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Effects of financial literacy and attitude toward money on financial capability among SMEs in Malaysia

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ABSTRACT

The study examines how financial literacy and attitudes towards money affect financial capability among SMEs in Malaysia. SMEs are crucial for global economic growth but frequently encounter specific obstacles that include financial instability. This study investigates the factors that influence the financial capability of SME owners, acknowledging its importance in promoting business expansion and adaptability. The study involves 231 SME owners and uses scales to assess financial literacy, attitudes towards money, and financial capability. Results show significant correlations among financial literacy's dimension and financial capability. Financial literacy is a crucial factor in determining financial capability, underscoring the need to improve financial education for SME owners. One dimension of attitude towards money, which is price sensitivity, shows a significant relationship with financial capability. According to the study, SME owners should devote time and effort to financial education and training in order to improve their financial capability. This can help SMEs in decision-making, hence improving the financial performance of the business. The study provides important information for policymakers, business owners, and researchers, highlighting the necessity of specific actions to enhance financial knowledge and encourage beneficial financial practices among SMEs.

Contribution/Originality: It is essential to understand that financial capability is one of the most significant factors that define the level of business success. However, no research has used the same framework as this study to research on SME owner's financial capability.

1. INTRODUCTION

SMEs are essential in enhancing national economies (Kiyabo & Isaga, 2020) because they account for a large percentage of the world's enterprises and generate employment. As stated by Rahaman, Luna, Ping, Islam, and Karim (2021), about 90% of the companies globally and more than half of employment are occupied by Small and medium-sized enterprises (SME). This can be according to the World Bank. According to the International Labour Organization's statistics, by October 2019, there will be a need for about 600 million job slots by the year 2030 to absorb the increasing global workforce, and therefore, the growth of SMEs has become a critical agenda, for several governments across the globe.

According to the Asian Development Bank (2020) SMEs owners in Malaysia have poor financial literacy and financial management, which hampers their ability to secure loans and meet collateral demands and creditworthiness; thus, most SMEs owners' loan applications are rejected. As a result of poor financial management and formulation of budgets which is a result of this lack of financial capabilty, SMEs stand to be more vulnerable to market and economic risks (Eggers, 2020). In order to address this challenge and enhance SME growth in Malaysia, it is essential to enhance the awareness, streamline the rules, and enhance the relations between SMEs, financial institutions, and other sources of financing.

Fortunately, in the recent past, numerous international bodies, financial service regulators, educators, and policymakers have advocated for action to help SMEs manage their own and others' finances and financial capability. SME entrepreneurs are usually challenged by several issues, such as liquidity, poor cash flow management, and limited access to capital (Mittal & Raman, 2021). However, to resolve the problem in question, it is essential to explore the determinants that affect SME owners' financial status.

In conclusion, this study provides a theoretical contribution in terms of filling the existing literature on financial capability of SMEs, especially in Malaysia. The study will benefit policy and practice by identifying the links between literacy, attitude towards money, and financial capability, with the goal of enhancing SMEs and Malaysia's overall development. This research can also offer specific recommendations for improving sustainable and inclusive economic development, decreasing poverty, and supporting SMEs.

This research work is further segregated into several parts. First, section 1 presents introduction. Literature review of capability theory, financial capability, financial literacy, and attitudes towards money are presented in section 2, and the research methodology is explained in section 3. A discussion of the findings is provided in section 4. section 5's discussion comes next, and the conclusion, is the final section.

2. LITERATURE REVIEW

2.1. Capability Theory

The present research uses the Capability Theory developed by Sen (1993). The theory was chosen for two reasons: It is related to this study and is used frequently in economics and social sciences (Çera, Ajaz Khan, Mlouk, & Brabenec, 2021). Çera et al. (2021) opine that capability theory includes two elements, namely individual functioning and capabilities.

