

THE ROLE OF FINANCIAL LITERACY, GOVERNMENT ASSISTANCE PROGRAMS AND ENTREPRENEURSHIP DEVELOPMENT ON SOCIAL WELFARE

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Abstract

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Improving social welfare remains a central goal of economic development, with human capital development serving as a key determinant in achieving it (Goldin, 2024). However, limited financial literacy, unequal access to entrepreneurship opportunities, and the short-term nature of government assistance programs often constrain welfare improvement. This study aims to examine the effects of financial literacy, entrepreneurship development, and government assistance programs on social welfare, with human capital development as a mediating variable. A quantitative approach using structural equation modeling — partial least squares (SEM-PLS) was applied to 237 micro-business entrepreneurs in Central Java province, selected through simple random sampling. Data were collected through structured questionnaires and analyzed using SmartPLS software. The results reveal that financial literacy, entrepreneurship development, and government assistance programs positively affect human capital development, which in turn significantly enhances social welfare. Entrepreneurship has both direct and indirect effects, while financial literacy and government assistance influence welfare only through human capital development. These findings emphasize that strengthening human capital is essential for achieving inclusive and sustainable welfare outcomes in developing regions (Sen, 1999).

Keywords: Financial Literacy, Entrepreneurship Development, Government Assistance Program, Human Capital Development, Social Welfare

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1. INTRODUCTION

Welfare is one of the primary objectives that every society in a country aims to achieve (Titmuss, 1976; Walker et al., 2021). Fundamentally, welfare reflects a decent, healthy, and sustainable quality of life for all individuals. A prosperous society tends to have

better access to education, healthcare services, and adequate economic opportunities (Diouf, 2019). Welfare is closely related not only to economic factors but also to social and psychological conditions such as happiness, security, and community engagement (Sopa et al., 2024). Welfare indicators are commonly measured through health

levels, income, purchasing power, and living environment quality (Badal, 2017). Communities with higher welfare levels typically enjoy better living standards, access to public facilities, and opportunities for individual and collective development (Esping-Andersen, 1991; Aitken, 2019).

According to data from the Indonesian Statistics Agency (BPS-Statistics Jawa Tengah Province, 2025), the poverty rate in Central Java province in September 2024 stood at 9.58%, with 3.40 million people living below the poverty line. Although this shows improvement compared to the previous period, inequality remains an issue, with a Gini ratio of 0.364. These figures indicate that welfare development in Central Java, while progressing, still faces challenges in achieving inclusivity and sustainability.

The improvement of social welfare does not solely depend on government assistance but also involves other crucial elements such as financial literacy and entrepreneurship development (Lusardi, 2019; Subkhan & Hutajulu, 2023). Financial literacy enhances individuals' ability to manage resources effectively. People with strong financial knowledge are better at budgeting, saving, and investing (Mavlutova et al., 2022), which supports both personal and community welfare (Panos & Wilson, 2020; Gustika et al., 2024). However, low financial literacy levels — particularly among low-income groups — remain a barrier to inclusive growth (Jiang et al., 2020; Jin & Yuan, 2019; Fuadi & Trisnaningsih, 2022). Therefore, strengthening financial education and financial inclusion is necessary to empower individuals toward sustainable economic independence.

Entrepreneurship also represents a long-term strategy to enhance welfare through job creation, innovation, and productivity (Neumann, 2021). It enables individuals to generate income and foster economic resilience (Lubberink, 2020; Hasmawati et al., 2024). Furthermore, social entrepreneurship addresses broader social challenges such as inequality and access to basic services (Hessels & Naudé, 2019; Galindo-Martín et al., 2020). These studies show that entrepreneurship not only contributes to economic growth but also serves as a transformative instrument for social welfare.

