

Financial Literacy and SME Success: A Critical Review of Current Literature and Emerging Perspectives

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ABSTRACT

Small and medium-sized enterprises (SMEs) are often regarded as the backbone of global economies; however, their persistently high failure rates remain a concern, frequently linked to insufficient financial literacy and ineffective financial management. A limited understanding of financial principles constrains SME owners' capacity to make sound decisions, secure financing, and maintain long-term business viability. To address this issue, the present study examines the relationship between financial literacy and SME success, emphasizing financial management practices, access to finance, and emerging aspects such as digital financial literacy, women's economic empowerment, and sustainability. Using Scopus AI Analytics (retrieved September 25, 2025), the study integrates summary and expanded insights, concept mapping, expert topic analysis, and identification of emerging themes. The results indicate that financial literacy consistently supports SME performance by enhancing decision-making, facilitating credit access, and reducing vulnerability to business risks. In addition, emerging themes highlight the increasing importance of digital financial literacy in entrepreneurship, the empowering effect of financial knowledge for women entrepreneurs, and its role in advancing sustainability strategies. From a theoretical perspective, the study extends the resource-based view by framing financial literacy as an intangible yet strategic resource. From a practical standpoint, it underscores the necessity of customized training initiatives and policy measures tailored to the diverse realities of SMEs. By uncovering both established and emerging themes, this research enhances the understanding of how financial knowledge drives business growth and resilience, while also providing avenues for future exploration in digitalization, inclusivity, and sustainable entrepreneurship.

Keywords: Financial Literacy, Small and Medium-Sized Enterprises (SMEs), Financial Management Practices, Digital Financial Literacy, Sustainability

INTRODUCTION

Small and medium enterprises (SMEs) are influential drivers of economic development, employment, and innovation in emerging and developed economies. Their success and sustainability rely heavily on the ability of owners and managers to effectively manage financial complexities (Abdallah et al., 2024; Nadir et al., 2026). Financial literacy has thus been a major driver of SME performance in this context, shaping the capability of entrepreneurs to manage resources, evaluate risk, and spot opportunities for growth (Hussain et al., 2018). While the broader debate around SME competitiveness has in the past primarily focused on access to finance, recent literature attempts to highlight that financial literacy is equally, if not more, critical to the goal of long-term sustainability (Appiah & Agblewornu, 2024).

While growing recognition of its importance, the literature records significant heterogeneity in the way financial knowledge plays a role in SME success in different contexts. Improved financial knowledge is said

to improve access to finance and boost decision-making in some studies, such as in Hungary and China (Lentner et al., 2025; Tian et al., 2022). Others identify mediating factors such as financial capacity, organizational appetite for risk, and financial risk tolerance, particularly in the emerging economies of Ghana and Indonesia (Appiah & Agblewornu, 2024; Masdupi et al., 2024). In addition, contextual and cultural drivers such as institutional structures and ownership structures also complicate the process of determining the relationship between financial literacy and performance outcomes (Basha et al., 2025).

Although such studies are beneficial, existing studies remain dispersed with minimal consolidation of perceptions by region, approach, or emerging issues. A case in point is access to finance, which has been classically advanced as a driver in the growth of SMEs, though it will not necessarily guarantee sustainability in the absence of adequate financial literacy to properly leverage the same (Masdupi et al., 2024). Apart from this, growing the prominence of digital transformation in SMEs also brings new questions on the role of digital financial literacy and innovative learning technologies, such as gamification and digital game-based learning, in developing managerial financial competencies (Reuter et al., 2022; M. M. K. et al., 2024). Such fragmentation brings about the need for a synthesis review aggregating existing evidence critically and identifying directions for further research.

The present study addresses this gap by conducting a critical review of the literature on financial literacy and SME performance, with the aim of analyzing the research area through a structured concept map, evaluating contributions from topic experts, and identifying emerging themes in the field. By systematically examining past studies, this paper highlights patterns, inconsistencies, and underexplored areas that can inform future research agendas.

The contribution of the paper is threefold. First, it offers an integrated synthesis of existing evidence on financial literacy and SME success, combining perspectives from a variety of economic and cultural settings. Second, it offers fresh insights into digital financial literacy and fresh educational interventions, thus broadening the debate beyond traditional methods. Third, it provides a conceptual framework that maps important themes and determines directions for policymakers, educators, and researchers seeking to improve SME resilience and performance.

