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Improving Financial Technology-Based Financial Behavior Capabilities in Jayapura City and Jayapura Regency MSMEs

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ABSTRACT

This study assesses how financial technology (fintech) has helped MSMEs in Jayapura City and Jayapura Regency improve their financial behavior. This study used a quantitative methodology with associative and moderation techniques to gather data via questionnaires, which WarpPLS was then used to analyze. The study's findings demonstrate that financial behavior, which aids in cash flow management and guards against mistakes that could result in bankruptcy, is significantly influenced by financial literacy. Furthermore, MSME entrepreneurs' good financial behavior is positively influenced by personality traits like thoroughness and openness, particularly regarding capital management and investment decisions. Fintech, however, cannot moderate the relationship between financial behavior and financial literacy because these digital tools cannot close the knowledge gaps in finance that must be addressed to make wise financial decisions. Similarly, personality traits like neuroticism and extroversion influence an individual's financial behavior more than technology use. Therefore, fintech cannot moderate the association between financial personality and behavior. These results can guide local governments and universities in offering financial management and digital training to MSME actors, boosting regional financial inclusion.

Keywords: Financial Behavior; Financial Literacy; Financial Technology; MSMEs; Personality

INTRODUCTION

Technological breakthroughs, including financial services, have brought innovations in several industries. Fintech is the outcome of integrating financial services and technology, which modifies conventional and contemporary business models, according to Bank Indonesia in Ramadhani et al. (2022). Transactions could once only be completed in person and with cash, but they may now be completed quickly and easily online. When meeting the demands of a fast-paced lifestyle, people prioritize information technology, which aligns with the growth of financial technology or fintech. Fintech adoption has the potential to improve customer banking services' efficiency. Issues with purchasing, selling, and making payments include customers' reluctance to visit establishments where the service is terrible, their lack of time to browse for goods at stores, and their inability to visit banks or ATMs to transfer money. Fintech facilitates purchases and sales, making the payment system more effective while remaining economical (Bank Indonesia in Ramadhani et al., 2022).

Malaysia had a significant increase in the usage of electronic payments for products and services during the COVID-19 epidemic, particularly in e-commerce transactions. E-commerce has expanded due to digital payments made through electronic channels, hastening the COVID-19 pandemic's effects (Boon et al., 2022).

The public's growing internet usage in Indonesia signifies the start of the digital era. More than half of Indonesia's population, or 132 million people, have access to the Internet, according to data from Global Digital Report Data in Kusuma (2020). Therefore, today, the activities of modern society tend to use technology more intensively to meet their needs. It has become a habit of people today to carry out daily activities using technology, such as buying food, ordering transportation, sending goods, ordering tickets, and doing business. Because of technology, humans feel that their activities have become more helpful and more efficient (Rahman & Salam in Kusuma, 2020). Meanwhile, according to the We Are Social report the number of internet users in Indonesia has reached 213 million people as of January 2023. This number is equivalent to 77% of Indonesia's total population of 276.4 million people at the beginning of 2023 (Annur, 2023).

Indonesia has seen a notable increase in the fintech industry in recent years. Due to several important variables, including rising internet penetration and the widespread usage of mobile devices in Indonesia, the country has emerged as one of the top fintech markets in Southeast Asia. Micro, Small, and Medium-Sized Enterprises (MSMEs) and individuals can obtain financial services more quickly and effectively with easier access to technology. Furthermore, most people in Indonesia lack access to official financial services. Fintech is here to close this gap by giving people previously underserved by traditional financial institutions access to accessible and affordable financial services (Indonesian Financial Services Authority [OJK], 2022).

The Indonesian government has strongly supported the fintech industry through legislative actions to foster a healthy and orderly ecosystem. Measures to provide legal stability for the sector include establishing the Commodity Futures Trading Supervisory Agency (Bappebti) to regulate the Fintech P2P lending sector. Indonesia has emerged as one of Southeast Asia's hubs for startup innovation, with the fintech sector experiencing significant growth driven by the support of venture capital investment firms, incubators, and accelerators. Consumer behavior has also evolved with the widespread adoption of technology in various aspects of daily life, including banking. The convenience, speed, and efficiency of digital financial solutions have encouraged many individuals to embrace these advancements (OJK, 2022).