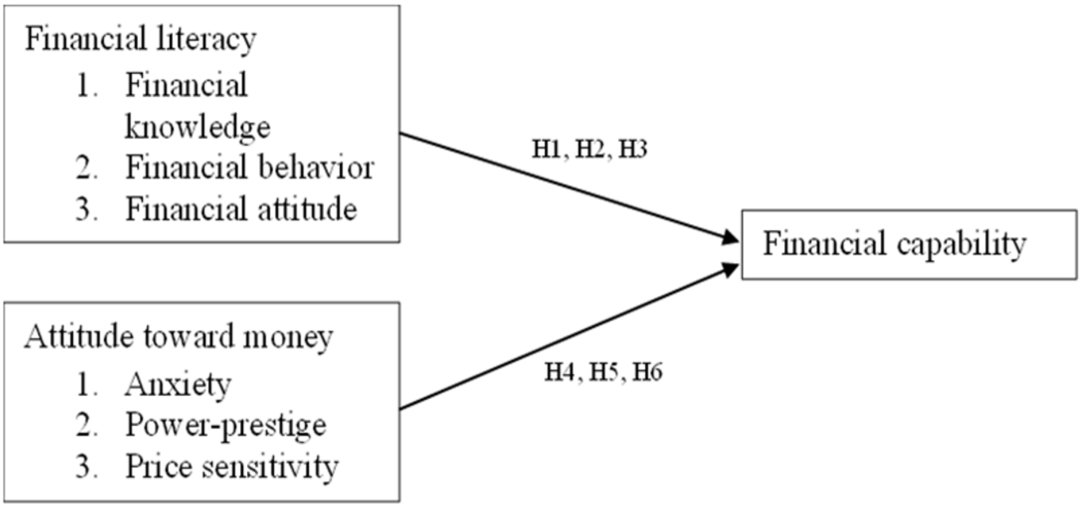

Figure 1. Framework of the study.

Functioning relates to people's activities – what they are capable of doing or expected to do, such as making sound financial decisions, and identity – who they are in terms of their financial literacy. The concept of capability is borrowed and encompasses the many roles a person can occupy, as well as the person's self-determination (Kim &

Xiao, 2020). Hence, capabilities are defined as the choice sets that a person takes to attain a certain outcome, like financial capability (Kim & Xiao, 2020). The present study is concerned with the construct called financial capability, which is a state of being that enables individuals to protect themselves from present and future financial risks and obtain financial independence.

This study uses Sen's capability approach by examining how financial literacy and financial attitude influence people's possibilities to achieve their financial goals and lead satisfying lives. Sen's capability approach focuses on developing people's capabilities and freedoms, which is relevant to the objective of increasing financial security. The following is the framework of the study as depicted in the Figure 1.

2.2. Financial Capability

According to Kim and Xiao (2020) financial capability refers to habits, knowledge, access, and status, which is a measure of people's understanding of financial issues, and efficiency in the management of money and finance. However, as stated in The World Bank Group (2013) it is crucial to know that the definition of financial literacy includes the ability of an individual to make sound decisions and take proper actions that will positively contribute to his or her financial welfare without regard to income status, economic, or even geological environment. It refers to the ability to apply appropriate financial information and engage in critical financial processes to achieve financial objectives and increase financial well-being. In addition, Xiao and Porto (2017) define financial capability as the five facets: financial literacy, spending and saving behaviour, credit report analysis, retirement planning, and the overall willingness to check one's financial position.

Financial capability had been studied according to different dimensions as defined by Mokhtar, Sabri, and Ho (2020), which include financial literacy, financial behaviour, the perceived capability to manage one's finances, motives toward finance, attitudes toward finance, and the level of financial confidence as identified by Xiao, Chen, and Chen (2014) and Lowies, Helliar, Lushington, and Whait (2019). Financial Industry Regulatory Authority (FINRA) has categorised financial capability into four primary components: concerning economic decisions, these are handling of money, information gathering, decisions concerning the future, and choices of financial assets (Hasler, Lusardi, & Valdes, 2021). FINRA also shares similar sentiments, that it is impossible to talk of financial capability without referring to financial literacy and also the availability of relevant financial products.

