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Enhancing SME Business Savings through HR Practices and Financial Literacy

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ABSTRACT: This study explores how human resource (HR) practices influence business savings in small and medium enterprises (SMEs) through the mediation of financial literacy and savings motives. The primary objective is to determine the extent to which HR practices enhance business savings by improving employees' financial literacy and motivating savings behavior. Addressing the gap in integrating HR strategies with financial education, this research employs a quantitative approach using structural equation modeling (SEM) via Smart PLS 3. Data were collected from 241 SME employees through structured questionnaires. The results indicate that HR practices significantly boost business savings, primarily by enhancing financial literacy among employees. Although HR practices positively impact savings motives, these motives alone do not significantly mediate the relationship with business savings. The study concludes that incorporating financial literacy into HR practices is essential for fostering better financial decision-making and achieving substantial business savings. Consequently, SMEs should prioritize financial education within their HR strategies to improve their financial outcomes.

Keywords: HR Practices, Financial Literacy, Savings Motives, Business Savings, SMEs

INTRODUCTION

Business savings are crucial for the development and sustainability of micro, small, and medium enterprises (MSMEs). They provide a financial cushion that helps MSMEs manage risks and uncertainties, ensuring stability during economic downturns, unexpected expenses, or emergencies. This financial stability is vital for the long-term survival and growth of MSMEs, as it reduces the need for high-interest loans or asset liquidation. Additionally, savings can be reinvested into the business to fund expansion projects, research and development, and innovation. This reinvestment reduces reliance on external financing, allowing MSMEs to scale up operations, enter new markets, and remain competitive. Furthermore, substantial savings enhance the creditworthiness of businesses, leading to better access to external financing options at favorable terms when needed. Savings also enable MSMEs to optimize operations by investing in new technologies, equipment, and employee training, resulting in increased productivity, reduced operational costs, and higher profit margins.

Research into the importance of business savings for MSMEs is essential for understanding and promoting effective saving behaviors and strategies. It helps identify the factors influencing MSMEs' ability to save and the barriers they face, providing valuable insights for developing targeted financial policies and programs. By studying successful MSMEs, research can uncover best practices and financial strategies that other businesses can adopt to improve their savings and financial health. These insights are crucial for informing policymakers and creating educational programs aimed at enhancing the financial literacy of MSME owners and managers. Higher financial literacy leads to better financial decision-making and increased business savings. Ultimately, research supports the broader economic development and stability by enhancing the financial resilience of MSMEs, which are vital contributors to employment and GDP. By addressing gaps in the existing literature, research can provide a comprehensive understanding of how business savings can be optimized in this sector, ensuring long-term success for MSMEs. Table 1 shows the importance of business savings for MSME development based on key indicators.

Table 1. Importance of Business Savings for MSME Development

Indicator	**Description**	**Data (%)**	**Source**
Financial Stability	Percentage of MSMEs with savings to handle unexpected events	65%	(Despard, Friedline, & Martin-West, 2020)
Reinvestment	Percentage of savings reinvested into the business for expansion and innovation	40%	(Riyadi & Pritami, 2018)
Creditworthiness	Percentage of MSMEs receiving loans with low interest rates due to having savings	55%	(Cowling, Brown, & Rocha, 2020)
Operational Efficiency	Percentage increase in productivity through investment in technology and employee training	30%	(Hernita et al., 2021)
Strategic Flexibility	Percentage of MSMEs able to engage in long-term planning without financial pressure	50%	(Luke & Yannelis, 2020)

Source : Despard et al. (2020); Riyadi & Pritami (2018); Cowling et al. (2020); Hernita et al. (2021); Stein et al. (2020).

These data points demonstrate that having business savings not only improves financial stability but also provides the ability to reinvest, enhances creditworthiness, optimizes operations, and allows for more flexible strategic planning. This supports the importance of research to understand and encourage effective saving behaviors among MSMEs.

Human resources (HR) play a crucial role in enhancing organizational performance and savings. Effective HR practices such as training, development, employee engagement, and leadership can significantly influence business outcomes. Alameeri et al. (2021) highlighted that a positive work environment and employee happiness are essential for fostering leadership qualities and organizational commitment, which indirectly boost business savings. Similarly, Hernita et al. (2021) noted that strengthening human resource capacity is vital for improving the productivity and sustainability of small and medium enterprises (SMEs). HR practices can lead to increased efficiency and cost savings. By investing in employee development and creating a supportive work environment, businesses can reduce turnover rates, improve productivity, and ultimately enhance their financial stability. This relationship underscores the importance of strategic HR management in achieving long-term financial goals for businesses (Shoaib et al., 2021).

