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The Effect of Financial Intelligence on Financial Performance Considering the Mediating Role of Financial Decision-Making and Organizational Innovation

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A B S T R A C T

The aim of this study is to examine the impact of employees' financial intelligence on the financial performance of organizations, taking into account the mediating roles of financial decision-making and organizational innovation. Individuals with higher levels of financial intelligence are capable of making better financial decisions and enhancing organizational innovation, which ultimately leads to improved financial performance. This research is descriptive-survey in nature and applied in its objective. The statistical population includes senior executives, managers, and financial heads of companies operating within a financial holding. Data were collected using standardized questionnaires on financial intelligence, financial decision-making, organizational innovation, and financial performance. Structural equation modeling was employed for data analysis using LISREL software. The results indicated that financial intelligence has a positive and significant effect on the organization's financial performance. Additionally, the mediating roles of financial decision-making and organizational innovation in this relationship were confirmed. In other words, individuals with higher financial intelligence make more effective financial decisions and foster organizational innovation, both of which ultimately lead to enhanced financial performance. Therefore, improving financial intelligence through training and strengthening financial decision-making skills can lead to better financial performance in organizations. Furthermore, emphasizing organizational innovation as a key factor in financial success is recommended. Accordingly, organizations should develop strategies to enhance managers' financial intelligence and create an innovative environment.

Keywords: *Managers' financial intelligence, organizational financial performance, financial decision-making, organizational innovation*

1. Introduction

In today's dynamic and highly competitive business environment, the role of intellectual and cognitive competencies in shaping strategic and operational outcomes has gained considerable attention. Among these, financial intelligence has emerged as a critical construct influencing financial performance, primarily through improved decision-making processes and organizational innovation. Financial intelligence encompasses the ability to understand financial statements, apply financial data in decision-making, and anticipate the financial consequences of actions, making it a cornerstone of sustainable organizational success (Anderson & Brown, 2018). It plays a pivotal role in fostering effective financial decision-making, nurturing innovation, and aligning financial practices with organizational goals (Chen et al., 2022; Zhang & Li, 2021). As organizations navigate increasingly complex market conditions, understanding how financial intelligence contributes to improved financial performance has become an essential research focus (Teece, 2007).

The relationship between financial intelligence and financial performance is rooted in the concept of strategic competence. Financial intelligence enables managers to interpret financial information accurately, leading to more informed decisions that enhance the efficiency and effectiveness of resource allocation (Ahmadi et al., 2021; Karimi & Mohammadi, 2019). Recent research highlights that financially intelligent managers are better positioned to anticipate risks, evaluate investment opportunities, and respond proactively to financial challenges (Davis & Green, 2020). This capacity not only improves financial metrics but also contributes to the long-term resilience of the organization (Alawamleh et al., 2023; Fakhrabadi et al., 2023). Furthermore, financial intelligence is positively associated with financial literacy, fostering a culture of accountability and strategic awareness across different organizational levels (Gooya et al., 2019; Khani & Hosseinzadeh, 2022).

In addition to its direct impact, financial intelligence also influences financial performance through mediating mechanisms such as financial decision-making. Effective financial decision-making reflects the ability to evaluate financial alternatives, predict outcomes, and select optimal courses of action aligned with organizational priorities (Anderson & Fornell, 2010; Yousefi & Hashemi, 2023). Scholars argue that financial decision-making acts as a conduit between financial intelligence and organizational outcomes, emphasizing its mediating role in translating cognitive capabilities into actionable strategies (Jamshidi & Amiri, 2020; Johnson & Lee, 2019). Financial decision-making shaped by financial intelligence promotes analytical rigor, reduces cognitive biases, and facilitates strategic alignment (Sugiarto, 2023). In complex and uncertain business environments, these capabilities become essential for ensuring both tactical and strategic financial success (Mousavi, 2022; Nik Sari et al., 2014).

Another crucial mediator in the relationship between financial intelligence and financial performance is organizational innovation. Innovation is widely recognized as a driver of competitive advantage and value creation, especially when supported by a financially literate workforce (Kiyambade et al., 2024; Naderi & Sharifi, 2022). Financially intelligent individuals are more likely to allocate resources effectively toward innovation initiatives, assess the feasibility of novel ideas, and ensure financial sustainability during innovation implementation (Chen et al., 2022; Zhang & Li, 2021). Studies indicate that innovation capabilities, when combined with strong financial acumen, significantly enhance an organization's adaptability and market responsiveness (Alawamleh et al., 2023; Ejrami & Salehi, 2023). These synergies ultimately contribute to improved financial outcomes, confirming the interconnectedness of cognitive capabilities, innovation processes, and performance metrics (Khoddadnezhad & Ahmadi, 2022).