The government plays a key role through strategic initiatives such as the Family Hope Program (*Program Keluarga Harapan*), People's Business Credit (*Kredit Usaha Rakyat*), and micro, small, and medium enterprises empowerment programs (Rachma et al., 2022). Such initiatives aim to reduce poverty, expand economic opportunities, and increase competitiveness through capacity-building, digital training, and access to finance (Hudson et al., 2019; Barr, 2020; Hasimi, 2020). However, previous research still tends to assess each variable, financial literacy, entrepreneurship development, or government assistance independently, without adequately examining how they interact through human capital development as an intermediary mechanism. This lack of integrated analysis constitutes a literature gap that this study seeks to address.

Therefore, this research aims to analyze the influence of financial literacy, entrepreneurship development, and government assistance programs on social welfare, with human capital development as a mediating variable. Guided by human capital theory (Becker, 1964; Goldin, 2024) and Sen's (1999) capability approach, this study assumes that welfare improvement depends on individuals' capacity to transform knowledge, skills, and external support into productive outcomes.

Methodologically, the study employs a quantitative approach using structural equation modeling — partial least squares (SEM-PLS) with a sample of 237 micro-business entrepreneurs in Central Java province. The findings provide empirical evidence that financial literacy, entrepreneurship development, and government assistance programs collectively enhance social welfare through human capital development. Theoretically, the study contributes to understanding how capability-building processes drive welfare outcomes. Practically, it offers policy insights for designing empowerment-based welfare strategies that align with inclusive and Sustainable Development Goals (SDGs).

The structure of this paper is organized as follows. Section 2 reviews relevant literature and presents the conceptual framework. Section 3 outlines the research methodology used in the empirical analysis. Section 4 describes the results and discussion, integrating statistical findings with theoretical perspectives. Finally, Section 5 concludes the paper with the main findings, policy recommendations, and suggestions for future research.

2. LITERATURE REVIEW

Social welfare is an organized effort to improve the standard of living of society. This concept encompasses various aspects, such as economic, physical, social, mental, and spiritual factors, which are interrelated in building a better life for individuals and communities (Diouf, 2019). The main goal of social welfare is to help people meet their basic needs, overcome social problems, develop their potential, and perform their social functions optimally (Coote, 2022). Thus, social welfare aims to create a more prosperous and empowered society (Büchs, 2021). The assessment of social welfare can be conducted through various indicators, such as income level, access to and quality of education, availability of employment opportunities, consumption patterns, housing and environmental conditions, poverty levels, and equitable welfare distribution, which are measured using the Gini ratio and the human development index. Several key factors influence social welfare, including a high level of education, which plays a role in creating skilled and productive individuals, thereby driving an increase in welfare (Esping-Andersen, 1991; Subkhan & Hutajulu, 2023; Kokkinopoulou et al., 2025). A stable income enables individuals to meet their basic needs and improve their living standards. Welfare is not only measured in economic terms but also includes physical, mental, and spiritual aspects, which contribute to a balanced and meaningful life (Hirvilammi & Koch, 2020).

Financial literacy is an essential skill that reflects how well individuals understand and manage financial aspects in their daily lives (Koskelainen et al., 2023; Raya, 2024). Financial literacy not only includes knowledge of basic financial concepts but also how individuals apply them in financial decision-making (Chu et al., 2017; Gustika et al., 2024). This ability plays a role in improving individual well-being by helping them plan finances, avoid economic difficulties, and optimize investment opportunities and financial protection. Financial literacy consists of three main aspects: financial knowledge, financial attitude, and financial behavior (Jin & Yuan, 2019; Banthia & Dey, 2022). Financial knowledge includes understanding

