



Financial Behavior and SMEs Performance: The Mediating Influence of Financial Literacy and Organizational Culture

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ABSTRACT

Trapped in a recurring cycle marked by limited access to quality financial education resources and an underestimation of the importance of a positive organizational culture, numerous SMEs find it challenging to acquire the necessary knowledge for making well-informed financial decisions, ultimately impeding their overall performance. This study investigates the mediating influence of financial knowledge and organizational culture on financial behaviour and SME performance. A purposive sampling technique was utilized to select 650 SMEs operating for the past five years and registered with SMEDAN in Lagos State. Data were collected through a structured questionnaire, and analysis employed Path Analysis-Structured Equation Modelling (PA-SEM). Results indicate a significant association between financial behaviour, financial literacy, and SME performance. Moreover, there is a noteworthy relationship between financial behaviour, organizational culture, and SME performance. The study establishes that financial literacy and organizational culture partially mediate the link between financial behaviour and SME performance. Consequently, it is recommended that SMEs should align financial education initiatives, cultural endeavours, and financial practices with long-term business objectives, fostering an environment conducive to continuous improvement and success.

Keywords: Financial behaviour, Financial literacy, Knowledge, Organizational culture, SMEs performance.



INTRODUCTION

Small and medium-sized enterprises (SMEs) play a pivotal role in numerous economies, making substantial contributions to job creation, innovation, and overall economic development. According to Sajuyigbe et al. (2021), this sector serves as the lifeblood of global economic growth and sustainable development, particularly through employment generation, wealth creation, and poverty alleviation. Correspondingly, the World Trade Organization contends that SMEs constitute over 90% of the global business population, generating approximately 60% to 70% of employment and contributing more than 55% to the GDP in developed economies (ADB, 2020). Despite their significant role, SMEs often encounter obstacles in accessing financial services, such as loans and credit lines, leading to financial exclusion. Existing research highlights that many SMEs grapple with liquidity issues, struggle to meet financial obligations, and face challenges in securing emergency funding (Zulfaris et al., 2020; Febrina et al., 2021; Odetayo et al., 2022). This exclusion is a result of a multifaceted interplay of factors, including the impact of the COVID-19 surge, insufficient basic financial knowledge, and the financial behaviour of SME operators (Nungchim, & Leihaothabam, 2022). This situation impedes the effective communication of SMEs' financial needs to lenders and their ability to negotiate favourable terms (Chowdhury et al., 2019).

Obazee (2019) also points out that inadequate financial knowledge among SME operators often leads to business failures within their first five years. Supporting this viewpoint, Babatunde and Perera (2017) observe that poor financial practices contribute to over 95% of SME failures during the same timeframe. Similarly, Okafor (2016) identifies poor financial behavior as a key obstacle for SMEs in Nigeria. Furthermore, Kissack and Callahan (2009) note that many SMEs do not

adopt key aspects of organizational culture, such as financial prudence, which could improve productivity. Likewise, Bellou (2010) argues that SME failures are frequently due to a lack of commitment to fostering a positive organizational culture.

Recognized by financial experts and scholars, financial behaviour and literacy are regarded as foundational elements for Small and Medium Enterprises (SMEs) to navigate the complexities of the business landscape. Through the active practice of sound financial behaviour and investments in financial literacy, SMEs can open up a realm of possibilities, paving the way for a robust, successful, and sustainable future (Gizycki, 2021). The SME Finance Forum (2020) further underscores the pivotal role played by financial behaviour and knowledge in SME performance, highlighting the multitude of benefits that empower businesses to thrive. Beyond these factors, researchers have identified organizational culture as an additional tool fostering a healthy and transparent environment within SMEs (Jigjiddorj et al., 2021; Jamali, 2022). This highlights how organizational culture can empower employees, improve decision-making, and strengthen relationships, ultimately leading to enhanced performance, higher profitability, and sustainable growth for the company (Jamali, 2022).

