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Business Performance Determination Mediated by Innovation Capabilities in New Independent Workers: Analysis of Self-Efficacy, Financial Literacy, and Strategic Partnerships

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Abstract: This study examines the influence of self-efficacy, financial literacy, and strategic partnerships on business performance, with innovation capability acting as a mediating variable among new independent workers at the Ministry of Manpower of the Republic of Indonesia. The research applies a quantitative descriptive design using a survey approach to collect data from respondents. The analysis is conducted using Structural Equation Modelling–Partial Least Squares (SEM-PLS) with SmartPLS 4.0. The findings indicate that self-efficacy significantly and positively influences innovation capability, suggesting that individuals with greater confidence in their abilities are more likely to develop innovative ideas and practices in their businesses. Financial literacy also shows a positive and significant effect on innovation capability, highlighting the importance of financial knowledge in supporting innovative business activities. However, strategic partnerships do not significantly affect innovation capability. In terms of business performance, self-efficacy, financial literacy, strategic partnerships, and innovation capability, each demonstrates a positive and significant impact. Furthermore, innovation capability successfully mediates the relationship between self-efficacy and business performance as well as between financial literacy and business performance. Conversely, innovation capability does not mediate the relationship between strategic partnerships and business performance in this study.

Keywords: Business Performance, Innovation Capability, Self-Efficacy, Financial Literacy, Strategic Partnership

INTRODUCTION

Self-employed workers are individuals who start and run their own businesses by relying on their abilities, resources, and personal initiative as their main source of livelihood (Kaur, 2025). Self-employed workers are in the early stages of business development, which is generally characterized by limited business experience, capital, and networks. This group usually emerges from economic necessity or entrepreneurial opportunities (Giacomin et al., 2023).

Global economic transformation and increasing market uncertainty have significantly increased the role of self-employed workers as an important component in job creation, economic growth, and social resilience in developing and developed countries (Bank, 2020).

In Indonesia, the number of new self-employed workers fluctuates due to various economic and social factors, especially during certain periods of the year. These factors have caused many young entrepreneurs to switch to NEET (Not in Education, Employment, or Training) status, highlighting a decline in entrepreneurship among young workers during this period (Putranto et al., 2023).

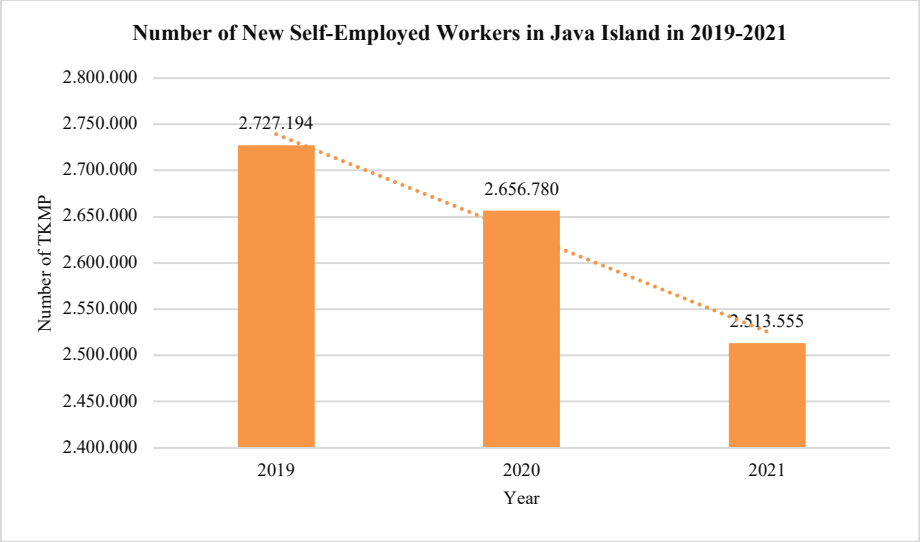

Figure 1. Number of New Self-Employed Workers in Java Island from 2019 to 2021
Source: (National Statistics Agency, Indonesian, 2021)

Figure 1 shows that the number of new self-employed workers in Java during the 2019–2021 period experienced a downward trend, reflecting this group's weakened ability to maintain business sustainability. This decline is relevantly associated with declining business performance, characterized by low sales, cash flow instability, and increased business failure in the early stages. This condition is further exacerbated by external environmental pressures, such as economic slowdown and changes in demand patterns, which cannot be fully anticipated by new self-employed workers due to their limited experience, financial literacy, and access to resources (Ali et al., 2024).

In addition, weak innovation capabilities make it difficult for businesses to adapt through product, process, or marketing strategy updates, thereby reducing business competitiveness and ultimately leading to their exit from independent business activities (Borah et al., 2023).

Thus, Figure 1 empirically confirms that the decline in the number of new self-employed workers on the island of Java is not solely demographic in nature, but rather reflects structural and individual problems rooted in low sustainable business performance.

Based on the above background, the following research questions were formulated: 1) Does self-efficacy affect innovation capability?; 2) Does self-efficacy affect business performance?; 3) Does innovation capability affect business performance?; 4) Does strategic partnership affect innovation capability?; 5) Does strategic partnership affect business performance?; 6) Does financial literacy affect innovation capability?; 7) Does financial literacy affect business performance?; 8) Does self-efficacy affect business performance through innovation capability?; 9) Do strategic partnerships affect business performance through innovation capability?; 10) Does financial literacy affect business performance through innovation capability?.

METHOD

This study adopts a descriptive quantitative approach, with data analysis conducted using Structural Equation Modeling (SEM) through the SmartPLS software. The research framework

includes self-efficacy, financial literacy, and strategic partnerships as independent variables, innovation capability as the intervening variable, and business performance as the dependent variable. This methodological design was selected to examine both the direct and indirect relationships among the variables. In addition, the SEM-PLS approach enables the evaluation of the measurement model to ensure the validity and reliability of the constructs, as well as the assessment of the structural model to determine the strength and significance of the relationships within the proposed research framework (Hennink, M. M., Hutter, I., & Bailey, 2020).

The population of this study consisted of 28,082 registered early-stage independent workers (TKMP) on the island of Java in 2024. From this population, a sample of 400 respondents was selected for analysis. The research primarily utilized primary data collected directly from respondents. Quantitative data were obtained through the distribution of structured questionnaires, while qualitative data were gathered to complement and deepen the findings. The qualitative approach involved conducting in-depth interviews with TKMP participants who have been actively operating their businesses for at least two years, as well as focus group discussions with several TKMP facilitators. These methods were employed to gain broader insights into the experiences and perspectives of the participants. The main objective of this study is to examine the relationships between the independent variables and the dependent variable, as well as to analyze the role of the mediating variable in influencing and strengthening these relationships (Vebrianto et al., 2020).