Financial capability has relationships to other constructs, including financial pressures (Sabri, Abdullah, Zenhendel, & Ahmad, 2018) money disposition, financial literacy, financial well-being, strain, and relationship (Ranta, Punamäki, Chow, & Salmela-Aro, 2020; Xiao & O'Neill, 2018). Xiao and Porto (2017) the said financial literacy is a subcomponent of financial capability. The statements above may intrigue any reader interested in the subject, as they immediately indicate what the subsequent work of the authors is based on. It of course does, and their research focuses on financial literacy, or the state of financial knowledge that encompasses the fundamental concepts of finance, and the financial competence, or the ability of consumers to process data along with the execution of a financial transaction.

Insufficient financial capabilities could impede the growth and success of SMEs. SMEs need specific financial skills different from those needed by individuals and microenterprises to effectively handle their business finances and grow their operations in a sustainable manner (World Bank, 2018). Financial acumen is crucial for entrepreneurs, particularly SMEs, to make informed decisions, resulting in increased opportunities for success (Suryani, 2017). One strategy to cultivate risk-taking entrepreneurs and effectively manage finances is to enhance financial capability.

Financial capability includes individuals' financial knowledge, skills, understanding of the company's financial status, and motivation to take action (Suryani, 2017). Consequently, having financial capability makes it possible for SMEs to plan, acquire, and use information, recognise when help is needed, and comprehend how to provide it. Enhancing the financial literacy of SME owners or decision-makers can boost SME growth (Alafifi, Hamdan, & Al-

Sartawi, 2019). The development of SMEs is crucial for fostering sustained economic growth in regions characterised by prevalent informal labour markets, which are common in low- and middle-income countries. This study investigates the determinants of financial capability within the context of SMEs in Malaysia.

There are several factors that affect financial capability. Gender, age, income, education, and marital status are common factors (Atkinson, McKay, Kempson, & Collard, 2006; Taylor, 2011; Treasury, 2007). However, financial literacy, money attitude, and financial problems may have an impact on financial capability, directly or indirectly. Each of these factors was further defined by specific behaviour, and a key question that will help us understand financial capability is what factors facilitate and hinder its development and which impact on the intention to engage in financially effective behaviours.

2.3. Determinants of Financial Capability

Several factors affect financial capability. Gender, age, income, education, and marital status are common factors (Atkinson et al., 2006; Taylor, 2011; Treasury, 2007). However, financial literacy, money attitude, and financial problems may have an impact on financial capability, either directly or indirectly. Each of these factors was further defined by specific behaviour, and a key question that will help us understand financial capability is what factors facilitate and hinder its development and which impact on the intention to engage in financially effective behaviours.

2.4. Financial Literacy

SMEs cannot expand a business effectively and efficiently without financial literacy because it empowers the owner to be in charge of every dollar and is concerned with costs and basic cash flow measures, which are vital to increasing the chances of SMEs' survival. Hence, over the years, researchers in financial literacy have scaled up their activities and identified the link between financial literacy and the performance of a corporation (Ayub, Harun, Mifli, & Majid, 2020). The Organisation for Economic Co-operation and Development (OECD) has defined financial literacy as the process of attaining knowledge and understanding of financial terms and risks and developing the abilities, desire, and confidence to use that knowledge when making decisions in different financial domains. In return, it helps to improve the financial health of an individual as well as of society and also allows people to engage in economic processes (Sabri & Aw, 2019). In this case, financial literacy can be defined as the knowledge and skills that are necessary for managing financial matters and making appropriate financial decisions in the society (Sabri & Aw, 2019).

As pointed out by Hung, Parker, and Yoong (2009) knowledge may be utilised as the major element of the centre. According to the current theoretical work, financial literacy encompasses a combination of knowledge and competencies that fall into several major categories. It is defined as the financial behaviour that is considered to be proper and is dependent on the subject's financial literacy, which includes his or her financial knowledge, skills, and confidence. The OECD (2016) extended the above concept and included another factor that can directly affect consumers' ability to manage their own finances.

