

## FINANCIAL BEHAVIOR OF SMEs AS A MEDIATION OF FINANCIAL SELF-EFFICIENCY ON FINANCIAL ATTITUDES

**RATNAWATI**

Master of Postgraduate Management,  
Wisnuwardhana University Malang

<https://doi.org/10.37602/IJSSMR.2023.6210>

### ABSTRACT

In East Java's Greater Malang region, which has potential for small industries, the function of Micro, Small and Medium Enterprises (SMEs) is particularly important. These MSME actors specialize in the food and beverage industry. The goal of this study is to examine how financial self-efficacy, financial attitudes, and financial attitudes' effects on financial behavior and attitudes' mediating effects on financial self-efficacy. 100 food and beverage SMEs in Malang Raya make up the study sample. SEM (Structural Equation Model) is the analytical instrument used, and Baron Kenny is used for the mediation test. The study's findings demonstrate how financial self-efficacy impacts financial behavior and attitudes, which in turn influences financial behavior.

**Keywords:** Financial Self-Efficacy, Financial Attitude, Financial Behavior, MSMEs

### 1.0 INTRODUCTION

The role of Micro, Small and Medium Enterprises (MSMEs) is very prominent throughout the world (Agyapong, D., & Attram, 2019) and has a significant role for the economic development of a country. Morina, D (2020) because MSMEs can be established in any region for all types of business activities in both urban and rural areas (Khalique et.al (2021). One of the areas in East Java that has the potential for small industries is the Greater Malang area. The Greater Malang area is the second-largest metropolitan area in East Java. The area consisting of Malang City, Malang Regency and Batu City have the potential for small industries because they have a variety of tourist destinations and are well-known as Student Cities in East Java, so that they indirectly attract tourists to visit the area Malang.

The growth of MSMEs in the food and beverage industry in Malang Raya, which is divided into the primary characteristics of an industrial center, namely there are clusters (groups) of people who massively create one-of-a-kind products, is impacted by the area's status as a tourist attraction. The Covid 19 pandemic has had an effect on the growth of MSMEs in the food and beverage industry in Malang City, causing an average decline in SME sales of 61%, an average decline in operating profit of 61%, an increase in the percentage of MSMEs experiencing capital problems to 71.4%, a reduction in the number of employees by 22%, and nearly all SME actors encountering issues fulfilling their obligations to the banking sector (diskopindag.malang.kota.co.id/). Due to a lack of understanding of the financial behavior of MSME actors, phenomena relating to the effect of the pandemic on 19 MSMEs in the food and beverage sector in Malang Raya can be understood as a decline in the financial performance of MSMEs.

Financial efficacy is one of the keys to financial success because it will improve appropriate money management, according to research by Noor et al (2020). This is further supported by Renaldo et al (2020), who claim that in order to raise knowledge of wise money management, financial efficacy is required. The presence of financial efficacy, which can enhance prudent money management and affect financial well-being. The term financial attitudes" refers to mental states, viewpoints, and assessments of one's own financial situation that are applied to attitudes. A number of personal traits, including self-efficacy, have an impact on the improvement in MSME financial success. Financial efficacy is one of the keys to financial success because it will improve appropriate money management, according to research by Noor et al (2020).

According to research on financial behavior that looked at financial self-efficacy, Sina (2013) indicated that financial self-efficacy is a strong belief in one's capacity to manage finances successfully. A person with a high degree of financial self-efficacy should be able to make decisions that will benefit them financially, be able to make wise decisions, and exercise self-control when dealing with money-related issues to prevent financial anxiety and bad financial habits (Hadar et al, 2013). A person's financial attitude can be determined by how they react to a remark or opinion about their finances. (Paluri & Mehra, 2016; Saurabh & Nandan, 2018).

In order to find empirical evidence and analyze the structural model of testing the variables of financial attitudes and financial self-efficacy on the financial behavior of MSMEs in this research, the concept of the Theory of Planned Behavior is applied in a study of financial behavior in mediating the influence of financial attitudes and financial self-efficacy on the financial behavior of MSMEs that developed in one model.