Descriptive statistical analysis was carried out to present a general overview of the data characteristics obtained from the 400 respondents involved in this study. The descriptive statistics include several indicators such as minimum value, maximum value, mean, and standard deviation for each research variable. The variables analyzed consist of Self-Efficacy, Financial Literacy, Strategic Partnerships, Innovation Capability, and Business Performance. This analysis aims to describe the distribution and central tendency of the data before proceeding to further statistical testing.

Furthermore, the data were analyzed using the Structural Equation Modeling–Partial Least Squares (SEM-PLS) method with the support of the latest version of SmartPLS software. The analysis process was conducted through several systematic stages. First, validity and reliability tests were performed to ensure that the measurement instruments used in the study were accurate and consistent. Second, the outer model was evaluated to assess the relationship between indicators and their respective latent variables. Third, the inner model was analyzed to examine the structural relationships between the research variables. Finally, the results of the analysis were interpreted to draw conclusions regarding the relationships and effects among the variables in the proposed research model.

RESULTS AND DISCUSSION

Business Performance

Business performance is a reflection of the level of success of an organization or business in achieving its objectives through the effective and efficient use of resources, as reflected in financial indicators such as revenue growth and profitability, as well as non-financial indicators such as customer satisfaction, product quality, and business sustainability (Kwak et al., 2024).

Indicators or dimensions contained in business performance variables include: 1) Sales Growth: Describes the company's ability to continuously increase sales volume or value as a reflection of market acceptance of products or services; 2) Profitability: Shows the company's ability to generate profits from its operational activities; 3) Operational Efficiency: Describes the extent to which a company is able to optimally utilize resources to reduce costs and increase output (Valderrama et al., 2023).

Business performance variables have been studied and are relevant to research conducted by: (Sawitri et al., 2023), (Susanto et al., 2023), (Rahmawati, 2022).

Innovation Capability

Innovation Capability is the ability of an organization or business actor to develop, adopt, and apply new ideas of value, whether in the form of products, processes, technologies, or business models, in a sustainable manner in order to increase competitiveness and adapt to changes in the business environment (Borah et al., 2023).

The indicators or dimensions contained in the innovation capability variable include: 1) Product/Service Innovation: The ability of companies to create or update products and services in accordance with market needs and preferences; 2) Process Innovation: The ability of organizations to improve or develop work processes and technology to increase efficiency and quality; 3) Innovation Culture: The level of organizational support for creativity, learning, and acceptance of new ideas (Borah et al., 2023).

Innovation capability variables have been researched and are relevant to studies conducted by: (Borah et al., 2023), (Marlina, 2022), (Qiu et al., 2020).

Self-Efficacy

Self-efficacy is an individual's belief in their own ability to manage tasks, make decisions, and overcome various challenges they face, thereby influencing the level of effort, perseverance, and performance of individuals in achieving their desired goals (Susanto et al., 2025).

The indicators or dimensions contained in the Self-Efficacy variable include: 1) Belief in Self-Ability: The level of confidence individuals have in completing the tasks and responsibilities they face; 2) Resilience in Facing Challenges: The ability of individuals to keep trying and not give up easily when facing obstacles or failure; 3) Initiative Taking: An individual's drive to act proactively in seeking solutions and opportunities without waiting for instructions (Susanto, Setiawan, et al., 2024).

The Self-Efficacy variable has been researched and is relevant to studies conducted by: (Susanto, Sawitri, et al., 2024), (Fu'adah et al., 2023), (Sjarifudin et al., 2023).

Financial Literacy

Financial literacy is the level of knowledge, understanding, and skills of individuals or business actors in managing financial aspects appropriately, including planning, budgeting, recording, cash flow management, and rational financial decision-making oriented towards business sustainability (Margaretta et al., 2022).

The indicators or dimensions contained in the financial literacy variable include: 1) Understanding Basic Financial Concepts: The level of individual knowledge about financial concepts such as profit, costs, cash flow, and risk; 2) Financial Management Skills: The ability to systematically plan, record, and control business finances; 3) Financial Decision Making: An individual's ability to choose the right financial alternatives related to investment, financing, and use of funds (Sulistyowati et al., 2022).

Financial literacy variables have been studied and are relevant to research conducted by: (Reysa et al., 2023), (Mulyono et al., 2023), (Rahayu & Sriyono, 2023).

Strategic Partnerships

A strategic partnership is a form of planned, long-term cooperation between two or more organizations or business entities based on shared goals and complementary resources, competencies, and risks, with the aim of improving performance, expanding markets, and creating joint competitive advantages (Suhartono et al., 2025).

Indicators or dimensions contained in the strategic partnership variable include: 1) Trust Between Partners: The level of confidence between parties in establishing honest and mutually beneficial cooperation; 2) Sharing of Resources and Information

The ability of partners to share knowledge, technology, and assets to achieve common goals; 3) Long-Term Commitment: The willingness of partners to maintain sustainable cooperation for optimal performance (Syafiq, 2025).

Strategic partnership variables have been researched and are relevant to studies conducted by: (Rachmad, 2025), (Kurniawan et al., 2023), (Monim & Bura, 2022).

Validity Test

Discriminant Validity (Fornell-Larcker Criterion)

Discriminant validity indicates the extent to which a construct is truly distinct and does not overlap with other constructs in the research model. In the Fornell–Larcker Criterion, the criteria used are: The square root of AVE (diagonal value) must be greater than the correlation of that construct with other constructs. If this criterion is met, then each construct is declared to have good discriminant validity.

Table 1. Fornell-Larcker Criterion

	Self-Efficacy (X1)	Innovation Capability (Z)	Strategic Partnership (X3)	Business Performance (Y)	Financial Literacy (X2)
Self-Efficacy (X1)	0.885				
Innovation Capability (Z)	0.666	0.829			
Strategic Partnership (X3)	-0.069	-0.011	0.870		
Business Performance (Y)	0.499	0.723	0.458	0.810	
Financial Literacy (X2)	0.077	0.610	0.047	0.5	0.875

All constructs in the study met the Fornell–Larcker criteria, thus confirming the discriminant validity of the measurement model. The fulfillment of discriminant validity indicates that the constructs of self-efficacy, financial literacy, strategic partnership, innovation capability, and business performance represent different but interrelated theoretical concepts.

This strengthens the conceptual boundaries between constructs in the capability-based model and avoids the risk of conceptual redundancy in testing structural relationships.

