

DETERMINANTS OF FINANCIAL BEHAVIOR OF SMES IN GRESIK CITY WITH STRUCTURAL EQUATION MODEL (SEM)

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ABSTRACT

A small and medium enterprise (SME) is a business or enterprise that anyone can run provided they have the ability to manage and grow the business. Small and medium-sized businesses can also play a role in supporting the economy and contributing to the country's prosperity. When a small business runs a business, its revenue and profits are tied to discovery. The aim of this study is to determine the direct impact of higher education on the financial behavior of Greek SMEs and to determine the direct impact of the use of knowledge on money through numerous discussions. As a result, it was found that education level affects financial knowledge and financial behavior, and financial knowledge affects financial behavior and the results are an indirect relationship. Financial literacy can make a difference by applying a level of education on financial behavior.

Keywords:

Financial Behavior,
Financial Literacy,
Education Level,
SMEs

INTRODUCTION

The role of small and medium enterprises in the Indonesian economy is influenced by several indicators, including: 1) Small and medium enterprises (SMEs) include many types of businesses. 2) The capacity of small and medium-sized businesses to absorb more energy. 3) MPM is linked to the country's income (Anwar, 2011). In general, MPM in Indonesia is traditional, uses local methods, and does not rely on information obtained from foreign loans or exports (Sumodiningrat and Wulandari, 2015: 39). A closer look shows that although SMEs occupy an important position in the economy, SMEs themselves experience many gaps and problems, especially in terms of capital, human resources, information and management (Setianto, 2016). Therefore, small and medium-sized businesses must be able to compete with other businesses to sustain themselves and promote their businesses (Amri, 2020). There are several things to consider when running a business or business, such as how long the business has been in business or how long the company has been in business. The timing of starting a business or starting a business can affect the income of a small business, so the timing of starting a business or starting a business is to know the preferences of the small business's customers and its ability to improve its abilities. (Firdausa et Arianti 2013).

As explained above, this also applies to PME furniture from Gresik. The Furniture Center is an SME center in Gresik, one of the furniture stores in Mganti. We chose this location because our research focuses on diversity in small and medium-sized businesses. Education level can also affect the profitability of a small business. The education level of employees and/or business owners affects the competitiveness and productivity of the business (Wahyono, 2017). This is supported by the view of Marfuah (2019) that higher education of MSME participants should encourage MSME participants to understand the rules and regulations. Depending on the age of the company and the education level of the SME, this also affects the financial behavior of the SME. Therefore, based on the above findings, the aim of this study is to identify

and analyze the direct and indirect effects of educational change on financial behavior without directly using financial knowledge.

Literature Review

According to Mubyarto (2013), profit is the value of each output in the economy obtained by adding up the profit of everything used in the production process. In business, revenue is the money a company earns or receives from its operations. Almost all are sales or customer service. For investors, net income is less important than net income, which is money after expenses. Wulansih (2014) identified several factors that determine whether a person has job knowledge, including hours of work, level of knowledge and skills, and knowledge of the job and equipment. How long a company has been in business can affect sales, and how long an entrepreneur has been in business can affect products (advertising/smart technology), which can increase efficiency and reduce production costs to a cost lower than sales results. Finding a long-term business requires gaining more knowledge about the food or the consumer (Firdausa, 2013) (Setiaji, 2018). Education is one of the factors that changes behaviors and attitudes, develops and improves thinking and insight, and makes it easier for entrepreneurs to absorb information that can support and grow their business and increase their income (Utari & Dewi, 2014). Chachar (2013), How a business owner's training and performance can affect the growth of a small business in terms of profits, sales, employees and customers. The level of education in society affects the level of understanding in society. Higher education, better understanding. Financial investment is a situation that refers to a person's consideration of money used to earn money (Besri, 2018). Adiputra (2021) defines financial behavior as the response to financial situations that an individual faces. Behavioral finance here means using appropriate financial models to make good decisions and manage resources in a way that adds value (Adiputra, 2021).

Hypothesis

The hypothesis of this study is as follows.

Hypothesis 1: Education level affects financial behavior

Hypothesis 2 : Financial literacy affects financial behavior.

Hypothesis 3: Higher education affects financial behavior through financial literacy.

