

Financial Literacy and SME Financial Performance, The Mediating Roles of Marketing Capability and Human Capital

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ABSTRACT

This study examines the effect of financial literacy on financial performance and the mediating roles of marketing capability and human capital. A quantitative cross-sectional survey was conducted with 124 respondents, and data were analyzed using PLS-SEM. The results show that financial literacy has a positive total effect on financial performance ($\beta = 0.595$). Financial literacy significantly enhances marketing capability ($\beta = 0.446$) and human capital ($\beta = 0.396$), which in turn positively influence financial performance. Human capital shows the strongest effect ($\beta = 0.544$), followed by marketing capability ($\beta = 0.372$). Mediation analysis confirms partial mediation, with indirect effects of 0.166 (marketing capability) and 0.215 (human capital). The model explains 63.2% of the variance in financial performance, indicating strong explanatory power. The findings suggest that financial literacy improves financial outcomes both directly and indirectly through capability development. This study contributes by integrating financial literacy theory, resource based view, and human capital theory into a unified mediation framework.

Keywords: Financial literacy, Financial performance, Marketing capability, Human capital, Mediation, PLS-SEM.

INTRODUCTION

Small and medium-sized enterprises (SMEs) play a crucial role in economic growth, employment creation, and innovation, particularly in developing and emerging economies. Strengthening SME performance has therefore become a major policy and research priority, especially as many SMEs continue to face financial vulnerability and sustainability challenges (Athallah Darmawan & Fachrul Rezki, 2025; OECD, 2023). Financial capability and effective resource management are widely recognized as key determinants of SME resilience and long-term performance, particularly in dynamic and uncertain business environments (Keuangan & Departement, 2023; OECD, 2023).

Financial literacy has been identified as a fundamental driver of sound financial decision-making and improved financial outcomes. Individuals and firms with higher financial literacy are better able to manage cash flow, assess risks, allocate resources efficiently, and sustain financial well-being (Anghel & Pochea, 2025; Lusardi & Streeter, 2023). In the SME context, financial literacy has been empirically linked to improved financial performance, operational stability, and business sustainability (Kurniasari et al., 2025; Yakob et al., 2021). Furthermore, recent studies highlight that digital financial literacy and financial knowledge significantly

enhance financial behavior and long term economic sustainability (Abdurrahman & Nugroho, 2024; Keshavammaiah et al., 2026).

However, financial literacy alone may not directly translate into superior financial performance. According to the resource and knowledge based view, knowledge resources contribute to performance only when transformed into organizational capabilities that enable firms to create and sustain competitive advantage (Pereira & Bamel, 2021). In this context, marketing capability and human capital are critical mechanisms through which financial knowledge can be converted into improved financial outcomes. Marketing capability enables firms to understand customer needs, develop effective strategies, and generate superior market performance, which ultimately contributes to financial performance (Duah et al., 2024; Imiru, 2024). Dynamic marketing capabilities further support firms in achieving competitive advantage and sustainable growth in increasingly competitive markets (Pratama et al., 2025)

Human capital represents another strategic capability that plays a central role in organizational performance. Skilled, knowledgeable, and adaptive human resources enhance productivity, innovation, and decision making quality, which are essential for achieving sustainable financial outcomes (Gautam & Gautam, 2022; Performance, 2024). Empirical studies consistently demonstrate that human capital significantly influences firm performance, competitiveness, and long term value creation (Albani et al., 2025; Guan, Jian; Deng, Fang; Zhou, 2022). Moreover, the integration of human capital with organizational strategy and knowledge resources has been shown to improve financial sustainability and business performance (Lakjeewaa & Hansani, 2025).

Despite the growing body of literature on financial literacy, marketing capability, and human capital, prior research has largely examined these constructs independently. Most studies have investigated financial literacy primarily as a direct determinant of financial performance, overlooking the underlying mechanisms through which financial knowledge is transformed into organizational outcomes (Lusardi & Streeter, 2023; Yakob et al., 2021). Similarly, studies on marketing capability and human capital have typically been conducted in isolation, without integrating these constructs into a unified capability based framework (Duah et al., 2024; Gautam & Gautam, 2022).