## 2.0 LITERATURE REVIEW

### 2.1 Financial Behavior

Rahim, S., & Balan (2020) reveals indicators of financial behavior on how to do budgeting & planning, debt management, saving and investing and recording. Sabri & Falahati (2012) the practice of financial behavior is carried out with cash management, credit management, budgeting, financial planning and fund management. In the MSME study, indicators of financial behavior are explained by Utami, et al (2021). Through timeliness in paying bills, the habit of making financial budgets and recording expenses. Rahim, S., & Balan (2020). Financial behavior indicators how to do budgeting & planning, debt management, savings and investment and record keeping. Sabri & Falahati, L. (2012) financial behavior is carried out with cash management, credit management, budgeting,

### 2.2 Financial Attitude

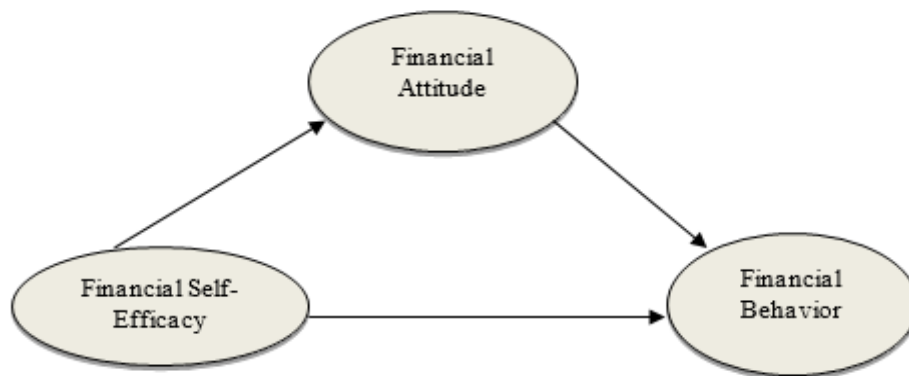
Having a financial mindset is defined as using financial principles to create and maintain wealth through prudent decision-making and resource management. (Humaira, I., & Sagoro, 2018). By providing sufficient knowledge, financial attitudes can be improved. Abiodun (2016). Indicators of financial attitude according to Renaldo & Hutahuruk (2020) namely comparing in applying for credit (installments), making regular investments, being responsible for financial welfare and confidence in financial management. Ratnawati et al (2023) financial

attitude indicators namely Expenditure control, future financial Management, Making a monthly budget and saving each month.

## 2.3 Financial Self-Efficacy

Kautsar, A., et al (2019) self-efficacy is the belief that one can control situations and produce positive results. Asmin, et al (2021) self-efficacy is confidence in planning financial expenditures, confidence in achieving financial goals and confidence in decision-making abilities. Sina (2013) indicators of financial self-efficacy are financial management, confidence in making financial decisions, being able to make financial planning, being able to manage finances and overcoming financial problems.

The picture of the research concept framework for testing financial behavior influenced by financial self-efficacy, entrepreneurial mindset, and financial attitudes is as follows:



**Figure 1. Research Concept Framework**

Based on the conceptual framework above, the research hypothesis is as follows:

H1: Financial self-efficacy is positively and significantly impacted by financial mindset.

H2: Financial conduct is positively and significantly impacted by financial self-efficacy.

H3: Financial behavior is positively and significantly impacted by financial mindset.

H4: The impact of financial attitudes on financial conduct can be mediated by self-efficacy.

## 3.0 METHOD

This research employs a quantitative methodology, which entails data collection to measure information and statistically test it to confirm or deny various alternative theories. The MSMEs in the food and beverage industry were the subject of this study, which was done in Greater Malang. The focus of this study is on Malang Raya's MSME in the food and beverage industry. By using proportional random sampling, which selects sample participants from a community at random without taking into account the strata that already exist in the population, the sample is determined. One hundred food and beverage SMEs in Malang Raya served as the study's sample.