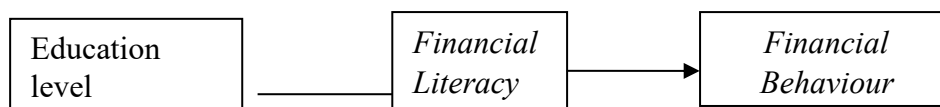


Figure 1. Conceptual Framework

METHODS

This study is a quantitative study that investigates the cause and effect of specific events (Sugiyono, 2019). 155 respondents participated in this survey. The respondents of this study are small and medium-sized furniture companies from the Gresik Menganti Regional Furniture Center. This study used a mediation model. In this study, the dependent variable is financial behavior, the endogenous variable is time spent on work, education level and the endogenous variable is income (business income). In this study, structural equation modeling (SEM) was carried out using AMOS 21 (Ghozali, 2016). SEM was chosen because it can explain the relational process created by various exogenous and endogenous variables generated by direct measurement. The SEM testing phase includes researchers performing validity

testing, reliability testing, normality testing, achievement testing, quality testing, hypothesis testing and creating equal graphs and models.

RESULTS AND DISCUSSION

Research Results

Validity Test

Validity measures are used to determine the data obtained and the actual equipment studied. The analysis uses the factor analysis (CFA) method when the loading value is greater than 0.5, the critical value (CR) found in the weighted exponential is greater than 2.0, and the p-value is small. More than that. 0.05 (Ghojali, 2016). The results calculated by factor analysis (CFA) are as follows::

Table 1. Validity Test

Indicator	<i>Standardized Regression Weights</i>	<i>P value</i>	Ket
X1.1 → Education Level	0,850	0,000	Valid
X1.2 → Education Level	0,777	0,000	Valid
X1.3 → Education Level	0,801	0,000	Valid
X1.4 → Education Level	1,000	0,000	Valid
X1.5 → Education Level	0,975	0,000	Valid
X1.6 → Education Level	0,910	0,000	Valid
X1.7 → Education Level	1,065	0,000	Valid
Z.1 → Financial Literacy	0,932	0,000	Valid
Z.2 → Financial Literacy	0,997	0,000	Valid
Z.3 → Financial Literacy	1,000	0,000	Valid
Z.4 → Financial Literacy	0,974	0,000	Valid
Z.5 → Financial Literacy	0,887	0,000	Valid
Y.1 → Financial Behavior	0,803	0,000	Valid
Y.2 → Financial Behavior	0,805	0,000	Valid
Y.3 → Financial Behavior	0,717	0,000	Valid
Y.4 → Financial Behavior	0,831	0,000	Valid
Y.5 → Financial Behavior	1,000	0,000	Valid

Evaluating the validity of each indicator based on the above data, it can be seen that there is a difference between the level of education (X1), financial knowledge Z), the manager's attitude towards finance (Y) and the company's income. Significant regression weighted values with a value greater than 2 and a p-value less than 0.05. Therefore, we can conclude that since the loading value is greater than 0.5, all indicators can be established and all variables are declared valid.

Reliability Test

Two methods can be used to perform a reliability analysis, including reliability constructs and analysis of variance.

Build Confidence

If the trust configuration value is greater than 0.7, the trust configuration data is considered valid. Religion from 0.6 to 0.7 is still able to occur (Ghozali, 2016). Here is the milk that obtains confidence costs.\:

$$\text{Construct Reliability} = \frac{(\sum \text{Std. Loading})^2}{(\sum \text{Std. Loading})^2 + \sum \epsilon_j}$$

Table 2. *Construct Reliability*

Variable	<i>Construct Reliability</i>	Information
Education Level (X)	0,947	Reliable
Financial Literacy (Z)	0,932	Reliable
Financial Behavior (Y)	0,918	Reliable

The results of this study were found to be reliable, with a composite value greater than 0.7..

Variance Extract

The standard deviation is the sum of the squares of the standard (total) loading values divided by the sum of the squares of the standard loading values and their standard errors. The full sample is below:.

$$\text{Variance Extracted} = \frac{\sum \text{Std. Loading}^2}{\sum \text{Std. Loading}^2 + \sum \epsilon_j}$$

Table 3. *Test Results of Variance Extracted*

Variable	<i>Variance Extracted</i>	Informant
Education Level (X)	0,724	Reliable
Financial Literacy (Z)	0,734	Reliable
Financial Behaviour (Y)	0,696	Reliable

Outlier Test

In this study, since the number of samples reached 150 and met the requirements of SEM analysis, the samples were considered reasonable and capable of producing normal data, so researchers do not need to further reduce the sample. Evidence from the normality test in this study.