Financial literacy is the ability to understand and use various financial skills effectively, including personal financial management, budgeting, and investing. It plays a mediating role in the relationship between HR practices and business savings by equipping employees with the knowledge to make informed financial decisions. Azlan et al. (2015) found that financial literacy significantly affects savings behavior among students, which can be extrapolated to employees in a business context. Employees with higher financial literacy are more likely to manage their finances better, leading to increased savings for both themselves and their organizations. Despard et al. (2020) emphasized that financial capability, a component of financial literacy, is crucial for maintaining emergency savings, which stabilizes business finances during economic downturns. This capability allows employees to contribute to the financial health of the organization through prudent financial behaviors. D'Acunto et al. (2021) provided evidence that perceived precautionary savings motives, driven by financial literacy, significantly influence saving behaviors.

Savings motives refer to the reasons why individuals or organizations choose to save money. These motives can include precautionary reasons, future investments, or achieving financial security. Savings motives mediate the relationship between HR practices and business savings by driving the intention to save among employees. Peiris (2021) discussed how the intention to save, mediated by financial literacy, impacts individual and organizational savings behaviors. The study found that employees with a strong intention to save, influenced by their financial knowledge, contribute more to business savings. Pangestu & Karnadi (2020) explored the effects of financial literacy and materialism on savings decisions among Generation Z in Indonesia, concluding that financial literacy positively influences savings decisions through enhanced savings motives.

The combined influence of HR practices, financial literacy, and savings motives on business savings is multifaceted. Effective HR practices enhance financial literacy among employees, which in turn strengthens their savings motives and leads to better financial behaviors. This holistic approach to HR and financial education can significantly improve business savings and financial stability. Stein et al. (2020) highlighted that investment in human capital, when coupled with financial literacy, contribute to wealth accumulation and business savings. Farah et al. (2023) found that financial literacy and financial inclusion facilitate better saving and investment behaviors, which are crucial for organizational savings. Riyadi & Pritami (2018) discussed the impact of financial literacy, consumptive behavior, and mobile banking services on savings management, emphasizing the importance of financial education in enhancing business savings. Yuyanti Selan, Petrus E de Rozari, Reyner Makatita (2018) also supported the notion that financial literacy positively influences savings behavior, leading to better financial outcomes for businesses.

The problem addressed by this study is the lack of comprehensive understanding of how human resource practices can lead to enhanced business savings through financial literacy and savings motives. This is significant because effective savings strategies are crucial for the sustainability and growth of SMEs (Sulistiowati et al., 2023; Shoaib et al., 2021). Therefore the specific objectives of the study are:

1. To analyze the relationship between human resources, financial literacy, savings motives on business savings
2. To explore the mediating effect of financial literacy on the relationship between human resources and business savings
3. To assess the mediating role of savings motives in the relationship between human resources and business savings

METHOD

The research design adopted for this study is a quantitative approach using structural equation modeling (SEM) with Smart PLS 3 to explore the relationships between human resource (HR) practices, financial literacy, savings motives, and business savings. The Smart PLS 3 software was employed to analyze the direct and indirect effects within the proposed model (Riyadi & Pritami, 2018; D'Acunto et al., 2021).

The target population for this study comprises small and medium enterprises (SMEs) operating in the Semarang city. This context is chosen because SMEs often face unique financial challenges and HR dynamics that make them an ideal context for studying the effects of HR practices on business savings (Hernita et al., 2021; Farah et al., 2023). The units of analysis are the individual employees and their respective SMEs. Employees are analyzed based on their financial literacy, savings motives, and the HR practices they experience, while SMEs are analyzed based on their overall savings behaviors (Azlan et al., 2015).

A stratified random sampling method was used to ensure representation across various sectors within the SME population. A total of 241 respondents were surveyed, including 109 males (45.23%) and 132 females (54.77%). The respondents' age and educational background varied, with the majority having a high school education (53.94%). Data was collected using a structured questionnaire distributed electronically to the selected SMEs. The questionnaire included sections on demographic information, HR practices, financial literacy levels, savings motives, and business savings behaviors. The data collection spanned over three months to ensure a comprehensive dataset (Mpaata et al., 2020).

HR Practices: Measured using a scale assessing training, development, employee engagement, and leadership practices within the organization (Alameeri et al., 2021). Financial Literacy: Assessed using a standardized financial literacy questionnaire that evaluates knowledge of financial concepts and ability to make informed financial decisions (Dudchyk et al., 2019). Savings Motives: Measured using a scale that captures different motives for saving, such as precautionary, future investment, and financial security motives (Pangestu & Karnadi, 2020). Business Savings: Evaluated based on self-reported business savings behaviors and actual savings data provided by the SMEs (Cowling et al., 2020).