Furthermore, recent research suggests that financial literacy interacts with digital capability, access to finance, and human capital to influence SME performance; however, the mediating role of core organizational capabilities in translating financial knowledge into financial performance remains insufficiently explored (Kurniasari et al., 2025; Rina Amelia et al., 2023). In particular, limited empirical evidence exists on how financial literacy simultaneously influences financial performance through both marketing capability and human capital within the SME context, especially in emerging economies where capability development plays a critical role in firm sustainability (Darmawan & Rezki, 2025; OECD, 2023). This gap highlights the need for an integrated mediation framework that explains how financial literacy contributes to financial performance through capability transformation rather than solely through direct financial decision making.

To address this gap, the present study examines the direct and indirect effects of financial literacy on SME financial performance, with marketing capability and human capital acting as mediating mechanisms. This study contributes to the literature in several important ways. First, it extends financial literacy research by demonstrating that the impact of financial literacy on financial performance operates largely through capability based mechanisms rather than solely through direct effects. By integrating financial literacy theory with the resource based and knowledge based view, this study provides a more comprehensive explanation of how knowledge resources are transformed into organizational capabilities that generate financial outcomes (Pereira & Bamel, 2021).

Second, this study simultaneously examines marketing capability and human capital as parallel mediating mechanisms, offering a more integrated understanding of how strategic and human resource capabilities jointly translate financial knowledge into performance. While prior studies have examined these capabilities separately, this study reveals their complementary and differential roles, particularly highlighting the dominant influence of human capital in driving financial performance (Albani et al., 2025; Guan, Jian; Deng, Fang; Zhou, 2022). Third, this study contributes empirically by providing evidence from the SME context in an emerging economy, where capability development is crucial for business resilience and sustainability. The findings offer practical implications for managers and policymakers by emphasizing that improving financial literacy alone is insufficient unless accompanied by investments in marketing capability and human capital development (Abdullah Shah et al., 2025; OECD, 2023). In general, this study advances the capability-based perspective in financial literacy research by proposing and empirically validating a unified mediation model linking financial literacy, marketing capability, human capital, and financial performance.

METHODS

This study used a quantitative cross-sectional survey to examine the relationships among financial literacy, marketing capability, human capital, and financial performance, including direct and mediating effects. Partial Least Squares Structural Equation Modeling (PLS-SEM) was employed due to its suitability for prediction oriented research and mediation analysis with relatively small samples. The target population included small business owners, entrepreneurs, employees, and university students involved in financial decision making. Using purposive sampling, respondents were selected based on active involvement in financial decisions, basic financial management experience, and voluntary participation. Data were collected through an online structured questionnaire using a five point Likert scale, and the instrument was reviewed for clarity and face validity. A sample of 124 respondents was successfully collected to ensure statistical reliability in PLS-SEM applications. All procedures followed ethical research standards, with voluntary and anonymous participation to ensure response accuracy and minimize bias, which is essential for reliable behavioral and organizational research (Hair & Alamer, 2022).

All constructs were modeled as reflective and measured using established scales. Financial literacy assessed the ability to understand and apply financial knowledge; marketing

capability measured the ability to identify customer needs and implement effective marketing strategies; human capital captured skills, experience, and adaptability; and financial performance reflected revenue and profit growth, stability, and financial sustainability. Data were analyzed using SMART-PLS following a two step approach, evaluation of the measurement model (reliability, convergent, and discriminant validity) and evaluation of the structural model (path coefficients, R^2 , f^2 , Q^2 , and mediation effects using bootstrapping). The model tested both the direct effect of financial literacy on financial performance and its indirect effects through marketing capability and human capital.