According to recent findings by other academic studies, attitudes towards money have the potential to either increase or decrease the association between financial health and financial literacy (Mahdzan, Zainudin, Sukor, Zainir, & Wan Ahmad, 2019; Riitsalu & Murakas, 2019; Utkarsh, Pandey, Ashta, Spiegelman, & Sutan, 2020). Studies reveal that improving customers' financial literacy does not constantly improve their financial health (Goyal & Kumar, 2021). However, the focus of this study will be the OECD (2020) financial literacy score, which consists of three elements: financial behaviours, financial disposition, and financial literacy. Thus, according to the OECD (2020), financial literacy is primarily defined as financial knowledge. According to Morgan and Long (2020) financial specialists are capable of evaluating financial products and services in a bid to make right decisions concerning finances. According to the OECD (2020) numeracy is defined as the ability to understand finances and apply numerical knowledge in economic situations, and therefore being capable of managing one's personal finances and responding to changes that may affect them financially. The extent of financial literacy can be measured both quantitatively and qualitatively by assessing the individuals' level of literacy with that of their peers.

The topic of financial behaviour, which is defined as acts relating to money, is described in the following source (Morgan & Long, 2020). Financial activity and financial literacy are distinct, and this distinction matters. Next is financial attitude. This encompasses aspects such as time management, discounting, saving, and consumption. The beliefs of an individual affect the choices that he or she makes regarding financial matters, although the person has the right knowledge and competencies to make rational decisions. The OECD has defined financial literacy as the individuals' understanding of various aspects of financial matters, knowledge, abilities, behaviors, and beliefs that are useful for appropriate handling of finances regardless of the volume of information received (OECD, 2020). In conclusion, it is imperative that the three aspects of the OECD's financial literacy; attitudes, behaviour and knowledge are all related. Thus, each of the three components should be considered when promoting financial literacy. This study applies the OECD's definition of financial literacy to assess the financial health of SMEs.

As for Sen, he postulates that development is best defined as the expansion of people's freedoms or, in other words, the ability to live the kinds of lives they want to live (Sen, 1993). Therefore, the literature suggests that financial literacy extends beyond simply accessing financial information and possesses money management skills and attitudes. It captures the capacity to harness financial knowledge to enhance one's financial literacy, which in turn enhances the options one has in making decisions that will benefit one personally and in business. Thus, the financial literacy and financial capability are the key factors that determine the effectiveness of business owners' well-being. The hypotheses of this study may examine how the financial capability of SME owners can be improved by increasing the level of financial literacy through education, knowledge, and help in adopting the right financial behaviors and attitudes. It helps them give a better account of their and their firms' finances and achieve broader life goals, improving their quality of life and and that of their societies. This approach stresses the importance of understanding financial literacy as a set of skills that has to be developed, which is in line with Sen's conceptualization of development as freedom. Thus, the purpose of this study is to examine the link between financial literacy and financial capability of SMEs owners in Malaysia. Hence, the following research assumptions are postulated:

H_1: There is a positive effect between financial knowledge and financial capability.

H_2: There is a positive effect between financial attitude and financial capability.

H_3: There is a positive effect between financial behavior and financial capability.

2.5. Attitude Toward Money

Attitudes towards money are also a function of the socialisation process, and this is a lifetime process that starts from childhood and develops into adulthood. In this case, one could classify someone's financial beliefs as a "frame of reference" through which they interpret their daily realities (Ong, Lau, & Zainudin, 2021). One of the most significant and deeply felt concepts of the present-day existence is that a person's well-being is negatively associated with his or her wealth. The following are some of the ways through which literature has depicted the attitude towards money. As stated by Manchanda (2017) and Rutherford and DeVaney (2009) it is defined as a person's belief, concern, or perception of money, including the level of regard, management, or even the effect that it has. Conversely, De Almeida, Ferreira, Soro, and Silva (2021) defined attitude toward money as the consumers' concern for money and the challenges they encounter in managing it.