According to Sudaryo and Sofiati in Julaiha et al. (2023), fast developments in Indonesian fintech can benefit investors, borrowers, and financial institutions alike. First, the advantages that borrowers feel include promoting financial inclusion, offering substitute loans to borrowers not yet qualified for credit, making the application procedure simple and quick, and stimulating competition that drives down lending rates. Second, investment options with more significant returns and default risk distributed among numerous investors, each with a relatively low nominal value, are among the tangible advantages of fintech for investors. Additionally, investors can select a borrower who is funded by their preferences. Third, working with fintech can help banks cut costs by increasing Third Party Funds (DPK), expanding credit distribution channels, and reducing the need for non-traditional credit scoring for the first screening of loan applications. It can also be an alternative investment for banks. The current rise of Fintech must be accompanied by the high financial literacy of the public as commercial bank customers so that they can take advantage of technological sophistication safely and optimally. With the increase in fintech, there is a risk, namely the increasing capabilities of hackers and virtual crimes supported by technological sophistication. Economic activities in the form of saving and investing are expected to increase in quantity and quality with the existence of fintech (Agustin, 2023).

Fintech offers MSMEs efficiency and ease of financial operations. Fintech offers various financial options, particularly for small and medium-sized enterprises looking to expand. Fintech has made financial services more widely available and reasonably priced, enabling MSME actors to conduct business utilizing mobile phones, digital wallets, electronic money, and mobile banking services. MSMEs have made a significant contribution to the people of Indonesia in getting out of social problems. Also, it can increase the economic independence of the local community and reduce dependence on specific economic sectors. By contributing to the region's Gross Domestic Product (GDP), MSMEs are often catalysts for inclusive and sustainable economic growth.

MSMEs are acknowledged to play a significant role in the local economy, yet they frequently encounter various financial management difficulties. A few primary financial management issues MSMEs face include restricted access to formal banking institutions and challenges in acquiring business capital to expand their operations. Furthermore, many MSME owners lack the financial literacy and expertise needed to manage their companies' finances effectively. As a result, financial decision-making, cash tracking, and budget planning often become problematic. Since many MSMEs still rely on cash transactions for daily operations, they face increased security risks and potential fund losses, making it challenging to document transactions and conduct proper financial analysis. Robust competition further reduces profit margins and increases the strain on financial management. Additionally, MSMEs must navigate shifting government rules and regulations, which can impact their costs and business operations. Equally significant is the struggle many MSMEs face in adopting the latest technologies in financial management due to barriers related to access, cost, or knowledge (Anisyah et al., 2021).

Financial behavior has a crucial role in the investment decision-making process. Investment decisions do not always align with assumptions based on perception and understanding of the information received. Financial behavior is related to how a person manages his finances. Therefore, financial behavior is very important for individuals to manage their finances effectively, where funds must be managed according to a predetermined plan (Siregar & Simatupang, 2022).

MSMEs will expand slowly without entrepreneurship, business management, and financial management knowledge. The primary issue facing MSMEs is financial management, which, if improperly managed, would impair company performance and funding opportunities (Ardila & Christiana, 2020).

Financial Services Authority Regulation (POJK) Number 76/POJK/07/206 in Fitri et al. (2024) defines financial literacy as knowledge, abilities, and attitudes influencing an individual's mindset and conduct while making choices and handling money to attain prosperity. Financial literacy can reduce blunders when handling financial and economic matters (Dahrani et al., 2022).

Making decisions and taking actionable efforts to improve financial well-being are made easier with financial literacy. When someone can fulfill their needs, has savings, and feels secure in their financial condition both now and in the future, they are said to be in a state of financial well-being (Muir et al., 2017). However, from the results of a survey conducted by the Indonesian Financial Services Authority (OJK, 2022), financial management has not been carried out properly by the community. The financial literacy index of the people of Indonesia in 2019 shows a figure of 38.03%, which means that out of every 100 people, there are around 38 well-literate people, there are around 62 people who do not have the proper knowledge, beliefs, skills, attitudes, and behaviors about financial literacy. Meanwhile, the results also showed that the financial literacy index of the Indonesian community increased by 49.68% and financial inclusion increased by 85.10% compared to 2019, which was 76.19%. This shows that the gap between the level of literacy and the level of inclusion is decreasing, from 38.16% in 2019 to 35.42% in 2022.