RESULTS AND DISCUSSION

Results

Measurement Model

Reliability and Internal Consistency

The reliability of the measurement model was assessed using Cronbach's Alpha and Composite Reliability (CR). The results indicate that all constructs demonstrate acceptable to strong internal consistency. Financial Performance shows high reliability (CR = 0.909), while Marketing Capability (CR = 0.951) exhibits very strong internal consistency. Financial Literacy demonstrates acceptable reliability (CR = 0.801), which is considered adequate for prediction oriented research such as PLS-SEM. Human Capital exhibits extremely high composite reliability due to highly homogeneous responses across indicators, indicating strong internal consistency of the construct.

These findings are consistent with prior studies suggesting that reliability values above the recommended threshold confirm that measurement items consistently capture the underlying latent constructs (Hair & Alamer, 2022). In the context of organizational capability research, high internal consistency indicates that indicators effectively represent knowledge based and capability based constructs such as financial literacy, marketing capability, and human capital (Pereira & Bamel, 2021).

Convergent Validity

Convergent validity was evaluated using outer loadings and Average Variance Extracted (AVE). Most indicator loadings exceed the recommended threshold of 0.70, confirming that the indicators adequately represent their respective constructs. Financial Literacy indicators FL1, FL3, and FL4 demonstrate strong loadings, while Marketing Capability indicators MC4 and MC5 show very high loadings, indicating strong construct representation. Financial Performance indicators also exhibit strong loadings, confirming measurement adequacy. The AVE values for all constructs exceed the recommended threshold of 0.50, indicating that a substantial proportion of indicator variance is explained by the latent constructs. Financial Literacy shows acceptable convergent validity (AVE = 0.521), while Financial Performance demonstrates strong convergent validity (AVE = 0.667). Marketing Capability and Human Capital display very high AVE values, indicating that the constructs strongly capture their respective indicators.

These findings support prior research suggesting that convergent validity confirms the adequacy of measurement items in representing capability based constructs and financial knowledge constructs (Duah et al., 2024; Lusardi & Streeter, 2023). The strong convergent validity observed in this study suggests that financial literacy, marketing capability, and human capital are empirically measurable constructs that contribute to organizational performance.

Discriminant Validity

Discriminant validity was assessed using the Fornell–Larcker criterion and HTMT ratio. The results indicate that the square root of AVE for each construct exceeds its correlations with other constructs, confirming that each construct captures distinct conceptual domains. Additionally, HTMT values remain below the recommended threshold of 0.90, indicating satisfactory discriminant validity. These findings confirm that financial literacy, marketing capability, human capital, and financial performance represent conceptually distinct constructs, despite their theoretical interrelationships. Prior literature suggests that discriminant validity is essential in capability based research to ensure that knowledge resources and organizational capabilities are empirically distinguishable constructs (Hair & Alamer, 2022; Pereira & Bamel, 2021).

Overall, the measurement model demonstrates satisfactory reliability, convergent validity, and discriminant validity, confirming the adequacy of the constructs for structural model evaluation. The strong reliability and validity results indicate that financial literacy, marketing capability, and human capital are robust capability based constructs that can be empirically measured and analyzed. These findings are consistent with prior research highlighting that financial knowledge and organizational capabilities can be reliably captured through multi-indicator measurement models and significantly contribute to explaining firm performance (Duah et al., 2024; Gautam & Gautam, 2022; Yakob et al., 2021). The validated measurement model therefore provides a strong foundation for testing the structural relationships among financial literacy, marketing capability, human capital, and financial performance.

Structural Model

Path Coefficients and Hypothesis Testing

The structural model evaluation reveals that Financial Literacy has a positive total effect on Financial Performance ($\beta = 0.595$), indicating that higher financial literacy is associated with improved financial outcomes. This finding supports prior studies suggesting that financial knowledge enhances financial decision making, resource allocation, and financial sustainability (Lusardi & Streeter, 2023; Yakob et al., 2021). Financial Literacy also significantly influences Marketing Capability ($\beta = 0.446$) and Human Capital ($\beta = 0.396$), confirming that financial knowledge contributes to the development of organizational capabilities. This aligns with the resource and knowledge based view, which posits that knowledge resources enhance performance through capability transformation (Pereira & Bamel, 2021).