However, research on the money attitudes of SME owners is quite limited, and the present research is among the scarce ones (Ahmad, 2020). According to Bhardwaj and Bhattacharjee (2010) many scholars believe that certain borrower's attributes may be used to model and predict loan defaulting behavior. Normally, a person with a positive outlook and worldview is likely to handle money well, as suggested by Joo and Grable (2004) and Ahmad (2020).

Thus, they will be able to adhere to the financing terms and charges, make proper financial decisions, and meet their financial goals. According to Joo and Grable (2004) and Shim, Xiao, Barber, and Lyons (2009) a person's attitude towards money significantly influences their financial literacy and overall well-being.

Money is a relative concept, and every person has his own view on it. Some individuals believe that depositing and investing money serves as a safety net for the future unexpected events. While some people believe that money is the root of all evil and that it is wasted on most of the materialistic things in the society (Ahmad, 2020) there are others who agree that money rules the world and most of the things that are bought are materialistic in nature. The fact that there are a large number of people with different origins and socialization means that everyone has different perceptions concerning the issue of money. An individual's perception of the functions of money determines their views, responsibilities, attitude, work culture, and social status (Ahmad, 2020; Sabri, Hayhoe, & Ai, 2006). Hence, the study deploys the Money Attitude Scale (MAS) developed by Yamauchi and Templer (1982) to define the attitude toward money. There are three characteristics of such wants, and these are anxiety, power-prestige and price sensitivity; money causes anxiety and is also a way of obtaining protection from anxiety. The meanings of each dimension are explained in the subsequent subsections.

The anxiety dimension contributes to and protects against stress (Ong et al., 2021). Therefore, anxiety may promote impulsive behaviour and lead customers to use money as a way to release tension. According to the study, those under much pressure are more inclined to buy. The next dimension is power prestige. Power prestige defines money as a mark of accomplishment and an indicator of social standing. Roberts and Jones (2001) say that the primary function of money is to get or gain favour or admiration from other people. The social comparison theory validates the prestige of power and asserts that individual strive and compete within their relationships. In this case, power is depicted in materials or products. Ownership can be recognized as the characteristic of the capability to purchase products or items that define the quality of life (Ong et al., 2021; Roberts & Jones, 2001). People with high power prestige scores usually use the money to 'buy' status, power, and control instead of being interested in the product. Therefore, power prestige is positively related to compulsive buying. The last dimension of attitude toward money is price sensitivity. People with high levels of price sensitivity have requirements that stem from their insecurities and suspicions that while purchasing valuable things, they won't get the most value for their money (Roberts & Jones, 2001). As a result, those who tend to focus on the cost of products and services are probably not very obsessive buyers. As per Susiloadi and Renanita (2023) explanation, those with high price sensitivity are likely to display a reduced degree of compulsive buying.

MAS scale is designed for evaluating the presence of negative expenses. Generally, it stems from greed and includes items such as parents' money, loans, and credit cards. Therefore, people tend to spend more and feel like they deserve it, consequently developing the culture of impulse buying. A survey conducted by the Federation of Malaysian Consumers Associations (FOMCA) in the year 2011 revealed the fact that the young Malaysians of below forty years of age stood as the most vulnerable group to be declared bankrupt due to credit card debts, out of which seventy-two percent had no retirement plans (Mohamad Sabri, Dahlan, Thurasamy, & Daud, 2021).

Thus, the connection between attitudes towards money and financial capacities is an interpretative analysis within the context of Sen's approach. In the light of Sen's concept, it is the capability, i.e., the real freedom to achieve what a person has reason to value. In relation to the financial domain, one's attitude towards money can therefore play a critical role in the actualization of one's capabilities, given that it can either enhance or hinder one's decision-making and behavioral processes in relation to the attainment of certain life goals. Therefore, the MAS scale is relevant in assessing the attitudes of SMEs concerning money in Malaysia. Consequently, the following hypotheses from the foundation of this study:

H_4: Attitude towards money, in terms of power-prestige dimension, has a negative effect on financial capability.