Normality Test

The next test of SEM analysis is the use of sample size. The criteria used to measure normality in this study are the critical ratio (c.r) values for skewness and kurtosis, which are typically reported in univariate and multivariate. The critical ratio (c.r) values for skewness and kurtosis for each variable were no greater than ± 2.58 , so the data were reported as normally distributed at the univariate level. At the multivariate level, kurtosis shows that the cr value is not greater than ± 2.58 , so the data is generally distributed at the multivariate level.

CFA Test

Table 4. CFA Test

Indicator	<i>Standardized Regression Weights</i>	Informant
X1.1 → Education Level	0,850	Used
X1.2 → Education Level	0,777	Used
X1.3 → Education Level	0,801	Used
X1.4 → Education Level	1,000	Used
X1.5 → Education Level	0,975	Used
X1.6 → Education Level	0,910	Used
X1.7 → Education Level	1,065	Used
Z.1 → Financial Literacy	0,932	Used
Z.2 → Financial Literacy	0,997	Used
Z.3 → Financial Literacy	1,000	Used
Z.4 → Financial Literacy	0,974	Used
Z.5 → Financial Literacy	0,887	Used
Y.1 → Financial Behavior	0,803	Used
Y.2 → Financial Behavior	0,805	Used
Y.3 → Financial Behavior	0,717	Used
Y.4 → Financial Behavior	0,831	Used
Y.5 → Financial Behavior	1,000	Used

From the above, all indicators used in this study show that they can be used in data analysis with loading values of 0.5 or more, which means that they can be used to measure the difference in this study. The table below presents the results of the confirmatory factor analysis (CFA).

Structural Model

Table 5. Regression Test Results

	Estimate	SE	CR	P	Description
Financial Literacy ← Level Education	0,769	0,173	4,453	0,000	Significant
Financial Behaviour ← Level Education	0,760	0,184	4,127	0,000	Significant
Financial Behaviour ← Financial Literacy	0,329	0,113	2,911	0,004	Significant

