

## **Implications of Financial Understanding and Attitude in The Context of Financial Management MSMEs**

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### **ABSTRACT**

The purpose of this study is to find out how the attitudes and knowledge of MSMEs about money influence the financial management practices of MSMEs. The result show that financial knowledge has a substantial impact on financial management behavior. This is supported by the t-statistic value of  $4.626 > t$  table value of 1.679 and p-value of  $0.000 < 0.05$ , which show that a person's level of financial education improves the behavior they use for money management. The successful achievement of a t-statistic value of  $3.363 > t$  table value 1.679 and a p-value of  $0.001 < 0.05$  indicates a strong association between financial attitudes and financial management behavior. The coefficient of determination test findings indicate that there is a 47.4%, or 0.474, influence of financial attitudes (X2) and financial knowledge (X1) on financial management behavior (Y). This research offers an insightful new viewpoint and fully and completely demonstrates the influence of financial attitudes and awareness of the behaviors associated with financial management.

**Keywords :** Attitude, Knowledge, Finance, Management Behavior

### **INTRODUCTION**

MSMEs or Micro, Small, and Medium-Sized Enterprise, are independent business units run by people or organizations. One of the several initiatives that is crucial to strengthening the Indonesian economy is the development of Micro, Small, and Medium-Sized Enterprises, or MSMEs. The business sector is the largest and has shown itself resilient to the many effects of the economic downturn.

MSMEs make a significant contribution to economic growth (Halim, 2020). The number of MSME players has started to increase rapidly since Covid-19. As many as 99.9% of business types in Indonesia are MSMEs that are able to absorb 97% of the workforce and contribute 57% to GDP (Kemenkop UKM, 2021).

The government has developed a number of initiatives in an attempt to assist micro, small, and medium-sized businesses (MSMEs). The National Economic Recovery Program (PEN), created to revive the Indonesian economy after COVID-19, is one of the government initiatives to assist MSMEs. This program was developed on the basis of Government Regulation Number 23 of 2020, which was subsequently modified to Government Regulation Number 43 of 2020. The capacity to persevere through a challenging economic period does not guarantee that MSMEs in Indonesia will not encounter various challenges and obstacles while managing their businesses.

The capacity to manage one's finances, including financial planning, budgeting, monitoring, regulating, searching, and saving daily cash, is known as financial management behavior (Dayanti et al., 2020). An attempt is made to understand investor thinking patterns via financial management behavior, including the emotional processes involved and the degree to which they impact the decision-making process (Setyawan & Wulandari, 2020). Financial behavior is an aspect of financial capability combined by aspects of individual psychological ability to organize, manage, and utilize financial resources as a reference for making decisions in personal or business financial planning (Aji et al., 2020). Financial decision-making using overall financial management behavior or response regarding financial management and utilization of financial management owned. Individuals who have responsible financial management behavior will be more effective at utilizing money. When making financial decisions, having a basic understanding of finance is essential. A person's ability to manage his finances is directly correlated with his level of financial education; the more his financial knowledge, the better his financial management. Lack of understanding of the application of financial reports is also still a problem in MSMEs (Rahmadani & Jefriyanto, 2021). In addition to financial literacy, one of the things that might affect how people handle their money in society is their financial

mindset. A financial attitude is characterized as a mindset, viewpoint, and assessment on finances. The low awareness and knowledge of the importance of making a budget planning and management because, the thinking of MSME actors that budget planning and management is not too important and can be processed very easily.

Financial knowledge is about increasing the use of knowledge through the practice of information management practices and to achieve a competitive advantage in decision making (Lestari, 2020). The capacity of an individual to process different economic data so they can make judgments about debt, retirement savings, financial planning, and financial accumulation is measured by their financial knowledge. (Puspita & Isnalita, 2029). Financial knowledge is an individual's knowledge of his own financial situation obtained from financial concepts and treats it as a requirement for making an effective financial decision. In managing one's own or company's finances, a skill or expertise is needed. Another way to describe financial knowledge is an individual's assessment of different aspects of the financial world, such as financial instruments and financial proficiencies. Someone who has extensive financial knowledge, then he tends to have better financial skills in managing his business finances (Zikrillah, Wahyudi, & Kusmana, 2021).

An individual's response to all relevant things and circumstances is influenced dynamically or directionally by their attitude, which is a mental state and readiness level that is governed by experience. The definition of financial attitude itself is thoughts, assumptions and measurements related to finance (Khodijah et al., 2021). Financial attitudes are interpretations of patterns of thinking, opinions and judgments about finance which include attitude toward personal money valuation, money security, money philosophy, and personal finance (Setyawan & Wulandari., 2020). A state of mind, an assessment, and an opinion regarding finance applied to attitudes can all be considered financial attitudes. Financial attitudes are defined as a person's responses to remarks or ideas regarding how he handles his own finances (Pradiningtyas & Lukiastuti, 2019). People that have a positive financial mindset will be adept at handling their money. It will be challenging for people to save extra money for the future without doing this, much alone have capital to invest.