Discriminant Validity (HTMT)

Discriminant validity aims to ensure that each construct in the research model is empirically distinct from one another. In PLS-SEM analysis, one of the tests used is HTMT (Heterotrait-Monotrait Ratio of Correlations).

Recommended thresholds: a) HTMT < 0.85 (very strict criteria, Henseler et al., 2015); b) HTMT < 0.90 (conservative criteria, Gold et al., 2001).

If the HTMT value is > 0.90, there is an indication that the constructs have high overlap, making them difficult to distinguish empirically.

Table 2. HTMT

	Self-Efficacy (X1)	Innovation Capability (Z)	Strategic Partnership (X3)	Business Performance (Y)	Financial Literacy (X2)
Self-Efficacy (X1)					
Innovation Capability (Z)	0.708				
Strategic Partnership (X3)	0.083	0.049			
Business Performance (Y)	0.533	0.777	0.488		
Financial Literacy (X2)	0.081	0.644	0.054	0.531	

Based on the test results, it is known that all HTMT values in the table are below 0.85, with most even below 0.80. The highest value is found in the relationship between Innovation Capability and Business Performance (0.777), which indicates a strong relationship but does

not violate the discriminant validity limit. The relationships between other constructs show relatively low HTMT values (e.g., Strategic Partnership with other constructs < 0.10), indicating a very clear conceptual separation.

It is concluded that all constructs in the study meet the HTMT criteria, so that the discriminant validity of the measurement model is strongly fulfilled.

The fulfillment of the HTMT criteria confirms that each construct in the model—self-efficacy, financial literacy, strategic partnerships, innovation capabilities, and business performance- represents a different theoretical concept and does not overlap empirically. The relatively high correlation between innovation capability and business performance reflects a close theoretical relationship, yet still shows clear conceptual differences between the capability process and performance outcomes.

Reliability Test

This table shows the Cronbach's Alpha, rho_A, Composite Reliability (CR), and Average Variance Extracted (AVE) values for the five research constructs: Innovation Capability, Self-Efficacy, Strategic Partnership, Business Performance, and Financial Literacy.

Cronbach's Alpha Test

Table 3. Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	AVE
Self-Efficacy (X1)	0.944	0.945	0.956	0.782
Innovation Capability (Z)	0.935	0.935	0.946	0.687
Strategic Partnership (X3)	0.936	0.939	0.949	0.757
Business Performance (Y)	0.925	0.926	0.939	0.656
Financial Literacy (X2)	0.956	0.957	0.963	0.765

Based on construct reliability testing, Cronbach's Alpha values were obtained above 0.925, far exceeding the minimum limit of 0.7. This indicates that the indicators in each construct are consistent in measuring the intended variables. Where: 1) Rho_A value: All values are above 0.926, which reinforces the internal consistency between indicators; 2) Composite Reliability (CR): All constructs have values of 0.939 – 0.963, well above the threshold of 0.7. CR is more recommended than Cronbach's Alpha in PLS-SEM, so these results confirm that the research constructs have excellent reliability.

Interpretation: All five constructs (Innovation Capability, Self-Efficacy, Strategic Partnership, Business Performance, and Financial Literacy) are highly reliable, making them trustworthy for explaining the managerial phenomena under study.

AVE Test

This reliability test is intended to measure how relevant and consistent a respondent is in answering or filling out a questionnaire, in relation to the questionnaire provided:

Table 4. AVE Analysis

Variable	AVE	Description
Self-Efficacy (X1)	0.782	Reliable
Innovation Capability (Z)	0.687	Reliable
Strategic Partnership (X3)	0.757	Reliable
Business Performance (Y)	0.656	Reliable
Financial Literacy (X2)	0.765	Reliable

Based on the test results, it is known that the Average Variance Extracted (AVE) value shows how much the indicators in a construct are able to explain the variance of that construct.

Where: 1) All AVE values > 0.5 (range 0.656 – 0.782); 2) This means that more than 75% to 78% of the indicator variance can be explained by the measured construct, thus fulfilling convergent validity.

Interpretation: The constructs in this study truly measure what they are intended to measure (high validity). For example, the Innovation Capability indicator is indeed valid in measuring the concept of innovation in organizations.

Structural Model Analysis (Inner Model)

R-Square Test

Table 5. Structural Model Analysis (R-Square)

Variable	R-Square	Adjusted R-Square
Innovation Capability (Z)	0.757	0.755
Business Performance (Y)	0.752	0.750

Based on the r-square table above, the following conclusions can be drawn:

R^2 Innovation Capability (Z). R^2 = 0.757 | Adjusted R^2 = 0.755

The R^2 value of 0.757 indicates that 75.7% of the variation in Innovation Capability can be explained by the variables of Self-Efficacy, Financial Literacy, and Strategic Partnership. Meanwhile, the remaining 24.3% is influenced by other variables. This value substantially shows that the constructs in the model have a very strong explanatory power on innovation capability. The Adjusted R^2 value is 0.755. The very small difference between R^2 and Adjusted R^2 indicates that the model does not experience bias due to the addition of variables, so that the constructs used are relevant and not redundant.

These findings reinforce the Resource-Based View (Barney, 1991) that individual-based internal resources and knowledge are the main determinants of innovation capability formation. In line with Dynamic Capabilities Theory (Teece et al., 1997), innovation capabilities are formed from the organization's ability to adaptively integrate and manage internal and external resources. TKMP needs to prioritize strengthening self-efficacy and financial literacy as the foundation for innovation development. Strategic partnerships need to be directed towards supporting learning and improving innovative capabilities, not just operational interests.

R^2 Business Performance (Y). R^2 = 0.752 | Adjusted R^2 = 0.750

An R^2 value of 0.752 indicates that 75.2% of the variation in Business Performance can be explained by Self-Efficacy, Financial Literacy, Strategic Partnerships, and Innovation Capabilities. This value indicates that the structural model has a very strong predictive ability in explaining business performance. The very small difference between R^2 and Adjusted R^2 confirms that the structural model is parsimonious, i.e., it is able to explain business performance well without including unnecessary variables.

Within the framework of RBV, these results show that superior business performance is the result of the effective management of strategic resources. Dynamic Capabilities Theory explains that innovation capabilities are a key mechanism that enables organizations to adapt and maintain performance in a dynamic environment. TKMP needs to make innovation capabilities a key driver of business performance. The integration of internal resources and external partnerships should focus on creating long-term value, not just short-term results.