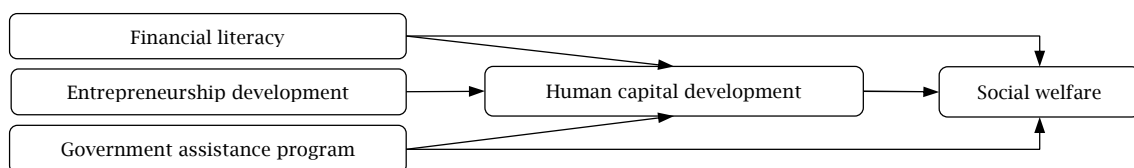
savings, loans, insurance, and investments. Financial attitude refers to an individual's perspective on finance, such as saving habits and how they anticipate future financial conditions. Meanwhile, financial behavior relates to effective financial management habits, including spending, savings planning, and debt management (Panos & Wilson, 2020). Improving financial literacy provides various benefits for individuals and society. With good financial literacy, individuals can enhance the quality of their financial decision-making, manage their finances more wisely, and avoid unnecessary financial risks (Aman et al., 2024). Additionally, a good understanding of finance allows individuals to achieve financial stability both in the short and long term. Therefore, improving financial literacy is crucial in creating sustainable welfare (Jiang et al., 2020; Subkhan & Hutajulu, 2023).

Entrepreneurship is a concept that refers to the process of creating, managing, and developing new businesses. Beyond merely establishing a business, entrepreneurship also contributes to economic growth through job creation and increased industry competitiveness (Peprah & Adekoya, 2020; Aidara et al., 2021). Several fundamental concepts in entrepreneurship serve as the foundation for a business's success. One of these is innovation, which is the ability to create something new and different to meet market needs. Additionally, entrepreneurship requires the courage to take risks and creativity in finding effective business solutions and strategies (Galindo-Martín et al., 2020; Hasmawati et al., 2024). The ability to identify and seize opportunities is a key factor in building a sustainable business. Moreover, perseverance is necessary for entrepreneurs to face challenges and find innovative solutions in running their businesses (Hessels & Naudé, 2019; Sawitri et al., 2023). Entrepreneurship has a primary objective that is not only focused on financial profit but also has broad social and economic impacts. Through entrepreneurship, job opportunities can be created, helping to reduce unemployment rates (Doran et al., 2018; Radha et al., 2024).

Government assistance programs, such as small and medium-sized enterprises business credit, along with various other economic empowerment programs, aim to improve societal welfare, particularly for vulnerable and low-income groups (Luthfi, 2019; Rachma et al., 2022). Through these initiatives, the government seeks to reduce poverty, enhance access to essential services, and promote economic self-sufficiency among communities. The success of government assistance programs in improving social welfare heavily depends on their effective implementation (Praja, 2020). Well-targeted and well-managed programs have a significant impact on reducing poverty rates and enhancing the quality of life for beneficiaries. Several key indicators of program effectiveness include the reduction of poverty levels, increased access to education and healthcare services, improved well-being of beneficiaries, and public satisfaction with the implemented programs (Hasimi, 2020; Wilar et al., 2021). The aid is designed to improve the welfare of impoverished households by providing cash assistance that can be used to meet educational and healthcare needs. Meanwhile, cash transfer serves to alleviate the economic burden on poor families, particularly during crises or economic emergencies (Barr, 2020).

Human capital development is a series of activities and strategies aimed at optimizing the potential and capabilities of individuals within a society. As a crucial asset in development, human capital plays a vital role in driving productivity and innovation (Swanson, 2022). Communities with strong skills and knowledge are better equipped to adapt to changes, create job opportunities, and improve their standard of living. Additionally, investments in education and healthcare have long-term effects on enhancing quality of life and national competitiveness (Sima et al., 2020; Mahmoud et al., 2021). The relationship between human capital development and social welfare is deeply interconnected. The higher the quality of human resources in a country, the greater their contribution to economic growth, job creation, and poverty alleviation (Hakim, 2023; Goldin, 2024).

Figure 1. Conceptual framework



Source: Authors' elaboration.

H1: Financial literacy has a positive effect on human capital development.

H2: Financial literacy has a positive effect on social welfare.

H3: Entrepreneurship development has a positive effect on human capital development.

H4: Entrepreneurship development has a positive effect on social welfare.

