

## Factors Affecting The Financial Behavior of Sme's in Yogyakarta

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**Abstract :** *After the Covid-19 pandemic, there began to be an improvement in economic life, especially for MSME players, especially in the Bakpia Center, Ngampilan, Yogyakarta. The improvement in economic conditions in MSMEs is also due to the pattern of financial behavior of MSME actors. Therefore, this study aims to analyze the factors that influence Financial Behavior. This research uses quantitative methods with analytical tools using SEM PLS. The results showed that the effect of Financial Self Efficiency on Financial Behavior showed that it was not significant. Financial Literacy and Incomeintention factors in this study show a significant influence on Financial Behavior.*

**Keywords:** *Financial Behavior, Financial Literacy, Financial Self-Efficacy, Incomeintention*

### INTRODUCTION

The impact of the Covid-19 pandemic has not only been on the manufacturing sector, but also on the MSME sector since April 2020. One of the efforts to recover the national economy carried out by the government during the Covid-19 pandemic is to encourage the MSME sector, which has an important role in the national economy because of the large number of workers directly involved. Moreover, the number of MSMEs in Indonesia reached 64.19 million, with the composition of Micro and Small Enterprises (MSMEs) very dominant, namely 64.13 million (99.92%) of the entire business sector. MSME groups have felt the negative impact of the Covid-19 pandemic.

However, business activity and growth prospects for the MSME sector tend to improve in the first quarter of 2021. The recovery of MSMEs gives a positive signal of the recovery of the national economy which was depressed due to the Covid-19 pandemic. The latest BRI Micro & SME Index (BMSI) recorded a significant increase in the Business Activity Index (IAB), Business Activity Expectation Index (IEAB), and Business Sentiment Index (ISB) per quarter I this year compared to the fourth quarter of 2020. The research showed an increase in BMSI to 93.0 from 81.5 in the fourth quarter of 2020. In addition, MSME players are also increasingly optimistic about their business prospects, as shown by the increase in the BMSI expectation index to 128.0 from the previous 105.4 in the fourth quarter of 2020. In line with the increase in BMSI and expectations, the perception of MSME players has also increased towards the economy

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in general. ISB MSME players increased significantly to 115.5 from 90.2 in the fourth quarter of 2020. The increase in IAB, IEAB, and ISB indicates the start of MSME activities in the field, their high optimism for better conditions (Bisnis Indonesia, May 17, 2021). However, Abor and Quartey (2010) stated that MSMEs often experience delays in their development. The problems faced by MSMEs according to Kholillah and Iramanii (2013) which state that financial knowledge has a negative influence on financial management behavior.

Good financial behavior is needed, especially in financial management amid technological advances that encourage people to be more consumptive (Miranda & Lubis, 2017). This consumptive nature negatively affects one's saving habits, which is one of the important aspects of good financial behavior (Lee & Lown, 2012). This consumptive nature can also encourage someone to commit excessive debt (Achtziger, Hubert, Kenning, Raab, & Reisch, 2015). Meanwhile, according to Hira in Lown (2012) mentions the main factor that influences financial behavior is self-efficacy, money raises confidence to face the ability to deal with situations related to finance. Another factor that can influence financial behavior is income. Uncertain income or when there is a decline will cause financial problems.

Yogyakarta is a city with various predicates and is a tourist destination in Indonesia. Therefore, in supporting the tourism sector, it needs to be supported by all parties, one of which is the MSME sector that provides souvenirs for tourists. Data collection from the Central Statistics Agency in 2021 in the District in numbers (BPS, 2021) states that Ngampilan District has a very promising potential for tourist attraction, both foreign and domestic tourists, namely the existence of the Bakpia industrial center. Ngampilan is used as one of the tourist destinations to buy souvenirs and other souvenirs, this greatly helps improve the welfare of the people of Ngampilan District through the Bakpia culinary industry produced by local MSMEs.

Based on this background, the formulation of the problem in this study is to review whether good financial behavior is influenced by several factors including Financial Literacy, Financial Self-Efficacy, Income intention for MSME actors in Ngampilan sub-district.