The instruments in this study explain the indicators and research items that form the basis of the questionnaires distributed:

**Table 1. Operational Matrix of Research Variables**

Variable	Indicator	Items
<b>Financial Self-Efficacy (X1)</b>	Financial planning beliefs	a. Make good financial planning for future financial conditions. b. Stick to a spending plan when unexpected expenses arise
	Confidence solves financial problems	a. Feel able to solve the financial problems they face. b. Doing something right in solving financial problems
	Confidence in making financial decisions	a. Confidence in making financial decisions on financial problems/ b. Confidence when faced with various financial alternatives, to find a way out.
<b>Financial Attitude</b>	Financial Security	a. Make regular investments b. Set up a regular savings pattern
	Personal Finance Management	a. Manage finances well b. Take responsibility for his financial well-being.
	Debt Philosophy	a. Compare credit options before applying for a loan. b. Must pay debts regularly
<b>Financial Behavior (Y2)</b>	Financial planning	a. Make a plan to achieve the desired financial goals b. Establish a spending plan in allocating finances
	Savings and investment activities	a. Save assets for future investment b. Save and invest money by setting aside any income
	Credit management	a. Take credit for adding merchandise b. Pay bills on time

The data collection technique in this study was carried out through an instrument in the form of a questionnaire, namely a list of written questions. The analysis technique in this study was Structural Equation Modeling (SEM).

## 4.0 RESEARCH RESULTS

### 4.1. Confirmatory Factor Analysis Results

Value factor loading is used to determine indicators from research variables and to quantify the dimensions or variable indicators that can create latent variables with CFA. Table 2 displays a summary of the CFA test outcomes for the indicators that make up the study variables.

**Table 2 Factors Loading ( $\lambda$ ) Research Variables**

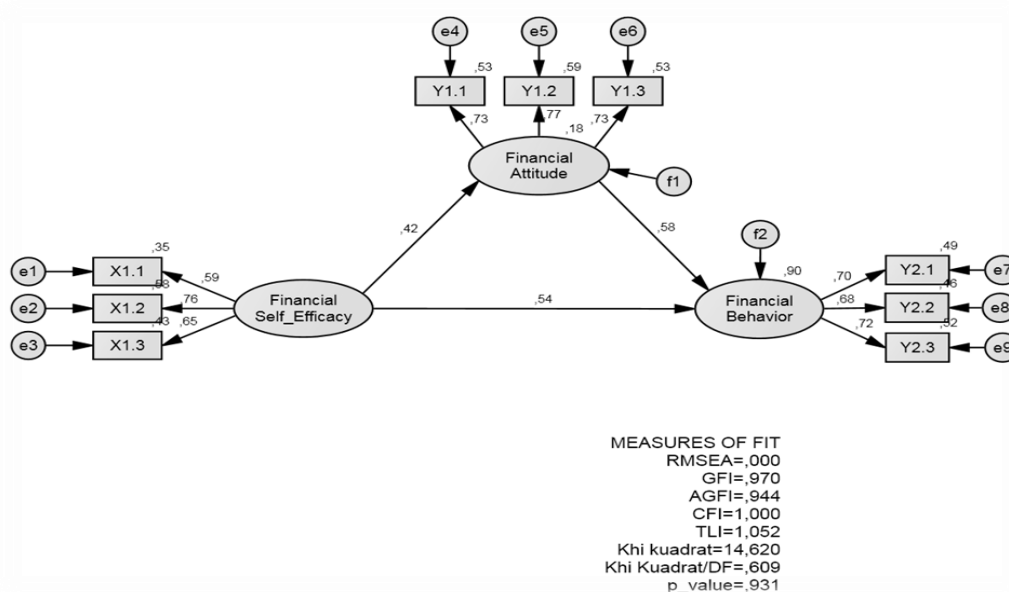
Indicators and Variables	FL	CR	p.s
--------------------------	----	----	-----

Financial planning beliefs	-->	Financial self- efficacy	0.610	4,237	0.000
Confidence solves financial problems	-->	Financial self- efficacy	0.727	4,168	0.000
Confidence in making financial decisions	-->	Financial self- efficacy	0.669	-	-
Financial Security	-->	Financial Attitude	0.741	-	-
Personal Finance Management	-->	Financial Attitude	0.745	5,798	0.000
Debt Philosophy	-->	Financial Attitude	0.742	5,795	0.000
Financial planning	-->	Financial behavior	0.704	-	-
Savings and investment activities	-->	Financial behavior	0.686	4,841	0.000
Credit management	-->	Financial behavior	0.712	4,839	0.000