The remainder of the paper is structured as follows. The next section outlines the methodology employed to identify and review relevant literature. This is followed by a thematic analysis of existing studies, highlighting key findings, mediating factors, and contextual influences. The subsequent section discusses emerging perspectives, including digitalization and innovative financial education approaches. Finally, the paper concludes with implications for practice, policy, and research, alongside a proposed agenda for future studies.

METHODOLOGY

This study employed Scopus AI Analytics (accessed on 25 September 2025) as the primary research tool to systematically review the literature on the relationship between financial literacy and SME success. Scopus AI was chosen because of its extensive database of peer-reviewed publications, advanced natural language processing capabilities, and unique features that provide structured overviews of research domains, including Summary, Expanded Summary, Concept Maps, Topic Experts, and Emerging Themes (Elsevier, 2025). These functionalities enabled a holistic exploration of the research landscape while ensuring both depth and breadth in synthesizing prior studies.

The search was guided by an all-encompassing Boolean string: ("financial literacy" OR "financial education" OR "money management" OR "financial knowledge") AND ("SME" OR "small business" OR "entrepreneurship" OR "startup") AND ("success" OR "performance" OR "growth" OR "profitability") AND ("skills" OR "competence" OR "capability" OR "understanding") AND ("decision making" OR "strategy" OR "planning" OR "management"). This string was selected to encompass financial literacy's multi-dimensional construct (knowledge, financial education, money management) and financial literacy's relationship to SME-related constructs (success, profitability, growth, and performance), as well as managerial competencies (skills, competencies, decision-making). Only peer-reviewed journal articles, conference articles and book

chapters covered by Scopus indexes possessed academic rigor according to inclusions and covered dates going all the way to September 2025 in order to include recent scholarship.

The analysis evolved in five stages consistent with Scopus AI's core functionalities (Refer to figure 1). Initially, the Summary offered a bird's-eye view of the landscape by registering a significant increase in scholarship over the last decade, especially from emerging economies where SMEs constitute key drivers of growth (Abdallah et al., 2024; Appiah & Agblewornu, 2024). Secondly, the Expanded Summary gave more nuanced understanding of methodological variety (quantitative, qualitative, and mixed-method research), coverage by sectors (manufacturing industries, services industries, and digital industries), and regional foci such as Hungary, China, Ghana, and Indonesia (Lentner et al., 2025; Tian et al., 2022; Masdupi et al., 2024).

Scopus AI analysis stages from overview to future trends



Figure 1: 5 Core elements of Scopus AI

Third, visualized relationships between common themes by using Concept Map functionality revealed apparent interrelations and identified five larger clusters: i) financial management and decision-making, (ii) access to finance and capital structure optimization, (iii) mediating factors such as risk attitudes and financial capability, (iv) contextual and cultural influences on financial literacy, and (v) educational and training interventions. This map supplied the structural outline of the review such that overlap regions and underexamined relationships between clusters could be recognized.

Fourth, Topic Experts flagged influential scholars and landmark studies that have informed the discussion. For example, Lentner et al. (2025) highlighted financial culture's role in SME funding, and Abdallah et al. (2024) noted financial access as a moderator in SME outcomes. Correspondingly, Tian et al. (2022) offered Chinese evidence on executive financial literacy's role and Appiah and Agblewornu (2024) highlighted financial capability as a mediator in Ghana. Finding such experts and landmark studies enabled locating the review in the international intellectual context.

Lastly, Scopus AI's Emerging Themes identified prospective trends such that digital financial literacy has been increasingly gaining significance in countries of the BRICS economies (M. M. K. et al., 2024), gamification and digital game-based learning have been considered instruments for SME managers to develop greater financial proficiency (Reuter et al., 2022), and cultural and institutional paradigms have been found to influence SME financial decision-making (Basha et al., 2025). These emerging views not only reflect

diversifying complexity of the area but also point to new opportunities for fresh theoretical and empirical inquiry.

This approach as per the research aims was possible through systematic and critical synthesis of research landscape by incorporating structured insights from Scopus AI with thematic evaluation. Through summaries, visual concept maps, identification of experts, and trend analysis, it offers a strong platform for determining the contemporary state of knowledge, understanding gaps through identification and suggesting future directions for research regarding the interface between financial literacy and SME success.