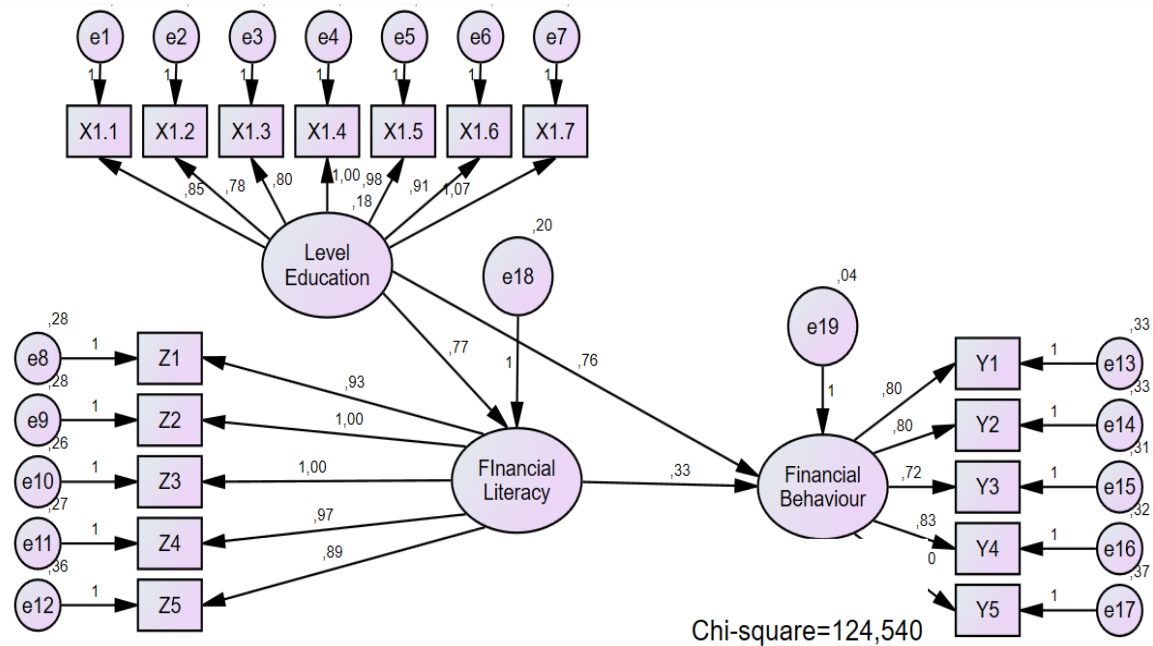


Figure 2. Structural Model

The equation formed is as follows:

$$\text{Financial Behavior} = 0.760 \text{ Level of Education} + 0.329 \text{ Financial Literacy} + \zeta_1$$

The equation formed is as follows:

$$\text{Financial Literacy} = 0.769 \text{ Education Level} + \zeta_1$$

Table 6. Goodness of Fit

Indeks Goodness of Fit	Criteria	Results in Model	Description
Chi-Square	Diharapkan Kecil	124,540	Good
Probabilitas	$\geq 0,05$	0,277	Good
GFI	$\geq 0,90$	0.898	Marginal Fit
AGFI	$\geq 0,90$	0,866	Marginal Fit
CFI	$\geq 0,95$	0,986	Good
TLI	$\geq 0,95$	0,983	Good
RMSEA	$\leq 0,08$	0,024	Good
CMIN/DF	$\leq 2,00$	1,074	Good

Discussion

Effect of Education Level on Financial Literacy

The comes about of the tests carried out at the instructive level appear that there's a positive and positive impact on money related education, as prove by a p-value less than 0.05, i.e. 0.00 and a CR esteem more prominent than 2.204. Yusnita (2018) states that open instruction can increment budgetary education so that individuals get it how to oversee their cash. The more taught individuals are, the less demanding it is for them to get it the data and apply it to their every day behavior and way of life. The higher the level of instruction, the higher the level of financial

proficiency, which suggests that the higher the level of instruction, the higher the get to to different data, counting back, (Sembiring and Leon , 2021; Jeyanaran, 2015).).

Effect of Education Level on Financial Behavior

As a result, the p value is 0.002, which is less than 0.05, which indicates that education level has a positive and positive effect on financial behavior, and the CR value is 3.057, which is greater than 2. Good financial education is useful for small and medium-sized businesses. . Make better financial decisions. Mahdzan & Tabiani (2013) show that the higher a person's level of education, the greater their financial knowledge. Therefore, it appears that more educated people will demonstrate more financial behavior by being more responsible and more creative in managing their money. Research (Masdar & Zaiful, 2011) shows that one of the reasons why people do not plan financially is education, because there is no money for education. The training you receive will only cover the basic knowledge acquired in basic training, such as conservation, and will not provide additional training on knowledge that can help you resolve financial problems or manage or prevent financial problems. problems when they arise.

The Effect of Financial Literacy on Financial Behavior

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The Effect of Education Level on Financial Behavior Through Financial Literacy

The direct effect in this study was determined by the Sobel test. According to the Sobel test, the p value is 0.048, which is less than 0.05, so it can be concluded that financial knowledge can modify the effect of higher education on financial behavior.

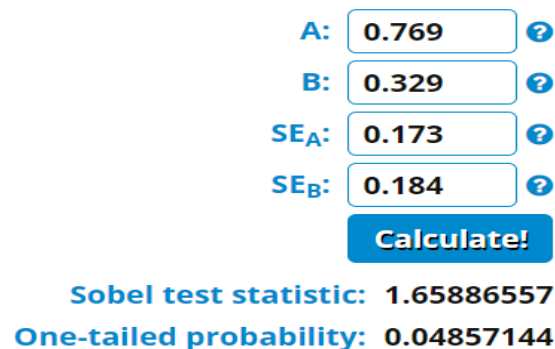


Figure 3. Sobel Test Results

CONCLUSION

According to the results of the research that has been completed, a great deal of proficiency and useful financial assets Reading can make a difference between the level of different stages of learning. Found by the studies have shown that all changes in adaptations as strategies, to be able to see the updates made by MSMES.

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