The bad financial attitude of MSME players is defined by easy to enjoy the present performance. An entrepreneur with strong work drive might have positive financial attitudes and solid financial management. The fact that a large number of MSME actors still lack financial literacy and attitudes while running their own companies, however, may have an effect on how they handle their finances. Financial management practices are influenced by both financial attitudes and expertise. It's probable that financial management in MSME actors' businesses is still disorganized if they possess financial knowledge but lack a positive financial attitude, and vice versa. On the other hand, financial management behavior is positively impacted by MSME actors who possess sound financial knowledge and attitudes.

Tanjung Morawa is a sub-district in Deli Serdang district, North Sumatra. Its proximity to the city of Medan makes Tanjung Morawa part of a growing urban area with 25 villages within it. This creates great opportunities for small and medium business owners to grow, but also brings challenges in effective financial management. For micro, small, and medium-sized firms (MSMEs), a variety of factors might arise, one of which is the way MSME actors handle their finances. Numerous studies on financial management behavior have been carried out, with varying degrees of success. These studies identify a number of factors that affect MSMEs' financial management behavior, such as financial literacy (Amelia, 2022), financial knowledge, financial attitudes and personality (Novianti & Salam, 2021), and financial literacy (Handayani et al., 2022). (Andriyani & Sulistyowati, 2021), educational attainment (Siregar & Putri, 2022). In light of this, the purpose of this study is to ascertain how MSMEs' financial management practices are impacted by their attitudes and understanding about money.

## **METHOD**

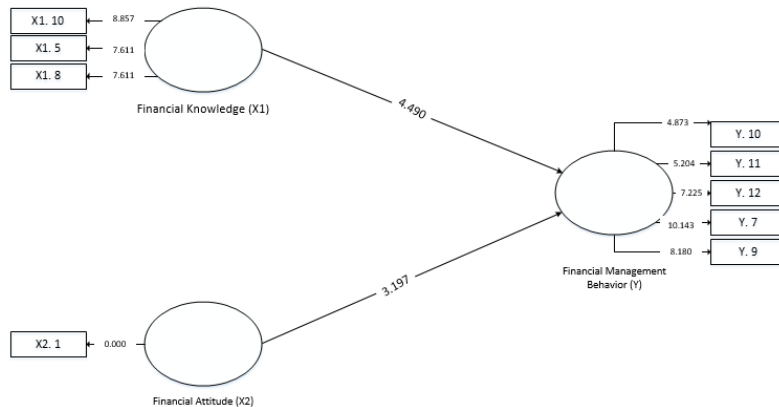
Primary data are the sort of data used in this investigation, where primary data is data that can be obtained by making a direct observation. Three methods were used in this study's data gathering proces, namely observation, interviews, and questionnaires. The data sources in this study are MSME players in the culinary sector in Tanjung Morawa Sub-District, Limau Manis Village. The population in this study were MSME players in the culinary sector in Limau Manis village. A sampling technique called saturated sampling takes samples from every member of the population (Sugiyono, 2017). With

a research sample of 45 MSMEs in Limau Manis village. The quantitative causality analysis approach was employed in this study to examine data by characterizing the literacy level of MSME participants in Limau Manis village's culinary sector. This statistical analysis uses the application, namely SMART PLS-3.

**RESULT**

**Construct Reliability and Validity**

The outcomes of model testing, which took construct dependability into account in this investigation, are listed below



**Figure 1.** Outer Model Run Results

**Table 1.** Construct Reliability and Validity Results

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
<b>Financial Knowledge (X1)</b>	0,731	0,733	0,848	0,650
<b>Financial Management Behavior (Y)</b>	0,807	0,815	0,864	0,559
<b>Financial Attitude (X2)</b>	1,000	1,000	1,000	1,000

Output: SMART PLS.3

Based on table 1, the results of construct reliability and validity show that the estimation model in the construct has been fulfilled and demonstrates reliability when it comes to financial conduct (Y), financial attitudes (X2), and financial knowledge (X1). The construct reliability results obtained show that all Cronbach's alpha, rho\_A, CR and AVE values have been met on all variables in this study.

**Table 2.** Multicollinearity Test Results using Inner VIF Values

	Financial Knowledge (X1)	Financial Management Behavior (Y)	Financial Attitude (X2)
<b>Financial Knowledge (X1)</b>	1,097		
<b>Financial Management Behavior (Y)</b>		1,097	
<b>Financial Attitude (X2)</b>			1,097

Output: SMART PLS.3

Table 2 indicates that every variable included in this research, including financial attitudes (X2) and financial knowledge (X1) and financial management behavior (Y) have met the classical assumptions by setting the VIF significance criteria <5.