## **LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT**

### **Literature Review**

#### **Financial Behavior**

Financial behavior can be defined as a person's behavior in terms related to financial management in everyday life (Xiao, 2003). Financial behavior is related to a person's behavior in managing and using financial resources in actual (Nababan & Sadalia, 2012). Financial behavior relates to a person's financial responsibilities related to the way finances are managed. Financial responsibility is the process of managing money and assets that is carried out productively. Money management is the process of mastering and using financial assets (Andrew & Linawati, 2014). According to Suryanto (2017), financial behavior is a way that everyone does to treat, manage, and use their financial resources.

#### **Financial Literacy**

Financial literacy is the ability to manage finances (Chen & Volpe, 1998), while according to Lusardi and Mitchell (2008), financial literacy can be interpreted as financial knowledge, with the aim of achieving prosperity. This can be interpreted that preparations need to be made to welcome globalization, and more specifically, globalization in the financial sector. Financial literacy is awareness and knowledge of financial products, financial institutions, and concepts regarding skills in managing finances (Xu & Bilal, 2012), while according to the Financial Services Authority (OJK) financial literacy is knowledge, skills, and beliefs that influence attitudes and behaviors to improve the quality of decision making and financial management in order to achieve prosperity. Financial literacy is divided into four aspects consisting of basic financial knowledge, savings and borrowing, insurance, and investment (Chen & Volpe, 1998).

#### **Financial Self-Efficacy,**

Self-efficacy is a self-variable derived from behavioral and cognitive-social approaches. Self-efficacy is the belief that a person can master a situation and produce positive results. If this variable is combined with specific goals and understanding of achievement, it becomes a determinant of future behavior (Bandura, 2010). This study is self-efficacy associated with Financial Self-Efficacy which can be defined as confidence in one's ability to make changes in

financial behavior for the better. The dimensions of Financial Self-Efficacy that affect financial behavior can be associated with the dimensions of self-efficacy in general, namely: level (magnitude), strength, and generality (Bandura, 2010). The first dimension, namely level (magnitude), is a dimension of measuring financial self-efficacy seen from the level of difficulty of the task felt by a person. Both dimensions are generality. This dimension is a financial self-efficacy measurement scale that measures the extent to which individuals are confident in their abilities in various task situations, ranging from activities that are usually done to activities that have never been done. Third is the strength dimension. This dimension hints at the confidence possessed by a person that can be realized in performing a particular task.

### **Incomeintention**

Andrew and Linawati (2014) Hilgert et al stated that personal income is the total annual gross income of an individual derived from wages, business enterprises and various investments. Meanwhile, according to Schalembeir et al., (2020) "Income is an important predictor of life satisfaction. Not only because it allows people to improve their living standard, but also because it is often interpreted as an indication of one's position in society." The statement explains that income is an important predictor of life satisfaction. Not only does it allow people to improve their standard of living, but it is also often interpreted as an indication of one's position on society.

## **HYPOTHESIS DEVELOPMENT**

### **Financial Literacy to Financial Behavior**

From various studies that have been conducted to analyze the effect of Financial Literacy on Financial Behavior, where researchers show that Financial Literacy has an influence on Financial Behavior (Ida & Dwinta, 2010; Tang & Baker, 2015; Ismail et al., 2017). Research conducted by Perry and Morris (2005), Mien and Thao (2015), Arifin (2017) and Grable et al. (2009) argues that Financial Literacy has a positive influence on Financial Behavior. Based on the results of the study, individuals have a high knowledge of financial concepts. But there are also studies that have very contrary results. Research conducted by

Herdjiono and Damanik (2016) suggests that Financial Literacy has no influence on Financial Behavior. From the results of this study, it can be concluded that individual financial knowledge has no effect on financial behavior in managing their personal finances. Based on the results of previous research, the hypothesis can be concluded that

H1: There is an influence of Financial Literacy on Financial Behavior

#### Financial Self-Efficiency to Financial Behavior

Several studies have been conducted previously to determine the link between Financial Self Efficacy and Financial Behavior. Research conducted by Farrell et al (2016); Serido, Shim and Tang (2013) and Rizkiawati and Asandimitra (2018) show that Financial Self Efficacy has a significant influence on Financial Behavior. From the study, it was concluded that individuals have confidence in their abilities so that they can know in terms of personal financial management. While research conducted by Ismail, Faique, Bakri, Zain, Idris, Yazid, Daud and Taib (2017) shows that Financial Self Efficacy does not have a significant influence on Financial Behavior. Based on the results of previous research, the hypothesis can be concluded that