Earlier research has established a connection between the financial behavior of small businesses and their organizational performance in both developed and emerging economies (Ghosh, & Mondal, 2020; Odetayo et al., 2022; Gizycki, 2021; Kostini, N & Raharja, 2019). However, existing studies have not delved into the comprehensive impact of financial behaviour on SME performance when considering the concurrent influences of financial knowledge and organizational culture. The pertinent questions occupying researchers' minds are: To what extent is

financial behavior significantly related to financial literacy, organizational culture, and the performance of SMEs? Does financial literacy mediate the relationship between financial behavior and SME performance? Additionally, does organizational culture mediate the relationship between financial behavior and SME performance? Therefore, this study seeks to address this gap in the literature by investigating the impact of financial behavior on financial literacy, organizational culture, and SME performance. It also aims to explore the mediating roles of financial knowledge and organizational culture in the relationship between financial behavior and SME performance.

This research is crucial for the sector as it seeks to contribute to innovation, industrialization, and poverty reduction by generating employment opportunities. Additionally, it aims to play a role in the development of sustainable infrastructure and climate action through the adoption of environmentally friendly practices. Ultimately, the study aspires to foster economic growth within the SME sector.

LITERATURE REVIEW

Theoretical Framework

Numerous theories in the realms of organizational and financial management, including agency theory, resource-based view theory, stakeholder theory, transaction cost economics theory, organizational learning theory, dynamic capabilities theory, and human capital theory, offer valuable insights into the interconnections among financial behaviour, organizational culture, and the performance of Small and Medium Enterprises (SMEs) (Chowdhury et al., 2019; Ghosh, & Mondal, 2020; Odetayo et al., 2022; Gizycki, 2021; Makdissi, Nehme, & Chahine, 2020). This innovative study is underpinned by the foundational theory of organizational learning. The rationale behind selecting this theory lies in its

capacity to cultivate a culture of continuous learning driven by financial knowledge. Such a culture fosters adaptability in responding to market dynamics and economic shifts, thereby empowering SMEs to make informed financial decisions. The focus on nurturing dynamic capabilities through financial knowledge enhances adaptability, enabling SMEs to flexibly respond to shifts in the market and economic fluctuations.

Organizational Learning Theory

The notion of organizations as entities capable of learning and adapting originated in the 1970s, drawing from diverse disciplines such as psychology, sociology, and systems theory (Febrina, Astuti, & Triatmanto, 2021). Groundbreaking contributions by Chris Argyris and Donald Schön underscored the significance of single and double-loop learning within organizations (Ghumie, & Alawi, 2022). According to Jigjiddorjet al. (2021), organizational learning theory holds substantial advantages for augmenting financial knowledge and performance, particularly for SMEs. This is achieved through the provision of financial education and training for employees at all levels, addressing gaps in financial understanding, improving data interpretation, and enhancing decision-making related to budgeting, resource allocation, and risk management. In a similar vein, Nungchim, and Leihaothabam (2022) posit that SMEs embracing organizational learning are better equipped to adapt to changes by drawing insights from past experiences, analyzing market trends, and implementing innovative financial strategies.

Sopiah et al. (2021) assert that organizational learning theory creates a platform for SMEs to encourage experimentation and learning from both successes and failures. This enables SMEs to identify new opportunities and develop innovative financial solutions, potentially leading to increased operational efficiency, im-

proved product offerings, and ultimately driving business growth (OEDC, 2020). Yusuf (2020) further attests that the theory empowers SMEs to effectively learn and adapt to the business environment, gaining a competitive edge over rivals adhering to rigid routines. IFC (2018) also establishes that organizational learning theory endows SMEs with the ability to respond swiftly to market changes, anticipate customer needs, and implement cost-effective financial strategies, thereby strengthening their position in the market. Similarly, Rahmatullah et al., (2022) reaffirm that organizational learning theory equips SMEs to proactively identify and mitigate financial risks. Through the analysis of past experiences and learning from industry trends, SMEs can develop robust risk management practices, enhancing their resilience in the face of economic challenges and disruptions.

The theory advocates that pairing experienced employees with less experienced colleagues can facilitate knowledge transfer and build financial literacy within the company. Organizational learning theory thus provides a valuable framework for SMEs to enhance financial knowledge, improve performance, and gain a competitive edge (IFC, 2018). By fostering a culture of continuous learning and knowledge sharing, SMEs can equip themselves with the agility and resilience needed to thrive in today's dynamic and challenging business environment.