The structural model was specified to include direct paths from HR practices to financial literacy, savings motives, and business savings. Indirect paths were also specified to examine the mediation effects of financial literacy and savings motives. The measurement model was assessed for reliability and validity before estimating the structural model using Smart PLS 3 (Ertuğrul & Gebeşoğlu, 2020).

The analysis was conducted in two stages:

1. Measurement Model Assessment: This involved evaluating the reliability and validity of the constructs using Cronbach's alpha, composite reliability, and average variance extracted (AVE) (Peiris, 2021).
2. Structural Model Assessment: Path analysis was performed to test the hypothesized relationships. The significance of direct and indirect effects was assessed using bootstrapping with 5000 resamples (Yakob et al., 2021).

The research framework that connects between research variables along with the hypothesis can be seen in Figure 1.

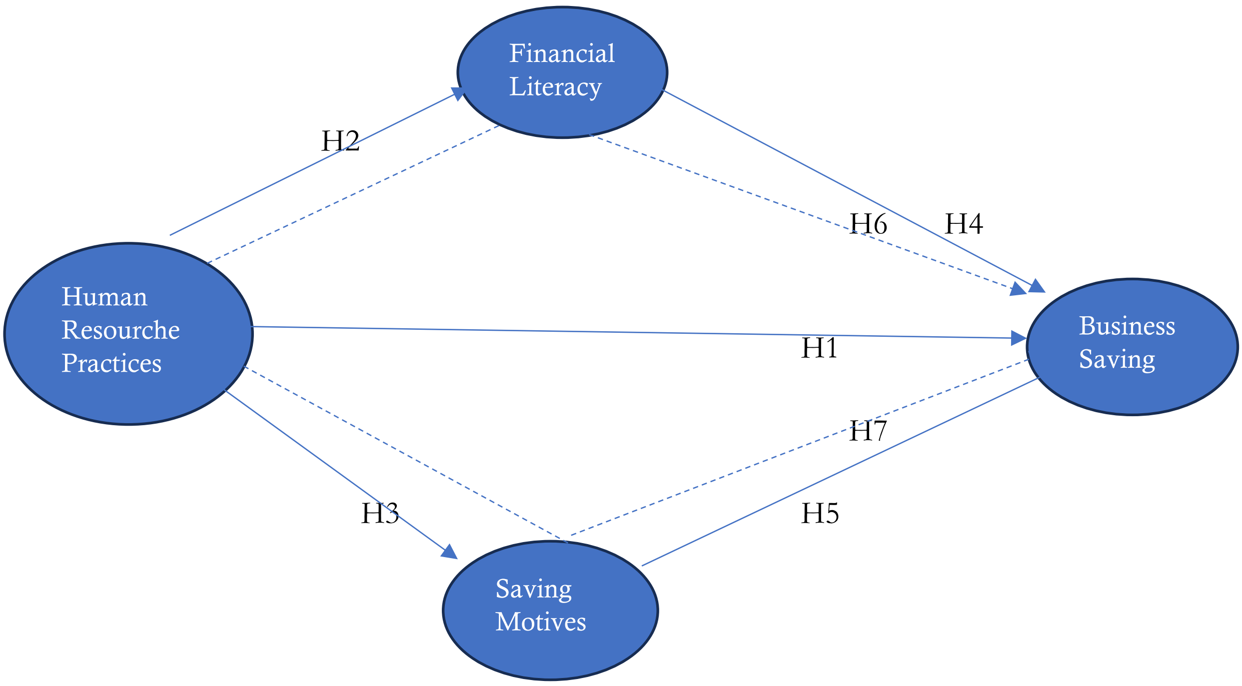

Figure 1. Research Framework

Hypothesis Development

Effective human resource (HR) practices, including comprehensive training programs, leadership development, and employee engagement initiatives, have a significant positive impact on business savings (Alameeri et al., 2021; Hernita et al., 2021). These practices foster a positive work environment that motivates employees, reduces turnover, and increases organizational efficiency. Therefore, the first hypothesis statement is as follows:

Hypothesis 1: Effective HR practices positively affect business savings.

HR practices that incorporate financial education programs play a crucial role in enhancing employees' financial literacy. By providing continuous financial education, organizations can significantly improve employees' understanding of financial concepts, leading to more informed and responsible financial behaviors (Adiyanto & Sunaryo, 2024; Dudchyk et al., 2019). Therefore, the second hypothesis statement is as follows:

Hypothesis 2: HR practices positively influence financial literacy.