In the Iranian context, the importance of financial intelligence is increasingly recognized, especially in sectors such as banking and manufacturing where complex financial operations and high-stakes decisions are routine. Empirical studies on Iranian companies demonstrate that financial intelligence is not only linked to financial decision-making and innovation but also serves as a predictor of organizational success (Ahmadi et al., 2021; Fakhrabadi et al., 2023). These findings are aligned with international literature, reinforcing the universality of financial intelligence as a determinant of financial performance (Anderson & Brown, 2018; Davis & Green, 2020). For example, research by Jamshidi and Amiri has shown that financial decision-making mediates the relationship between innovation and performance in Iranian industrial firms (Jamshidi & Amiri, 2020). Similar trends are observed in banking, where financial intelligence supports strategic planning and operational efficiency (Gooya et al., 2019; Khani & Hosseinzadeh, 2022).

Moreover, the digitalization of financial systems and the growing reliance on business intelligence tools have further amplified the significance of financial intelligence (Ejrami & Salehi, 2023; Mousavi, 2022). Business intelligence, defined as the technological and analytical infrastructure enabling real-time financial decision-making, complements financial intelligence by enhancing data accessibility and interpretability (Alawamleh et al., 2023; Khoddadnezhad & Ahmadi, 2022). Studies confirm that organizations leveraging both business and financial intelligence outperform their counterparts in terms of agility, innovation adoption, and profitability (Anderson & Brown, 2018; Teece, 2007). Therefore, the interplay between cognitive skills and technological capabilities represents a strategic frontier for organizations aiming to enhance performance in an information-intensive economy (Kiyambade et al., 2024; Sugiarto, 2023).

From a theoretical standpoint, the dynamic capabilities framework offers a compelling lens to examine the financial intelligence–performance nexus. According to Teece (2007), organizations need to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments. Financial intelligence can be viewed as one such microfoundation, enabling sensing, seizing, and transforming opportunities through superior financial insight (Teece, 2007). This perspective is reinforced by empirical evidence showing that financially intelligent organizations are more responsive to market shifts, regulatory changes, and technological disruptions (Chen et al., 2022; Johnson & Lee, 2019). Thus, cultivating financial intelligence aligns with strategic imperatives for adaptability and sustainable growth (Naderi & Sharifi, 2022; Zhang & Li, 2021).

In sum, the literature underscores the multifaceted role of financial intelligence in driving financial performance. It operates both directly and indirectly—through financial decision-making and organizational innovation—to shape outcomes that are critical to organizational viability and competitiveness (Ahmadi et al., 2021; Anderson & Brown, 2018). The aim of this study is to examine the impact of employees' financial intelligence on the financial performance of organizations, taking into account the mediating roles of financial decision-making and organizational innovation.

2. Methods and Materials

The present study is applied in terms of nature and purpose and descriptive-survey in terms of data collection method. The statistical population of the study consists of senior executives, managers, and department heads in a financial holding company, totaling 202 individuals. The sample size was determined using Cochran's formula and calculated to be 132 participants.

To gather the required data, both library and field methods were employed. The library studies were conducted through reviewing books, articles, journals, and online academic databases. Field studies were carried out by distributing questionnaires. Standardized questionnaires were used to collect data: the Financial Intelligence Questionnaire (Popovich et al., 2012), the Financial Decision-Making Questionnaire (Scott & Bruce, 1995), the Organizational Innovation Questionnaire (Hurtado et al., 2014), and the Financial Performance Questionnaire (Lee et al., 2006). To assess reliability, Cronbach's alpha was used. Initially, 30 questionnaires were distributed and collected, resulting in a Cronbach's alpha coefficient of 0.92, which indicates high reliability, as it exceeds the 0.70 threshold. After the full-scale distribution and collection, the Cronbach's alpha was calculated at 0.94.

To test the hypotheses and achieve the research results, LISREL software was used. The model in the significance coefficients state is presented below.

3. Findings and Results

Based on the demographic section of the questionnaire and general questions analyzed using SPSS software, the findings indicated that most respondents were employees with 5 to 10 years of work experience, holding bachelor's degrees, and serving at the managerial level (department heads). The results of the model fit indices as output from LISREL are shown in Table 1.

