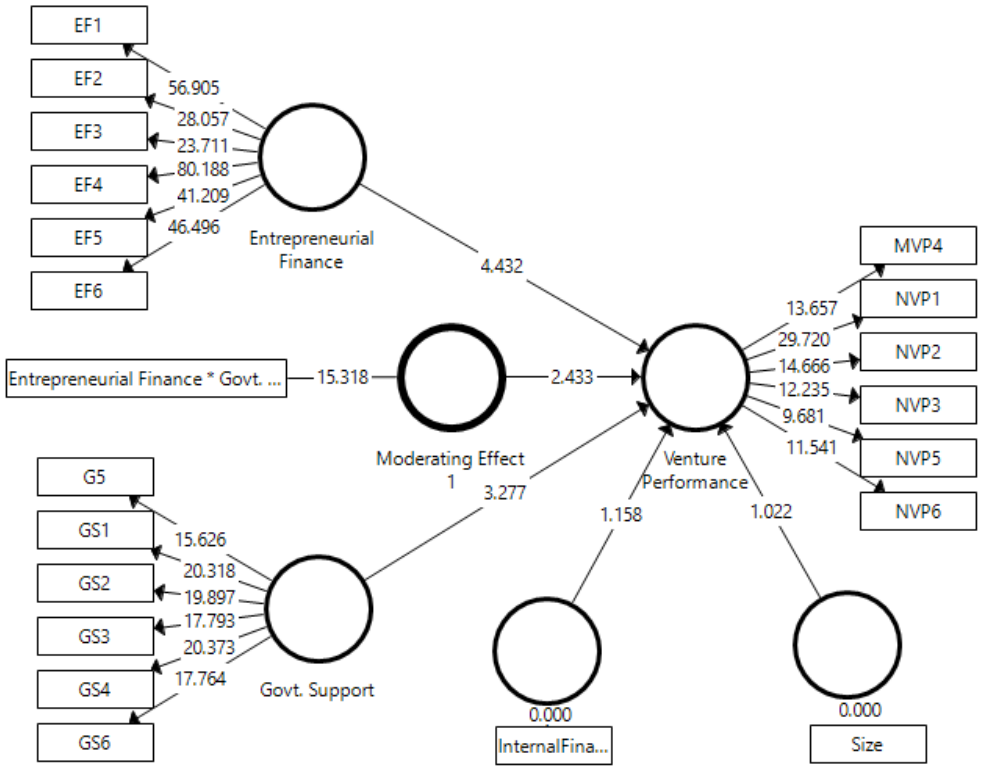

Figure 4. Structural Model - Bootstrapping (with Moderation).

Table 8. **Hypotheses Testing**

Hypothesis	B	t	Remarks
FC → NVS	0.332	4.332	Supported
GS → NVS	0.297	3.374	Supported
GSxFC→NVS	0.191	2.433	Supported

Robustness Checks

We executed the PROCESS in SPSS for moderation analysis as recommended by Hayes (2013). As H3 of the study tests the positive relationship between EF and NVS would be stronger for those firms who receive sufficient GS over those firms who have a lack of access to GS. For this purpose, we mean-centered EF and GS (Aiken and West, 1991). First, we entered the independent variable (EF), second both EF and the moderating variable (GS) were entered, finally, the interaction term of EF and GS was entered. The result of the interaction effect in Table 9 shows that the interaction term (EF × GS) is significant (β =0.15, $p<0.05$, 95%

LLCI=0.25 and ULCI=0.27). Furthermore the change in R^2 increases due to the interaction term of EF and GS (ΔR^2 =0.0147, $p < 0.05$).

The moderating effect of GS on the relationship between EF and NVS is also illustrated graphically in figure 1, by using a slop test as suggested by Preacher and Hayes (2008). We have drawn the significant joint effect for high and low (mean +/- SD) value for the moderating effect. Table 7 shows that the EF and NVS relationship is strong (β =0.41, $p < 0.05$, 95% LLCI=0.31 and ULCI=0.51) for a high level of GS, whereas the above mentioned relationship is weak (β =0.27, $p < 0.05$, 95% LLCI=0.19 and ULCI=0.35) for a low level of GS. Therefore, the results support H3 and confirm that those new ventures who receive high support from the government can gain high performance in the presence of EF. However, in contrast, firms with a lack of GS have a low level of performance even if they have adequate EF. To summarize, as shown in Figure 5, GS as a moderator strengthens the path between EF and NVS. For instance, the figure shows that as ventures access high GS, their performance is improving in the presence of adequate EF. In contrast, when owners and managers have a lack of access to GS and have a lack of access to EF, their performance declines. Overall, the moderating effect of GS shows a significant role between EF and NVS.