When mediating variables are introduced, the direct effect of Financial Literacy on Financial Performance decreases to $\beta = 0.214$, indicating the presence of mediation. Marketing

Capability demonstrates a significant positive effect on Financial Performance ($\beta = 0.372$, $p < 0.01$), suggesting that the ability to understand markets and implement effective marketing strategies contributes to financial outcomes. This result is consistent with prior research highlighting the strategic role of marketing capability in improving firm performance and competitive advantage (Duah et al., 2024; Imiru, 2024).

Human Capital shows the strongest effect on Financial Performance ($\beta = 0.544$, $p < 0.001$), indicating that skills, competence, and adaptive capability are major drivers of financial success. This finding supports extensive evidence demonstrating that human capital significantly enhances productivity, innovation, and firm performance (Albani et al., 2025; Gautam & Gautam, 2022; Guan, Jian; Deng, Fang; Zhou, 2022).

Coefficient of Determination (R^2)

The R^2 results indicate that Financial Literacy explains 19.9% of the variance in Marketing Capability and 15.7% of the variance in Human Capital, suggesting moderate explanatory power. These findings imply that while financial literacy contributes to capability development, other organizational and contextual factors may also influence these constructs. More importantly, Financial Literacy, Marketing Capability, and Human Capital jointly explain 63.2% of the variance in Financial Performance ($R^2 = 0.632$), indicating strong explanatory power. This result demonstrates that integrating financial knowledge with organizational capabilities provides a robust explanation of financial performance, consistent with capability based perspectives in strategic management (Pereira & Bamel, 2021).

Effect Size (f^2)

Effect size analysis indicates that Human Capital has a large effect on Financial Performance ($f^2 = 0.636$), confirming its dominant role in driving financial outcomes. Marketing Capability demonstrates a moderate effect ($f^2 = 0.282$), suggesting that marketing capability significantly contributes to financial performance, although its impact is smaller compared to Human Capital. Financial Literacy shows a small direct effect ($f^2 = 0.079$), indicating that its influence operates primarily through the mediating constructs rather than as a direct predictor. These findings reinforce prior research suggesting that organizational performance is strongly influenced by human capital and capability development rather than knowledge alone (Gautam & Gautam, 2022; Performance, 2024).

Predictive Relevance (Q^2)

The Q^2 value for Financial Performance is positive, indicating that the structural model has adequate predictive relevance. This confirms that Financial Literacy, Marketing Capability, and Human Capital collectively provide meaningful predictive capability in explaining financial performance. In PLS-SEM, positive Q^2 values indicate that the model has predictive validity and is suitable for prediction oriented research (Hair & Alamer, 2022). The predictive capability observed in this study further supports the argument that capability based mechanisms are critical

in translating financial knowledge into financial outcomes, particularly in SME contexts characterized by resource constraints and dynamic environments (OECD, 2023).

Mediation Analysis (Bootstrapping)

The mediation analysis confirms that both Marketing Capability and Human Capital significantly mediate the relationship between Financial Literacy and Financial Performance. The indirect effect through Marketing Capability is 0.166, while the indirect effect through Human Capital is stronger at 0.215. The reduction of the direct effect from $\beta = 0.595$ to $\beta = 0.214$ indicates partial mediation, suggesting that Financial Literacy improves Financial Performance both directly and indirectly through capability development. The stronger mediating role of Human Capital indicates that financial knowledge is more effectively translated into financial performance through improvements in skills, competence, and productivity. This finding aligns with prior research highlighting human capital as a critical mechanism linking knowledge resources to performance outcomes (Albani et al., 2025; Guan, Jian; Deng, Fang; Zhou, 2022).