RESULT AND DISCUSSION

In this section, the results of the Scopus AI analysis (25 September 2025) are presented by integrating the results from four key analytical features: (i) Summary and Expanded Summary, (ii) Concept Map, (iii) Topic Experts, and (iv) Emerging Themes. Taken together, these features provide an overall picture of how financial literacy impacts the performance of SMEs, while also excavating the methodological and contextual diversity within the field. The discussion brings forth both established knowledge and avenues for future research, particularly in the reciprocal dynamic interaction of managerial competency, decision-making, and firm success.

Summary and Expanded Summary

The Summary and Expanded Summary, reveal financial literacy as consistently being recognized as a driver of SME performance and sustainability. Financial literacy in different economies is associated with stronger internal financial capabilities, improved budgeting and debt management, and improved awareness of financial risks. All these capabilities reduce the likelihood of financial distress and render SMEs more sustainable in volatile business environments (Nadir et al., 2026; Graña-Alvarez et al., 2024). For instance, firms with higher degrees of educational literacy are more apt to control cash flows, avoid negative financing decisions, and be competitive in traditional as well as e-markets (Csiszarik-Kocsir & Molnar, 2025). A major theme emerging from the elongated summary is the impact of contextual antecedents such as education, culture, and institutional factors on SME financial literacy.

These antecedents not only influence financial knowledge creation but also attitudes, behavior, and decision-making processes of managers (Graña-Alvarez et al., 2024). The evidence suggests financial literacy is not a homogeneous construct, yet its impact is context-dependent, and thus context-specific interventions are required. For example, SMEs in emerging economies are likely to face heightened financing issues, yet more financially literate ones are better able to mitigate information asymmetries and bargain for access to credit (Abdallah et al., 2024; Hussain et al., 2018). The findings also confirm that financial literacy exerts both direct and mediated effects on SME performance.

Ye and Kulathunga (2019) and Masdupi et al. (2024) demonstrated that financial literacy enables firm sustainability by enhancing access to finance and impacting favorable financial risk attitudes. In addition, the access to capital has been shown to strengthen the positive relationship between financial literacy and performance, amplifying its benefits in places where financial services are more available (Ngek, 2016). Similarly, Appiah and Agblewornu (2024) identified financial capability as the critical mediator, showing that it is not only knowledge gaining but the effective application of financial literacy that drives business performance. Another critical aspect disclosed in the extended summary is the intersectionality of financial literacy and sustainability.

Finance-literate SMEs are more capable of aligning strategic financial planning with long-term growth intentions, thereby rendering them less vulnerable to financial distress (Masdupi et al., 2024). Furthermore, emerging perspectives refer to the convergence of financial and technological literacy, or what is more popularly known as "techno-finance literacy," which has become increasingly important in digitalized economies (Kulathunga et al., 2020). This twofold capability allows SMEs to integrate digital financial tools in their operations, promote efficiency, and develop resilience in competitive markets (Akhtar et al., 2024). Despite these advancements, the literature is plagued by several limitations.

Most studies adopt cross-sectional designs that limit causal inference, while many are concentrated in emerging economies, where generalization of findings to developed contexts is difficult (Nadir et al., 2026; IS et al., 2025). In addition, the absence of standardized financial literacy measurement tools among SME owners has resulted in variability across studies, and comparative analysis has become difficult (IS et al., 2025). These limitations call for the need for longitudinal studies, the development of stringent measurement scales, and the inclusion of under-researched regions and sectors. Concluding, evidence from the summary and extended summary brings to light that financial literacy triggers SME decision-making, access to finance, and long-term performance, and is also influenced by contextual, cultural, and institutional contingencies.

Future research must address existing methodological limitations and expand on new lines of inquiry such as techno-finance literacy and the mediating role of financial capability. In these ways, policymakers and researchers can devise more effective interventions that promote the resilience and sustainability of SMEs globally.

Concept Map

Figure 2 illustrate the interconnected themes that are related to each other to represent the relationship between financial literacy and SME success. Financial literacy in the middle is shown to influence SME success through three broad dimensions, namely: financial management practices, access to finance, and impact on performance.