The COVID-19 pandemic has almost completely stopped economic activity due to the severe social restrictions that have been put in place in several nations to stop the virus's spread. This affects the decline in income in urban and rural areas, with up to 75.3% of households reporting a decline in income. One of the industries in which the COVID-19 epidemic has had a significant impact is MSMEs. According to the poll results, 77% of participants reported seeing their income decline, with 35% reporting a drop in income between 40% and 60%. The impact of the COVID-19 pandemic, as shown by numerous studies, indicates that financial literacy is a life skill that every person in the modern world must possess (OJK, 2021).

Beyond understanding financial concepts, financial literacy also includes the capacity to manage finances and make wise financial decisions. Business actors with high financial literacy are typically better equipped to handle their company's finances. They can also identify and use the financial resources necessary to keep their organization operating smoothly. The term "financial management" describes allocating cash to fulfill present requirements and to plan for future demands (Puspitaningtyas, 2017). According to Aribawa (2016), a strategic approach is needed to improve the performance and sustainability of MSMEs. One way to do this is to enrich the financial knowledge of MSME actors so that their management and accountability can be better understood.

Some of the study's findings also include financial management practices and fintech. Individuals are increasingly turning to technology to fulfill their wants, and the advancement of fintech has dramatically changed how individuals interact without currency. The "cashless society phenomenon" refers to people's shift in transactional patterns, which is one of the roles of fintech (Wardani & Darmawan, 2020). Fintech is centered on companies that innovate in financial services with a touch of modern technology. Fintech is one of the alternative investments that can access financial services practically, efficiently, comfortably, and economically manner (OJK, 2021).

Fintech can also be described as the use of advances in information technology to improve services in the financial industry (Sudaryo et al., 2020). The findings conducted by Rahmah (2020) found that fintech has a positive and significant effect on financial behavior. This is contrary to research conducted by Anisyah et al. (2021) where fintech does not significantly affect financial behavior.

Furthermore, personality is a barrier in innovative MSMEs and can influence financial behavior when seen from a psychological perspective. According to the KBBI in Sadalia and Butar (2016), a person's personality is a crucial characteristic that sets them apart from others and mirrors their attitude. Psychology and personality are related, so personality psychology studies the psychological factors contributing to an individual's distinctive appearance. It is associated with financial behavior theory, which seeks to clarify and enhance comprehension of how personal psychology and emotions impact decision-making. This psychological factor can result in less rational behavior in decision-making (Sadalia & Butar, 2016). It is further elaborated that financial behavior is a fledgling field of study that combines behavioral and cognitive psychology theories with traditional economic and financial principles to uncover the reasons behind irrational financial decision-making. Thus, personality can be considered to influence a person's financial behavior. This is supported by research conducted by Zuliana (2020) which found that personality positively affects financial behavior. Moreover, the financial behavior of beginner UMKM entrepreneurs in Tasikmalaya City is partially influenced by the variables of financial literacy and financial behavior. The financial behavior of beginner UMKM entrepreneurs in Tasikmalaya City is simultaneously influenced by personality traits and financial literacy (Rahman & Fauziyah, 2021).

This study aims to empirically evaluate the enhancement of financial behavior in MSMEs in Jayapura City and Jayapura Regency through the implementation of fintech, focusing on how financial literacy and personality traits influence financial behavior. The research investigates whether financial literacy directly impacts financial behavior and how personality traits shape financial behavior. Furthermore, the study examines the potential moderating role of fintech in these relationships, specifically whether fintech enhances the link between financial literacy and financial behavior and between personality and financial behavior.

