

Determinants of Financial Management Behavior in MSME Actors in West Bandung Lembang District

Agus Kusmana¹, Syarif Ali²

^{1,2}Faculty of Economics and Business, Jakarta Veterans National Development University
Email : ¹aguskusmana@upnvj.ac.id ; ²syarifali@upnvj.ac.id

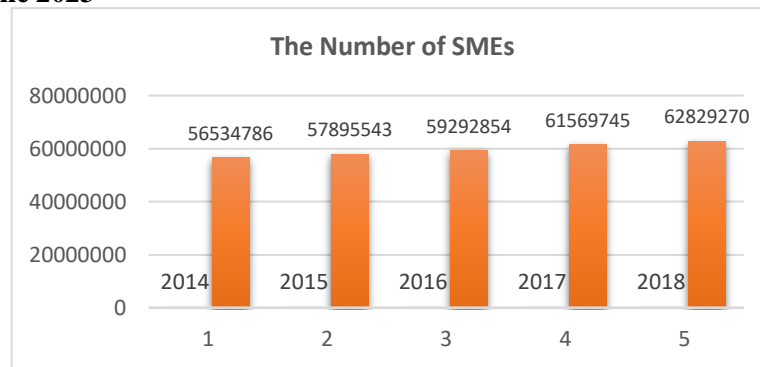
Abstract

This study aims to determine the effect of Financial Literacy, Education Level and Income on Financial Management Behavior in micro, small and medium enterprises (MSMEs in Lembang West Bandung District. This research is a quantitative study. This study uses MSME actors in West Bandung Lembang District as the population. The method used is probability sampling, especially simple random sampling with a sample size of 90 respondents. Data collection was carried out by distributing questionnaires. The analysis technique used is the PLS (Partial Least Square) analysis method. The results of this study indicate that Financial Literacy, Education Level and Income have a significant influence on financial management behavior.

Keywords: Financial Literacy, Education Level, and Income

1. Introduction

Micro, Small and Medium Enterprises (MSMEs) are an economic sector engaged in trade managed by individuals and business entities. When the crisis hit Indonesia around 1997-1998, MSMEs proved to be standing strong when other big businesses fell. CIDES (Center for Information and Development Studies) revealed the advantages of MSMEs in surviving the storm of crises. According to CIDES, there are 3 (three) advantages of SMEs. First, in general, MSMEs produce consumer goods and services that are close to the needs of the community. This was also experienced by Japan after it was devastated by the atomic bomb in World War II, the real sector driven by small and medium enterprises remained standing strong. Second, MSMEs do not rely on imported raw materials and make greater use of local resources in terms of human resources, capital, raw materials and equipment. Third, MSME businesses use their own capital or are not supported by loans from banks. With these advantages, MSMEs in Indonesia were able to survive amid the economic crisis that hit Indonesia in 1997 or in the following years which were usually marked by a deep decline in the rupiah exchange rate. According to the Central Bureau of Statistics, the development of the number of MSMEs in Indonesia has increased from year to year after the monetary crisis occurred. MSMEs in Indonesia were able to survive amid the economic crisis that hit Indonesia in 1997 or in the following years which were usually marked by a deep decline in the rupiah exchange rate. According to the Central Bureau of Statistics, the development of the number of MSMEs in Indonesia has increased from year to year after the monetary crisis occurred. MSMEs in Indonesia were able to survive amid the economic crisis that hit Indonesia in 1997 or in the following years which were usually marked by a deep decline in the rupiah exchange rate. According to the Central Bureau of Statistics, the development of the number of MSMEs in Indonesia has increased from year to year after the monetary crisis occurred.



Source: Data processed from the Ministry of Cooperatives and SMEs

Figure 1. Graph of the Development of the Number of Micro, Small and Medium Enterprises

From the data obtained from the Ministry of Cooperatives and SMEs above, it can be seen that in the last five years, the number of Micro, Small and Medium Enterprises in Indonesia has continued to increase every year. MSMEs have a dominant role in Indonesia's economic growth so that they can be used as a driving force for economic growth. It can be seen that the Micro, Small and Medium Enterprises Sector (MSMEs) in Indonesia has a major role and contribution to the national economy. As can be seen in the graph above, from 2016 to 2018 the MSME sector contributed to GDP and employment. The contribution of MSMEs to GDP continues to increase from year to year. Meanwhile, the size of the contribution of MSMEs to employment has fluctuated and the peak occurred in 2015 of 123,229,386 people.