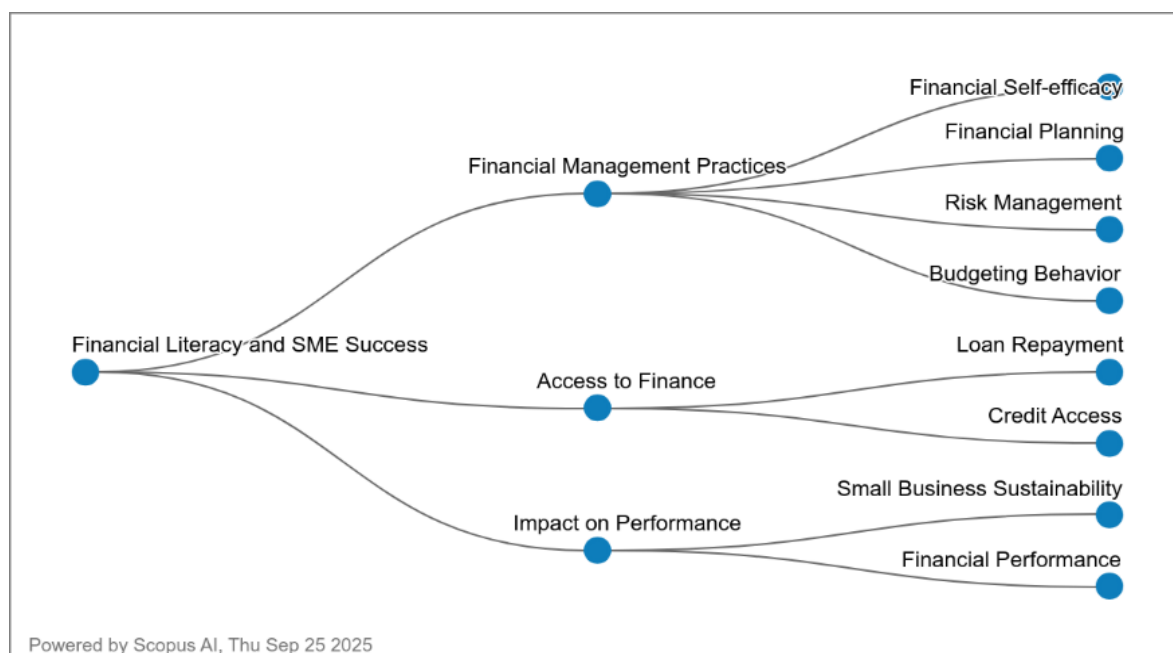


Figure 2: Concept Map of Financial Literacy and SME Success

A Relationship of financial literacy and SME Success

Financial literacy has emerged as a prime mover of SME success, influencing access to finance, financial decision-making, and overall business performance.

Literature supports that financial literacy equips SME owners with the knowledge and confidence to plan, budget, and manage resources effectively. In this way, it improves their ability to sustain businesses in competitive markets (Csiszarik-Kocsir & Molnar, 2025). For the Malaysian setting, Uyob et al. (2025) highlighted financial literacy as one of the most significant determinants of SME success, together with entrepreneurial capacity and digitalization. This also highlights that financial literacy is not a stand-alone skill but operates in combination with more broad-based business competences to make SMEs more competitive. One of the most compelling findings in the literature is the relationship between financial literacy and access to finance.

Financially literate SMEs are also more likely to access external finance, efficiently manage loans, and utilize financing opportunities to expand their businesses (Whajah & Adenutsi, 2024). Kurniasari et al. (2025) also found that financial literacy enhances the ability of SMEs to embrace financial technologies (FinTech), which not only broadens funding sources but also enhances business performance through more effective financial transactions. This suggests that financial literacy, when combined with modern finance tools, increases SME growth and sustainability by reducing barriers such as information asymmetry and finance constraints. Access to financial capital has also been noted as a significant moderator in the financial literacy–performance link.

In the South African context, Ngek (2016) demonstrated that financial literacy positively affects SME performance significantly, but the effect is augmented when adequate financial capital is available. This highlights the dual challenge facing SMEs in developing economies: while financial literacy is essential for success, constrained access to finance resources serves to restrict the full exploitation of its benefits. Similarly, Masdupi et al. (2024) demonstrated how financial literacy moderates the effects of organizational dimensions such as risk-taking tolerance and financial risk attitude in promoting SME sustainability, showing the complex interplay between individual knowledge, firm-level actions, and environmental financial conditions. New vistas look towards the convergence of FinTech and risk management practices as essential enablers of SME success.