F-Square Test

In PLS-SEM, f^2 indicates the magnitude of the contribution of each exogenous variable to the endogenous variable. Cohen (1988): 0.02 = small, 0.15 = moderate, 0.35 = large. Based on the analysis results table, the following f Square values were obtained:

Table 6. Effect Size Test Results (F2)

Variable	Self-Efficacy	Innovation Capability	Strategic Partnership	Business Performance	Financial Literacy
Self-efficacy (X1)		0.401		0.043	
Innovation Capability (Z)				0.277	
Strategic Partnership (X3)		0.000		0.878	
Business Performance (Y)					
Financial Literacy (X2)		1,286	0.305	0.035	

Overall, the F-square results reinforce the RBV perspective (Barney, 1991), which asserts that individual-based internal resources and knowledge, such as self-efficacy and financial literacy, are strategic assets that contribute significantly to the formation of innovation capabilities. However, these resources do not automatically improve business performance without being converted into productive organizational capabilities.

Furthermore, within the framework of Dynamic Capabilities Theory (Teece, Pisano, & Shuen, 1997), innovation capabilities play a key role in integrating, building, and reconfiguring internal and external resources. The large effect size of innovation capabilities on business performance indicates that the adaptive and innovative capabilities of TKMP are determining factors for sustainable performance in a dynamic business environment.

Strategic partnerships exhibit a unique pattern, whereby they contribute significantly to business performance but have little effect on innovation capabilities. This indicates that partnerships are used more as a means of achieving immediate performance rather than as a vehicle for learning and developing internal innovation.

The f Square results confirm that innovation capabilities are a central mechanism that connects internal resources with TKMP business performance, while strengthening the integration of theory in explaining competitive advantage and organizational performance.

Model Fit Test

Model Fit Test Results

The Fit Summary table is used to assess the overall suitability of the structural model (global model fit) in the SEM-PLS approach. The values displayed indicate the fit between the theoretical model and the empirical data.

Table 7. Model Fit Test Results

Parameter	Saturated model	Estimated model
SRMR	0.034	0.034
d_ULS	0.790	0.790
d_G	0.357	0.357
Chi-square	796.848	796.848
NFI	0.938	0.938

All model fit indicators show that the structural model is in the very good and valid category, so that causal relationship analysis and hypothesis testing can be carried out validly. From an RBV perspective, the model fit shows that the combination of internal resources, such as self-efficacy and financial literacy, and relational resources, such as strategic partnerships, can consistently explain variations in business performance. The model fit reinforces the argument that competitive advantage stems from the management of valuable, scarce, and difficult-to-imitate resources.

Meanwhile, from the perspective of Dynamic Capabilities Theory, the existence of innovation capabilities as a key variable in a fit model shows that an organization's ability to adapt, innovate, and transform resources is the main mechanism for improving business performance. A model with good global fit reflects that the dynamic relationship between

capabilities has been structured appropriately.

Hypothesis Testing Results (Significance Test)

In PLS-SEM, path analysis (*path coefficients*) is used to test direct causal relationships between latent constructs. Relationships are considered significant if T-statistics > 1.96 and P-values < 0.05. The following is an analysis *of the* SEM-PLS *Direct Effects Test*.

Direct Effect Test

Table 8. Hypothesis Test Results *(Path Coefficients) Direct Effect*

Path Coefficients	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Self-Efficacy (X1) -> Innovation Capability (Z)	0.348	0.349	0.093	3.754	0.000
Self-Efficacy (X1) -> Business Performance (Y)	0.289	0.289	0.094	3.09	0.002
Innovation Capability (Z) -> Business Performance (Y)	0.140	0.143	0.078	1.797	0.072
Strategic Partnerships (X3) -> Innovation Capabilities (Z)	0.526	0.53	0.06	8.80	0.00
Strategic Partnership (X3) -> Business Performance (Y)	0.535	0.537	0.059	9.07	0.000
Financial Literacy (X2) -> Innovation Capability (Z)	0.484	0.489	0.062	7.81	0.000
Financial Literacy (X2) -> Business Performance (Y)	0.127	0.125	0.058	2.185	0.029

Based on the results of the direct effect test, it can be explained as follows:

The effect of Self-Efficacy (X1) on Innovation Capability (Z)

The coefficient value obtained was 0.623; T = 26.061; P = 0.000. This relationship is positive and highly significant, indicating that the higher the self-efficacy, the stronger the innovation capability. Self-efficacy acts as the main driver of TKMP participants' ability to generate and implement new ideas. This finding is in line with Social Cognitive Theory and Dynamic Capabilities, which place individual beliefs as the foundation of organizational learning, adaptation, and innovation.

The Influence of Self-Efficacy (X1) on Business Performance (Y)

The coefficient value obtained was 0.167; T = 4.279; P = 0.000. Self-efficacy has a positive and significant effect on business performance, albeit with moderate strength. This shows that TKMP self-efficacy contributes directly to performance, but most of its influence works through other capability mechanisms. From an RBV perspective, self-efficacy is a valuable internal resource, but its impact on performance is stronger when combined with organizational capabilities.

The Influence of Innovation Capability (Z) on Business Performance (Y)

The coefficient value obtained was 0.531; T = 10.524; P = 0.000. This relationship is positive and highly significant, confirming that innovation capability is a major determinant of business performance. These results support Dynamic Capabilities Theory, which states that the ability to innovate enables TKMP to respond to environmental changes and create sustainable competitive advantage.

The Effect of Strategic Partnerships (X3) on Innovation Capabilities (Z)

The coefficient value obtained was 0.006; T = 0.238; P = 0.812. This relationship is not significant, indicating that TKMP strategic partnerships do not directly increase innovation capabilities in the context of this study. This finding indicates that strategic partnerships do not necessarily result in innovation if they are not accompanied by internal mechanisms such as absorptive capacity or organizational learning.

The Effect of Strategic Partnerships (X3) on Business Performance (Y)

The coefficient value obtained was 0.468; T = 14.582; P = 0.000. Strategic partnerships have a positive and significant effect on TKMP business performance, indicating that external collaboration directly improves business results. These results are consistent with RBV and the Relational View, which emphasize the strategic value of interorganizational relationships in improving performance.

The Effect of Financial Literacy (X2) on Innovation Capability (Z)

The coefficient value obtained was 0.561; T = 21.504; P = 0.000. Financial literacy has a positive and significant effect on innovation capability, indicating that TKMP's ability to understand and manage finances encourages the innovative process. This finding reinforces the view that financial literacy is a cognitive capability that supports innovative decision-making and effective resource allocation.

The Effect of Financial Literacy (X2) on Business Performance (Y)

The coefficient value obtained was 0.141; T = 3.560; P = 0.000. This relationship is significant but relatively weak, indicating that financial literacy has a direct impact on performance, but its main effect is mediated by innovation capabilities. Within the RBV framework, financial literacy is a basic resource that provides added value when converted into advanced capabilities.