Financial Behaviour

Financial behavior encompasses the actions, decisions, and conduct related to financial management exhibited by individuals, organizations, or entities. In the specific context of Small and Medium-sized Enterprises (SMEs), financial behavior pertains to how these businesses handle financial matters, make decisions, and manage their resources. The comprehension and effective influence of financial behavior can yield significant benefits for SME performance (Zulfaris et al.,

2020). According to Odetayo et al. (2022), financial behavior extends beyond emotions and behaviors, encompassing various psychological aspects that influence how SME operators manage financial resources, including cash, debt, savings, working capital, budget savings, insurance, and investment. Dew and Xiao (2012) affirm that financial behavior constitutes the daily financial decisions made by SME operators, such as cash sales, loans, savings, and investment management. Hasibuan, Lubis, and Walad (2017) view financial behavior as the proficiency with which individuals handle, manage, and utilize their financial resources to ensure the sustainability and performance of SMEs. Supporting this perspective, a study by Susilowati et al. (2017) provides evidence that SME operators with responsible financial behavior tend to effectively manage and accumulate wealth, thereby enhancing the overall performance of the SMEs. According to Hasibuan et al., (2017), financial behaviour empowers SME operators to develop and adhere to budgets. This involves setting financial goals, allocating resources efficiently, and monitoring expenses to ensure they align with the budgetary constraints.

Existing research showcases that financial behavior is influenced by the financial literacy of SME operators and is often embedded in the organizational culture. The way financial decisions are made, resources are managed, and risks are handled reflects the financial behavior of the SME (Akben 2015; Hasibuan et al., 2017). This suggests that positive financial behavior, such as effective budgeting, strategic investment decisions, and prudent risk management, contributes to the overall financial health and performance of SMEs. Conversely, poor financial behavior can lead to financial instability and hinder business growth. Based on the empirical evidences, the following hypotheses emerged:

H1: Financial behaviour is significantly associated with financial literacy

H2: Financial behaviour is significantly associated with organizational culture

H3: Financial behaviour is significantly associated with SMEs performance

Financial Literacy

The roots of financial literacy can be associated with the rise of modern financial systems, increased individual responsibility for financial planning, and the realization that individuals needed a certain level of financial knowledge to make informed decisions (Abiodun, 2016; Allen et al., 2014). As financial markets became more sophisticated, the importance of understanding financial concepts and tools became apparent (Attamah, 2021). As articulated by Beck, and Demirgüç-Kunt (2006) and Beck, Demirgüç-Kunt, and Levine (2007), financial literacy is defined as the proficiency to comprehend and apply diverse financial skills, ranging from budgeting and investing to debt management and making informed financial decisions. This concept encompasses the requisite knowledge and skills needed to navigate the intricate realm of finance, thereby equipping individuals and businesses to make prudent financial choices. Building on this perspective, Cole, Sampson, and Zia (2011) assert that financial literacy extends to the aptitude for managing personal finances, understanding the intricacies of financial products and services, and evaluating the potential risks and benefits associated with various financial decisions. Similarly, Hasibuan, Lubis, and Walad (2017) affirm that financial literacy enables SMEs to actively contribute to fostering financial accountability, thereby fostering growth within the sector. Building on this perspective, Fini, and Giustiniani (2013) argue that financial

literacy serves as a foundation for financial behavior, ultimately leading to enhanced business performance through effective financial and investment decision-making. In a separate study, Ratnawati et al. (2021) demonstrates a positive and substantial correlation between financial literacy and SMEs performance. Likewise, Makdissi et al. (2020) establish a favorable connection between financial literacy and the performance of SMEs. Based on the empirical evidence, the following hypotheses are proposed:

H4: Financial literacy is significantly related to SMEs performance.

H5: Financial literacy mediates the relationship between financial behaviour and SMEs performance.

Organizational Culture

Organizational culture refers to the shared values, beliefs, attitudes, and norms that shape the behavior of individuals within an organization. It represents the unwritten rules that guide how people interact, make decisions, and respond to challenges within the workplace. Organizational culture is often considered a critical factor influencing various aspects of organizational functioning (Jamali., 2022). As per Jigjiddorj et al. (2021), organizational culture plays a pivotal role in shaping the values and priorities of employees, emphasizing long-term sustainability and financial prudence. Ghumiem and Alawi (2022) posit that the conduct of leaders in an organization establishes the overall tone for the workforce, with responsible financial behavior at the top positively influencing the financial decisions of employees at all levels. Research findings underscore the impact of organizational culture on the significance attributed to financial behavior and organizational performance. A culture that places value on knowledge and development is more inclined to invest in financial literacy programs for its employees (Ja-