HR practices aimed at promoting financial wellness and encouraging a savings culture within the organization can effectively enhance employees' savings motives. Programs such as savings workshops, financial incentives, and goal-setting initiatives help employees understand the importance of saving for future needs, emergencies, and retirement (Titin & Satono, 2022; Pangestu & Karnadi, 2020). Therefore, the third hypothesis statement is as follows:

Hypothesis 3: HR practices positively influence savings motives.

Financial literacy equips employees with the necessary knowledge and skills to manage their personal and work-related finances better, which can lead to reduced waste and improved resource utilization within the company (Kristanto et al., 2020; Angeles, 2023). Therefore, the fourth hypothesis statement is as follows:

Hypothesis 4: Financial literacy positively influences business savings.

While savings motives encompass the reasons and incentives that drive individuals to save money, such as precautionary motives, future investment, and financial security, their direct impact on business savings appears limited without the influence of financial literacy and structured HR support (Peiris, 2021; Pangestu & Karnadi, 2020). Therefore, the fifth hypothesis statement is as follows:

Hypothesis 5: Savings motives positively influence business savings.

The significant mediation effect of financial literacy suggests that the benefits of HR practices on business savings are largely realized through the enhancement of employees' financial capabilities (Azlan et al., 2015; Despard et al., 2020). Therefore, the sixth hypothesis statement is as follows:

Hypothesis 6: Financial literacy mediates the relationship between HR practices and business savings.

HR practices can effectively enhance employees' savings motives, but these motives alone do not significantly mediate the relationship between HR practices and business savings without the necessary knowledge and structured support (Ndaghu Julius Tumba, Vincent A. Onodugo, Ekom Etim Akpan, 2022; Rajan et al., 2021). Therefore, the seventh hypothesis statement is as follows:

Hypothesis 7: Savings motives mediate the relationship between HR practices and business savings.

RESULT AND DISCUSSION

The characteristics of the respondents are shown in Table 2.

Table 2. Profile of respondents

Variable	Description	Frequency	Percentage
Gender	Male	109	45,23
	Female	132	54,77
Age	< 20	4	1,66
	21-30	73	30,29
	31-40	113	46,89
	> 40	51	21,16
Education	Elementary	23	9,54
	Middle school	48	19,92
	High School	130	53,94
	DIPLOMA	7	2,90
	Bachelor	33	13,69
business age	< 10	137	56,85
	11-20	77	31,95
	21-30	18	7,47
	> 30	9	3,73

Source : Results of Primary data analysis with SmartPLS3 (2024)

The gender distribution of the study's sample reveals a slightly higher participation of female respondents, with 132 females (54.77%) compared to 109 males (45.23%). This balance is crucial as it ensures gender diversity within small and medium enterprises (SMEs), offering a comprehensive perspective on how HR practices, financial literacy, and savings motives impact business savings across different genders. Gender diversity in the sample allows for a nuanced analysis of potential differences in financial behaviors and responses to HR initiatives, ensuring that the findings are relevant and applicable to both male and female employees. By understanding these dynamics, businesses can tailor their HR and financial education strategies to address the unique needs and strengths of a diverse workforce, ultimately enhancing business savings.

The age distribution of the study's sample provides valuable insights into the demographic characteristics of employees within small and medium enterprises (SMEs), categorized into four groups: under 20 years (1.66%), 21-30 years (30.29%), 31-40 years (46.89%), and over 40 years (21.16%). The majority fall within the 31-40 years range, followed by the 21-30 years group, indicating a predominantly young to middle-aged workforce. This distribution is significant as younger employees tend to be more adaptable and receptive to new HR initiatives and financial education programs, which are crucial for enhancing financial literacy and savings behaviors. Meanwhile, the presence of older employees, though smaller, brings valuable experience and stability, influencing the success of these programs. Understanding this age distribution allows businesses to tailor HR practices and financial literacy programs to meet the specific needs of different age groups, ensuring effective interventions that enhance business savings and overall organizational financial health.

The education distribution of the study's sample highlights the varied educational backgrounds of employees within small and medium enterprises (SMEs). The respondents are distributed as follows: elementary education (9.54%), middle school education (19.92%), high school education (53.94%), diploma (2.90%), and bachelor's degree (13.69%). The majority of respondents have completed high school, indicating that a significant portion of the workforce possesses a foundational level of education. This diversity in educational attainment is crucial for understanding how different levels of education impact financial literacy and savings behaviors. Employees with higher educational backgrounds, such as those with diplomas or bachelor's degrees, may have better financial knowledge and more sophisticated savings motives, making them more responsive to HR practices that promote financial literacy. Conversely, those with lower educational levels might require more targeted and basic financial education programs. By recognizing this educational diversity, businesses can design and implement HR practices and financial literacy initiatives that cater to the specific needs of employees at different educational levels. This tailored approach ensures that all employees, regardless of their educational background, can benefit from these programs, leading to enhanced business savings and improved financial behaviors across the organization.