This research enhances scientific understanding of the interplay between financial literacy, personality, and fintech in the financial management of MSMEs in Jayapura City and Jayapura Regency, which have the potential to contribute significantly to the local economy. The integration of fintech into the financial management of existing local MSMEs is analyzed as a pathway to modernize traditional financial systems in Eastern Indonesia. By addressing the role of financial literacy and personality traits in influencing financial behavior and the moderating effect of fintech, the study aims to provide valuable insights into improving financial decision-making and management practices in the MSME sector. Additionally, the government can use these findings to develop targeted policies that enhance financial literacy, personality-based financial interventions, and fintech adoption to improve the supervision, financial sustainability, and overall growth of the MSME sector in the region.

LITERATURE REVIEW

The Unified Theory of Acceptance and Use of Technology (UTAUT)

The Unified Theory of Acceptance and Use of Technology (UTAUT) is used to gauge how much consumers accept and use information technology. Interest is a propensity or interest in anything that motivates one to engage in associated activities. Conversely, one is more likely to be reluctant to engage in these activities if one lacks interest. The author applies two theories in this theory—social influence and facilitating conditions—to determine whether consumers are interested in accepting and utilizing technology. Next, two more constructs—the sense of trust and tech anxiety—were borrowed from earlier studies (Astiyah & Budiantara, 2023).

Financial Literacy

Financial literacy is a series of processes or activities to improve the knowledge, beliefs, and skills of consumers and the wider community so that they can manage their finances better. Financial literacy can be understood as a set of procedures or activities aimed at enhancing the confidence, knowledge, and abilities of consumers and the general public so they can better manage their finances (Astuti et al., 2019). Financial literacy is crucial for economic development and financial stability for individual consumers, financial service providers, and governments. Financial literacy refers to an individual's abilities or knowledge that allows for effective financial regulation and management (Gunawan et al., 2020).

The study by Puspitaningtyas (2017) identifies four indicators to measure financial literacy, they are a basic understanding of financial management, credit management, savings and investment management, and risk management. These indicators collectively reflect an individual's ability to efficiently and effectively manage financial functions. Ichwan (2016) further highlights that educational background is a significant factor influencing financial literacy levels.

Personality

According to Feist, as cited in Desi (2022), personality is a consistent and distinctive quality that defines individual behavior and tends to remain stable over time. Personality significantly influences behavior, particularly in how individuals manage their finances. Holland, as quoted by Sukardi in Desi (2022), suggests that individuals are more comfortable in their professions when their work aligns with their personality traits. Similarly, Sina in Desi (2022) emphasizes that each personality type has a distinct approach to financial management, making it essential to understand the psychological aspects of financial decision-making for effective financial management. Ika, as cited in Desi (2022), reiterates that psychological factors often play a pivotal role in financial decision-making processes.

Financial Behavior

Financial management behavior refers to how individuals allocate resources to meet their needs in alignment with their income. This includes practices such as managing debt, saving, cash flow, and consumption patterns (Sugiharti & Maula, 2019). Wahyuni et al. (2022) explain that financial behavior examines how psychological factors influence financial decision-making. Thus, psychology seeks to understand how emotions and cognitive processes shape investor behavior.

Financial behavior includes a person's financial duties regarding money management. Financial responsibility reflects a person's ability to manage assets and finances successfully. Financial behavior studies how social, cognitive, and emotional variables influence an individual's financial decisions. On the other hand, general financial management conduct refers to financial judgments or actions about financial management and its application. People who practice appropriate money management will be better at using their finances (Handayani et al., 2022).

Financial Technology (Fintech)

In the 1900s, fintech began evolving with innovations such as Automated Teller Machines (ATMs), the Clearing House system, Internet Banking, and PayPal. This progress continued into the 2000s with the advent of Apple Pay, Samsung Pay, and Alibaba's Smile to Pay (Zimmerman in Kusuma, 2020). In Indonesia, the growth of payment fintech has been rapid, driven by financial institutions such as unikQu, TBank, and eCash, alongside fintech start-ups like Go-Pay and OVO.