The data above shows how the role of MSMEs is very dominant in the national economy. Therefore, it is necessary to empower MSMEs to maintain their existence and develop their business. The existence and performance of MSMEs which are increasingly stretched are not without problems and constraints. This is inseparable from the unawareness of MSME actors on the importance of corporate financial management behavior with various influencing factors, namely financial literacy, education level and income level.

In Lembang West Bandung District, there is an MSME group chaired by Ms. Eti with as many as 92 MSME members. Various kinds of businesses involved, ranging from food, beverages, catering services, laundry and so on. According to the data the researchers obtained, MSMEs in West Bandung Lembang District are quite active in running their business because MSME actors often take part in bazaars both in the Lembang West Bandung District and also outside the sub-district. The business sector that is engaged in by many MSMEs in Lembang West Bandung District is food and beverage, while only a few MSMEs are in the service business sector.

From the results of the pre-survey the researcher found that financial literacy was good. MSMEs already know the benefits of saving and how to manage money well. However, financial behavior is still low, because MSME actors prefer to save money in their own homes compared to going to the bank and do not record their business transactions because they feel that their business is too small to be recorded, so that credit services offered by financial institutions are not utilized. well. In terms of investment, many know the benefits of investing in the future but they are less interested in investing.

The results of the pre-survey, educational background and experience of the parents are in accordance with the work they do. The highest level of formal education is Senior or Vocational High School (SMA/SMK). However, with this level of education, the behavior of financial management is still poor because they do not keep financial records properly, just like other MSME actors who have education below them, namely Elementary School (SD) and Junior High School (SMP) education. Supposedly, the higher a person's level of education, the better the person's knowledge and behavior. This phenomenon is supported by Rohmah's research (2017).

Based on the results of the pre-survey, researchers found that MSME actors who had long survived and developed had an income of above 5-8 million. However, there are still many who are lacking in meeting their daily needs due to a lack of strategy in managing their finances, such as the income earned is not deposited into the bank and there are no financial records so that business and personal finances become one that is used to fulfill their needs. - everyday god. There are many contributions of MSMEs to Indonesia's economic growth, but many MSMEs do not yet have financial literacy, financial attitudes and good personality, which causes bad financial management behavior and if this happens continuously it will have an impact on the survival and sustainability of its business. From the background of the problems above, researchers are interested in conducting research on Financial Management Behavior in Lembang West Bandung West Bandung MSMEs. The research theme is the Determinants of Financial Management Behavior on Actors Micro, Small and Medium Enterprises (MSMEs) in West Bandung Lembang District, West Bandung.

2. Literature Review

KMSME concept

Based on the Government Regulation of the Republic of Indonesia Number 17 of 2013 concerning Implementation of Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises CHAPTER I, article 1 states that, micro enterprises are productive businesses owned by individuals and or individual business entities that have the criteria for micro-enterprises as stipulated in the law. Small business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or non-subsidiaries that are owned, controlled or become part, either directly or indirectly, of medium or large businesses that are meet the criteria for small businesses as referred to in the law. The benchmark for the level of success and development of MSMEs can be seen from the increase in sales turnover.

Financial Literacy

The Association of Chartered Certified Accountants (2014) defines that Financial Literacy includes knowledge of financial concepts, the ability to understand communication regarding financial concepts, skills in managing personal/company finances and the ability to make financial decisions in certain situations . According to Roestanto (2017) financial literacy is knowledge of facts, concepts, principles, and technology so that everyone is smart in managing their finances. Someone who has financial literacy can improve one's ability to deal with everyday financial problems and assist in making financial decisions.

Level of education

Education is an action carried out with a planned effort to deepen knowledge so that it can change the desired behavior and form a better mindset.

Income

According to Hery (2017, p.82), Income is all changes in the company's net assets arising from production activities (sale of goods and rendering of services) and profits originating from the sale of assets and other investment returns. As in the concept of MSME business actors where their main income comes from selling the products or services they carry out.

3. Methodology

Operational Definitions and Variable Measurement:

a. Dependent Variable (Y)

Financial management behavior is the behavior of a business actor in managing finances which consists of planning, auditing, managing, controlling, searching and storing finances by utilizing a financial resource to achieve their business goals.

b. Independent Variable (X)

1) Financial Literacy (X1)

Financial literacy is the ability of business actors to use knowledge, skills and beliefs that influence attitudes and behavior to manage financial resources effectively.