Table 9 Moderation analysis

	Dependent variable: New venture success			
Moderator: GS	**B**	SE	LLCI	ULCI
GS	0.37	0.03	0.29	0.44
EF	0.34	0.03	0.27	0.41
EF × GS	0.15	0.06	0.25	0.27
ΔR^2 due to interaction	0.0149			
F	5.61			
Conditional effect of GS (moderator) between EF and New venture success				
Moderator :	**β**	SE	LLCI,95%	ULCI,95%
GS				
-1 SD below Mean	0.27	0.03	0.19	0.35
Mean	0.34	0.03	0.27	0.41
+1SD above mean	0.41	0.05	0.31	0.51

Note: Bootstrapping Sample Size = 2000, LLCI = Lower Limit Confidence Interval, ULCI = Upper Limit Confidence Interval , N=184

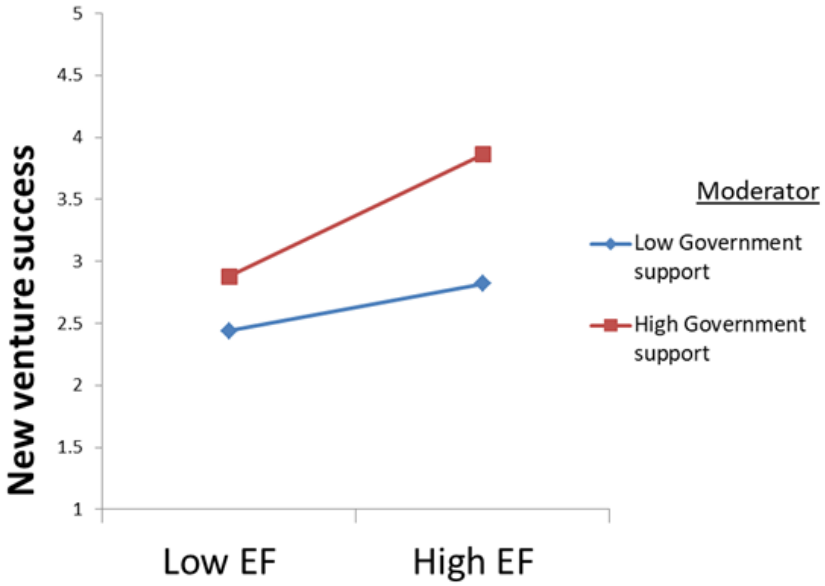

Figure 5. Interaction term. EF=Entrepreneurial Finance

Discussion

The focus of this research was on testing the role of EF and GS in NVS operating in emerging economies. We collected evidence from 182 new ventures operating in the emerging economy Pakistan and analyzed by SMART PLS. Two major goals were associated with this study. First, to test how EF contributes to NVS. Second, how GS moderates the relationship between EF and NVS. We revealed that EF significantly contributes to NVS in emerging economies. In line with Ndururi, Mukulu and Omwenga (2019) who revealed that EF is very crucial for micro and small firms as they enhance their survival via EF. The findings of this research show that GS has a significant influence on NVS. For instance, Wang (2018) argues that government intervention plays a substantial role in the innovation of firms. The findings give broad support to Qu and Harris (2019) who resulted that political support favorably influences the survival of new firms in emerging economies such as China. In areas where ventures get assistance from government perform over other firms and enjoy long term survival (Owen, North & Mac Bhaird, 2019).

Though, the intervention varies from country to country and depends upon the industrial structure and policies. It is hereby endorsed that GS can encourage the survival and success of new ventures. For instance, as aforementioned that in emerging economies, valuable resources are possessed by the government. Hence, a new venture's capability to access GS can yield superior performance. A firm needs to build a relationship with the government to gain rare resources as suggested by social networking theory (Burt, 1997). The success of ventures can be enhanced through a different source of finance but government financial support has a noteworthy role in such situations (Xiang and Worthington, 2017). Moreover, the findings are consistent with Chang, Jack and Webster (2017) who scrutinized that GS facilitates firms regarding access to various resources required for their operation. Ventures in the initial stage face a shortage of resources, GS in this situation is considered vital for newly born ventures (Seo & Lee, 2019). Consistent with Quan et al., (2018) who displayed that GS is a significant mechanism for the improvement of business performance. To summarize, our findings strongly related to Park, Lee and Kim (2019) who claimed that public finance does not properly improve venture performance unless the government provides non-financial support to the business industry.