H5: The government assistance program has a positive effect on human capital development.

H6: The government assistance program has a positive effect on social welfare.

H7: Human capital development has a positive effect on social welfare.

H8: Human capital development mediates the relationship between financial literacy and social welfare.

H9: Human capital development mediates the relationship between entrepreneurship development and social welfare.

H10: Human capital development mediates the relationship between the government assistance program and social welfare.

3. RESEARCH METHODOLOGY

This study employs a quantitative approach using the SEM method to simultaneously examine the relationships between research variables. SEM is chosen for its ability to analyze complex relationships between independent variables, mediating variables, and dependent variables in a more comprehensive manner.

The population in this study consists of micro-business entrepreneurs in Central Java province who are recipients of government assistance programs. To obtain a representative sample, the study uses a simple random sampling technique, a method that allows each member of the population an equal chance of being selected as a respondent. Out of 400 questionnaires distributed to micro business entrepreneurs, 237 were successfully returned and deemed valid for analysis. This sample size is considered sufficient to support SEM analysis, ensuring more accurate conclusions regarding the factors influencing micro business development.

The data for this study were collected through closed-ended questionnaires containing structured questions based on research indicators. The questionnaire utilizes a seven-point Likert scale, where "1" indicates strong disagreement and "7" indicates strong agreement. The questionnaire consists of several main sections, including demographic data: information on respondents' age, gender, education level, and business experience.

- Latent variables: The main variables, examined in this study, include *Financial literacy*, *Entrepreneurship development*, *Government assistance programs*, *Human capital development*, and *Social welfare*.

- Variable indicators: Questions designed to measure each latent variable, based on previous theories and research. The collected data is then analyzed using SmartPLS, a software based on PLS used for SEM analysis.

Although SEM-PLS is the primary analytical technique in this study, several alternative methods could also be used to examine similar relationships. One possible method is covariance-based SEM, which is more appropriate when the goal is to confirm a theoretical model and evaluate overall model fit indices. Multiple regression analysis may be employed when focusing only on direct effects between variables without mediating factors. Similarly, path analysis can estimate direct and indirect causal effects in simpler models, while confirmatory factor analysis can be used to validate measurement constructs prior to structural testing. However, SEM-PLS is ultimately preferred in this

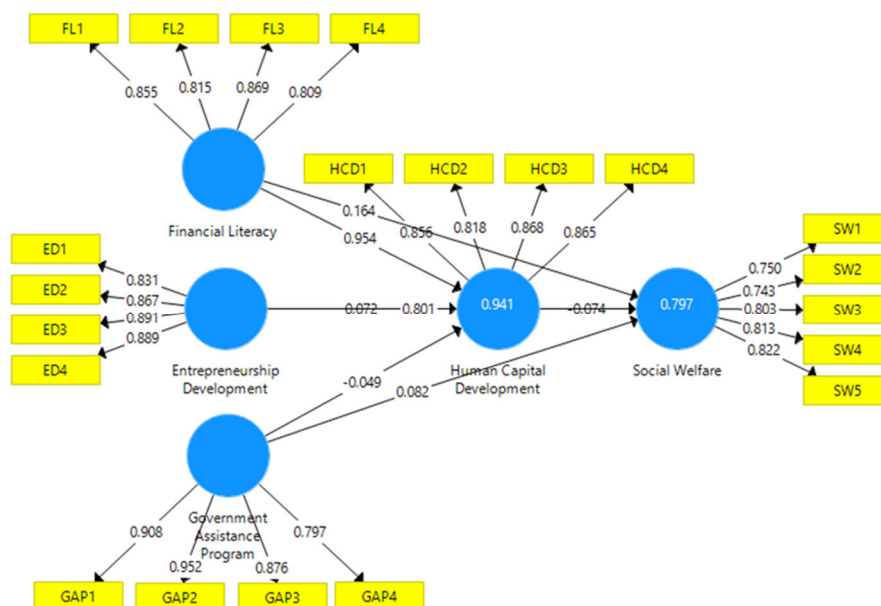
research because of its flexibility, minimal assumptions about data distribution, and robustness in handling complex mediation models with relatively small samples.