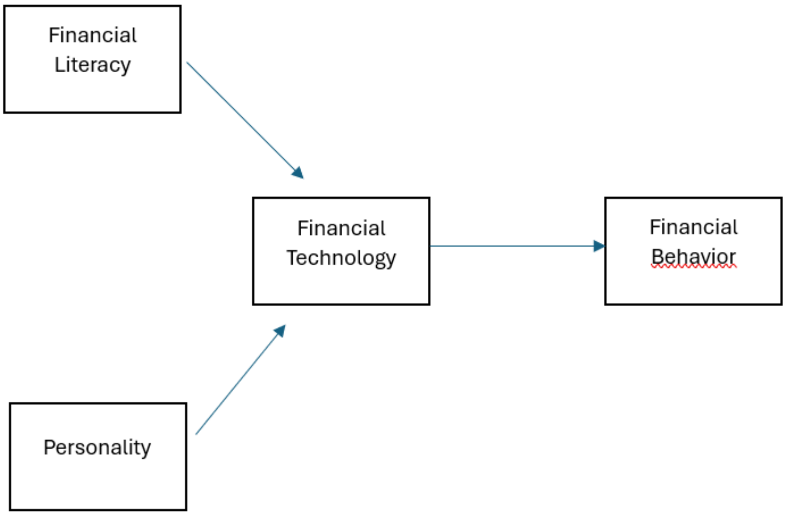
According to the OJK, as cited in Kusuma (2020), fintech offers several advantages: (1) It serves Indonesians who are underserved by the traditional financial industry due to strict banking regulations and limitations in reaching certain areas; (2) It provides a democratic and transparent alternative to traditional financial services, offering more accessible funding options.

However, fintech also has notable drawbacks: (1) Many fintech companies lack the licensing to manage funds and are less established, with significantly lower capital compared to traditional banks; (2) Some fintech firms operate without a physical office and lack the experience needed to implement robust security systems and ensure product integrity.

Drawing upon the aforementioned theoretical underpinnings, the research hypotheses are formulated below and drawn in Figure 1:

H1: Financial literacy affects financial behavior.
H2: Personality affects financial behavior.
H3: Fintech moderates the relationship between financial literacy and financial behavior.
H4: Fintech moderates the relationship between personality and financial behavior.

Figure 1. Research Framework



RESEARCH METHOD

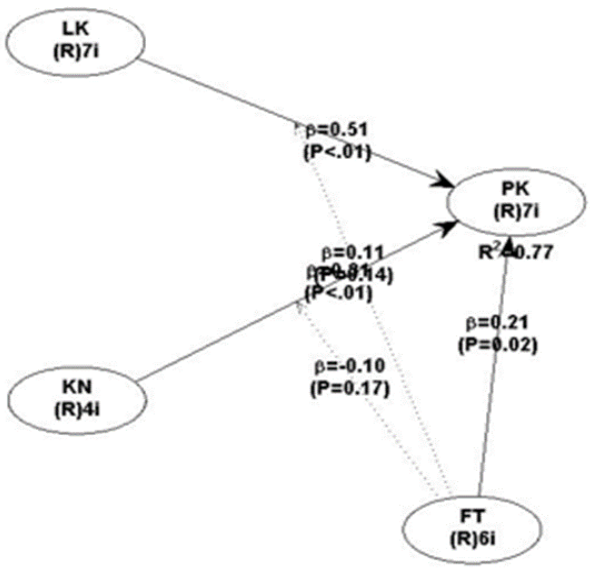
To determine the causal relationship between bound and independent variables, this study uses quantitative research with an associative and moderation technique. The population of Jayapura Regency and Jayapura City's MSMEs will be the subject of this study. Anybody who occurs to meet the researcher might be utilized as a sample if it is thought that they are a viable source of data. In the meantime, the sample is accidental sampling, where the sample determination technique is based on chance. A written questionnaire consisting of responses to several questions is distributed to one hundred respondents offline as part of the data-gathering process.

This study incorporates the following factors: Financial Literacy (X1) variable, measured through indicators such as financial decision-making, general financial knowledge, and knowledge of financial transactions using technology. The Personality (X2) variable is assessed through markers including risk-taking propensity, collaboration with business partners, inclusivity, and innovative individual traits. Financial Behavior (Y) variable is evaluated using indicators such as budgeting and financial planning practices, saving activities, and monitoring and assessment methods. Meanwhile, Fintech (Z) serves as a moderating variable, with indicators comprising transaction convenience, understanding of financial application features, and the utilization of fintech solutions.