Overall, the results show that: 1) Self-efficacy and financial literacy of TKMP play a strong role in shaping innovation capabilities; 2) Innovation capabilities are the main mechanism for improving TKMP business performance; 3) Strategic partnerships have a direct effect on TKMP business performance, but do not automatically encourage innovation.

Indirect Effect Test

Table 9. Hypothesis Test Results *(Path Coefficients) Indirect Effect*

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Self-Efficacy (X1) -> Innovation Capability (Z) -> Business Performance (Y)	0.331	0.332	0.034	9.592	0.000
Strategic Partnership (X3) -> Innovation Capability (Z) -> Business Performance (Y)	0.003	0.004	0.014	0.235	0.815
Financial Literacy (X2) -> Innovation Capability (Z) -> Business Performance (Y)	0.298	0.299	0.031	9.644	0.000

Based on the results of indirect testing, it can be explained as follows:

The Effect of Self-Efficacy (X1) on Business Performance (Y) through Innovation Capability (Z)

The indirect path coefficient value obtained was 0.331, the *t-statistics* value was 9.592 (> 1.96), and the *p-value* was 0.000 (< 0.05). This relationship shows a strong and statistically significant indirect effect. Self-efficacy affects innovation capability and indirectly improves

business performance through the mediation of innovation capability. This means that the higher the TKMP individuals' belief in their own abilities (self-efficacy), the greater their contribution to improving their innovation capability, which in turn has a positive impact on business performance. This finding supports Bandura's *social cognitive theory,* which emphasizes the importance of self-confidence as a driver of innovative behavior. Thus, it can be concluded that innovation capability significantly mediates the relationship between self-efficacy and business performance, thereby supporting the mediation hypothesis.

The Effect of Strategic Partnerships (X3) on Business Performance (Y) through Innovation Capabilities (Z)

The indirect path coefficient value obtained was 0.003, the *t-statistics* value was 0.235 (> 1.96), and the *p-value* was 0.815 (> 0.05). This relationship shows a very weak and insignificant indirect effect. The indirect path coefficient value of 0.003 indicates that the mediating contribution of innovation capability in this relationship is almost non-existent. This is reinforced by the t-statistics value of 0.235, which is far below the significance threshold of 1.96, and the p-value of 0.815, which is much greater than 0.05 or 0.01. Thus, statistically, innovation capability is unable to mediate the effect of strategic partnerships on TKMP business performance, so the mediation hypothesis is rejected.

The Effect of Financial Literacy (X2) on Business Performance (Y) through Innovation Capability (Z)

The indirect path coefficient value obtained was 0.298, the *t-statistics* value was 9.644 (> 1.96), and the *p-value* was 0.000 (< 0.05). This relationship indicates a strong and statistically significant indirect effect. The indirect path coefficient value of 0.298 indicates that financial literacy contributes substantially to improving business performance by strengthening innovation capabilities. This is supported by a t-statistics value of 9.644, which far exceeds the critical limit of 1.96, and a p-value of 0.000, which is less than the significance level of 0.05. Thus, innovation capabilities are proven to play a significant mediating role in the relationship between financial literacy and business performance, thereby accepting the mediation hypothesis. These findings confirm that financial understanding and skills will have a more effective impact on business performance when translated into innovative decisions and activities that create added value for TKMP.

Discussion

Based on the results and hypotheses obtained from the research, the discussion in this study is as follows:

The Effect of Innovation Capability on Business Performance

The analysis results show that innovation capability (Z) has a positive influence on business performance (Y). These findings indicate that the higher the ability of TKMP participants to develop and implement innovations, whether in the form of product, process, or business model innovations, the more optimal the overall business performance will be (Alfarizi & Sari, 2024). Therefore, innovation is no longer viewed as an additional activity, but as a strategic element that determines long-term sustainability and competitive advantage (Suandana et al., 2024). Business performance in this context covers various dimensions, such as profitability, business growth, operational efficiency, and market competitiveness.

Innovation capability reflects the ability of TKMP participants to create, adapt, and apply new ideas that provide added value to customers and the business itself (Wijaya et al., 2020) . In a dynamic and competitive business environment, organizations with high innovation capabilities will be better able to respond to market changes, adapt to technological

developments, and effectively exploit new opportunities.

The results of this study reinforce the Resource-Based View (Barney, 1991) perspective that competitive advantage does not depend on the size of resources owned, but rather on TKMP's ability to manage these resources into unique capabilities, in this case innovation capabilities. Innovation capabilities serve as dynamic strategic resources, enabling TKMP to produce product differentiation, improve efficiency, and build a culture of continuous learning.

In line with Dynamic Capabilities Theory (Teece et al., 1997; Darmawan et al., 2022), these findings indicate that SMEs that proactively invest in R&D, employee competency improvement, and the adoption of new technologies tend to perform better than SMEs that merely react to change.

These findings are also consistent with various MSME studies showing that innovation drives product differentiation and business adaptability (Mahpuz et al., 2021) and increases market expansion and profitability (Replita et al. 2024). Supporting factors such as social capital, creativity, and learning ability also strengthen innovation capabilities (Hadi & Purwati, 2020), while external networks accelerate the innovation process through information exchange (Suandana et al., 2024).

The results of this study have important implications for TKMP management, namely that innovation capabilities should be the main focus of business performance improvement strategies. Management needs to actively build an internal ecosystem that encourages innovation, so that business performance can grow in an excellent and sustainable manner.

The Influence of Self-Efficacy on Innovation Capabilities

The results show that self-efficacy (X1) has a positive effect on innovation capabilities (Z). This finding is consistent with Bandura's (1997) self-efficacy theory, which asserts that individuals' belief in their abilities encourages them to experiment and take calculated risks. Self-efficacy is not the sole determinant of innovation because innovative behavior is also influenced by organizational support, team collaboration, and resource availability, Hadi & Purwati (2020). Research by Alfarizi & Sari (2024) and Suandana et al. (2024) also confirms that a conducive work environment and an organizational system that supports creativity play an important role in realizing sustainable innovation.

In an organizational context, innovation is the result of interaction between individuals and the system that supports them. TKMP with high self-efficacy can generate new ideas, but their implementation requires a supportive structure, a collaborative culture, and the utilization of external networks, Maran et al. (2022). Therefore, although self-efficacy triggers creativity, innovation capabilities depend on the ability of TKMP to create an ecosystem that encourages the exploration and realization of ideas.