H2: There is an influence of Financial Self-Efficiency on Financial Behavior

#### Incomeintention towards Financial Behavior

A person's gross income comes from wages, business enterprises, and various returns from investments. Revenue is income before tax and can be measured based on income from all sources. The largest components of total revenue are wages and salaries. In addition, there are many other categories of income including rental income, government subsidy payments, interest income, and dividend income. Available income will indicate more responsible financial behavior, considering that available income provides an opportunity to manage finances wisely and appropriately, and individuals will seek relevant information for maximum results. Aizcorbe, Kennickell, and Moore (2003) state that people with lower incomes are less likely to report saving behavior. This is supported by Andrew and Linawati (2014) and Perry and Morris (2005) who stated that

income significantly positively affects financial behavior. Based on the results of previous research, the hypothesis can be concluded that

H3 : There is an effect of Incomeintention on Financial Behavior

## **RESEARCH METHODS**

### **Population and Sample**

This study used a quantitative descriptive research design. The population used in this study is Micro, Small and Medium Enterprises. The sampling method in this study is non-probability sampling with purposive sampling techniques. The determination of the number of samples developed by Roscoe in Sugiyono (2015) is a feasible sample size in the study is between 30 to 500.

### **Data Types and Sources**

This study used primary data or direct data. According to Sugiyono (2017) Primary data sources are data obtained directly from the results of interviews, observations and questionnaires distributed to a number of sample respondents who are in accordance with the target target and are considered representative of the entire population. The source of data in this study was obtained from the results of questionnaires of MSME actors in Ngampilan District who produce food or Bakpia souvenirs.

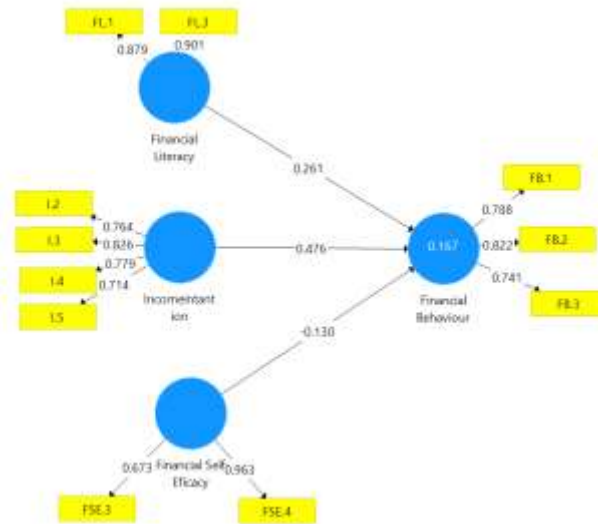
### **Data Analysis**

This study used the Structural Equation Modeling (SEM) testing model with Smart-PLS software version 3.2.8. Validation testing in PLS based on convergent validity, Average Variance Extracted (AVE), Loading Factor. Reliability testing based on composite reliability and Cronbach's Alpha results of each variable. The outer model test is used to see indicators of independent variables in research. Determine whether all indicators can be declared valid and realistic based on each variable based on loading factor and AVE. if the loading factor and AVE result  $>0.5$ , then the indicator is declared valid. Next, the model test is carried out by checking the goodness of fit inner model. The examination is based on the total determination value ( $Q^2$ ) by calculating the  $R^2$  of each variable.