The data analysis process utilizes WarpPLS software to perform partial least squares (PLS) analysis, a versatile soft modeling technique suitable for all data scales with minimal assumptions. PLS is employed to test hypotheses, establish correlations, and confirm theoretical constructs. The conceptual framework of this study employs a cascading causal relationship model, involving literacy, finance, personality, and financial behavior, moderated by fintech. This cascading relationship is a key reason for selecting the PLS model.

Indicators are used in this study to measure variables, with PLS playing a crucial role in validating constructs and factor indicators, as illustrated in Figure 2.

Figure 2. Pattern of Research Model Results with Warp PLS



RESULTS

A descriptive analysis was carried out to understand the respondents' opinions and statements about the research variables. The mean value of each indicator suggested to characterize the perception of all respondents is used to calculate the proportion of respondents' responses to the research statement, which forms the basis of the descriptive analysis calculation. The average interval is then used to interpret the respondent's perception based on the mean value, as indicated in Table 1 below.

Table 1. Interpretation of Respondents' Perceptions

Average Interval	Category
1.00 – 1.80	Strongly Disagree
1.80 – 2.60	Disagree
2.60 – 3.40	Neutral

3.40 – 4.20	Agree
4.20 – 5.00	Totally Agree

Furthermore, based on these criteria, the respondent's perception index of the variables in the study was determined as follows:

Table 2. Descriptive Statistic Research Variables

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Financial Literacy (LK)	100	11.00	35.00	29.0300	4.00872
Personality (KN)	100	6.00	20.00	14.9000	2.76522
Financial Behavior (PK)	100	8.00	35.00	29.7000	4.37278
Financial Technology (FT)	100	15.00	30.00	24.3900	3.26257
Valid N (listwise)	100				

Source: Primary Data processed (2024)

According to Table 2, examining financial literacy using descriptive statistics yielded a mean (average) of 29.03 with a standard deviation of 4,008. The minimum value was 11.00; the maximum value was 35.00. Furthermore, the study of personality using descriptive statistics revealed a mean (average) of 14.9 with a standard deviation of 2.762, a minimum value of 6.00, and a maximum value of 20.00. The financial behavior had a range of values: 8.00 at the lowest, 35.00 at the highest, and 29.70 at the mean (average), with a standard deviation of 4.372. The fintech has a range of values: 15.00 at the lowest, 30.00 at the highest, and 24.39 at the mean (average), with a standard deviation of 3.262.

Validity Test

This validity test was carried out by examining the AVE and Loading factor values on the PLS output. The following results from the validity output with latent variable coefficients (AVE).

Table 3. Output Latent variable Coefficients (AVE)

	LK	KN	PK	FT	FT.KN	FT.LK
R-squared			0.769			
Adj. R- squared			0.755			
Composite reliab.	0.914	0.852	0.950	0.927	1.000	1.000
Cronbach's alpha	0.890	0.768	0.939	0.906	1.000	1.000
Avg. Var. extract.	0.603	0.591	0.733	0.680	1.000	1.000
Full Collin.VIF	3.086	2.151	3.787	1.400	1.949	1.972
Q-squared			0.740			

Source: Primary Data processed (2024)

Based on Table 3, all constructs have an AVE value > 0.5. Thus, it can be concluded that the construct is valid when viewed from the AVE value. Upon examination of the loading factor values, it is observed that several indicators exhibit values below 0.7 but exceed 0.5. These values are presented in Table 4.

Table 4. Output Combined Loading and Cross-Loading

Variable	Indicator	Loading Factor	P value	Information
Financial Literacy	LK1	0.722	<0.001	Valid
	LK2	0.825	<0.001	Valid
	LK3	0.771	<0.001	Valid
	LK4	0.719	<0.001	Valid
	LK5	0.794	<0.001	Valid
	LK6	0.792	<0.001	Valid