Kurniasari et al. (2025) argued that financial literacy enhances the ability of SMEs to adopt FinTech solutions, which allows them to optimize financial strategies and adapt to rapidly changing market conditions. Moreover, financial literacy has also been linked to better risk assessment and management, thus allowing SMEs to survive uncertainties and economic shocks (Whajah & Adenutsi, 2024). This is particularly relevant in today's volatile business climate, where SMEs must face financial crises, inflationary pressures, and shifts in consumer demand. These results demonstrate that the benefits of financial literacy extend beyond performance in operations to include resilience and survival in the long term. From the point of view of policy and practice, improving SME financial literacy has broader implications for economic growth and sustainability.

Policy makers are urged to give precedence to initiatives that enhance financial literacy while simultaneously eliminating barriers to finance, particularly in emerging economies (Masdupi et al., 2024; Kurniasari et al., 2025). Tailor-made training schemes, digital financial inclusion programs, and favorable financial environments can help bridge the capability and resource gaps of SMEs. By linking financial literacy to finance access and sustainability practices, this literature provides a comprehensive understanding of financial literacy as both a survival strategy and growth catalyst for SMEs. Collectively, these findings point the way for comprehensive policies and future research that situate financial literacy in broader digital and institutional environments.

Financial literacy and SME Success and financial management practices

Financial literacy is one of the major determinants of the financial management behavior of small and medium enterprises (SMEs) that directly affects their success and sustainability.

SMEs with higher levels of financial literacy demonstrate stronger competencies in budgeting, cash flow management, and strategic financial planning that allow them to cope with complex financial environments (Lentner et al., 2025). These skills are required because SMEs are frequently faced with scarce resources, volatile market conditions, and fewer opportunities for access to formal financial services. Under those conditions, financial literacy serves as an enabling capacity that facilitates effective decision-making and strengthens business resilience. The growing literature stream emphasizes the direct link between financial literacy and improved financial management practices.

For instance, in the UK, Hussain et al. (2018) recognized that SMEs with higher financial knowledge were more capable of managing debts, assessing financing possibilities, and having stronger capital structures. Similarly, in Hungary, Lentner et al. (2025) showed that financial literacy enabled sound long-term financial planning and enhanced SMEs' access to finance. These findings suggest that financial literacy empowers SMEs to not only adopt better financial practices but also to engage more effectively with external financial

institutions, thereby enhancing growth and competitiveness. Financial management practices such as risk management, financial planning, and budgeting are also affected by the financial knowledge of SME owners and managers.

Tian et al. (2022) demonstrated that managers with higher financial literacy in China were better able to alleviate financing constraints and implement effective risk management strategies, which improved corporate performance. Similarly, Masdupi et al. (2024) indicated that SMEs with higher financial literacy also had more conservative financial risk attitudes and organizational risk-taking tolerance, which promoted long-term sustainability. These findings reinforce the argument that financial literacy does not stand alone but as a foundation for good financial management practice. Emerging evidence in the literature also refers to the necessity to combine financial literacy with modern financial management programs.

For example, the advancement of digital platforms and FinTech products has transformed how SMEs approach budgeting, payment systems, and access to credit. Kurniasari et al. (2025) found that both financial literacy and the adoption of financial technology possessed a complementary effect, enabling SMEs to optimize resource allocation and overall business sustainability. Besides, innovative approaches such as gamified financial education and online financial literacy training are progressively being recognized as useful ways to build financial management skills among SME managers (Reuter et al., 2022). More broadly, the relationship between financial literacy and financial management practices has significant implications for SME performance and policy.

SMEs with better financial management practices induced by financial literacy are likely to be more profitable. They are also more likely to remain growth-oriented and withstand external shocks (Appiah & Agblewornu, 2024). For policymakers, the implication is the need to underpin targeted financial literacy interventions and complement them with capacity building programs in financial management. Through the development of these twin competencies, SMEs can be made more efficient, access finance, and attain long-term success by governments and financial institutions.

Financial literacy and SME Success and Access to Finance

Financial literacy is a driver of small and medium enterprises (SMEs) success, and this is largely through its influence on access to finance.

Literature confirms that financial literacy allows entrepreneurs to have a clear understanding of financial products, evaluate funding options, and negotiate effectively with financiers, thereby reducing the barriers to finance (Hussain et al., 2018). Those SMEs that have good financial knowledge are able to access loans, arrange repayment schedules, and utilize financial resources efficiently. This capacity not only promotes access to external finance but also enhances business durability and long-term performance, making financial literacy a driver of SME growth (Sharma, 2022). Recent studies persist in illustrating the direct relationship between financial literacy and higher loan access, particularly when combined with the adoption of technology.