This study makes two significant contributions to the existing literature to clarify either GS can enhance the performance of new ventures in the presence of EF. First, it examines the impact of EF on NVS by using empirical evidence from an emerging economy, rather a qualitative approach or exploratory method to assess the model. In Pakistan, for instance, more than 19% of firms fail in the initial stage (first five years) and only 4% of the firms survive for 25 years due to lack of resources and capabilities (Khawaja, 2006). As an emerging economy and its geographical location, Pakistan has many features in common with other emerging economies; hence, the empirical evidence derived from this study provides significant implications for other economies. The results support the findings of Fonseka, Yang and Tian, (2013) who scrutinized that financial capital is the core factor for growth and sustainable competitive advantage of the ventures operating in emerging economies. Furthermore, it has been suggested that the new entrepreneurial firms are deemed as a crucial source of economic growth and employment. These firms often need substantial financial capital to survive for long terms (Megginson, 2004). Considering the theme of the resource-based theory, which demonstrates that a firm with strong internal and external capabilities and resources enjoys superior performance (Barney, 1991), this research confirms that the financial capital can be deemed as a significant source that may enhance the performance of firms (Fonseka et al., 2014). In

addition, the results support the capital theory (Bourdieu, 1986) which demonstrates the entrepreneurs' access to entrepreneurial capital including economic, social, human, cultural and symbolic capital that influences the growth of their ventures (Davidsson & Honig, 2003; De Carolis & Saparito, 2006). Second, this research claims that EF is one of the essential sources which can facilitate the growth and success of newly established ventures. The study also argues that EF can enable the smooth operation of young ventures and can attenuate the frequency of high failure among newly operated ventures across the globe.

Policy Implications

This study provides several implications for policymakers, owners and managers of newly established ventures and governments. Based on the findings of this study, it is recommended for governments and policymakers to initiate special financial programs for new startups, so they can acquire the necessary finance to smooth their operation. Despite well-known arguments that these ventures are the real sources of economic growth and employment, there is a high failure ratio among newly run ventures. Hence, it gives alarming signals for governments and responsible authorities to initiate more effective policies for long-term survival. The findings recommend owners and managers of newly established ventures to focus on building ties with financial institutions and governments to acquire beneficial resources easily. Though in the initial stage, ventures have a lack of resources to invest in big and profitable projects, hence they need to look for external sources and sponsors to compete in the markets. Consequently, the implications can be applied in other economies where the failure ratio of newly-established firms has become a severe phenomenon. Policymakers can strengthen and enforce financial institutions and banks to provide satisfactory financial resources to the newly initiated ventures. The government needs to encourage startups in rural and urban areas by proving interest free loans and advisory assistance.

These findings are very useful for SMEDA and chamber of commerce who are responsible for SMEs' registration, policies and growth. Certain organizations can retain new ventures from failure and can provide satisfactory financial and nonfinancial services. Specifically, none of the previous studies has been discussed the prevalence of EF and GS for newly born ventures in the emerging market Pakistan. There are not solid policies for the growth and survival of new ventures in terms of EF and support. As result, more than half of new ventures wind up

their operation. Hence, the implications are very useful for policymakers as they can build new policies for retaining newly initiated ventures.

Limitations and Future Research

Despite having several contributions and implications, this research is not free of constraints that should be addressed in future studies. The first limitation of the study can be expressed in terms of the small sample size considering the large number of SMEs in Pakistan, hereby recommended a large sample size from other geographical locations of the country to gain more fruitful results. Since the study relied on newly established ventures operating in the emerging economy Pakistan; researchers are encouraged to extend the model in other economies in the future. The results are biased toward newly established ventures, hence the established SMEs can be surveyed in future studies. This study controlled only a few factors while future researchers are advised to test the model getting controlled for some other factors i.e. environmental turbulence, industry policies and political conditions etc. Although this research discussed the role of EF in the growth of a new venture, future studies can examine the other capabilities especially intangible resources in this perspective. For instance, the role of human capital in new venture growth is also discussed by (Kato and Honjo, 2015) which plays a vital role in NVS. This research could not check the unique role of angel investors, crowdsourcing and other newly emerged financial sources, herby recommended to be assessed in future studies.

Conclusion

The aim of this research was to unleash the importance of EF and GS in the success of newly born ventures. This study also tested the moderating role of GS between EF and NVS. EF was based on financial resources offered by the government or banks to the new ventures for their operational activities and growth. GS is laid in nonfinancial assistance to new ventures by political and government bodies. This research surveyed newly operated ventures from the emerging market Pakistan through a structured questionnaire. In the era of globalization, newly established ventures face many barriers and challenges that may hinder their growth and survival. In general, new ventures often face resource constraints, lack of management capabilities and newness liability in the market. Therefore, they often look at external support and assistance to enhance their survival. Studies in this perspective have examined several determinants, especially in developed economies while emerging economies are deliberately

ignored. More precisely, there are lack of information in emerging economies, particularly in Pakistan about the importance of GS for newly born ventures. Our findings provide strong support to the proposed hypotheses and confirmed that GS significantly moderates the relationship between EF and NVS. The research objectives and questions are strongly favored in this research. This research recommends government and SMEDA to provide sufficient assistance to newly operated SMEs in terms of finance and strategy to ensure their long term existence and to avoid them from failure. The findings further suggest implications for policymakers to initiate effective policies and programs for newly operated ventures in terms of financial capital and non-financial supports.

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