	LK7	0.804	<0.001	Valid
Personality	KN1	0.771	<0.001	Valid
	KN2	0.686	<0.001	Valid
	KN3	0.797	<0.001	Valid
	KN4	0.814	<0.001	Valid
Financial Behavior	PK1	0.811	<0.001	Valid
	PK2	0.902	<0.001	Valid
	PK3	0.837	<0.001	Valid
	PK4	0.854	<0.001	Valid
	PK5	0.907	<0.001	Valid
	PK6	0.809	<0.001	Valid
	PK7	0.866	<0.001	Valid
Financial Technology (fintech)	FT1	0.814	<0.001	Valid
	FT2	0.775	<0.001	Valid
	FT3	0.852	<0.001	Valid
	FT4	0.884	<0.001	Valid
	FT5	0.806	<0.001	Valid
	FT6	0.813	<0.001	Valid

Source: Primary Data processed (2024)

Table 4 shows that all indicators in the construct have a loading factor value above 0.7. Based on AVE, each construct has a > value of 0.5, indicating that the construct in this study has met the validity of convergence. In the discrimination validity test, it can be seen through two methods, namely by looking at the loading value to other constructs and looking at the root value of AVE, which can be seen in the following Table 5.

Table 5. Discriminant Validity Test

	LK	KN	PK	FT	FT*LK	FT*KN
LK1	0.722	0.533	0.71	0.345	-0.284	-0.098
LK2	0.825	0.519	0.658	0.401	-0.145	0.043
LK3	0.771	0.38	0.501	0.296	-0.158	-0.006
LK4	0.719	0.321	0.618	0.484	-0.248	-0.074
LK5	0.794	0.51	0.588	0.438	-0.147	-0.053
LK6	0.792	0.433	0.624	0.325	-0.195	-0.168
LK7	0.804	0.547	0.723	0.403	-0.315	-0.087
KN1	0.498	0.771	0.555	0.325	-0.066	0.177
KN2	0.494	0.686	0.439	0.182	0.025	0.219
KN3	0.475	0.797	0.529	0.318	-0.197	0.04
KN4	0.385	0.814	0.528	0.362	0.077	0.261
PK1	0.614	0.516	0.811	0.263	-0.241	-0.058
PK2	0.75	0.646	0.902	0.406	-0.226	-0.065
PK3	0.694	0.635	0.837	0.368	-0.322	-0.127
PK4	0.714	0.617	0.854	0.634	-0.2	0.011
PK5	0.749	0.562	0.907	0.521	-0.327	-0.067
PK6	0.652	0.523	0.809	0.399	-0.208	-0.029
PK7	0.689	0.508	0.866	0.488	-0.286	-0.096
FT1	0.416	0.203	0.405	0.814	-0.253	-0.062
FT2	0.482	0.456	0.557	0.775	-0.154	-0.057
FT3	0.345	0.336	0.362	0.852	-0.18	-0.069
FT4	0.504	0.355	0.507	0.884	-0.232	-0.024
FT5	0.298	0.263	0.313	0.806	-0.054	0.04
FT6	0.402	0.325	0.412	0.813	0.044	0.098
FT*LK	-0.273	-0.054	-0.303	-0.169	1	0.647

FT*KN	-0.08	0.225	-0.072	-0.015	0.647	1

Source: Primary Data processed (2024)

Table 5 and the attachment of loading values to other constructs show that the criterion of discriminatory validity has been met. This is indicated by the construct's correlation, with each indicator being more significant than the size of the other construct and the square root value of AVE being more significant than the correlation coefficient between the construct and the other constructs present in the model.

Reliability Test
Reliability was assessed by evaluating Cronbach's alpha and composite reliability values against established criteria. Specifically, Cronbach's alpha and composite reliability values exceeding 0.7 were considered indicative of satisfactory construct reliability. The observed Cronbach's alpha and composite reliability values are presented in Table 6.

Table 6. Output Latent Variable Coefficients (Reliability Test)

	LK	KN	PK	FT	FT.KN	FT.LK
R-squared			0.769			
Adj. R- squared			0.755			
Composite reliable.	0.914	0.852	0.950	0.927	1.000	1.000
Cronbach's alpha	0.890	0.768	0.939	0.906	1.000	1.000
Avg. Var. extract.	0.603	0.591	0.733	0.680	1.000	1.000
Full Collin.VIF	3.086	2.151	3.787	1.400	1.949	1.972
Q-squared			0.740			

Source: Primary Data processed (2024)

Table 6 above shows that each construct has a Cronbach's alpha and Composite Reliability value above 0.7, so it can be concluded that the construct is declared reliable.