Kurniasari et al. (2025) determined that the SMEs with better financial literacy had higher FinTech adoption, which also broadened their access to finance opportunities. Frimpong et al. (2022) also identified that financial literacy and access to digital finance both play a role in SME success through the reduction of transaction costs and improvement of financial inclusion. These findings highlight how financial literacy not only opens traditional financing channels but also positions SMEs to benefit from innovations in digital finance. In addition, access to finance has emerged as a strong predictor of SME success, and financial literacy strengthens this relationship.

Alharbi et al. (2022) pointed out that access to finance significantly improved the performance of Saudi Arabian SMEs, but financial literacy was the enabler that allowed firms to derive maximum benefits from these improvements. In the same vein, Lentner et al. (2025) demonstrated that financial literacy directly and positively impacted SMEs' access to finance and repayment conduct, which improved their creditworthiness

and resulted in more harmonious relationships with financial institutions. These findings suggest that financial literacy works as a bridge and catalyst to transform finance access into tangible business growth. New perspectives also show the role of financial literacy in mitigating systemic problems such as information asymmetry and shortage of collateral.

Hussain et al. (2018) argued that SMEs with financial literacy will experience less credit rejection as they can provide credible financial data and negotiate effectively. Okello Candiya Bongomin et al. (2017) also ascertained that financial literacy moderates the effect of access to finance on SME development in the context of developing economies, with the suggestion that even under the condition of underdeveloped financial markets, literacy enhances the resilience of SMEs in dealing with financing challenges. This perspective brings to the fore financial literacy as a strategic skill for SMEs operating in environments of scarce resources. Lastly, to conclude, the literature unequivocally affirms that financial literacy heightens SME success by consolidating access to finance and the productive utilization of financial resources.

Financially literate SMEs are better placed to take advantage of both traditional financing sources and new digital finance channels, making them more competitive and resilient. However, the evidence also illustrates regional variation, as most studies sample single economies such as Indonesia, Saudi Arabia, and the UK. Future research must test more diverse settings while policymakers and financial institutions prioritize capacity-building programs that blend financial literacy with greater access to finance. These programs will enable SMEs to overcome financing constraints and achieve sustainable growth (Ratnawati et al., 2024).

Financial literacy and SME Success and impact to performance

Financial literacy has emerged as a growing recognized foundation for SME success, particularly in driving business performance outcomes.

There is proof that financial literacy enhances the adoption of financial technologies (FinTech) and access to external finance by SMEs, which directly contributes to improved performance (Kurniasari et al., 2025). SMEs with improved financial literacy can better evaluate financing options, utilize digital financial platforms, and integrate these tools in business. This not only enables day-to-day financial management but also enhances long-term competitiveness, suggesting that financial literacy is among the drivers of sustainable performance. Financial literacy, independent of technology adoption, supports the relationship between financial resources and business performance.

Ngek (2016) explains that access to financial capital moderates the relationship between financial literacy and SME performance, suggesting that financial knowledge is ineffective without having adequate resources. However, when capital is available, financially literate SMEs can make better use of it through effective budgeting, investment, and risk management decisions. It, therefore, suggests that financial literacy acts as an amplifier in enabling SMEs to obtain maximum utility of financial capital for growth and profitability. More recent perspectives also emphasize the role of financial literacy in shaping the financial behavior and resilience of SMEs.

Whajah and Adenutsi (2024) confirmed a significant positive relationship between financial literacy and the performance of Ghanaian SMEs, where financial literacy was a necessary condition for sustainable performance. Their article also demonstrated that financially literate firms were more likely to harmonize financial risk attitudes and access to finance, thereby facilitating more stable growth trajectories. These findings corroborate the argument that financial literacy not only improves financial performance but also creates an adaptive capacity that sustains SMEs during periods of market volatility. Risk management and operational efficiency are additional performance dimensions that financial literacy influences.

Mabula and Ping (2018) demonstrated that financial literacy enhances the ability of SMEs to adopt good financial practices, including risk mitigation strategies, that influence performance directly. By endowing SME proprietors with the ability to evaluate financial risks, handle resources prudently, and foresee market fluctuations, financial literacy builds resilience to financial shocks. Such an ability is vital in developing economies, where SMEs are more likely to face unstable financial environments and inadequate institutional

support. Finally, financial literacy has a significant impact on the sustainability of SMEs through improving repayment conduct and long-term financial reputation.