Similarly, the mediating role of Marketing Capability confirms that financial knowledge enhances financial performance by improving market understanding, strategic positioning, and customer value creation, which ultimately translate into improved financial outcomes (Pratama et al., 2025; Duah et al., 2024). Overall, the structural model demonstrates strong explanatory and predictive capability. The findings confirm that Financial Literacy improves Financial Performance primarily through capability based mechanisms rather than solely through direct financial decision making. Human Capital emerges as the most influential driver of financial performance, followed by Marketing Capability, highlighting the critical role of capability development in achieving sustainable financial outcomes.

These results support the resource and knowledge based view, emphasizing that knowledge resources such as financial literacy must be transformed into organizational capabilities to generate superior performance. The findings also contribute to SME performance literature by demonstrating the complementary roles of strategic and human resource capabilities in translating financial knowledge into financial outcomes (OECD, 2023; Pereira & Bamel, 2021).

Direct Effect and Indirect Effect

The structural model was specified to examine both the direct effect of financial literacy on financial performance and its indirect effects through marketing capability and human capital. Consistent with this specification, the results demonstrate that financial literacy exerts a positive total effect on financial performance ($\beta = 0.595$), while its direct effect decreases when the mediators are included ($\beta = 0.214$), confirming partial mediation. This pattern indicates that financial literacy improves financial outcomes not only through direct enhancements in financial decision making but also through the development of organizational capabilities. Such findings are aligned with the resource and knowledge based view, which posits that knowledge resources contribute to performance primarily when transformed into strategic and human capabilities (Pereira & Bamel, 2021).

The empirical results show that financial literacy significantly enhances marketing capability ($\beta = 0.446$) and human capital ($\beta = 0.396$), both of which positively influence financial performance. Marketing capability demonstrates a significant effect on financial performance ($\beta = 0.372$, $p < 0.01$), suggesting that financial knowledge enables firms to allocate marketing resources effectively, understand customer needs, and generate superior market outcomes (Duah et al., 2024; Imiru, 2024). Meanwhile, human capital exhibits the strongest influence on financial performance ($\beta = 0.544$, $p < 0.001$; $f^2 = 0.636$), indicating that skills, competence, and adaptive capability are the primary mechanisms through which financial knowledge is converted into financial outcomes. This finding is consistent with prior literature emphasizing the dominant role of human capital in driving productivity, innovation, and sustainable organizational performance (Albani et al., 2025; Gautam & Gautam, 2022; Guan, Jian; Deng, Fang; Zhou, 2022).

The model demonstrates strong explanatory and predictive capability, with financial literacy, marketing capability, and human capital jointly explaining 63.2% of the variance in financial performance ($R^2 = 0.632$) and producing positive predictive relevance ($Q^2 > 0$). These results confirm that capability based mechanisms provide a robust explanation of financial performance, particularly in SME contexts characterized by resource constraints and dynamic environments (Darmawan & Rezki, 2025; OECD, 2023). The mediation analysis shows that both marketing capability (indirect effect = 0.166) and human capital (indirect effect = 0.215) significantly mediate the relationship between financial literacy and financial performance, with human capital playing the stronger mediating role. This suggests that financial literacy is most effectively translated into performance through improvements in competence, learning capacity, and productivity, while marketing capability contributes through enhanced market orientation and strategic positioning (Pratama et al., 2025; Duah et al., 2024).

In summary, the alignment between the methodological specification, empirical findings, and theoretical interpretation strengthens the study's contribution. The results provide empirical support for capability based perspectives by demonstrating that financial literacy influences financial performance primarily through capability transformation rather than solely through direct effects (Pereira & Bamel, 2021).

DISCUSSION

This study aims to examine the role of financial literacy in influencing financial performance, both directly and indirectly through marketing capability and human capital. The findings provide strong empirical support for the capability based perspective, suggesting that financial knowledge contributes to firm performance primarily through the development of organizational capabilities rather than solely through direct financial decision making.