According to Table 3, the variables for MSMEs' financial self-efficacy, financial attitudes, and financial conduct all have indicators with factor loading (FL) values above 0.5. The indicator that is thought to have the greatest or strongest input to influencing the financial self-efficacy variable, as measured by the loading factor value of each indicator, is the belief in solving financial problems, which has a loading factor value of 0.727. The management of personal money, with a loading factor value of 0.745, is the indicator that is thought to have the largest or strongest influence on shaping the financial attitude variable. The metric is thought to have the biggest or greatest influence on how people behave financially.

**4.2. Results of Goodness of FIT SEM Analysis**

In order to ascertain whether the fictitious model is backed by empirical data, the results of the overall model goodness of fit test in accordance with the findings of the SEM analysis are shown in Figure 2.



**Figure 2. The results of the goodness of fit overall model test**

The results of the Goodness of Fit Overall test based on Figure 1 explain that not all criteria indicate a good model.

**4.3. Hypothesis Testing Results**

Testing this hypothesis is used to prove the effect of financial self-efficacy on financial behavior as a mediating attitude. The results of hypothesis testing are presented in Table 3 below:

**Table 3. Hypothesis Testing Results**

Connection			Path Coefficient	cr	p-values	Information
Financial self-efficacy	-->	Financial Attitude	0.421a	2,851	0.004	Significant
Financial attitude	-->	Financial behavior	0.579b	4,361	0.000	Significant
Financial self-efficacy	-->	Financial behavior	0.544c	3,825	0.000	Significant
Financial self-efficacy	-->	Financial behavior	0.791d	4,495	0.000	Significant

Note:(a), (b), and (c) are the results of the path coefficients and the overall model, and (d) are the results of the path coefficient of the overall model without any mediating variables. CR = critical ratio.

Based on the table above, explains that financial self-efficacy has a direct influence on financial attitudes, financial attitudes on financial behavior, and financial self-efficacy on financial behavior by looking at the value of the Critical ratio (Cr) and the probability value (p) because it is smaller than 0.05 (5%). While the indirect effect is shown by the coefficient value of the financial self-efficacy path which is controlled by financial attitudes capable of influencing financial behavior with a coefficient value of 0.544 (c). Furthermore, (c) has a smaller coefficient value (decreases) from the effect of financial self-efficacy on financial behavior without the mediating variable of financial attitudes with a coefficient value of 0.791(d).

**5.0 DISCUSSION**

Based on the results of the analysis, it proves that the financial self-efficacy of export handicraft MSMEs in East Java contributes to financial behavior. This result means that the financial behavior of food and beverage MSMEs in Malang Raya is measured by financial planning where MSME actors with financial confidence can make financial plans following business objectives, determine spending plans with the ability to allocate finances to the financing sub-sections made. Savings and investment activities are variables of financial behavior with the ability of food and beverage SMEs in Malang Raya to save assets for future investment and save and invest money by setting aside any income.

Based on the results of the analysis of financial self-efficacy influencing financial attitudes, it can be explained that the financial self-confidence possessed by food and beverage MSME actors in Malang Raya in making financial planning both for the future and for unexpected expenses, confidence in the ability to solve financial problems by able to resolve the finances faced and confident in making financial decisions. The financial attitude of food and beverage SMEs in Malang Raya has an influence on the financial behavior of SMEs. This is

demonstrated by the ability and awareness of their financial security by investing and regular relationship patterns, good personal financial management is carried out with food and beverage MSME actors and is responsible for their financial well-being.

This causes the financial attitudes of financial actors to mediate the influence of financial self-efficacy on the financial behavior of MSMEs. The financial attitude shown by financial actors by understanding financial management so that they are able to maintain financial security and understand the philosophy of debt, then the financial confidence possessed by financial actors with the belief that they will make financial planning, solve financial problems and make financial decisions will have an impact on financial planning behavior. saving and investment activities as well as good credit management.