Lentner et al. (2025) discovered that financial literacy enhances access to finance and reduces loan defaults, thereby establishing the reputation of SMEs with financiers. Such improved creditworthiness implies more favorable borrowing conditions, which in turn translates to better performance outcomes. In general, the literature indicates that financial literacy contributes to SME success through enhanced access to finance, improved risk management, and long-term viability. However, regional and sectoral differences refer to the need for further research to be able to generalize these findings to different SME ecosystems.

Topic Expert

More research effort by Diéguez-Soto, Molina-García, and Galache-Laza highlights the role of financial literacy as a performance predictor of SMEs, particularly viewed from innovation and sustainability perspectives. Diéguez-Soto has extensively highlighted that financial literacy enhances SMEs' ability to engage in environmentally sustainable practices while, concurrently, motivating organizational process innovation (Diéguez-Soto, 2020). This suggests that financial literacy is not merely valuable in terms of managing operational efficiency but also valuable in terms of preparing SMEs to tackle the demands of more competitive and more sustainable markets.

Molina-García builds on this perception by emphasizing how financial literacy contributes to beneficial business practices, specifically in taking up sustainability and innovation into SMEs' operations. Their findings validate that financially literate firms are more likely to undertake cost-cutting, efficiency-improving process innovations and long-term competence-building ones (Molina-García, 2021). This link between financial literacy and innovation is a strong implication that financial knowledge is the impetus to motivate SMEs to adapt to changing contexts and, therefore, increase their resilience and prosperity.

Similarly, Galache-Laza also zeroes in on the broad significance of financial literacy in enhancing growth and strategic agility for SMEs. Their study indicates towards how finance knowledge gives SME owners the tools to make well-informed decisions that balance short-term fiscal demands with long-term sustainable goals (Galache-Laza, 2021). By integrating financial literacy into strategy and routine operations, SMEs can manage best over uncertainty while fostering innovative culture. This perspective is well aligned with the growing realization that SMEs must be forward-thinking and financially literate in order to stay relevant when markets are unsettled.

Taken together, the contributions of these experts culminate in the realization that not only does financial literacy influence the financial health of SMEs but also serves as an impetus for innovation, sustainability, and responsiveness. Diéguez-Soto's rigorous literature review confirms that financial literacy has a multiplier effect by strengthening management practices, reinforcing access to finance, and creating SME owners' self-efficacy (Diéguez-Soto, 2020). The results of these findings assure that financial literacy extends beyond the technical to emerge as a transformational ability with the potential to empower SMEs to thrive even in uncertain environments.

Finally, the research conducted by Diéguez-Soto, Molina-García, and Galache-Laza contributes to the richness of knowledge of financial literacy as both a building block and enabler of SME success. According to their research, financial knowledge not only improves practices in money handling but also enhances SME capacity to innovate, achieve sustainability goals, and respond appropriately to dilemmas. To policymakers and practitioners, these results reiterate the necessity of integrating the development of financial literacy into SME support programs so that small enterprises not only have the technical competencies but also the strategic minds for sustainability and resilience in the long term.

Emerging theme

The emerging theme analysis results reveal that the connection between financial literacy and SME performance continues to be a sustained and well-established line of research. Empirical evidence suggests

that more financially literate SME managers have stronger financial management practices, superior access to finance, and superior business performance outcomes (Abanis et al., 2013; Wise, 2013). Financial literacy enables entrepreneurs to gain the skills to read financial numbers, think strategically, and avoid expensive errors. The consistency of such a theme across various studies indicates the importance of financial education and policy interventions to enhance financial literacy among SME owners towards reducing failure rates and achieving long-term sustainability (Eresia-Eke & Raath, 2013).

Aside from the consistent findings, new emerging themes are showing up with the starting point being the growing involvement of digital financial awareness. The increasing access to digital financial services, such as mobile banking, e-wallets, and fintech applications, is transforming the manner in which SMEs manage resources and access credit. It has been observed through research that digital financial literacy enables entrepreneurs to institute advanced tools that enhance working efficiency and business growth, particularly in rural or unserved areas (Lai et al., 2020; Bongomin et al., 2022). Business persons who are more digitally literate are also better positioned to leverage technology in their financial operations, thereby improving competitiveness and sustainability in uncertain market environments.