4. RESULTS AND DISCUSSION

In this study, data analysis is conducted through several key stages, namely, the evaluation of the measurement model (outer model) and the evaluation of the structural model (inner model). The measurement model evaluation aims to assess the reliability and validity of the research constructs. Construct reliability is tested using composite reliability (CR) and Cronbach's alpha (CA). A CR value above 0.70 indicates that the indicators within a construct have good reliability, while CA measures the stability and internal consistency of each construct, with a recommended threshold also above 0.70. Meanwhile, construct validity is assessed using average variance extracted (AVE), which indicates how much variance of the latent variable is explained by its indicators. If the AVE value exceeds 0.60, the construct is considered to have good validity (Ghozali, 2006; Sugiyono, 2019).

Once the measurement model meets the reliability and validity standards, the next step is to evaluate the structural model (inner model) to examine the relationships between research variables. Hypothesis significance testing is conducted to determine whether the relationships between the variables have a significant effect. This testing is performed by analyzing the p-value obtained through SmartPLS software. If the p-value ≤ 0.05 , the relationship between variables is considered significant (Sugiyono, 2019). In addition to analyzing the direct relationships between variables, this study also examines the indirect effects through mediating variables. This analysis aims to determine whether a variable influences another variable directly or through an intermediary variable. Thus, the research findings not only explain the causal relationships between variables but also provide deeper insights into the mechanisms underlying these relationships.

Figure 2. Outer loading framework



Source: Authors' elaboration.

Table 1. Outer loading testing

<i>Latent variable</i>	<i>Indicator</i>	<i>Outer loading</i>
<i>Financial literacy</i>	<i>FL1</i>	0.855
	<i>FL2</i>	0.815
	<i>FL3</i>	0.869
	<i>FL4</i>	0.809
<i>Entrepreneurship development</i>	<i>ED1</i>	0.831
	<i>ED2</i>	0.867
	<i>ED3</i>	0.891
	<i>ED4</i>	0.889
<i>Government assistance program</i>	<i>GAP1</i>	0.908
	<i>GAP2</i>	0.952
	<i>GAP3</i>	0.876
	<i>GAP4</i>	0.797
<i>Human capital development</i>	<i>HCD1</i>	0.856
	<i>HCD2</i>	0.818
	<i>HCD3</i>	0.868
	<i>HCD4</i>	0.865
<i>Social welfare</i>	<i>SW1</i>	0.750
	<i>SW2</i>	0.743
	<i>SW3</i>	0.803
	<i>SW4</i>	0.813
	<i>SW5</i>	0.822

Source: Authors' elaboration.

The results of the outer loading analysis in Table 1 demonstrate the convergent validity of each indicator concerning the measured latent variables. Each variable consists of several indicators with outer loading values above 0.70, indicating a strong relationship between the indicators and their respective constructs. The higher the outer loading value, the greater the contribution of the indicator in explaining the measured latent variable. For the *Financial literacy* variable, indicators *FL1* to *FL4* have outer loading values ranging from 0.809 to 0.869. This suggests that all indicators contribute

well to explaining *Financial literacy*, with *FL3* being the most dominant indicator (0.869). This result indicates that understanding certain aspects of *Financial literacy* has a greater influence compared to other indicators.

For the *Entrepreneurship development* variable, indicators *ED1* to *ED4* show relatively high outer loading values, ranging from 0.831 to 0.891. The highest value is *ED3* (0.891), indicating that this aspect plays a significant role in measuring *Entrepreneurship development*. This finding suggests that certain elements of entrepreneurship are more critical in influencing business success. The *Government assistance program* variable has the highest outer loading values among all variables, ranging from 0.797 to 0.952. *GAP2* has the highest value (0.952), signifying that this aspect is highly important in assessing the effectiveness of government assistance programs. These results highlight that well-targeted government support significantly contributes to the well-being of beneficiaries.