The Influence of Financial Literacy on Financial Performance

The results confirm that financial literacy has a positive and significant total effect on financial performance. This finding indicates that firms with higher levels of financial literacy are better able to make informed financial decisions, allocate resources efficiently, and maintain financial sustainability. Financially literate managers are more capable of managing cash flow,

evaluating investment opportunities, and controlling costs, which ultimately improves financial outcomes.

However, when marketing capability and human capital are introduced into the model, the direct effect of financial literacy decreases substantially, indicating that financial literacy is not only the primary driver of performance. Instead, financial literacy acts as a foundational knowledge resource that must be transformed into organizational capabilities to generate stronger financial results. This finding reinforces the knowledge based view, which suggests that knowledge enhances performance only when converted into productive capability.

The Effect of Financial Literacy on Marketing Capability and Human Capital

The empirical findings show that financial literacy significantly enhances both marketing capability and human capital. This suggests that financial knowledge does not operate independently but supports broader capability development within the firm. First, financial literacy strengthens marketing capability by enabling firms to allocate marketing budgets more effectively, evaluate market opportunities, and implement data driven marketing strategies. Firms with strong financial understanding are better able to balance cost efficiency and market expansion, which improves their ability to compete and respond to customer needs.

Second, financial literacy contributes to the development of human capital by improving managerial competence, learning capacity, and adaptive skills. Financially literate firms tend to invest more effectively in employee training, knowledge development, and productivity improvement. This finding highlights that financial literacy functions as a cognitive resource that enhances organizational learning and competence.

The Mediating Role of Marketing Capability and Human Capital

The mediation analysis confirms that both marketing capability and human capital significantly mediate the relationship between financial literacy and financial performance, with human capital playing the stronger mediating role. The reduction of the direct effect of financial literacy after including the mediators indicates partial mediation, meaning that financial literacy improves financial performance both directly and indirectly through capability development.

Marketing capability mediates the relationship by translating financial knowledge into improved market orientation, strategic positioning, and customer value creation. Firms with strong marketing capability are better able to convert financial planning into revenue growth and competitive advantage. More importantly, human capital emerges as the most influential mechanism linking financial literacy to financial performance. This suggests that financial knowledge is most effectively translated into performance through improvements in skills, competence, productivity, and adaptive capacity. In other words, financial literacy strengthens human capital, which in turn becomes the primary driver of financial success.

These findings highlight that knowledge is insufficient to generate superior performance. Instead, financial literacy must be transformed into organizational capability, particularly human capital, to produce sustainable financial outcomes. This result strongly supports the resource and knowledge based view, which emphasizes that competitive advantage arises from the integration of knowledge resources and organizational capabilities. In general, this study demonstrates that financial literacy improves financial performance primarily through capability based mechanisms rather than relying solely on direct effects. Human capital is identified as the most dominant driver of financial performance, followed by marketing capability, while financial literacy serves as the foundational knowledge resource. The strong explanatory power of the model further confirms that integrating financial knowledge with organizational capabilities provides a comprehensive explanation of firm financial performance, particularly in resource constrained and dynamic environments such as SMEs.

Contribution

This study makes several important theoretical contributions. First, it advances financial literacy research by demonstrating that the relationship between financial literacy and financial performance is largely capability-driven rather than purely direct. While prior studies have predominantly treated financial literacy as an independent determinant of financial performance, this study shows that its impact operates mainly through organizational capability transformation. By integrating financial literacy theory with the resource- and knowledge-based view, this study provides a more comprehensive explanation of how knowledge resources generate performance outcomes (Pereira & Bamel, 2021).