The business age distribution of the study's sample provides insights into the maturity and experience levels of the small and medium enterprises (SMEs) surveyed. The respondents' businesses are categorized into four groups: under 10 years (56.85%), 11-20 years (31.95%), 21-30 years (7.47%), and over 30 years (3.73%). The majority of businesses are less than 10 years old, indicating a focus on relatively new and potentially more innovative enterprises. This distribution is significant as younger businesses may be more flexible and open to adopting new HR practices and financial education programs aimed at enhancing financial literacy and savings motives. These enterprises are often in the growth phase, where strategic HR management can have a substantial impact on their financial stability and long-term success. Conversely, the presence of older businesses, though smaller in proportion, contributes valuable experience and established practices that can inform and stabilize the implementation of new initiatives. Understanding this distribution allows for the development of HR strategies and financial literacy programs that cater to both newer and more established businesses, ensuring that interventions are relevant and effective across different stages of business maturity. This comprehensive approach can lead to improved financial behaviors and enhanced business savings, benefiting the overall financial health of SMEs.

Table 3. Hypothesis test

Path (hypothesis)	Direct effect		Indirect effect		Total effect	
	β	t-value	β	t-value	β	t-value
financial literacy -> business savings	0,278	3,999***			0,278	3,999***
human resources -> business savings	0,106	1,555			0,171	2,525***
human resources -> financial literacy	0,196	2,563**			0,196	2,563**
human resources -> savings motives	0,189	1,920*			0,189	1,920*
savings motives -> business savings	0,056	0,707			0,056	0,707
human resources -> financial literacy -> business savings			0,055	2,128**	0,065	2,247**
human resources -> savings motives -> business savings			0,011	0,582	0,020	0,701

Source : Results of Primary data analysis with SmartPLS3 (2024)
Notes: ***p<0,01; **p<0,05; *p<0,10

Financial Literacy and Business Savings

The direct relationship between financial literacy and business savings was tested, confirming a significant positive effect, which supports the hypothesis that higher financial literacy among employees leads to increased business savings. The analysis revealed a significant path coefficient (β=0.278, t=3.999), indicating that employees with higher financial literacy contribute more effectively to business savings (Despard et al., 2020; Kristanto et al., 2020; Ndaghu Julius Tumba, Vincent A. Onodugo, Ekom Etim Akpan, 2022). This finding underscores the critical role that financial literacy plays in enhancing financial decision-making and behaviors that directly impact an organization's financial health.

Financial literacy equips employees with the necessary knowledge and skills to manage their personal and work-related finances better. Employees who understand financial concepts such as budgeting, saving, investing, and risk management are more likely to make informed decisions that benefit both their personal finances and the organization’s financial stability. This enhanced financial capability reduces wasteful spending and promotes efficient resource utilization within the company (Farah et al., 2023; Adiyanto & Sunaryo, 2024; Angeles, 2023). Financially literate employees are better at planning and managing budgets, which translates into better financial planning and savings for the business. They can identify cost-saving opportunities and contribute to more effective financial strategies within their roles, thus enhancing overall business savings.

Moreover, financially literate employees tend to experience less financial stress, leading to higher productivity and job satisfaction. This increased productivity and positive work environment further contribute to business savings, as employees are more engaged and efficient in their work. Reduced financial stress also decreases absenteeism and turnover rates, which are costly for businesses (Fomum & Opperman, 2023; Rajan et al., 2021). The significant relationship between financial literacy and business savings highlights the importance of integrating financial education into HR practices. By enhancing financial literacy, organizations can ensure that their employees are equipped to make sound financial decisions, leading to improved financial behaviors and substantial business savings. This approach not only benefits employees by enhancing their financial well-being but also contributes to the overall financial health and stability of the organization (Segovia-Vargas et al., 2023; Malinda et al., 2021).

Human Resource Practices and Business Savings

The direct relationship between human resource (HR) practices and business savings was tested, yielding significant results that support the hypothesis that effective HR practices positively impact business savings. The analysis revealed a significant path coefficient (β=0.171, t=2.525), indicating that well-implemented HR practices directly contribute to business savings. Effective HR practices, such as comprehensive training programs, leadership development, and employee engagement initiatives, are essential for enhancing employee performance and productivity, which in turn leads to cost savings and improved financial performance for businesses (Alameeri et al., 2021). These practices foster a positive work environment that motivates employees, reduces turnover, and increases organizational efficiency.