## 6.0 CONCLUSION

Based on the results of the analysis above, shows that financial self-efficacy is able to contribute to the financial behavior of MSMEs, which is indicated by financial planning, saving, and investment activities carried out by MSME actors and good credit management by food and beverage MSME actors in Malang Raya. Financial self-efficacy is able to contribute to financial attitudes which shows that MSME actors are able to understand financial security, manage personal finances and understand the philosophy of debt. Financial attitudes are able to contribute to the financial behavior of MSME actors with their financial management skills, understanding of debt philosophy and their decision-making abilities. Financial attitudes that are able to mediate financial self-efficacy on MSME financial behavior,

## REFERENCE

- Abiodun, A. (2016). Financial Literacy and SME Performance. *International Journal of Research Studies in Management*, 5 (1), 31-43
- Agyapong, D., & Attram, AB (2019). Effect of owner-managers financial literacy on the performance of SMEs in the Cape Coast Metropolis in Ghana. *Journal of Global Entrepreneurship Research*, 9(1), 1–13.
- Asmin, EA, Ali, M., Nohong, M., & Mardiana, R. (2021). The Effect of Financial Self-Efficacy and Financial Knowledge on Financial Management Behavior. *Golden Ratio of Finance Management*, 1(1), 15–26.
- Hadar, L., Sood, S., & Fox, C. R. (2013). Subjective knowledge in consumer financial decisions. *Journal of Marketing Research*, 50(3), 303–316.
- Humaira, I., & Sagoro, EM (2018). The Effect of Financial Knowledge, Financial Attitudes, and Personality on Financial Management Behavior in Craft Center Umkm Actors
- Kautsar, A., Asandimitra, N., & Aji, TS (2019). Financial Self-Efficacy and Entrepreneurial Leadership on SME Performance. *International Journal of Academic Research in Business and Social Sciences*, 8(12), 1807–1816.

- Khalique, M., Shaari, JAN bin, Isa, AH bin M., & Head. (2021). The Road to the Development of Intellectual Capital Theory. *int. J. Learning and Intellectual Capital*, 10(2), 122–136.
- Morina, D. (2020). The Role Of SMEs On The Economic development: KOsova's Case. *CRC-Journal*, 3(5), 167–180.
- Nababan D and Sadalia I. (2013). Personal Financial Literacy Analysis and Financial Behavior of Undergraduate Students, Faculty of Economics, University of North Sumatra. *Repository journal of the University of North Sumatra*. 1(1), 1-16.
- Noor, N., Batool, I., Arshad, HM, Noor, N., Batool, I., & Arshad, HM (2020). Financial literacy, financial self-efficacy and financial account ownership behavior in Pakistan. *Cogent Economics & Finance*, 8(1), 1–17.
- Rahim, S., & Balan, VR (2020). Financial literacy: The impact on the Profitability of the SMEs in Kuching. *International Journal of Business and Society*, 21(3), 1172–1191.
- Ratnawati, S Sudarmiatim, Soetjipto.,B.E & Restuningdiah, R (2023).The Role Of Financial Behavior As A Mediator Of The Influence Of Financial Literacy And Financial Attitudes On Msmes Investment Decisions In Indonesia. *Journal of Social Economics Research*. 9(4). pp. 193-203
- Renaldo, N., Sudarno, S., & Hutahuruk, MB (2020). Well-Being in Pekanbaru. *Journal of Management and Entrepreneurship*, 22(2), 142–151.
- Paluri, R. A., & Mehra, S. (2016). Financial Attitude Based Segmentation of Women in India : an exploratory study. *International Journal of Bank Marketing*, 34(5), 670–689.
- Sabri, MF, & Falahati, L. (2012). Estimating a Model of Subjective Financial Well-being among College Students. *International Journal of Humanities and Social Science*, 2(18), 191–199.
- Sina, PG (2013). Financial Efficacy and Financial Satisfaction: Viewed from Gender Differences. *Maranatha Journal of Management*, 12(2), 173–184
- Utami, ES, Aprilia, MR, & Putra, ICA (2021). Financial Literacy of Micro, Small, and Medium Enterprises of Consumption Sector in Probolinggo City. *Journal of Management and Entrepreneurship*, 23(1), 10–17.