These findings indicate that the higher the confidence of TKMP participants in their abilities, the greater their contribution to driving the innovation process. Thus, self-confidence and personal competence are important elements in building an innovative work environment. These results are in line with Human Capital Theory, which asserts that the quality of human resources, particularly in terms of self-efficacy, is a strategic asset for developing innovation capabilities and competitive advantage.

However, these findings also show that self-efficacy should be viewed as one element in the TKMP innovation system, not as a single factor. Strengthening self-efficacy through training, coaching, and a supportive work culture needs to be balanced with organizational structure development and strategic partnerships so that innovation can develop consistently. Managerially, increasing self-efficacy without structural and resource support will not have a significant impact on innovation capabilities. Conversely, when individual confidence is combined with managerial support, external networks, and a collaborative culture, TKMP's innovative capabilities will develop more sustainably. Thus, self-efficacy is an integral part of

an innovation strategy that emphasizes a balance between individual factors and strengthening the collective capabilities of the organization.

The Effect of Self-Efficacy on Business Performance

The results of the study indicate that self-efficacy (X1) has a positive but very small effect on business performance (Y). This indicates that individuals' belief in their ability to complete tasks and face challenges is not yet a major factor that directly drives organizational performance improvement. In other words, high self-confidence in TKMP can indeed create a psychological drive to work better, but its impact on final business results is still limited if it is not balanced with other supporting factors (Fransisca & Ie, 2023).

In the context of modern organizations, self-efficacy serves as an important internal foundation for the formation of proactive behavior, decision-making, and perseverance in achieving work targets (Bandura, 1997) . However, individual confidence needs to be integrated into a supportive organizational ecosystem in order to have a significant impact on business performance. A collaborative work environment, a fair reward system, and organizational strategies that are adaptive to change are crucial elements that strengthen the relationship between self-efficacy and performance (Maran et al, 2022). Without such systemic support, individual drive often stops at the level of personal motivation without converting into increased organizational productivity.

These findings also reinforce the view that business performance depends not only on the psychological aspects of employees, but also on managerial, structural, and innovative factors, Mahpuz et al. (2021) and Replita et al. (2024). TKMPs that successfully translate self-efficacy into tangible business results usually have management systems that are able to channel that self-confidence into value-added activities, such as product innovation, operational efficiency, and service quality improvement. Therefore, human resource development strategies need to be directed not only at building individual self-confidence, but also at creating organizational conditions that enable each individual to channel their best abilities.

Conceptually, these findings show that self-efficacy is an important component of psychological capital that acts as a catalyst, rather than a single determinant, in business performance. Superior performance is more likely to be achieved if Self-Efficacy is combined with other factors such as Innovation Capability, technological support, and a positive organizational culture. Thus, improving TKMP self-efficacy needs to be placed within a holistic organizational development framework in order to make a more tangible contribution to overall business success.

The Influence of Financial Literacy on Innovation Capability

The results show that financial literacy (X2) has a positive and highly significant effect on innovation capability (Z). This finding indicates that an individual's ability to understand, manage, and evaluate financial aspects directly strengthens the innovation process carried out by TKMP participants. Financial literacy enables business actors to assess the feasibility of innovative ideas, allocate capital more appropriately, and control the financial risks inherent in innovation activities.

This finding expands on previous research that viewed financial literacy solely as a tool for rational decision-making (Yushita, 2017; Kusumaningrum et al., 2023). In the context of TKMP, financial literacy not only functions as an administrative competency or efficiency controller, but also as a cognitive foundation that supports courage and accuracy in implementing innovation, as demonstrated by participants' ability to plan innovative investments and utilize resources productively.

Unlike the findings of Alfarizi & Sari (2024) and Suandana et al. (2024), which state that

financial literacy is not directly correlated with innovation, the results of this study show that financial literacy can play a strategic role when contextualized to start-up entrepreneurs who face resource constraints. In such conditions, financial understanding becomes the main support for reducing uncertainty and increasing the courage to take measured innovative risks.

From a Resource-Based View perspective, financial literacy is a valuable and scarce knowledge-based resource that can create competitive advantage when converted into innovation capabilities. Meanwhile, within the Dynamic Capabilities framework, financial literacy strengthens the ability to sense and seize innovation opportunities through financial feasibility-based decision making and careful risk assessment.

From a managerial perspective, these findings imply that strengthening financial literacy needs to be positioned as an integral part of innovation development strategies, rather than merely administrative training. Financial literacy improvement programs for TKMP should be directed at the ability to assess innovation opportunities, design innovative financing, and manage business risks, so that financial knowledge can be effectively translated into valuable innovation decisions and practices.

Overall, the results of this study confirm that financial literacy is an important cognitive foundation for the development of innovation capabilities, especially in the context of start-ups. Innovation capabilities can develop optimally when financial literacy does not stand alone, but is integrated with managerial strategies that encourage the use of financial knowledge to create new value and increase business competitiveness.

The Influence of Financial Literacy on Business Performance

The results show that financial literacy (X2) has a positive and significant effect on business performance (Y), albeit with a relatively weak influence. This finding indicates that increased financial literacy contributes directly to improved business performance, particularly through strengthened financial control and operational efficiency. However, the limited magnitude of the effect suggests that financial literacy is not yet a major driver of aggressive or expansive business growth.

Empirically, these results are in line with Yushita (2017) and Kusumaningrum et al. (2023), who emphasize that financial literacy plays an important role in supporting more rational and measured decision-making, particularly in cash flow management, budgeting, and cost efficiency. However, financial literacy tends to have an impact on short-term operational aspects, rather than on improving strategic performance, which requires more complex managerial and innovative skills. In other words, financial literacy serves as a foundation, but it is not yet strong enough to significantly accelerate performance.

In the context of TKMP participants, financial literacy has been proven to help business actors manage resources in a more orderly and efficient manner (Putri, 2022). This positive impact is reflected in the ability of businesses to maintain operational stability and minimize inefficiencies.

However, the limited impact shows that this financial knowledge has not been fully translated into long-term growth strategies, progressive risk management, or value creation through innovation. This condition supports the views of Mahpuz et al. (2021) and Replita et al. (2024) that financial literacy will only have a stronger impact on performance if it is integrated with effective business strategies and governance.

These findings also indicate that the influence of financial literacy on business performance is direct but operational and limited. This means that financial literacy can improve performance in terms of efficiency and control, but its contribution will be more significant if reinforced by other variables such as innovation, entrepreneurial orientation, and strategic managerial capabilities. Innovation, in particular, acts as a reinforcing mechanism that enables financial information and analysis to be utilized to create new market opportunities and

enhance competitiveness (Iqnatia et al., 2021).