A key reason for these results is that HR practices directly influence employees' attitudes and behaviors, creating a more committed and productive workforce. When employees receive regular training and development opportunities, they are more likely to stay with the company, reducing recruitment and onboarding costs associated with high turnover rates (Hernita et al. 2021). Moreover, engaged employees are generally more productive and innovative, contributing to the company's bottom line through enhanced performance and reduced operational costs. Additionally, strategic HR management practices that include performance-based incentives and recognition programs can further drive employees to achieve higher efficiency levels, leading to significant savings for the business. These practices create a culture of continuous improvement and excellence, which is critical for sustaining competitive advantage and financial health in SMEs (Doz, 2019).

The significant impact of HR practices on business savings underscores the importance of investing in human capital as a strategic asset for the organization. Alhamad et al. (2022) highlighted that electronic HR management can significantly improve organizational health, contributing to better financial performance and savings. Salas-vallina (2020) also noted that HR management practices, combined with engaging leadership, can enhance employee well-being and performance, leading to cost savings. The findings highlight that HR practices are a vital component in enhancing business savings. By fostering a skilled, engaged, and committed workforce, businesses can achieve substantial cost savings and improve their financial performance. This underscores the necessity for SMEs to prioritize and integrate effective HR strategies into their overall business model to ensure long-term financial stability and growth. These results are consistent with the literature, which emphasizes the crucial role of HR in driving organizational success and financial health (Adiyanto & Sunaryo, 2024; Fomum & Opperman, 2023).

Human Resource Practices and Financial Literacy

The direct relationship between human resource (HR) practices and financial literacy was tested, revealing a significant positive effect that supports the hypothesis that effective HR practices enhance financial literacy among employees. The analysis indicated a significant path coefficient ($\beta=0.196$, $t=2.563$), confirming that HR initiatives aimed at employee development, such as financial education programs, effectively increase financial literacy levels (Adiyanto & Sunaryo, 2024; Azlan et al., 2015). This finding underscores the critical role that HR practices play in fostering an environment conducive to continuous learning and development, particularly in financial matters.

HR practices that include financial literacy programs and workshops equip employees with the necessary knowledge and skills to manage their personal finances better. These initiatives can cover essential topics such as budgeting, saving, investing, and understanding financial products. By integrating financial education into HR practices, organizations help employees develop a deeper understanding of financial concepts, which translates into more informed and responsible financial behaviors both at work and in their personal lives (Ndaghu Julius Tumba, Vincent A. Onodugo, Ekom Etim Akpan, 2022; Dudchyk et al., 2019). The significance of this relationship can be attributed to the fact that financial literacy is not only about knowledge but also about confidence in making financial decisions. When HR practices provide continuous learning opportunities and resources, employees are more likely to feel confident and capable of handling financial matters.

This enhanced financial capability can lead to better financial planning, reduced financial stress, and overall improved well-being, which positively impacts their productivity and engagement at work. Moreover, employees who are financially literate are more likely to understand the financial health of their organization and how their roles contribute to it. This understanding fosters a sense of ownership and responsibility, encouraging employees to actively contribute to the company's financial goals. Consequently, businesses benefit from a workforce that is not only skilled in their specific job roles but also financially savvy, leading to improved financial stability and growth (Burchi et al., 2021; Kristanto et al., 2020).

The significant impact of HR practices on financial literacy highlights the importance of incorporating financial education into HR strategies. By doing so, organizations can enhance their employees' financial knowledge and confidence, leading to better financial behaviors and outcomes. This approach not only benefits employees individually but also contributes to the overall financial health and success of the organization (Alshebami & Al Marri, 2022; Angeles, 2023; Rajan et al., 2021).

Human Resource Practices and Savings Motives

The direct relationship between human resource (HR) practices and savings motives was tested, revealing a significant positive effect that supports the hypothesis that effective HR practices positively influence employees' savings motives. The analysis showed a significant path coefficient ($\beta=0.189$, $t=1.920$), indicating that HR initiatives can effectively enhance employees' motivation to save (Peiris, 2021). This result underscores the importance of HR practices in promoting financial well-being and fostering a culture of saving within organizations. HR practices that include financial wellness programs, savings workshops, and incentives for saving are crucial in shaping employees' attitudes towards saving. These initiatives educate employees on the importance of saving for future needs, emergencies, and retirement, thereby strengthening their intrinsic and extrinsic savings motives (Pangestu & Karnadi, 2020).