mali., 2022). Findings from a study conducted by Fidyah and Setiawati (2020) highlight the influence of organizational culture on the financial behavior and performance of SMEs. This implies that a culture emphasizing financial literacy and behavior may result in more effective responses to financial challenges and changing market conditions, thereby positively impacting overall performance. Supporting this idea, Imran et al. (2021) demonstrate that a positive organizational culture regarding financial literacy contributes to increased employee engagement and productivity, potentially influencing the financial performance of SMEs. Similarly, Nungchim and Leiha-othabam (2022) affirm that organizational

culture nurtures a commitment to financial literacy and behavior. This suggests that SMEs prioritizing continuous learning may invest in financial literacy programs for their employees, enhancing their comprehension of financial concepts and consequently improving financial performance.

Based on the empirical evidence, the following hypotheses are formulated:

H6: Organizational culture is significantly related to SMEs performance.

H7: Organizational culture mediates the relationship between financial behaviour and SMEs performance.

Conceptual Framework

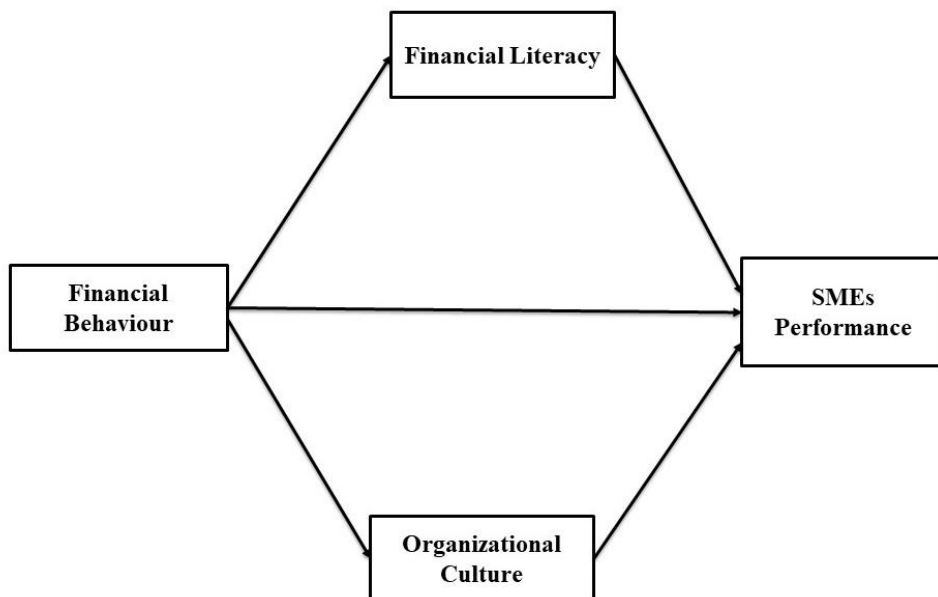


Figure 1: Conceptual Model

The illustrated research model in Figure 1 elucidates the relationship among financial behavior (treated as the independent variable), financial literacy, and organizational culture (both considered as mediators), and their connection with the over-

all performance of small and medium-sized enterprises (SMEs), serving as the dependent variable.

METHODOLOGY

This study utilized a descriptive research design to vividly illustrate key aspects of individual perspectives related to the investigated phenomenon. Utilizing a purposive sampling technique, the study chose 650 SMEs that have been operational for the past five years and are registered with SMEDAN in Lagos State. The selection of Lagos State is grounded in the fact that it boasts the highest number of registered SMEs in Nigeria. Data collection involved the use of a questionnaire comprising scales measuring financial behavior, financial literacy, organizational culture, and SMEs performance.

Participants who have been involved in business for at least three years were invited to participate in the study. Data collection was exclusively conducted using a questionnaire survey method. The research instrument was personally administered and collected by the researcher, assisted by two research assistants. These scales were structured with a

5-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The financial behavior scale was adapted from Odetayo et al.'s (2022) work, the financial literacy scale was borrowed from Hasibuan, Lubis, and Walad (2017), the organizational culture scale was derived from Ghumiem and Alawi (2022)'s research, and the SMEs performance scale was taken from Gizycki (2021)'s work. The content validity was employed to establish the validity of the scales (see Table 1). Data analysis was performed with the aid of Path Analysis-Structured Equation Modelling (PA-SEM). The PA-SEM is justified in this research context as it efficiently deals with complex variable relationships, allows for the testing of mediation effects, and provides robust statistical tests for theory validation. These features make it highly suitable for investigating how various aspects of financial behaviour, financial literacy and organizational culture impact the performance of SMEs.