From a managerial perspective, the results of this study confirm that improving financial literacy remains important, but needs to be complemented by strengthening strategic management capacity. Financial literacy development programs should not only emphasize technical and administrative aspects, but also the ability to use financial information as a basis for strategic, innovative, and growth-oriented decision-making. With this approach, financial literacy not only serves as a tool for efficiency, but also as an enabler of more sustainable business performance.

Overall, this study reinforces the conclusion that financial literacy is an important supporting factor for business performance, with a positive but relatively weak direct impact. Optimal business performance can only be achieved when financial literacy is synergistically integrated into an adaptive, innovative, and long-term value-oriented strategic management framework.

The Influence of Strategic Partnerships on Innovation Capabilities

The results show that strategic partnerships (X3) do not have a significant effect on innovation capabilities (Z). This finding indicates that the existence of partnerships does not automatically improve the innovation capabilities of TKMP. Empirically, these results show that the partnerships that are being implemented are still contextual and transactional in nature, and therefore have not been able to become a means of learning, knowledge transfer, or sustainable innovation co-creation.

This finding differs from the normative view that external collaboration always has a positive impact on innovation. In practice, the results of this study are in line with a number of studies that emphasize that the effectiveness of partnerships is highly dependent on the quality of relationships and internal organizational mechanisms (Raharjo et al., 2019; Hasanah et al., 2022). Without a clear collaboration design, shared innovation goals, and an adequate organizational learning system, partnerships tend to stop at short-term resource exchanges and have yet to produce tangible improvements in innovation capabilities.

In the context of TKMP participants, strategic partnerships are more focused on meeting operational needs, market access, or cost efficiency, rather than joint innovation development. This condition limits the transfer of knowledge, technology adoption, and cross-organizational expertise integration as stated by Indarto (2024). As a result, the potential of partnerships as a source of new ideas and strengthening of innovation capabilities has not been optimally utilized.

Furthermore, these results confirm that in a dynamic business environment, external partnerships cannot be built solely through formal networks or contractual cooperation. As stated by Alfarizi and Sari (2024) and Suandana et al. (2024), new partnerships will contribute to innovation if they are supported by internal mechanisms that enable learning processes, knowledge absorption, and innovative experimentation. Without these capabilities, TKMP tends to be a passive recipient rather than an active partner in the process of creating new value.

From a managerial perspective, these findings have important implications that strengthening strategic partnerships needs to be directed towards improving the quality of collaboration, not just the quantity of cooperation. TKMP needs to design innovation-oriented partnerships through joint research schemes, knowledge-sharing forums, and structured co-creation processes. In addition, strengthening internal capabilities—such as absorptive capacity and knowledge management—is a prerequisite for translating the benefits of partnerships into improved innovation capabilities.

Overall, the results of this study emphasize that strategic partnerships are not an automatic determinant of innovation capabilities. Without internal mechanisms that support learning and the creation of shared value, partnerships tend to be transactional in nature and do

not have a significant impact on innovation. Therefore, the success of partnerships in driving innovation capabilities is largely determined by how the collaboration is managed and integrated into the organization's innovation strategy.

The Influence of Strategic Partnerships on Business Performance

The results of the study indicate that strategic partnerships (X3) have a positive and highly significant effect on business performance (Y). This finding indicates that strategic partnerships make a strong direct contribution to improving business performance, particularly through strengthening operational aspects such as smooth distribution, expanded market access, and increased business stability. Thus, partnerships serve as a mechanism that directly improves business performance without first having to be mediated by innovation capabilities.

Empirically, these results show that external collaboration can be a source of practical and short-term competitive advantage, particularly in the context of MSMEs and TKMP participants. Partnerships with suppliers, distributors, and marketing partners enable TKMP to reduce market access barriers, reduce transaction costs, and improve supply chain efficiency. This condition supports the views of Raharjo et al. (2019) and Hasanah et al. (2022) that although partnerships do not always encourage innovation, properly managed collaborations can still improve performance through tangible operational effects.

These findings also indicate that the main benefits of strategic partnerships in this study are more in the nature of exploiting existing resources than exploring new knowledge. In other words, partnerships are used to optimize existing business activities—such as distribution, marketing, and supply continuity—so that their impact on performance can be felt immediately. This explains why the influence of partnerships on business performance remains significant even when it is not accompanied by an increase in innovation capabilities.

In the context of the business dynamics of TKMP participants, strategic partnerships play a role in supporting business stability and sustainability. Access to a wider network of partners helps businesses deal with market uncertainty and internal resource constraints. In other words, strategic partnerships act as a risk-sharing mechanism that strengthens business resilience, thereby directly impacting performance improvement.

From a managerial perspective, these findings confirm that developing strategic partnerships is an effective strategy for directly improving business performance. However, in order for the benefits to extend beyond operational efficiency, TKMP needs to gradually steer partnerships towards more value-added collaboration, for example through knowledge sharing and joint development initiatives. With this approach, partnerships not only improve short-term performance, but also have the potential to support long-term competitiveness.

Overall, the results of this study emphasize that strategic partnerships are an important determinant of business performance with a strong and significant direct effect. Although not mediated by innovation capabilities, partnerships have been proven to improve performance through operational improvements, market access, and business stability. Therefore, strategic partnerships can be positioned as a key strategy in driving business performance, especially in the context of businesses that still face internal resource constraints.

The Influence of Self-Efficacy on Business Performance through Innovation Capabilities

The results of the study show that self-efficacy (X1) has a positive effect on business performance (Y) through innovation capabilities (Z) as a mediating variable. These findings are consistent with the concept of self-efficacy proposed by Bandura (1997), which states that an individual's belief in their abilities is the main driver of adaptive and innovative behavior. Maran et al. (2022) also emphasize that self-efficacy plays an important role in building the courage to try new approaches and face work challenges, thereby encouraging creativity and improvement of work processes. Individuals with high self-efficacy tend to be more persistent,

open to change, and willing to take calculated risks—characteristics that are relevant to triggering innovation.

Self-efficacy is then translated into the ability to generate new ideas, methods, and solutions that are valuable to TKMP. These findings are in line with the research by Alfarizi & Sari (2024) and Suandana et al. (2024), which emphasize that innovation capabilities are an important means of converting individual potential into real added value for the organization. Innovation generated from individual self-confidence has a positive impact on performance, such as increased competitiveness, productivity, and service quality. This is in line with Mahpuz et al. (2021) and Replita et al. (2024), who show that innovation is a major determinant in achieving superior business performance, especially in the MSME sector.