Meanwhile, for the *Human capital development* variable, outer loading values range from 0.818 to 0.868, with *HCD3* being the most dominant indicator (0.868). This indicates that the aspect represented by this indicator has a greater influence than others in enhancing human capital quality. For the *Social welfare* variable, indicators *SW1* to *SW5* have outer loading values ranging from 0.743 to 0.822. *SW5* has the highest value (0.822), suggesting that this aspect is more dominant in measuring *Social welfare*. However, compared to other variables, the outer loading values for this variable are slightly lower, indicating that some indicators may need further review to enhance their contribution in explaining social welfare.

Table 2. Reliabilities testing

<i>Latent variable</i>	<i>CR</i>	<i>CA</i>	<i>Information</i>
<i>Financial literacy</i>	0.904	0.858	Reliable
<i>Entrepreneurship development</i>	0.926	0.893	Reliable
<i>Government assistance program</i>	0.935	0.906	Reliable
<i>Human capital development</i>	0.914	0.874	Reliable
<i>Social welfare</i>	0.890	0.854	Reliable

Source: Authors' elaboration.

The reliability testing results presented in Table 2 indicate that all latent variables in this study meet good reliability standards. Reliability is measured using two key indicators: CR and CA. A CR value greater than 0.70 signifies that each construct has high internal consistency, while a CA value above 0.70 indicates that the indicators within each variable are well correlated. For the *Financial literacy* variable, the CR value reaches 0.904, and CA is 0.858. This demonstrates that the indicators used in this variable are reliable in measuring *Financial literacy*. The high values suggest that respondents provide consistent answers to questions related to financial literacy aspects.

The *Entrepreneurship development* variable also exhibits strong reliability, with a CR of 0.926 and CA of 0.893. This indicates that all indicators in this variable have high internal consistency, making them trustworthy in measuring *Entrepreneurship development*. For the *Government assistance program* variable, the reliability values are the highest among all variables, with CR at 0.935 and CA at 0.906. This confirms that the indicators

used in this variable are highly reliable and exhibit very strong internal consistency in measuring the effectiveness of government assistance programs.

Regarding the *Human capital development* variable, CR is 0.914, and CA is 0.874, demonstrating that the measurement of *Human capital development* in this study is highly reliable. This suggests that all indicators used in this variable have excellent reliability in representing human capital development aspects. Finally, the *Social welfare* variable has a CR of 0.890 and CA of 0.854, also meeting good reliability criteria. This indicates that the indicators in this variable are sufficiently consistent in measuring *Social welfare*.

Table 3. Validities testing

<i>Latent variable</i>	<i>AVE</i>	<i>Information</i>
<i>Financial literacy</i>	0.701	Valid
<i>Entrepreneurship development</i>	0.757	Valid
<i>Government assistance program</i>	0.784	Valid
<i>Human capital development</i>	0.726	Valid
<i>Social welfare</i>	0.619	Valid

Source: Authors' elaboration.

The results of the validity testing presented in Table 3 indicate that all latent variables in this study meet the standards for convergent validity based on the AVE values. Convergent validity demonstrates the extent to which indicators within a variable consistently explain the latent variable. The criterion used to determine convergent validity is $AVE \geq 0.60$, meaning that more than 50% of the variance in the indicators can be explained by the measured latent variable.

For the *Financial literacy* variable, the AVE value is 0.701, indicating that more than 70% of the variance in the indicators used can be explained by the *Financial literacy* construct. This suggests that the indicators in this variable are sufficiently representative in measuring *Financial literacy*. The *Entrepreneurship development* variable has the highest AVE value, at 0.757, indicating that the indicators in this variable have a very strong

explanatory power for the *Entrepreneurship development* construct. The *Government assistance program* variable has an AVE value of 0.784, the second-highest in this study. This indicates that the indicators used to measure the effectiveness of government assistance programs are highly valid and effectively explain the latent variable.