Table 1

Goodness-of-Fit Indices for the Overall Research Model

Index	RMSEA	NFI	NNFI	CFI	IFI	RMR	GFI	AGFI	χ^2/df
Confidence Range	RMSEA ≤ 0.10	0.90 ≤ NFI ≤ 0.95	NNFI ≥ 0.90	CFI ≥ 0.90	IFI ≥ 0.90	RMR ≤ 0.05	GFI ≥ 0.90	AGFI ≥ 0.80	$\chi^2/df \leq 3$
Value	0.09	0.92	0.94	0.96	0.94	0.05	0.95	0.83	

As can be observed, all model fit indices fall within the acceptable confidence range, indicating that the research model has satisfactory goodness-of-fit.

To determine the degree of influence of each variable on others based on the hypothesized relationships, direct effects and determination coefficients (R^2) were evaluated using the standardized estimates provided in the LISREL output.

As shown in Figure 1, the T-values for all hypotheses fall within the acceptable range. Since the T-values are greater than +1.96 or less than -1.96, the hypotheses are confirmed.

Figure 1

Final Structural Model

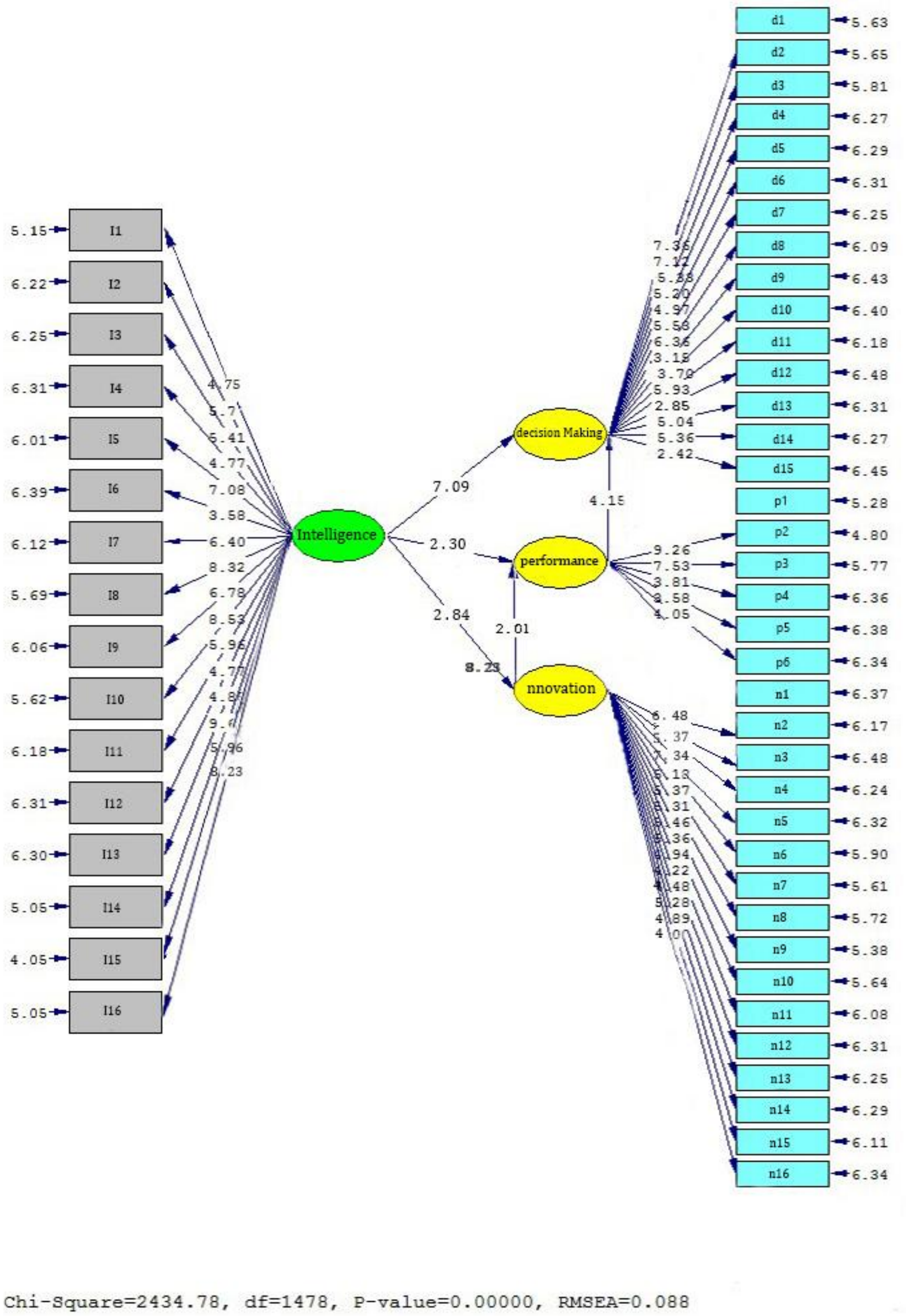

Table 2

Hypothesis Testing Results

Hypothesis	Direct Effect (β)	Determination Coefficient (R^2)	T-Value	Test Result
1. Financial intelligence has a positive and significant effect on financial decision-making.	0.82	0.67	7.09	Confirmed
2. Financial intelligence has a positive and significant effect on organizational innovation.	0.45	0.43	2.84	Confirmed
3. Financial intelligence has a positive and significant effect on financial performance.	0.42	0.40	2.30	Confirmed
4. Financial decision-making has a positive and significant effect on financial performance.	0.91	0.83	4.15	Confirmed
5. Organizational innovation has a positive and significant effect on financial performance.	0.65	0.42	2.01	Confirmed
6. Financial decision-making mediates the relationship between financial intelligence and financial performance.	-	-	-	Confirmed
7. Organizational innovation mediates the relationship between financial intelligence and financial performance.	-	-	-	Confirmed

4. Discussion and Conclusion

The findings of this study confirm the significant and positive influence of financial intelligence on organizational financial performance, both directly and indirectly through financial decision-making and organizational innovation. The structural equation modeling results revealed that financial intelligence exerts a strong direct effect on financial decision-making (β = 0.82, T = 7.09), which in turn significantly predicts financial performance (β = 0.91, T = 4.15). Similarly, financial intelligence positively impacts organizational innovation (β = 0.45, T = 2.84), which also contributes meaningfully to financial performance (β = 0.65, T = 2.01). The model also demonstrated that financial intelligence has a direct and significant impact on financial performance (β = 0.42, T = 2.30), while the mediating roles of both financial decision-making and innovation were statistically confirmed. These outcomes highlight the multifaceted pathway through which financial intelligence enhances financial performance and align well with the theoretical framework of dynamic capabilities and resource-based views.