Table 1: Summary of Results of the Content Validation of Instruments

Variable	Code	Item	Cronbach's Alpha coefficient	Composite reliability	Source
Financial Behaviour	FB	I regularly review and update my business's financial plans to reflect current economic conditions." I find it easy to access the necessary financing for my business through banks or other financial institutions." I base my investment decisions on detailed financial analysis and forecasts." I effectively manage cash flow to ensure my business operates smoothly without financial strain." I am confident in my ability to manage financial crises or challenges that my busi-	0.861	0.853	Odetayo et al. (2022)

		ness faces." I actively seek out new information and resources to improve my financial literacy related to business operations."			
Financial Literacy	FL	I understand how to read and interpret the balance sheet and income statement of my business. I regularly prepare budgets and financial forecasts to guide my business's operations. I am knowledgeable about the various financing options available to my business and their respective advantages and disadvantages. I am capable of identifying financial risks in my business and can effectively mitigate them. I understand the tax obligations of my business and how to optimize tax payments legally. I am proficient in assessing investment opportunities for my business using financial metrics like ROI and NPV.	0.810	0.825	Hasibuan, Lubis, and Walad (2017),
Organizational Culture	OC	In my organization, we continuously seek new ways to improve our products or services. I empower employees by involving them in decision-making processes that affect their work. My organization upholds high ethical standards in all our business dealings. Conflicts within my organization are addressed promptly and constructively.	0.832	0.829	Ghumiem and Alawi (2022)

		Teamwork is actively encouraged and practiced throughout all levels of my organization.			
SMEs Performance	SMP	Over the past year, my business has experienced a significant increase in sales. My business has successfully entered new markets or expanded in existing ones within the last year. Profit margins in my business have improved compared to the previous year. Customer satisfaction with our products/services has increased recently. Our operational processes have become more efficient over the past year. Employee retention rates at my business have improved over the last year	0.819	0.821	Gizycki (2021)

From Table 1, Cronbach's Alpha and Composite Reliability values range between 0.810 and 0.861. This indicates good internal consistency and reliability for the items in the questionnaire or survey. This suggests that the items are cohesive and consistently measure the constructs they are intended to assess, which is crucial for the validity of any conclusions drawn from the data collected using these items. Table 1 shows that the values for Cronbach's Alpha and Composite Reliability range from 0.810 to 0.861, indicating good internal consistency and reliability for the questionnaire items. This consistency suggests that the items coherently and reliably measure the intended constructs, which is essential for the validity of any conclusions derived from the data collected. These metrics confirm the reliability of the question-

naire or survey tools for subsequent research or practical applications.

RESULTS

Path Analysis

An analysis using Cook's distance was conducted to identify any influential outliers. The results showed that all Cook's distance values were under 1, with the majority being below 0.3, indicating the absence of significant outliers in the current study as proposed by Gaskin (2020). Furthermore, the Variance Inflation Factor (VIF) was employed to evaluate the potential for multicollinearity. The VIF values for all constructs fell between 1.537 and 3.335, which are above 1 but below 10. This suggests that multicollin-

earity is not an issue, affirming the reliability of the model (Gaskin, 2020). Similarly, a Heteroskedasticity Test was conducted to check for any heteroskedasticity issues within the model. The values for

all constructs ranged from 0.284 to 0.580, all exceeding the threshold of 0.05. This indicates the absence of heteroskedasticity problems, thereby confirming the model's reliability.

Table 2: Path Analysis (Direct effects)

Path	Beta-value	t-value	p-value	Hypothesis	Remark
FL <-FB	.673	10.37	0.000	H1	Confirmed
OC <-FB	.645	9.47	0.000	H2	Confirmed
SMP <- FB	.282	4.06	0.000	H3	Confirmed
SMP <-FL	.227	2.99	0.003	H4	Confirmed
SMP <-OC	.333	4.62	0.000	H6	Confirmed

Note: SMP = SMEs performance, FB = financial behaviour, FL = financial literacy, OC = organizational culture.