Meanwhile, the *Human capital development* variable has an AVE value of 0.726, showing that the indicators in this variable are also quite strong in representing the concept of human capital development. Finally, the *Social welfare* variable has an AVE value of 0.619, which, although lower than the other variables, still meets the minimum threshold of 0.50. This demonstrates that the indicators in the *Social welfare* variable still possess adequate convergent validity for further analysis.

Table 4. Hypothesis testing (Direct effect)

	<i>Hypothesis</i>	<i>T-statistics</i>	<i>p-values</i>	<i>Information</i>
H1	<i>Financial literacy</i> → <i>Human capital development</i>	4.321	0.000	Significant
H2	<i>Financial literacy</i> → <i>Social welfare</i>	0.843	0.400	Not significant
H3	<i>Entrepreneurship development</i> → <i>Human capital development</i>	2.615	0.009	Significant
H4	<i>Entrepreneurship development</i> → <i>Social welfare</i>	5.214	0.000	Significant
H5	<i>Government assistance program</i> → <i>Human capital development</i>	2.205	0.028	Significant
H6	<i>Government assistance program</i> → <i>Social welfare</i>	1.430	0.155	Not significant
H7	<i>Human capital development</i> → <i>Social welfare</i>	2.891	0.004	Significant

Source: Authors' elaboration.

From the hypothesis test results, it can be concluded that H1, which states that *Financial literacy* has a positive and significant effect on *Human capital development*, is supported, with a p-value of 0.000. This result aligns with the findings of Aman et al. (2024) and Lusardi (2019), who emphasize that financial literacy enhances individuals' ability to invest in education and skill development, thus contributing to human capital growth. Furthermore, Jiang et al. (2020) confirm that financial literacy influences financial decision-making, which directly supports human capital improvement.

However, H2, which states that *Financial literacy* affects *Social welfare*, is not significant (p-value = 0.400). This indicates that increased *Financial literacy* does not directly improve *Social welfare*. While financial literacy provides individuals with better financial management skills, its direct impact on social welfare may be limited, as suggested by Chu et al. (2017). They argue that financial literacy must be accompanied by economic opportunities and social safety nets to translate into significant welfare improvements.

H3 and H4 are both supported: *Entrepreneurship development* has a positive and significant effect on *Human capital development* (p-value = 0.009) and a significant effect on *Social welfare* (p-value = 0.000). This finding is consistent with the research of Hessels and Naudé (2019), which highlights how entrepreneurship contributes to skill-building, innovation, and increased competitiveness, all of which enhance human capital. Additionally, Neumann (2021) and Doran et al. (2018) demonstrate that entrepreneurship fosters job creation and economic stability, ultimately leading to improved *Social welfare*.

Next, H5, which states that *Government assistance program* has a significant effect on *Human capital development*, is supported (p-value = 0.028), indicating that government aid programs can enhance human capital capacity through education, training, and business support. This is corroborated by Hasimi (2020) and Luthfi (2019), who found that well-implemented social assistance programs improve access to education and skill development opportunities, thereby strengthening human capital.

However, H6, which posits that *Government assistance program* affect *Social welfare*, is not significant (p-value = 0.155). This suggests that government assistance does not always directly improve social welfare, possibly because its effectiveness depends on implementation and how beneficiaries utilize the aid. Hudson et al. (2019) argue that the success of such programs depends on proper policy execution and monitoring. Similarly, Büchs (2021) points out that sustainable welfare requires more than just financial support; it needs structural policy changes and capacity-building measures.

The H7 test results indicate that *Human capital development* has a positive and significant effect on *Social welfare*, with a p-value of 0.004. This suggests that human capital development—such as skill enhancement, education, and work experience—contributes to social welfare improvement. This finding is consistent with Goldin (2024), who emphasizes that human capital accumulation leads to higher productivity and income levels, ultimately improving social welfare. Additionally, Mahmoud et al. (2021) highlight that investing in human capital in the hospitality sector directly enhances service quality and economic stability.