2) Education Level (X2)

Education is defined as a conscious and planned human effort to improve and develop the potential not only of knowledge but also of one's talents so that they can be used as a guide for a lifetime.

3) Revenue (X3)

Income is defined as payments or rewards obtained by business actors or employees, which can be in the form of money or psychological satisfaction that comes from company salaries, sales proceeds, investments or other sources.

Variable Measurement

Measurements use a Likert scale as in table 1 below:

Table 1. Variable Measurement

Variable	Scale Indicator	Measurement Scale
Management Behavior Finance (Y)	Consumption	<i>Likert</i>
	Cash Management	<i>Likert</i>
	Savings	<i>Likert</i>
	Debt Management	<i>Likert</i>
Financial Literacy (X1)	Basic financial knowledge	<i>Likert</i>
	Savings and loans	<i>Likert</i>
	Insurance	<i>Likert</i>
	Investment	<i>Likert</i>
Education Level (X2)	Educational background	<i>Likert</i>
	Analytical ability according to education	<i>Likert</i>
	Job understanding	<i>Likert</i>
Revenue (X3)	Source of income	<i>Likert</i>
	Revenue Allocation	<i>Likert</i>

Population and Sample

In this study, the population object is small and medium enterprises in Lembang, West Bandung, West Bandung. In this study the sampling technique used probability sampling technique, which was carried out using simple random sampling technique.

Data Analysis Techniques and Hypothesis Testing

The data that has been obtained from the results of the research is processed using a data analysis technique, namely Partial Least Square (PLS).

Descriptive Analysis

This analysis was carried out using index analysis techniques to describe the respondents' perceptions of the question items asked. Calculation of the respondent's answer index is carried out with the following formula:

$$\text{Index Value} : (\%F1 \times X1) + (\%F2 \times X2) + (\%F3 \times X3) + (\%F4 \times X4) + (\%F5 \times X5) / 5$$

Where :

- F1 is the frequency of respondents who answered 1
- F2 is the frequency of respondents who answered 2
- F3 is the frequency of respondents who answered 3
- F4 is the frequency of respondents who answered 4
- F5 is the frequency of respondents who answered 5

The index calculation obtained based on the above formula is then interpreted using the three box method. As for obtaining the range of interpretation, it is necessary to first calculate the lowest limit and the highest limit. After that, the calculation of the acquisition range is carried out so that the ranges for the low, medium, high categories are obtained. The highest and lowest index value limits are obtained by the following formula:

- a. The highest index value limit is obtained by the formula:

$$\frac{\text{Sampel} \times \text{Jawaban Tertinggi}}{\text{Jumlah Jawaban}}$$

- b. The lowest index value limit is obtained by the formula:

$$\frac{\text{Sample} \times \text{Jawaban Terendah}}{\text{Jumlah Jawaban}}$$

- c. Interpretation range with the three box method formula:

$$\frac{\text{Batas nilai tertinggi} - \text{Batas nilai terendah}}{3}$$

In order to obtain a table of interpretation of the respondent's index value as follows:

Table 2. Interpretation of Respondents' Percentage Values

Index Value	Interpretation
15 – 34	Low
35 – 54	Currently
55 – 75	Tall

Source: Ferdinand (2011)

Based on the table above, it can be seen that if the value of the respondent's answers ranges from 15 - 34 then it is interpreted as low, while values ranging from 35 - 54 are interpreted as medium and values range from 55 - 75 then the value is interpreted as high.

Hypothesis testing

Partial Significance Test (t test)

Test the hypothesis in this study using the Statistical Test t. The statistical t test basically shows how far the influence of one independent or independent variable individually explains the variation of the dependent variable or the dependent variable.

Determination Coefficient Test (R²)

Analysis of the coefficient of determination is used to measure how far the model's ability to explain the variation of the dependent variable. In other words, to find out how much the independent variable contributes to the dependent variable. The value of R² is between 0 and 1. A small value of R² means that the ability of the independent variables to explain the variation in the dependent variable is very limited and conversely the higher the value of R², this indicates the greater the influence of the independent variables on changes or increases in the dependent variable.