These findings also reinforce Bandura's self-efficacy theory that self-confidence is a psychological asset that influences motivation, work behavior, and performance outcomes. In the context of modern competitive business, self-efficacy is an internal factor that strengthens the ability of TKMP individuals to find opportunities and create innovative solutions relevant to organizational needs.

From a managerial perspective, these results have important implications that business performance improvement is not only determined by structural strategies or technological investments, but also depends on strengthening the psychological aspects of human resources. TKMP needs to foster self-efficacy through training, coaching, trust, and a reward system that supports the courage to innovate. A supportive and inclusive organizational culture is also a key factor in enabling creativity to flourish and be utilized optimally.

Thus, self-efficacy and innovation capability are two mutually reinforcing elements in shaping superior business performance. Self-efficacy provides the psychological drive to innovate, while innovation capability is the mechanism that translates this potential into sustainable competitive advantage amid increasingly complex business dynamics.

The Influence of Financial Literacy on Business Performance through Innovation Capabilities

The results of the study indicate that financial literacy (X2) has a significant indirect effect on business performance (Y) through innovation capability (Z) as a mediator. This finding indicates that financial literacy not only plays a role as a technical skill in financial management, but also motivates business actors to innovate when financial knowledge is translated into business development activities. Thus, innovation capability functions as a transformational mechanism that converts financial knowledge into tangible business value.

Conceptually, these results reinforce the view that financial literacy provides a cognitive foundation and confidence for entrepreneurs to make bolder and more measured decisions regarding innovation. A better understanding of costs, risks, and potential returns on investment encourages TKMP participants to experiment with products, processes, and business models with a more controlled level of risk. These findings expand on the results of Yushita (2017) and Kusumaningrum et al. (2023) by showing that financial literacy does not stop at efficiency and stability, but can be a trigger for innovation when directed towards business development goals.

In this context, innovation acts as a bridge connecting financial prudence with the need to explore new ideas. Financial literacy helps business actors assess the feasibility of innovation, prioritize investments, and allocate resources more effectively. When this capability is integrated into the innovation process, financial knowledge is no longer defensive in nature, but rather becomes a strategic instrument to drive business performance growth. This is in line with the views of Mahpuz et al. (2021) and Replita et al. (2024), who emphasize the importance of innovation as a key determinant of business performance.

These findings also show that the relationship between financial literacy and business

performance is indirect and conditional. This means that improvements in financial literacy will only have a significant impact on performance if accompanied by the ability of TKMP to manage and utilize innovation. Without innovation capabilities, financial literacy tends to only result in internal efficiency improvements, but is not sufficient to create sustainable competitive advantage.

From a managerial perspective, the results of this study emphasize the importance of designing financial literacy development programs that are integrated with the innovation agenda. Financial training should not only focus on control and reporting aspects, but also on how financial information is used to evaluate innovation opportunities, manage experimental risks, and measure the impact of innovation on performance. With this approach, financial literacy can serve as a transformational catalyst that drives innovation and strengthens business performance in a sustainable manner.

Overall, the results of this study emphasize that financial literacy is an important supporting factor that gains strategic significance when mediated by innovation capabilities. Innovation is key in transforming financial knowledge into business value, so the combination of the two plays a crucial role in improving the performance and competitiveness of TKMP participants' businesses.

The Effect of Strategic Partnerships on Business Performance through Innovation Capabilities

The results show that strategic partnerships (X3) do not have a significant indirect effect on business performance (Y) through innovation capabilities (Z). These findings indicate that innovation capabilities do not act as mediators in the relationship between strategic partnerships and business performance. This means that the partnerships that have been established have not encouraged the transfer of innovative knowledge that can be converted into improved performance.

Empirically, these results show that strategic partnerships tend to be transactional and oriented towards short-term interests, such as meeting operational needs or market access, rather than mutual learning and co-creation of innovation. This condition limits the exchange of ideas, technology integration, and organizational learning processes that are prerequisites for strengthening innovation capabilities. Without these mechanisms, partnerships do not produce significant innovative impacts.

These findings emphasize the importance of absorptive capacity in utilizing strategic partnerships. Although TKMP has access to external partners, the lack of internal capacity to absorb, process, and apply new knowledge prevents the innovation potential of partnerships from being realized. This is in line with the views of Alfarizi and Sari (2024) and Suandana et al. (2024), who emphasize that collaboration will only drive innovation if it is supported by adequate learning systems and internal capabilities.

From a managerial standpoint, the findings of this study suggest that efforts to strengthen strategic partnerships should be accompanied by the development of internal organizational capabilities, particularly in the areas of knowledge management and organizational learning. Without reinforcing these internal capacities, partnerships are likely to provide only short-term operational advantages rather than fostering long-term innovation. This indicates that external collaboration alone is insufficient to stimulate sustainable innovative outcomes within the organization.

Overall, the results highlight that strategic partnerships do not inherently lead to improved business performance through innovation. Limitations in relational dynamics and the organization’s relatively low absorptive capacity may cause partnerships to remain transactional, thereby limiting their potential to generate innovative value. Consequently, in order for partnerships to effectively serve as a driver of innovation, TKMP must strengthen

internal mechanisms that facilitate efficient knowledge transfer, learning processes, and collaborative value creation with external partners. By developing these internal structures, organizations can better transform partnership-based interactions into meaningful innovation and long-term performance improvements.

CONCLUSION

Based on the results and discussion, several conclusions can be drawn regarding the determinants of business performance in the aviation sector in Indonesia. First, self-efficacy has a positive and significant influence on innovation capability, indicating that individuals with strong confidence in their abilities tend to develop higher levels of innovation in managing and improving their business activities. Second, financial literacy also shows a positive and significant effect on innovation capability, meaning that a better understanding of financial management supports the development of innovative ideas and strategies. Third, strategic partnerships are found to have no positive or significant effect on innovation capability, suggesting that collaboration with external parties does not necessarily stimulate innovation within the observed context. Fourth, self-efficacy has a positive and significant effect on business performance, implying that individuals who believe in their capabilities are more likely to achieve better business outcomes. Fifth, financial literacy significantly improves business performance by enabling better financial decision-making and resource management. Sixth, strategic partnerships have a positive and significant effect on business performance, showing that cooperation with external stakeholders can contribute to improved operational outcomes. Seventh, innovation capability has a positive and significant effect on business performance, emphasizing the importance of innovation in enhancing competitiveness and sustainability. Finally, self-efficacy also positively and significantly influences business performance through innovation capability, indicating that innovation capability plays an important mediating role in strengthening the impact of self-efficacy on overall business performance.

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