Table 2 illustrates the correlation among financial behavior, financial literacy, organizational culture, and SMEs performance. The findings reveal a substantial impact of financial literacy on financial behavior, as indicated by a beta value of 0.673, a t-value of 10.37, and a p-value of 0.000. This implies that enhancing financial knowledge and comprehension can result in more effective financial practices, influencing aspects such as working capital, cash budget, budget savings, insurance, and investment within SMEs. Thus supporting **H₁**.

Additionally, the results confirm a strong influence of organizational culture on financial behavior ($\beta = 0.645$; $t = 9.47$; $p < 0.05$). This suggests that a corporate culture emphasizing financial responsibility, risk awareness, and prudent decision-making can shape positive financial practices within the business. Therefore, **H₂** is supported.

Furthermore, the beta value of 0.282 and p-value of 0.000 underscore the significant positive impact of financial behavior

on SME performance. This implies that businesses with more effective financial practices, including sound budgeting, cash flow management, and investment strategies, tend to experience better performance outcomes. This study aligns with prior research, affirming that financial behavior serves as a robust predictor of SME performance, influencing the establishment of financial goals, resource allocation, and expense monitoring (Zulfaris et al., 2020; Odetayo et al., 2022; Susilowati et al., 2017), thus supporting **H₃**.

The finding also reveals a noteworthy positive impact of financial literacy on SME performance, evidenced by a beta value of 0.227 and a p-value of 0.003. This suggests that businesses with more financially literate employees and owners are better positioned to make well-informed financial decisions, ultimately leading to enhanced performance. Thus, **H₄** is confirmed.

The evidence presented indicates that organizational culture exerts the most

substantial positive influence on SME performance ($\beta = 0.333$; $t = 4.62$; $p < 0.05$). This implies that a supportive and performance-oriented organizational cul-

ture cultivates efficiency, innovation, and goal achievement, thereby propelling the success of SMEs. Thus, **H₆** is confirmed.

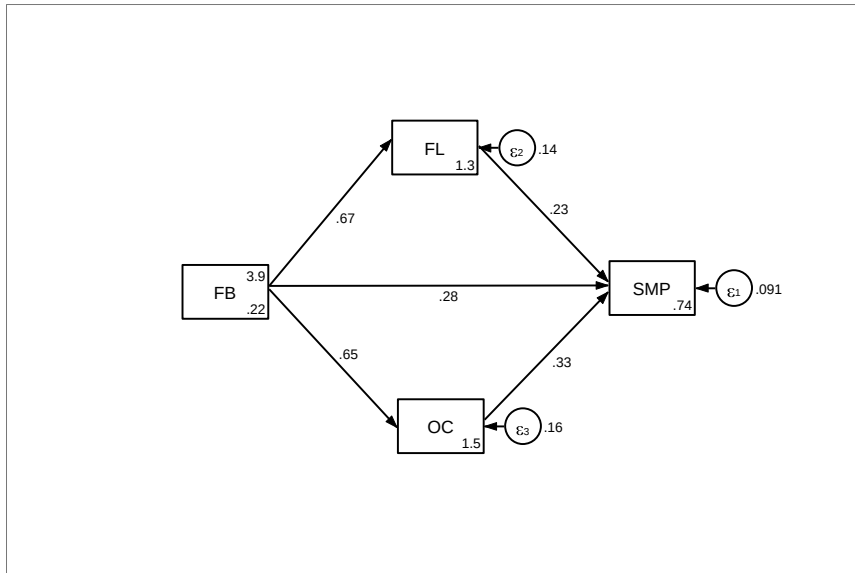


Table 3: Structural Equation Modelling

Path	Beta-value	t-value	p-value	Hypothesis	Remark
Direct model					
SMP <- FB	.282	4.06	0.000	H3	Confirmed
SMP <- OC	.333	4.62	0.000	H6	Confirmed
Indirect model					
SMP<- FL <-FB	.282	5.33	0.000	H5	Partially confirmed
SMP<- OC <-FB	.292	5.78	0.000	H7	Partially confirmed

Table 3 reveals the mediating impact of financial literacy and organizational culture on SME performance (see Figure 1). In the results, the influence of financial behavior on SME performance, after in-

corporating financial literacy, led to a change in the t-value from 0.406 to 5.33. Similarly, the influence of financial behavior on SME performance, after incorporating organizational culture, resulted

in a change in the t-value from 4.62 to 5.78, while the p-value of 0.000 remained unchanged. This indicates that financial behavior, financial literacy, and organizational culture independently predict SME performance. The SEM analysis results demonstrate that financial literacy and organizational culture meet the criteria for being mediating variables.