H_5: Attitude towards money, in terms of anxiety dimension, has a negative effect on financial capability.

H_6: Attitude towards money, in terms of price sensitivity dimension has a positive effect on financial capability.

3. METHODOLOGY

For this study, 231 owners of SMEs with sales turnover below RM20 million or a workforce of no more than 75 full-time employees were included. Then, the majority, 112 respondents (48.5%), of their business type of organisation are sole proprietary, followed by 86 respondents (37.2%) are partnerships, and 33 respondents (14.3%) are companies. Most of the respondent's SME categories are services and other sectors (73.2%), and the other (26.8%) are manufacturing. The majority of respondents are between the ages of 36 and 45 (38.5%), followed by 25-35 (33.3%), 41-50, (13.50%), 46-55, (22.1%), and 55-65 (6.1%). In terms of education, the majority of respondents (49.4%) have a bachelor's degree, followed by a diploma (18.6%), Sijil Pelajaran Malaysia (SPM)[1] (14.7%), other degrees (6.9%), certificates (6.5%), and Sijil Tinggi Persekolahan Malaysia (STPM)[2] (3.9%). The majority (62.3%) of 231 respondents' ethnicities are Malays, (21.6%) Chinese, (9.1%) Indian, and (6.9%) others.

3.1. Research Instruments and Measurements

3.1.1. Financial Capability

The financial capability of SME owners was assessed using the Financial Capability Scale (FCS). Collins and O'Rourke (2013) from the Center for Financial Security (CFS) devised the scale in 2013. The scale comprises a total of six components with nominal measurement. The first question assesses an individual's planning behaviour. The second question assesses the level of self-assurance in participating in behaviours that are aligned with one's goals. Next, for the third question, the level of liquidity and the ability to withstand financial shocks are assessed. Question 3 concerns the inclusion of an expenditure. The fourth question assesses the various behavioural strategies employed by individuals to compel themselves to engage in saving activities. The fifth question assesses the efficacy of expenditure management. Lastly, the sixth question assesses the level of attention given to timely bill payment.

3.1.2. Financial Literacy

This study applied the OECD (2018) three dimensions of financial literacy: financial knowledge, financial behaviour, and financial attitude. The instrument comprised 53 statements. Respondents answered the financial attitude and financial behaviours questionnaire on a 5-point Likert scale from 1: absolutely disagree to 5: strongly agree. As for financial knowledge, all of the questions are on a nominal scale.

3.1.3. Attitude toward Money

The renowned Money Attitude Scale (MAS), which shows the attitude toward money, was established by Yamauchi and Templer (1982). Three characteristics distinguish this variable: power, prestige, anxiety, and price sensitivity. The 5-point Likert scale is used for the questionnaire, from 1: absolutely disagree to 5: strongly agree.

4. RESULTS

4.1. Demographic Analysis

The population for this research consisted of 231 SMEs owners in Malaysia with sales turnover less than RM20 million or employment of less than 75 full-time employees. Out of the 230 respondents, the majority are sole proprietors, whose business type of organization is 112 (48.5%), followed by partnerships, which are 86 (37.2%), and 33 (14.3%) are companies. According to the result, the majority of the surveys' SME categories belong to services and other sectors at 73.2%, while the rest of the categories belong to the manufacturing sector at 26.8%. The largest group of the respondents is within the 36-to-45-year age range (38.5%), followed by the 25 to 35 years age range

[1] Public exam for secondary school in Malaysia.

[2] The Malaysian higher school certificate.