4. Results And Discussion

The research object used is UMKM in West Bandung Lembang District. Based on information on the number of registered SMEs that were used as research objects using a purposive sampling technique of 90 research data. In this study, the researcher distributed questionnaires to find actual data of 90 respondents according to predetermined research criteria, namely respondents categorized by education level, income and length of business.

Measurement Model (Outer Model)

The results for the validity test through the SmartPLS 3.3.2 program will show the results of the path diagram, namely as follows:

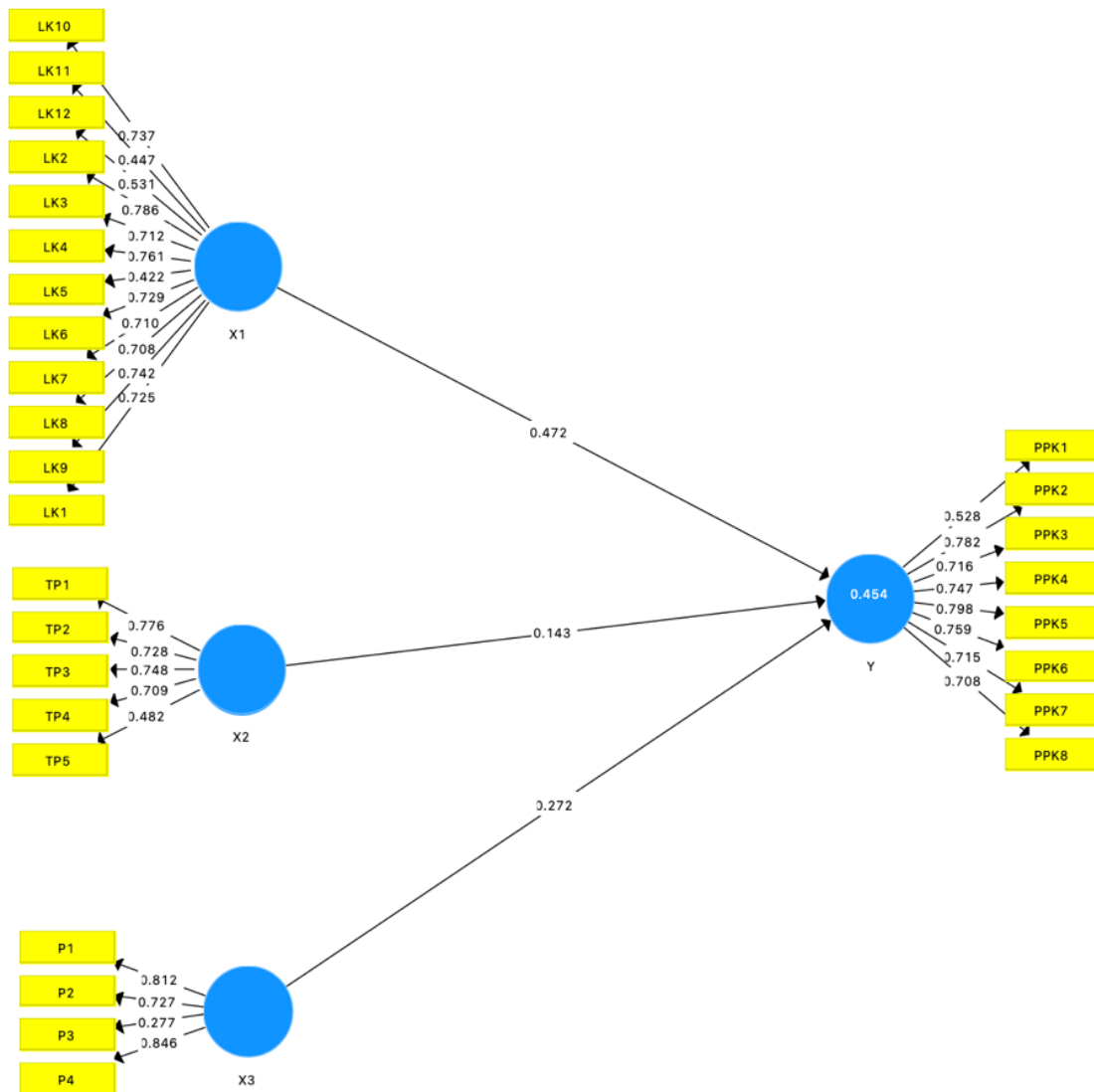


Figure 2. Outer Model Loading Factor

In Figure 2 above, individual indicators are said to be reliable if these variables have a correlation value above 0.7. However, in research development a loading scale of 0.50 to 0.60 is still acceptable (Ghozali, 2014 p.39). Each statement instrument on the variables of financial literacy, education level, income and financial management behavior that has a loading factor value <0.50 will be removed or not included for the next stage of testing. There are still values that are <0.5 , so it needs to be re-estimated. Re-estimating can be done when removing/trimming an instrument with a value of <0.5 has been done. The instruments removed from the model are LK5, LK11, TP5, and P3. The results of the re-estimate can be seen as follows:

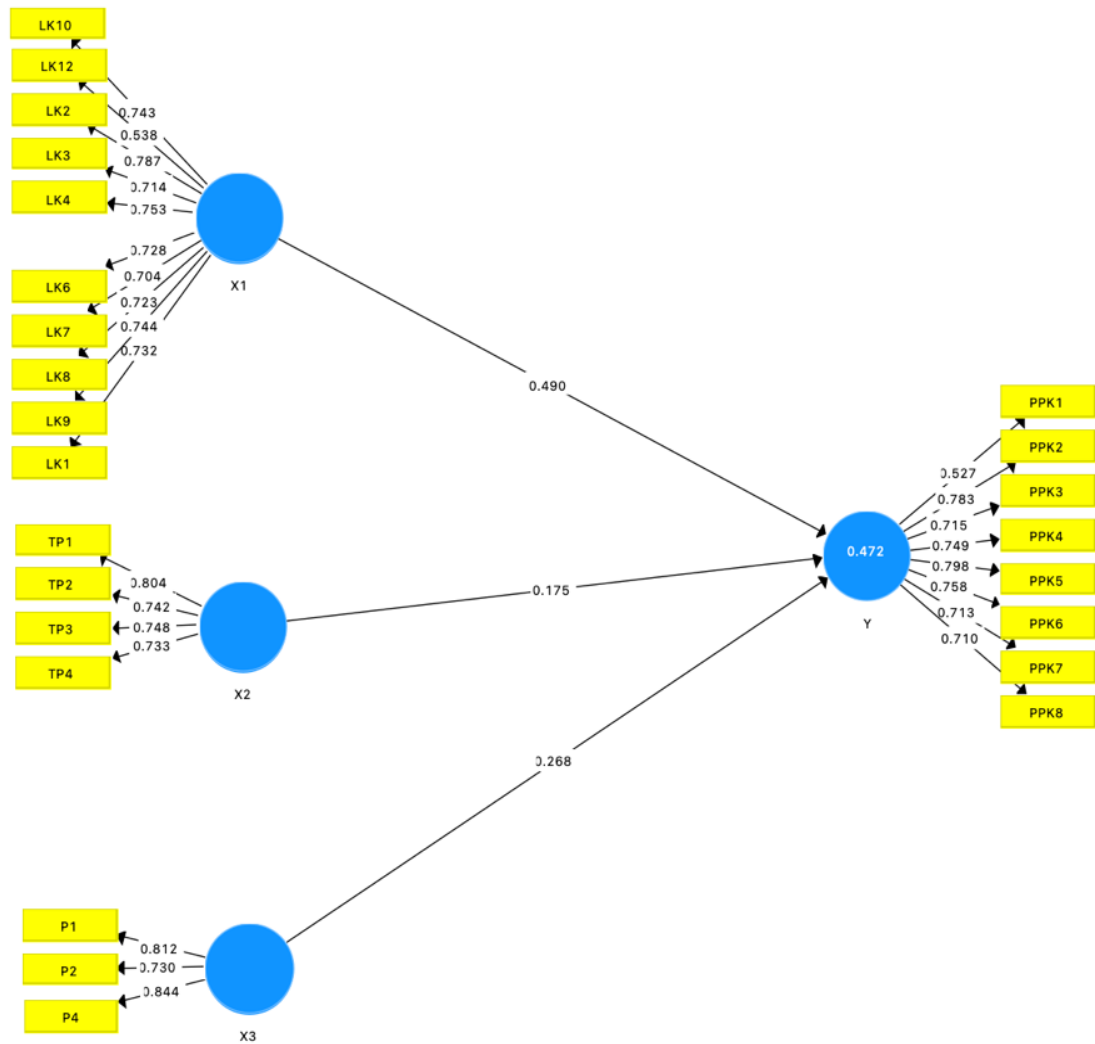


Figure 3. Reestimation of Outer Model Loading Value

The results obtained after the statements on the LK5, LK11, TP5 and P3 indicators were deleted because they did not meet convergent validity or the correlation value was below 0.5, all indicators in each variable can be said to be valid and can be used in research This is because it meets the requirements for a correlation value which is > 0.5 . It can be concluded that the measurement model (Outer Model) in this research variable has successfully fulfilled the requirements, so that it can carry out further data testing.