Following the guidelines proposed by Zhao et al. (2010), Baron and Kenny (1998), and Hair et al. (2010), it is evident that financial literacy and organizational culture partially mediate the relationship between financial behavior and SME performance. According to these rules, partial mediation occurs when both the independent variable and the mediators serve as predictors of the dependent variable. Therefore, H5 and H7 are partially supported.

DISCUSSION OF FINDINGS

The research confirms a positive association between financial literacy and sound financial practices within SMEs. Employees and owners with a strong financial knowledge base are better equipped to make informed decisions regarding working capital, budgeting, saving, insurance, and investments. This study aligns with Zulfaris et al. (2020) financial literacy is a major predictor of financial behaviour. In another study, Odetayo et al. (2022) confirm that financial behaviour has a significant relationship with financial literacy. Similarly, Dew and Xiao (2011) demonstrate that financial behaviour is a major determinant of financial literacy such as working capital, cash budget, budget savings, insurance, and investment within SMEs.

The study further highlights the significant influence of organizational culture on financial behaviour. A culture that prioritizes financial responsibility, risk awareness, and prudent decision-making fosters positive financial practices. This

resonates with Fidyah and Setiawati's (2020) findings that link a positive organizational culture to better financial behaviour and ultimately, improved SME performance [6]. Additionally, Imran et al. (2021) emphasize how a culture that values financial literacy leads to more effective financial practices. Nungchim and Leihaothabam (2022) further emphasize that organizational culture fosters a commitment to financial behaviour, enhancing financial understanding.

The research also establishes a strong link between effective financial behavior and positive SME performance. SMEs that implement sound budgeting, manage cash flow effectively, and have well-defined investment strategies tend to experience better outcomes. This aligns with Odetayo et al. (2022) who highlight financial behavior as a key predictor of SME performance, influencing aspects like goal setting, resource allocation, and expense monitoring. In another study, Zulfaris et al. (2020) attest that financial behavior is a strong predictor of SMEs performance. A study conducted by Susilowati et al. (2017) reaffirms that financial behavior has a positive and significant association with SMEs performance.

Evidence also reveals a noteworthy positive impact of financial literacy on SME performance. This suggests that businesses with more financially literate employees and owners are better positioned to make well-informed financial decisions, ultimately leading to enhanced performance. This study aligns with the perspective of Hasibuan, Lubis, and Walad(2017), who assert that financial literacy encompasses the ability to manage personal finances, comprehend the intricacies of financial products and services, and assess the potential risks and benefits associated with various financial decisions, consequently contributing to SME performance. Similarly, Fini, and Giustiniani (2013)corroborate that finan-

cial literacy empowers SMEs to actively promote financial accountability, thereby fostering growth within the sector.

The study also attests that organizational culture exerts the most substantial positive influence on SME performance. This implies that a supportive and performance-oriented organizational culture cultivates efficiency, innovation, and goal achievement, thereby propelling the success of SMEs. This study aligns with the findings of Fidyah and Setiawati (2020), emphasizing that organizational culture establishes a dynamic and adaptive environment that is responsive to customer needs, fosters innovation, and enhances competitiveness. This cultural attribute aids SMEs in navigating the diverse and challenging landscape of the sector, resulting in increased customer satisfaction and sustained growth.

Interestingly, the study reveals that financial literacy and organizational culture partially mediate the relationship between financial behaviour and SME performance. This suggests that financial behaviour still has a direct and significant impact on performance, even when financial literacy and organizational culture are considered. In simpler terms, all three factors - financial literacy, financial behaviour, and organizational culture - independently predict SME performance.

These findings hold valuable implications for SMEs. Investing in financial education and training for both employees and owners can significantly improve financial behavior, leading to better performance. Furthermore, cultivating a culture that values financial responsibility, innovation, and performance can positively influence both financial behavior and overall SME success. Recognizing the interplay between these three factors underlines the need for a holistic approach. By addressing all three areas, SMEs can pave the way for a more sustainable and successful future.