(33. 3%) while respondents from 46 to 55 years old are 22. 1%, and respondents from the age of 55 to 65 are 6.1 %. Concerning the education level of the respondents, a high percentage of them has a bachelor degree, where the percentage reached 49. 4%, while the diploma holders constituted 18.6%, of the sample, the SPM holders constituted 14.7%, of the sample, the other degree holders constituted 6.9%, certificates bearers constituted 6.5%, of the sample, and the final level of education was the STPM with 3.9%. From the total of 231 respondents, the ethnicity is as follows; Malays form the largest number, 62.3%, followed by Chinese 21.6%, Indian 9.1%, and other ethnicities 6.9%. Table 1 presents the demographic information of the respondents.

Table 1. Respondents' profile.

Description	Demographic data	Frequency (N=231)	Percent (%)
Gender	Male	131	56.7
	Female	100	43.3
Age	25-35	77	33.3
	36-45	89	38.5
	46-55	51	22.1
	56-65	14	6.1
Ethnicity	Malay	144	62.3
	Chinese	50	21.6
	Indian	21	9.1
	Others	16	6.9
Education	SPM	34	14.7
	STPM	9	3.9
	Certificate	15	6.5
	Diploma	43	18.6
	Bachelor degree	114	49.4
	Others	16	6.9
Types of business organisation	Sole proprietary	112	48.5
	Partnership	86	37.2
	Company	33	14.3
SME categories	Manufacturing	62	26.8
	Services and other sector	169	73.2

4.2. Measurement Model

The results of the study demonstrate that the average variance extracted (AVE) values for all seven constructs, as determined by the PLS algorithm, are above the established criterion of 0.5. These values range from 0.505 to 0.591, as presented in Table 2. The findings of this study indicate that the measurement model exhibits satisfactory levels of convergent validity. According to the data presented in Table 2, the measurement model employed in this investigation successfully satisfied the prescribed criteria for composite reliability and convergent validity.

Table 2. Measurement model.

Construct	Items	Composite reliability	Convergent validity (AVE)
Financial literacy	Financial attitude	0.728	0.574
	Financial behaviour	0.688	0.530
	Financial knowledge	0.658	0.591
Attitude towards money	Anxiety	0.609	0.544
	Power prestige	0.647	0.505
	Price sensitivity	0.650	0.509
Financial capability	Financial capability	0.717	0.558

4.3. Structural Model

To assess the hypotheses, this study performed the bootstrapping technique to generate results for every path relationship within the model, as shown in Table 3. In the statistical approach of partial least squares (PLS), bootstrapping entails recurrent random sampling with replacement from the initial sample. The procedure generate a bootstrap sample, which then serves to compute standard errors for hypothesis testing (Hair, Sarstedt, Ringle, & Mena, 2012). In Chin (2010) study, it was recommended to do bootstrapping with a total of 1000 resamples.

This study formulates a total of 6 hypotheses have been formulated for the various structures under investigation. In order to assess the level of significance, t-statistics are computed for all pathways using the bootstrapping function in SmartPLS 4. For the relationship with financial capability, the predictors of financial attitude (β=0.101, t- value=3.494, p<0.01), financial behaviour (β=0.058, t-value=1.955, p<0.01), price sensitivity (β=-0.052, t-value=2.003, p<0.01), and financial knowledge (β= 0.240, t-value=4.165, p<0.01) show that the constructs are positively related to financial capability. In contrast, power prestige (β= -0.027, t-value=1.057) and anxiety (β= -0.041, t-value=1.459) have a negative impact on the willingness to pay. Table 3 displays summaries of the findings.

Table 3. Structural model.

Hypotheses	Relationship	Std. beta	Std. deviation	t-value	p-value	Decision
H1	Financial attitude -> Financial capability	0.101	0.029	3.494	p<0.01	Supported
H2	Financial behaviour -> Financial capability	0.058	0.03	1.955	p<0.01	Supported
H3	Financial knowledge -> Financial capability	0.24	0.058	4.165	p<0.01	Supported
H4	Power prestige -> Financial capability	-0.027	0.026	1.057	0.145	Not supported
H5	Anxiety -> Financial capability	-0.041	0.028	1.459	0.072	Not supported
H6	Price sensitivity -> Financial capability	0.052	0.026	2.003	p<0.05	Supported