Second, this study contributes to capability-based research by simultaneously examining marketing capability and human capital as parallel mediators. Previous research has typically analyzed these constructs separately; however, this study reveals their complementary and differential roles in translating financial knowledge into performance. Notably, human capital emerges as the dominant mechanism, reinforcing the argument that skills, competence, and adaptive capability are central drivers of organizational performance and sustainable competitive advantage (Albani et al., 2025; Gautam & Gautam, 2022). Third, this study extends SME performance literature by empirically validating a unified mediation framework linking financial literacy, marketing capability, human capital, and financial performance.

Implications

The findings offer several important managerial implications. First, improving financial literacy alone is insufficient to achieve superior financial performance. Managers should simultaneously invest in capability development, particularly in human capital and marketing capability, to effectively translate financial knowledge into performance outcomes. Training

programs focusing on financial management, strategic marketing, and skill development can significantly enhance organizational productivity and financial performance. Second, the dominant role of human capital suggests that organizations should prioritize investments in employee competence, learning capability, and adaptive skills. Strengthening human capital improves decision-making quality, operational efficiency, and innovation, which ultimately drive financial outcomes. Managers should therefore integrate financial literacy initiatives with human resource development strategies to maximize performance gains (Gautam & Gautam, 2022).

Third, strengthening marketing capability enables firms to convert financial knowledge into market-oriented strategies and customer value creation. Organizations should focus on improving market analysis, customer relationship management, and strategic positioning to enhance revenue generation and financial sustainability (Duah et al., 2024). From a policy perspective, the findings suggest that financial literacy programs should be integrated with capability-building initiatives rather than implemented in isolation. Policymakers and development institutions should design comprehensive programs that combine financial education, managerial capability development, and workforce skill enhancement to strengthen SME performance and resilience.

Given the strong role of human capital, policy interventions should prioritize skill development, training, and knowledge transfer programs that enhance productivity and adaptive capacity among SME actors. Such integrated capability-based policies can significantly improve financial sustainability, competitiveness, and long term economic resilience in the SME sector (Darmawan & Rezki, 2025; OECD, 2023).

CONCLUSION

This study investigated how financial literacy influences SME financial performance, with marketing capability and human capital acting as mediating mechanisms. Using a quantitative cross-sectional design and PLS-SEM analysis on 124 respondents, the findings demonstrate that financial literacy has a positive and significant total effect on financial performance. However, its direct effect becomes weaker when marketing capability and human capital are introduced, confirming the presence of partial mediation. These results indicate that financial literacy enhances financial performance not only through direct improvements in financial decision making but also indirectly through the development of organizational capabilities.

The study further reveals that financial literacy significantly strengthens both marketing capability and human capital, which in turn positively influence financial performance. Among these mediating mechanisms, human capital emerges as the most influential driver, suggesting that skills, competence, and adaptive capability represent the primary pathway through which financial knowledge is translated into financial outcomes. Marketing capability also contributes

significantly by enabling firms to transform financial knowledge into effective market strategies, customer value creation, and improved revenue generation. The structural model demonstrates strong explanatory and predictive capability, indicating that integrating financial literacy with capability development provides a robust explanation of SME financial performance.

These findings support the resource and knowledge based view, emphasizing that knowledge resources such as financial literacy must be transformed into organizational capabilities to generate superior performance. The study contributes to the literature by demonstrating that the relationship between financial literacy and financial performance is largely capability-driven rather than purely direct, and by empirically validating a unified mediation framework linking financial literacy, marketing capability, human capital, and financial performance in the SME context.

From a practical perspective, the results highlight that improving financial literacy alone is insufficient to achieve sustainable financial performance. SMEs must simultaneously invest in human capital development and marketing capability to effectively convert financial knowledge into performance outcomes. Policymakers are encouraged to design integrated financial literacy and capability building programs that combine financial education, managerial training, and workforce skill development to enhance SME resilience, competitiveness, and long term economic sustainability. Despite its contributions, this study is limited by its cross-sectional design and reliance on self-reported data. Future research may employ longitudinal approaches, include additional capability variables, and explore different institutional or cross country contexts to further strengthen the understanding of capability driven financial performance in SMEs.

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