CONCLUSION

This study presents comprehensive insights into the interconnections among financial behavior, financial literacy, organizational culture, and SME performance. The research substantiates the considerable impact of financial literacy on financial behavior, suggesting that enhancing financial knowledge positively shapes diverse financial practices within SMEs. Furthermore, the findings confirm the influential role of organizational culture in financial behavior, highlighting that a culture emphasizing financial responsibility and prudent decision-making contributes to positive financial practices within SMEs. The study also affirms a noteworthy positive influence of financial behavior on SME performance, indicating that businesses with effective financial practices, including sound budgeting and investment strategies, tend to achieve superior performance outcomes. Through Structural Equation Modeling (SEM) analysis, the study establishes that financial literacy and organizational culture meet the criteria as mediating variables. The evidence underscores their roles in mediating the relationship between financial behavior and SME performance, aligning with established guidelines that reveal partial mediation in this relationship.

In conclusion, the study provides robust evidence supporting the intricate relationships among financial behavior, financial literacy, organizational culture, and SME performance. The findings underscore the significance of investing in financial education, nurturing a positive organizational culture, and adopting a holistic approach to address these factors, ultimately enhancing the overall success of SMEs.

Theoretical Implications

This study highlights the pertinence of organizational learning theory in understanding the interplay between financial

behavior, financial literacy, organizational culture, and SMEs performance. The findings affirm that organizational learning provides a foundation for SMEs to effectively manage various financial resources, encompassing cash, debt, savings, working capital, budget savings, insurance, and investment. This proactive approach enables SMEs to identify and mitigate financial risks by analyzing past experiences and learning from industry trends. According to Weick and Sutcliffe (2001), organizational learning theory suggests that SME operators can enhance decision-making processes by integrating insights from behavioral economics. Recognizing how psychological factors influence financial choices can amplify the efficacy of financial practices within the business. Consequently, SME operators can leverage organizational behavior theories to foster a positive culture aligned with financial responsibility, taking into account motivational factors and social dynamics within the organization.

The interconnected relationships among financial behavior, financial literacy, organizational culture, and SME performance underscore the necessity for a holistic policy framework. Policymakers, drawing on management and organizational theories, can craft comprehensive policies addressing these factors collectively. This approach fosters an environment conducive to SME success by acknowledging the intricate interplay between financial elements and organizational dynamics.

Practical Implications

The study holds several practical implications for both SME owners and policymakers. In light of the study's findings, SMEs are advised to consistently invest in financial education programs for both employees and owners. These programs have the potential to enhance financial literacy, empowering individuals to make

well-informed financial decisions and improving overall financial behavior within the business. Additionally, fostering a positive organizational culture within SMEs that emphasizes financial responsibility and prudent decision-making is crucial. Creating an environment that promotes sound financial practices aligned with the business's values and objectives is essential for long-term success. Moreover, SME operators are encouraged to implement mechanisms for continuous monitoring and evaluation of financial literacy programs and organizational culture initiatives. This proactive approach enables SME operators to assess the effectiveness of these efforts in positively mediating the relationship between financial behavior and performance, ensuring ongoing improvement and adaptability.

Policymakers should consider the interconnected relationships among financial behavior, financial literacy, organizational culture, and SME performance. Crafting policies that comprehensively address these factors collectively is vital to fostering a conducive environment for SME success. This approach recognizes the intricate interplay between financial elements and organizational dynamics, contributing to the resilience and prosperity of SMEs.

Limitations and Recommendations for further studies

This study has several limitations that can be researched for future studies. The first limitation is that the research focused on Lagos State, one of Nigeria's 36 states. To enhance generalizability, replicating the study across other states would be beneficial. Second, the study employed a quantitative approach. Incorporating a qualitative approach could provide richer data on factors influencing SME performance. Third, the study utilized organizational learning theory. Future research could examine the impact of other relevant theories like resource-based view,

stakeholder theory, transaction cost economics, and human capital theory. Fourth, while the study explored mediating effects, future research could investigate moderating effects between the variables studied. This would provide a more nuanced understanding of the relationships at play.

By addressing these limitations, future studies can build upon this research and offer even more comprehensive insights into fostering SME success.

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