## RESULTS AND DISCUSSION

### Validity and Reliability Test

#### Loading Factor



**Figure 1. Loading Factor**

Convergent validity testing is used outer loading or loading factor values. An indicator is declared to meet convergent validity in the good category if the outer loading value  $> 0.6$ . This study has had an outer loading value of more than 0.6 shown with the outer loading image above. Another method that can be used to assess the validity of discriminants is based on the Fornel Larcker criterion and the value of loading and cross loading indicators. The forn-el-Larcker criterion calculation process is carried out by comparing the AVE root of each construct with the correlation between one other construct in the research hypothesis model (Ghozali, 2008). If the results of the forn-el-Larcker Criterion calculation show that the AVE root value of each construct is greater than the correlation value between one construct and another, then the discriminant validity value is expressed whether the discriminant validity value based on the forn-el-Lacker Criterion in this research model can be seen in the following table:

**Table 1. Cross Loading Fornell Larcker Criterion**

	Financial Behaviour	Financial Behaviour	Financial Self Efficacy	Income-intention
Financial Behaviour	0,784			
Financial Behaviour	0,176	0,890		
Financial Self Efficacy	0,203	-0,210	0,830	
Incomeintention	0,310	-0,234	0,808	0,772

The next analysis after the validity test is a reliability test. Instrument reliability tests are carried out to determine consistency with the regularity of measurement results of an instrument even though it is carried out at different times, locations, and populations. Construct reliability is measured by two different criteria: composite realibility and Croncbach's Alpha (internal consistency realibility). A construct is considered reliable if the value of composite reliability is more than 0.7 and the value of Croncbach's Alpha is more than 0.6. The results of reliability test calculations on composite realibility and croncbach's Alpha are shown in table 2

**Table 2. Construct reliability**

	croncbach's Alpha	Composite Reliability
Financial Behaviour	0,686	0,827
Financial Behaviour	0,739	0,884
Financial Self Efficacy	0,618	0,812
Incomeintention	0,774	0,855

The results of measuring Composite Reliability and Croncbach's Alpha in the Table show that all variables for Composite Reliability have values above 0.70 and all variables for Croncbach's Alpha have values above 0.60. Thus, these results can be declared valid and have a fairly high reliability.

**Inner Model**

The inner model can be measured by calculating the R-square for the dependent construct, the t-test as well as the significance of the structural path parameter coefficients. There are three categories in the grouping of R-square values. If the R-square value is 0.75 belongs to the strong category; for R-square



values 0.50 belongs to the moderate category and 0.25 belongs to the weak category (Hair et al, 2010). Structural model testing is to look at the R square value as a model goodness-fit test or alignment test. The R-square value of the dependent variable obtained in this research model can be seen in the following table:

**Table 3. Inner Model Test**

	R Square
Financial Behaviour	0,617

The Financial Behavior (FB) variable has an r-square value of 0.617 or 61.7% after calculation through SmartPLS, this can be interpreted that the variance ability that can be explained by the variable is 61.7% through this model. The 39.3% that influence Financial Behavior is explained through other models. The next process after the R square value is obtained is to perform a t-test of the significance of the structural path parameter coefficient. The significance value of the parameter coefficient can be calculated using the bootstrapping method. Bootstrapping is a non-parametric procedure that can be applied to test whether coefficients such as outer weight, outer loadings, and path coefficients are significant by estimating the standard error for the estimate. The results of data processing to see the relationship between variables can be seen in the table below by using bootstrapping in PLS, the results of Path Coefficients and T-statistics will be obtained

**Tabel 4. Bootstrapping**

	STDEV	T-Stat	P-Value	Information
Financial Literacy => Financial Behaviour	0,114	2,299	0,022	Significant
Financial Self Efficacy => Financial Behaviour	0,136	0,956	0,340	Insignificant
Incomeintention => Financial Behaviour	0,148	3,213	0,001	Significant

Based on the presentation of data in the table above, it can be seen that of the four hypotheses proposed in this study, two are acceptable because each of the influences shown has a P-Values value of  $< 0.05$ . So it can be stated that the independent variable to its dependents has a significant influence.

## **CONCLUSION**

Financial Behavior can be influenced by several factors. Based on the presentation of data in the table shows that of the three hypotheses proposed in this study, two are acceptable because each of the influences shown has a P-Values value of  $< 0.05$ . The results showed that the effect of Financial Self Efficiency on Financial Behavior showed that it was not significant. Financial Literacy and Incomeintention factors in this study show a significant influence on Financial Behavior. So Financial Behavior in MSME actors at the Bakpia MSME Center in Ngampilan, Yogyakarta shows that the financial behavior of MSME actors is most influenced by the literacy ability and level of funding of MSME actors. The greater the income and financial literacy ability, the better the financial behavior of MSME actors.

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