Discriminant Validity Test

Table 3. Discriminant Validity : Fornell-Lacker Criterium

	Financial Literacy (X1)	Education Level (X2)	Revenue (X3)	Financial Management Behavior (Y)
Financial Literacy (X1)	0.719			
Education Level (X2)	0.012	0.757		
Revenue (X3)	0.381	0.282	0.797	
Financial Management Behavior (Y)	0.595	0.257	0.504	0.723

Table 4. Reliability Test

- Cronbach's Alpha

	<i>Cronbach's Alpha</i>
Financial Literacy (X1)	0.895
Education Level (X2)	0.758
Revenue (X3)	0.715
Financial Management Behavior (Y)	0.870

- Composite Reliability

	<i>Composite Reliability</i>
Financial Literacy (X1)	0.914
Education Level (X2)	0.843
Revenue (X3)	0.839
Financial Management Behavior (Y)	0.897

Table 5. T-statistic test results

	T Statistics (O/STDEV)	P Values
Financial Literacy -> Financial Management Behavior	5,810	0.000
Education Level -> Financial Management Behavior	2.017	0.044
Income -> Financial Management Behavior	3,126	0.002

- a. The results of testing the financial literacy variable on financial management behavior show a tcount of 5.820 > ttable of 1.98667 and a significant value of 0.000 < 0.05 so H₀ is rejected and H_a is accepted. This shows that financial literacy has a significant effect on financial management behavior.
- b. The results of testing the education level variable on financial management behavior show a tcount of 2.027 > ttable of 1.98667 and a significant value of 0.044 < 0.05 so H₀ is rejected and H_a is accepted. This shows that the level of education has a significant effect on financial management behavior.
- c. And finally the results of testing the income variable on financial management behavior show a tcount value of 3.126 > ttable 1.98667 and a significant value of 0.002 < 0.05 so H₀ is rejected and H_a is accepted. This shows that income has a significant effect on financial management behavior.

5. Conclusion

Based on the data analysis and discussion that has been carried out in this study, the following conclusions can be drawn:

- a. The results of the study prove that the financial literacy variable has a significant effect on financial management behavior. This means that the better the financial literacy possessed by MSME actors, the better knowledge about financial management or increased knowledge about finances.
- b. The results of the study prove that the variable level of education has a significant effect on financial management behavior. This means that the higher the level of education attained, the more knowledge and information obtained, including in financial management, and makes a person tend to be wiser in his financial management behavior.
- c. The results of the study prove that the income variable has a significant influence on financial management behavior. That is, the higher the income, the better the behavior of financial management and vice versa.

References

- _____. Undang-Undang Republik Indone-sia No. 20 Tahun 2003 tentang Sistem Pendidikan Nasional.
- _____. Undang-Undang Republik Indo-nesia No. 20 Tahun 2008 tentang UMKM.
- Bank Indonesia. (2015). Profil Bisnis Usaha, Mikro, Kecil dan Menengah (UMKM).
- Ghozali, I. (2014). Structural Equation Modeling Metode Alternatif dengan Partial Least Square (PLS). Sema-rang: Universitas Dipenogoro.
- Hery. (2017). Teori Akuntansi Pen-dekatan Konsep dan Analisis. Jakar-ta: PT Grasindo,

Kementrian Koperasi dan UMKM. Per-kembangan Data Usaha Mikro, Kecil dan Menengah (UMKM), dan Usaha Besar (UB) Tahun 2013-2017. Di-akses 20 Agustus 2020, dari <http://www.depkop.go.id>

Roestanto, Apriliani. (2017). Literasi Keuangan. Yogyakarta: Istana Me-dia.

Rohmah, M. (2017). Pengaruh Literasi Keuangan, Materialisme, Tingkat Pendidikan, dan Tingkat Pendapatan pada