The significant path from financial intelligence to financial decision-making supports prior research suggesting that individuals with greater financial intelligence possess the cognitive and analytical skills to evaluate financial information effectively and make optimal decisions (Anderson & Brown, 2018; Davis & Green, 2020). Financially intelligent managers are equipped to interpret complex data, assess risk, and forecast financial implications, thereby improving the accuracy and strategic alignment of decisions (Karimi & Mohammadi, 2019; Sugiarto, 2023). This study's findings reaffirm that financial decision-making is not a stand-alone construct but is significantly shaped by underlying financial intelligence competencies. Moreover, the current results extend prior findings by confirming this pathway within a financial holding company in Iran, where decision-making occurs in a volatile economic context with elevated uncertainty and currency fluctuations (Ahmadi et al., 2021; Khani & Hosseinzadeh, 2022).

The mediating role of financial decision-making in the relationship between financial intelligence and financial performance is well aligned with previous studies that emphasize the conversion of knowledge into action. For example, (Yousefi & Hashemi, 2023) found that effective financial decision-making in Iranian manufacturing industries significantly contributes to enhanced organizational productivity and performance. Similarly, (Jamshidi & Amiri, 2020) emphasized the role of financial decision-making as a strategic lever for translating innovation into measurable financial gains. Our findings reinforce this mediating effect by demonstrating that financial intelligence catalyzes informed decision-making, which then leads to improved financial outcomes. This confirms the importance of building decision-making competencies in organizations where cognitive intelligence in finance is foundational for value creation.

In parallel, the results show that financial intelligence significantly affects organizational innovation. This relationship reflects the role of cognitive agility in supporting innovative thinking, strategic resource allocation, and risk assessment during innovation processes. Prior studies have confirmed that financial intelligence enhances the ability to invest in innovative projects, allocate funds wisely, and evaluate their potential returns (Chen et al., 2022; Zhang & Li, 2021). For instance, (Naderi & Sharifi, 2022) illustrated that innovation capabilities, when combined with intellectual capital, enhance firm financial performance in manufacturing companies. The current study provides further evidence by linking financial intelligence to innovation capability in a financial services context, suggesting that even in highly regulated sectors, financial intelligence remains a vital enabler of organizational innovation.