5. DISCUSSION

Findings indicate that financial attitude, financial behaviour, and financial knowledge are related to financial capability. Therefore, h1, h2, and h3 are significant. The results of Joe and Grabbles (2005), Xiao et al. (2014) and Xiao (2016) are all consistent with this conclusion. According to them, people with strong financial literacy are better equipped to handle their money wisely, make wise financial decisions, and ultimately have more financial well-being. Long term, this will increase sustainability and financial strength. These results demonstrate how improving one's financial literacy increases one's freedom and well-being, which appears to be consistent with Sen's capability theory. The results indicate a significant relationship between improved financial competence and financial comprehension. This combination, therefore, emphasises the value of financial literacy and skill development as essential elements of larger programs meant to improve SMEs' capabilities and promote sustainable growth.

This study finds that financial literacy is very important for entrepreneurs, especially SMEs to enable them to make right decisions that can lead to better opportunities (Suryani, 2017). Therefore, we can view improving financial literacy as a means of cultivating entrepreneurial risk-taking and effective financial resource management. The research has thus confirmed that financial literacy is a vital aspect of financial inclusion.

Price sensitivity is more related to financial capability than any other dimension. This study has some inconsistencies with the findings. In their study conducted in Çera et al. (2021) they found out that there was no correlation between attitudes towards money and financial literacy. This finding is in accord with Sen's capability approach, which posits that individuals with higher financial literacy may not be as affected by price hikes as they can assess the worth and cost of products and services over time. These past researchers suggest that the attitudes towards money may affect financial capability, but the relation may not be as straightforward or may not exist at all. Thus, this research offers several theoretical implications. The study provides a comprehensive model of the relationships among various factors that affect the financial position of SMEs. The study provides useful recommendations for policymakers, business people, and academics on how to enhance the financial health of SMEs by focusing on these factors.

6. CONCLUSION

Thus, the study recommends that SME owners should devote time and effort towards financial education and training to enhance their financial capability. This can help SMEs in decision-making and hence improve the financial performance of the business. As a result of this study, it is suggested that SME owners and managers should embrace positive attitude towards money and financial skills. Therefore, it is essential to understand that financial capability is one of the most significant factors that define the level of business success, and people should work on the development of such positive financial behaviors. Thus, the study provides useful recommendations for SME owners and managers on how to improve the financial position of their companies. In this regard, SME owners should continue to assess their financial status and try to tackle the areas of weakness, thus allocating more time and effort to the financial literacy and training, as well as creating a favourable attitude towards the financial aspect within the company.

This research was carried out after the COVID-19 outbreak. Hence, the data collection process was compromised since some SMEs may have closed their businesses, thus making it difficult to sample a good number of representatives. Online questionnaires make it easier to manage. The COVID-19 outbreak has led to economic disturbance, which may affect the stability of the correlations between the variables of interest and their consequences on financial health (Ahern & Loh, 2021). The pandemic has brought changes in the rules and policies, which include stimulus packages and loan guarantees, which may have impacted the financial health of the SMEs (De Jong & Ho, 2021). Thus, it is important to take these constraints into consideration while interpreting the research findings and drawing conclusions from the study.

Owners of SMEs were the population of interest in this study. Further research should use various groups of entrepreneurs, such as MSME, corporate, women, and firm owners, to establish factors that affect financial health. Malaysia's SMEs' environment calls for financial sustainability that is backed by various determinants as observed by SME Corporation Malaysia (SME Corporation Malaysia, 2021). Extending the research to include different categories of entrepreneurs would help in identifying all the factors that affect the success of an entrepreneur in the business world.

Finally, more variables could be used to ascertain SME owners to increase their financial capability. This can include both financial and non-financial variables, such as risk-taking propensity, entrepreneurial self-efficacy, and social support. Researchers can improve their knowledge of the elements that impact the financial capability of SME owners by taking into account a diverse array of variables.

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