The significant impact of HR practices on savings motives can be attributed to the comprehensive approach these practices take in addressing financial literacy and behavioral change. By offering programs that not only educate but also incentivize savings, HR practices help employees understand the benefits of saving and the methods to do so effectively. This dual approach ensures that employees are both knowledgeable about saving and motivated to apply this knowledge in their financial decisions. Additionally, HR practices that foster a supportive and financially secure work environment can further enhance savings motives. When employees feel secure in their jobs and supported by their employers, they are more likely to focus on long-term financial planning, including saving. This sense of security and support can significantly boost their motivation to save as they feel more confident in their financial futures (Adiyanto & Sunaryo, 2024).

The significant relationship between HR practices and savings motives highlights the need for organizations to integrate financial wellness programs into their HR strategies. By promoting financial education and offering incentives for saving, HR practices can effectively enhance employees' motivation to save, leading to better financial behaviors and outcomes. This approach not only benefits employees by improving their financial security but also contributes to the overall financial health and stability of the organization (Kristanto et al., 2020; Titin & Satono, 2022).

Savings Motives and Business Savings

The direct relationship between savings motives and business savings was tested, revealing that while the relationship exists, it was not found to be statistically significant ($\beta=0.056$, $t=0.707$). This result suggests that although employees' savings motives are important, they do not directly translate into significant business savings without the influence of other factors such as financial literacy and effective HR practices (D'Acunto et al., 2021; Peiris, 2021). Savings motives encompass the reasons and incentives that drive individuals to save money, such as precautionary motives, future investment, and financial security. While these motives are crucial for individual financial behavior, their direct impact on business savings appears limited in isolation.

One reason for this lack of direct significance could be that employees may have strong savings motives but lack the financial literacy or structured HR support needed to act on these motives effectively. For instance, employees motivated to save for future needs or emergencies might not necessarily translate these personal savings behaviors into actions that benefit the business directly unless they are equipped with the knowledge and resources to do so (Pangestu & Karnadi, 2020; Kristanto et al., 2020). This finding highlights the complexity of financial behavior, which is influenced by a combination of motivation, knowledge, and the environment provided by the organization.

Moreover, the organizational culture and policies play a critical role in how savings motives are translated into business savings. Companies that actively promote financial literacy and offer savings programs or incentives can help bridge the gap between personal savings motives and business financial outcomes. Without such support, the impact of savings motives on business savings remains marginal. This highlights the need for a comprehensive approach that combines motivation with financial education and organizational support to drive significant business savings (Rajan et al., 2021). By creating an environment that not only motivates employees to save but also equips them with the necessary knowledge and tools, businesses can achieve more substantial financial outcomes (Ndaghu Julius Tumba, Vincent A. Onodugo, Ekom Etim Akpan, 2022).

Human Resource Practices, Financial Literacy, and Business Savings

The indirect relationship between human resource (HR) practices and business savings through the mediation of financial literacy was tested and found to be significant. This confirms the hypothesis that financial literacy mediates the impact of HR practices on business savings. The path analysis revealed that HR practices positively affect financial literacy ($\beta=0.196$, $t=2.563$), which in turn enhances business savings ($\beta=0.278$, $t=3.999$). The mediation effect was significant ($\beta=0.055$, $t=2.128$), demonstrating that financial literacy acts as a crucial intermediary in this relationship (Azlan et al., 2015; Adiyanto & Sunaryo, 2024). Effective HR practices that incorporate financial education programs play a pivotal role in equipping employees with the knowledge and skills necessary to manage their finances better. By providing continuous financial education, organizations can enhance employees' understanding of financial concepts, leading to more informed and responsible financial behaviors.

These behaviors not only benefit the employees personally but also contribute to the financial health of the organization. Financially literate employees are more adept at budgeting, saving, and investing wisely, which can lead to reduced waste and improved resource utilization within the company (Dudchyk et al., 2019; Kristanto et al., 2020; Angeles, 2023). The significant mediation effect of financial literacy suggests that the benefits of HR practices on business savings are largely realized through the enhancement of employees' financial capabilities. When employees are financially literate, they are better positioned to contribute to the company's financial goals, such as cost-saving initiatives and efficient budget management. This financial acumen helps create a culture of financial prudence and responsibility within the organization, further driving business savings.