Table 5. Indirect effect (Mediating effect)

	<i>Hypothesis</i>	<i>T-statistics</i>	<i>p-values</i>	<i>Information</i>
H8	<i>Financial literacy</i> → <i>Human capital development</i> → <i>Social welfare</i>	2.882	0.003	Significant
H9	<i>Entrepreneurship development</i> → <i>Human capital development</i> → <i>Social welfare</i>	2.305	0.022	Significant
H10	<i>Government assistance program</i> → <i>Human capital development</i> → <i>Social welfare</i>	2.005	0.048	Significant

Source: Authors' elaboration.

Regarding indirect effects (Table 5), H8, which states that *Human capital development* mediates the relationship between *Financial literacy* and *Social welfare*, is supported with a p-value of 0.003. This indicates that although *Financial literacy* does not have a direct significant effect on *Social welfare* (p-value = 0.400 from the previous test), *Financial literacy* can still enhance *Social welfare* through improvements in *Human capital development*. Jin & Yuan (2019) confirm that financial education enhances individuals' financial decision-making skills, which in turn strengthens their economic resilience and well-being.

H9, which states that *Human capital development* mediates the relationship between *Entrepreneurship development* and *Social welfare*, is also significant (p-value = 0.022). This means that *Entrepreneurship development* not only directly impacts *Social welfare* but also has an additional effect through the improvement of *Human capital development*, such as enhancing entrepreneurial skills, innovation, and individual competitiveness. Galindo-Martín et al. (2020) support this argument, stating that social entrepreneurship fosters sustainable development by enhancing human capital and creating economic opportunities.

Finally, H10, which suggests that *Human capital development* mediates the relationship between *Government assistance program* and *Social welfare*, is supported with a p-value of 0.048. Although *Government assistance program* do not directly improve *Social welfare* (p-value = 0.155 in the previous test), these programs can still positively impact *Social welfare* if they contribute to *Human capital development*, such as skills training and education that enable individuals to become more economically independent. This is consistent with Diouf (2019), who argues that SDGs should focus on long-term human capital investment rather than short-term welfare assistance. Additionally, Aprillia et al. (2021) provide evidence that social rehabilitation programs significantly enhance beneficiaries' capabilities, thereby indirectly improving social welfare outcomes. Overall, this study reaffirms the importance of human capital development in

driving social welfare improvements (Bykova et al., 2024; Panjaitan et al., 2024; Mariz-Pérez et al., 2012). By aligning financial literacy, entrepreneurship, and government assistance with human capital growth, policymakers can create more effective strategies to enhance economic well-being and sustainable development.

5. CONCLUSION

This study confirms that financial literacy, entrepreneurship development, and government assistance programs influence social welfare primarily through human capital development. Among these factors, entrepreneurship development shows both direct and indirect effects on welfare, indicating its strategic role in promoting inclusive economic growth. Meanwhile, financial literacy and government assistance do not directly enhance welfare but contribute indirectly by improving individual capabilities and skills. These results emphasize that sustainable welfare depends on the quality of human capital rather than short-term economic interventions, aligning with the human capital theory and capability approach.

From a policy perspective, these findings highlight the importance of integrating financial education and entrepreneurial training into government empowerment programs. Assistance schemes should evolve from short-term relief toward empowerment-based approaches that link aid with skills development, digital literacy, and business innovation. Strengthening collaboration between the government, educational institutions, and the private sector is essential to ensure policy effectiveness and long-term welfare improvement.

This study is limited by its cross-sectional design and focus on specific economic and human resource variables. Future research should employ longitudinal methods and include additional factors such as digital transformation, institutional quality, and social capital to provide a more comprehensive understanding of welfare enhancement mechanisms.

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