Furthermore, the results reinforce the assertion that organizational innovation plays a critical mediating role between financial intelligence and financial performance. This mediating relationship aligns with the findings of (Kiyambade et al., 2024), who argued that innovation, supported by strong financial and risk management practices, enhances the performance of commercial banks. Likewise, (Ejrami & Salehi, 2023) demonstrated that open innovation and financial intelligence jointly contribute to enhanced firm performance, with innovation acting as a transmission channel. This study confirms that when financial intelligence is present, it not only improves direct financial results but also facilitates the development of innovative capabilities, which in turn bolster long-term financial success.

The significance of the direct effect of financial intelligence on financial performance supports foundational literature which defines financial intelligence as a strategic asset that enhances an organization's ability to generate returns and manage financial risks (Anderson & Brown, 2018; Teece, 2007). Our findings resonate with the conclusions of (Fakhrabadi et al., 2023), who reported that employees with high financial intelligence in banking settings are more effective in ensuring positive financial outcomes. Likewise, (Chen et al., 2022) found that financial intelligence positively correlates with corporate performance in innovation-driven firms, further validating the results obtained in this study. The confirmation of this direct relationship in an Iranian financial holding contributes to the generalizability of the construct across industries and cultural contexts.

The integration of business intelligence and financial intelligence is another dimension highlighted in previous literature, suggesting that data accessibility, analytical tools, and cognitive financial abilities work synergistically to improve organizational performance. Studies by (Mousavi, 2022) and (Khoddadnezhad & Ahmadi, 2022) emphasized the role of business intelligence as a complementary resource that empowers decision-makers to interpret data efficiently and act strategically. Our study complements this line of inquiry by showing that financial intelligence, as a cognitive capability, independently drives decision-making quality and innovation capacity, both of which significantly affect performance. This underscores the necessity for organizations to invest not only in technical infrastructure but also in human capital development to maximize performance outcomes.

In summary, this study enriches the growing body of evidence supporting the crucial role of financial intelligence in contemporary organizations. It confirms that financial intelligence, by empowering financial decision-making and enhancing organizational innovation, contributes significantly to financial performance. These results emphasize the strategic value of developing financial competencies within organizations, particularly among decision-makers in volatile and complex environments like Iran's financial sector. By combining empirical analysis with theoretical models, the study provides both conceptual clarity and practical relevance, advocating for a more integrative approach to performance management centered around financial intelligence.

Despite its contributions, this study has several limitations. First, the research is context-specific, focused on a single financial holding in Iran, which may limit the generalizability of the findings across other industries or national settings. The cross-sectional nature of the study also restricts causal inferences and may not capture dynamic changes in financial intelligence or organizational outcomes over time. Additionally, self-report questionnaires may introduce response bias, especially on constructs like financial intelligence and decision-making. Lastly, the use of standardized measurement tools, while ensuring comparability, may not fully account for cultural or organizational nuances specific to the Iranian financial sector.

Future studies should consider longitudinal designs to examine the evolution of financial intelligence and its effects over time. Expanding the scope to include multiple industries and countries would enhance the generalizability of findings and reveal potential moderating variables such as cultural norms, regulatory frameworks, or market maturity. Comparative studies between public and private sectors, or between digital and traditional organizations, could also offer new insights. Moreover, integrating qualitative approaches such as interviews or case studies could provide deeper contextual understanding of how financial intelligence is practiced and developed within organizations.

Organizations should prioritize financial intelligence as a strategic competency by embedding it into talent development, leadership training, and performance evaluation systems. Customized training programs can enhance employees' financial literacy and analytical capabilities, directly supporting decision quality and innovation. Financial leaders should also foster a culture of learning and experimentation to encourage the practical application of financial knowledge. Moreover, by integrating financial intelligence with digital tools and analytics platforms, companies can further amplify their decision-making accuracy and responsiveness in dynamic environments. These efforts will collectively contribute to sustained financial performance and strategic agility.

Authors' Contributions

Authors contributed equally to this article.

Declaration

In order to correct and improve the academic writing of our paper, we have used the language model ChatGPT.

Transparency Statement

Data are available for research purposes upon reasonable request to the corresponding author.

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Declaration of Interest

The authors report no conflict of interest.

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Ethics Considerations

In this research, ethical standards including obtaining informed consent, ensuring privacy and confidentiality were considered.

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