Moreover, financial literacy reduces financial stress among employees, leading to higher job satisfaction and productivity. When employees are not burdened by financial worries, they can focus more on their work, resulting in better performance and reduced absenteeism. This increased productivity and engagement further contribute to business savings by optimizing workforce efficiency and minimizing costs associated with turnover and absenteeism (Segovia-Vargas et al., 2023; Despard et al., 2020). The significant indirect effect of HR practices on business savings through financial literacy highlights the importance of integrating financial education into HR strategies. By enhancing employees' financial literacy, organizations can achieve substantial business savings and improve overall financial stability. This approach not only benefits employees by enhancing their financial well-being but also strengthens the organization's financial health, making it a vital component of effective HR management (Farah et al., 2023; Ndaghu Julius Tumba, Vincent A. Onodugo, Ekom Etim Akpan, 2022).

Human Resource Practices, Savings Motives, and Business Savings

The indirect relationship between human resource (HR) practices and business savings through the mediation of savings motives was tested, revealing that while HR practices positively influence savings motives (β=0.189, t=1.920), the indirect effect on business savings was not significant (β=0.011, t=0.582). This result suggests that savings motives alone do not significantly mediate the relationship between HR practices and business savings (Peiris, 2021; Pangestu & Karnadi, 2020). HR practices aimed at promoting financial wellness and encouraging a savings culture within the organization can effectively enhance employees' savings motives. Programs such as savings workshops, financial incentives, and goal-setting initiatives help employees understand the importance of saving for future needs, emergencies, and retirement. These HR strategies foster an environment where employees are motivated to save, driven by both intrinsic and extrinsic factors (Titin & Satono, 2022).

However, the translation of these savings motives into substantial business savings appears to be more complex. One reason for the lack of significant indirect effect could be that while employees develop strong savings motives, they may lack the financial literacy or structured support needed to act on these motives effectively. Savings motives, when not accompanied by financial education and practical support, may not lead to meaningful financial behavior changes that benefit the organization (Kristanto et al., 2020). Moreover, the organizational context and support systems play a critical role in how savings motives are translated into business savings. Companies that actively support financial education and provide structured savings programs can better harness employees' savings motives. Without such support, the impact of savings motives on business savings remains marginal. This highlights the need for a comprehensive approach that combines motivation with financial education and organizational support to drive significant business savings (Rajan et al., 2021).

While HR practices can effectively enhance employees' savings motives, these motives alone do not significantly mediate the relationship between HR practices and business savings. This underscores the complexity of financial behavior and the necessity for a holistic approach that integrates financial literacy and structured support alongside savings motives. By creating an environment that not only motivates employees to save but also equips them with the necessary knowledge and tools, businesses can achieve more substantial financial outcomes (Ndaghu Julius Tumba, Vincent A. Onodugo, Ekom Etim Akpan, 2022).

CONCLUSION

This study investigated the intricate relationships between human resource (HR) practices, financial literacy, savings motives, and business savings in small and medium enterprises (SMEs).

The findings demonstrate that HR practices significantly enhance business savings, primarily through the mediation of financial literacy. Although HR practices also positively influence savings motives, these motives alone do not significantly mediate the relationship between HR practices and business savings.

Empirically, the study confirms that effective HR practices, such as employee training, development, and financial education programs, are crucial for fostering a financially literate workforce. Financially literate employees make more informed financial decisions, which translate into substantial business savings through better budgeting, reduced waste, and improved resource utilization. Theoretically, the study enriches the existing literature by highlighting the pivotal role of financial literacy as a mediator in the HR practices-business savings relationship, providing a nuanced understanding of how HR strategies can be optimized for better financial outcomes.

Economically, the findings suggest that investing in HR practices that enhance financial literacy can yield significant savings for businesses. These savings can be reinvested into further employee development and organizational growth, creating a virtuous cycle of improvement and financial health. Additionally, the study introduces a comprehensive approach that integrates financial literacy with HR practices to achieve sustainable business savings, presenting new insights for both researchers and practitioners.

However, the study has several limitations. The cross-sectional nature of the data limits the ability to establish causality between the variables. Future research should consider longitudinal studies to better capture the causal relationships over time.

The practical implications of this study are substantial for SMEs. Implementing comprehensive HR strategies that include financial literacy programs can significantly enhance financial outcomes by improving employees' financial well-being and contributing to organizational stability. A financially literate workforce can reduce costs associated with poor financial decisions, increase efficiency, and enhance productivity. This can lead to reduced turnover rates and higher job satisfaction as employees feel more secure and valued. Financially literate employees can identify cost-saving opportunities, contributing to reduced operational costs and better resource management. This fosters long-term financial stability and growth, driving sustained improvement and competitive advantage. Savings from improved financial practices can be reinvested into the business, further supporting development and innovation. Developing policies that promote financial education as a core HR strategy ensures that financial literacy becomes an integral part of employee development, leading to better personal financial health and more strategic business decisions.

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