Another trend that is emerging is the linkage of money literacy and women's economic empowerment. Scholars have found that economic literacy increases not only women's financial decisions but also improves their savings, investment, and utilization of formal financial services (Lusardi & Mitchell, 2014; Bongomin & Ntayi, 2019). For women entrepreneurs, particularly in emerging economies, economic literacy equips them both with the competencies and self-assurance to circumvent structural barriers and contribute more to family and community-level economic well-being. This thread emphasizes the need for gender-responsive financial literacy programs that account for special concerns facing women entrepreneurs. Further, the topic of financial literacy and SME survivability has come to the forefront. SME survivability goes beyond profitability to incorporate resilience, risk management, and instilling long-term strategic behavior. Evidence shows that financially literate SMEs can more easily obtain external funds, diversify financial resources, and implement practices that ensure continuity in uncertain situations (Fatoki, 2014; Amoako et al., 2023). Financial literacy also helps SMEs enhance environmentally friendly practices by ensuring greater efficiency in deploying resources and planning for possible future risks.

Together, these issues highlight the multidimensional aspects of financial literacy in determining SME success. Whereas the dominant theme establishes its central role in business achievement, the emerging themes present new thinking that places financial literacy against digitalization, gender empowerment, and sustainability. These findings have implications which future studies should explore how specific financial literacy interventions can be used to address context-specific issues, particularly in the developing world and the vulnerable. Moreover, integrating digital financial training into the entrepreneurship program can also enhance SME resilience against the global economic transformation.

CONCLUSION

The review in this paper has highlighted the importance of financial literacy in informing the success of small and medium-sized enterprises (SMEs). The evidence consistently shows that financial literacy has significant positive impacts on SMEs' performance through better financial management practices, increased access to finance, and better risk management abilities. One common thread that recurs in the literature is a positive relationship between SME performance and financial literacy in which owners with financial literacy have more effective decision-making, utilization of resources, and sustainability performance. At the same time, emerging themes in terms of digital financial literacy, women's economic empowerment, and SME sustainability broaden this research area into one that involves a synergy between financial literacy and technological progress, gender equity, and resilience. Collectively, the findings create that financial literacy is not merely a technical ability but a strategic resource enhancing competitiveness and development.

Theoretically, these findings shows financial literacy also intersects with behavioral finance theories by showcasing how knowledge and self-efficacy influence financial decision-making under uncertainty. The review also suggests that financial literacy is not merely a direct causal factor to business success but also a

mediator or a moderator in access to finance, financial technology adoption, and organizational risk-taking relationships. These results contribute further to developing theoretical models of SME performance and emphasizing the multi-dimensionality of financial literacy for research into entrepreneurship.

The practical implications of this review are also significant. Financial literacy education for SME entrepreneurs has to be accorded top priority by policymakers as well as development institutions, particularly in the developing and rural sectors where financial inclusion remains low. Banks and business groups also have to play a role in designing workshops and counselling services that will orient entrepreneurs to financial products, online finance platforms, and sound management techniques. In addition, targeted interventions towards women entrepreneurs can help counteract gender disparities as well as facilitate inclusive economic expansion. For SMEs themselves, investments in financial literacy enhance long-term competitiveness by building internal competence, enabling access to external finance, and adapting to rapid-evolving digital environments.

Despite its advantage, this review possesses several limitations. First, the studied literature is mostly confined to some areas such as Asia, Africa, and some areas in Europe, which limits the generalizability of the results in different economic and cultural contexts. Second, while most evidence identifies correlations between SME success and financial literacy, fewer employ longitudinal or experimental designs that are capable of assessing causality. Third, the heterogeneity of the financial literacy measurement constructs renders it challenging to compare across studies, with some being focused on technical knowledge, others on self-efficacy, and others on behavior.

These are gaps that require more comprehensive and benchmarked attempts at measuring financial literacy for the SME setting.

Future research needs to build on these limitations by using longitudinal designs to track how financial literacy affects SME performance over time. Comparative cross-national studies would also advance understanding of contextual differences and inform region-based policy interventions. Second, increased importance of digital financial literacy requires more research, particularly in questioning how SMEs adopt fintech solutions into their financial practices. More research should also explore the role played by financial literacy in inclusive growth, with particular focus on vulnerable groups such as women and rural businesspeople. Finally, integrating financial literacy into wider paradigms of innovation and sustainability would help advance both theoretical progress and practical application in the discipline.

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