**Table 3.** T-Statistic Test Results and Coefficient of Determination

	T Statistics ( O/STDEV )	P Values	R Square	R Square Adjusted
<b>Financial Knowledge (X1) -&gt; Financial Management Behavior (Y)</b>	4,626	0,000	0,498	0,474
<b>Financial Attitude (X2) -&gt; Financial Management Behavior (Y)</b>	3,363	0,001		

Output: SMART PLS.3

Based on table 3, the first finding results show that partially there is a significant effect of the financial knowledge variable (X1) on financial management behavior (Y). These findings can be proven by the acquisition of a t-statistic value of  $4.626 > t$  table value of 1.679 and a p-value of  $0.000 < 0.05$ .

The subsequent discovery indicates that the financial attitude variable (X2) has a noteworthy impact on financial management behavior (Y), although indirectly. This finding can be proven by the acquisition of a t-statistic value of  $3.363 > t$  table value of 1.679 and a p-value of  $0.001 < 0.05$ .

The third study demonstrates that financial management behavior variables (Y) may be explained by financial knowledge variables (X1) and financial attitudes (X2) with a 0.498 coefficient. While the contribution of the variables of financial knowledge (X1) and financial attitudes (X2) to financial management behavior (Y) is 0.474 or 47.4%.

## **DISCUSSION**

There is a connection between financial management behavior (Y) and financial knowledge (X1). The findings of the test indicate that there is a substantial correlation (p-value of  $0.000 < 0.05$  and t-statistic value of  $4.626 > t$ -table 1.679) between financial management behavior (Y) and financial knowledge (X1). rejection of the null hypothesis (H0) and acceptance of the alternative hypothesis (Ha). This finding is in line with research by Susyanti and M. Khoirul Anwarodin Broto S (2020) which states that The way that people handle their finances is greatly influenced by their financial understanding. Nevertheless, Eni Puji Estuti et al (2021) revealed no proof that financial knowledge affects how people handle their money. There is an inverse relationship between that discovery and this discovery.

Financial knowledge is an important factor in financial management. An individual's financial management improves with increasing financial literacy. This knowledge includes financial management, planning expenses and income, understanding money, assets, interest rates, credit, insurance, and investment. Individuals with good financial knowledge are able to make informed decisions, set long-term goals, allocate resources wisely, and avoid consumptive behavior. Comprehensive financial education is important to encourage healthy financial management behaviors. Relationship between Financial Attitude (X2) and Financial Management Behavior (Y)

The findings demonstrate that financial attitude (X2) has a considerable impact on financial management behavior (Y), with the t-statistic value being  $3.363 > t$ -table 1.679 and the p-value being  $0.001 < 0.05$ . This demonstrates that The alternative hypothesis (Ha) is accepted while the null hypothesis (H0) is rejected. Consistent with the findings of this research, Eni Puji Estuti, Ika Rosyada, and Faridhatun Faidah (2021) found an important correlation between financial attitudes and financial management practices at the Memayu Jogo Tonggo Cooperative in Kopeng Village, Getasan District, Semarang Regency.

Positive financial attitudes are closely correlated with good financial management behavior. Individuals with good financial attitudes tend to plan and manage finances wisely, have strong self-control, control consumptive desires, and are cautious in financial decisions. They are open to learning and understand the importance of financial knowledge for effective management. Positive financial attitudes encourage smart and responsible financial decisions, significantly influencing financial management behavior.

## **CONCLUSION**

The findings of this research data analysis allow us to draw the following conclusions: The first hypothesis test's finding indicate that financial management behavior (Y) is significantly influenced by financial knowledge (X1); This implies that an individual's conduct related to money management rises in proportion to their degree of financial knowledge. The t-statistic value of  $4.626 > t$  table value of 1.679, and p-value of  $0.000 < 0.05$  all confirm these findings. This leads to the null hypothesis (H0) being rejected and the alternative hypothesis (Ha) being accepted. Second, The results of the study show a significant relationship between financial management behavior (Y) and financial attitude (X2). A person's money management behavior is positively correlated with their financial mindset. Obtaining a p-value of  $0.001 < 0.05$  and a t-statistic value of  $3.363 > t$  table value of 1.679 confirms these results. As opposed to the alternative hypothesis (Ha), the null hypothesis (H0) is accepted.

Finally, the coefficient of determination test shows that financial knowledge (X1) and financial attitudes (X2) contribute to financial management behavior (Y) by 0.474 or 47.4%.

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