Structural Model Evaluation (Inner Model)
The next step is to evaluate the structural model (inner model), which is done by looking at the adj value. R-squared for each endogenous latent variable as the predictive power of the structural model, then the next stage is the test-to-test Q^2, predictive relevance, and Goodness of Fit (GOF).

Next, an inner model test was conducted by looking at the adj value. R-squared, where the value of adj. The R-squared on financial behavior shows a value of 0.735, which means that financial literacy and personality can explain financial behavior by 73.5% while the remaining 27.5% can be explained by other variables that are not in this study or other factors that are not in the model.

To determine a model that is said to fit in WarpPLS 7.0 can be shown in the output general results. Table 7 shows the ten fit indicators in the output of the fit indices and p-values model.

Table 7. Model Fit and Quality Indices

Model Fit and Quality Indices	Index	p-value	Criterion	Information
Average path coefficient	0.248	0.001	P < 0.05	Accepted
Average R-Squared	0.769	0.001	P < 0.05	Accepted
Average Adjusted R-Squared	0.755	< 0.001	P < 0.05	Accepted
Average Block Variance Inflation Factor (AVIF)	3.689	Acceptable if <= 5, ideally <= 3.3		Accepted
Average Full Collonearity VIF (AFVIF)	2.391	Acceptable if <= 5, ideally <= 3.3		Accepted

Tenenhaus GoF (GoF)	0.769	Small > = 0.1 Medium > = 0.25 Large > = 0.36	Accepted (medium)
Sympson's Paradox Ratio (SPR)	0.939	Acceptable if > = 0.7, ideally = 1	Accepted
R-Squared Contribution Ratio (RSCR)	1.000	Acceptable if > = 0.9, ideally = 1	Accepted
Statistical Suppression Ratio (SSR)	1.000	Acceptable if > = 0.7	Accepted
Nonlinear Bivariate Causality Direction Ratio (NLBCDR)	1.000	Acceptable if > = 0.7	Accepted

The following criteria in Table 8 are necessary to establish whether the moderator variable influences the relationship between variables X and Y (Ghozali, 2013).

Table 8. Criteria for Determining Moderation Variables

No	Moderation Type	Coefficient
1	Pure Moderation	b2: Insignificant b3: Significant
2	Quasi Moderation	b2: Significant b3: Significant
3	Homologieser Moderation (Not Moderation)	b2: Insignificant b3: Insignificant
4	Predictor	b2: Significant b3 Insignificant

Information:
b2: Variable Financial Technology
b3: Interaction variables between each independent variable (Financial Literacy and Personality Sanctions) with the variable Financial Technology.

Table 9. Results of the Direct Influence Hypothesis Test

Variable	Path Coefficients	p-value	Information
Financial Literacy → Financial Behavior	0.506	0.001	Influential
Personality → Financial Behavior	0.306	0.001	Influential
Fintech → Financial Behavior	0.213	0.019	Influential
Financial Literacy*Financial Technology→ Financial Behavior	0.114	0.111	Not moderating
Personality *Fintech→ Financial Behavior	-0.099	0.175	Not moderating

Source: Primary Data processed (2024)

Testing is done to prove that research assertions or hypotheses are valid. The correlation between the constructs is measured using the path coefficients and degree of significance. In this experiment, a significant level of 5% was used. The path coefficients and P Values output data were obtained from the data processing after the direct effect test.

Based on the output results of WarpPLS 7.0, the results of the research hypothesis test can be seen in Table 9. For H1, which posits that financial literacy affects financial behavior, the findings strongly support this hypothesis. The data show a path coefficient of 0.506 and a significance level of 0.001, which is well below the threshold of $p<0.05$. These results confirm that financial literacy has a significant positive effect on financial behavior.

Similarly, for H2, which states that personality affects financial behavior, the results also validate this hypothesis. The path coefficient of 0.306 and a significance level of 0.001 demonstrate a significant relationship between personality and financial behavior, reinforcing the hypothesis.

In contrast, H3, which hypothesizes that fintech moderates the relationship between financial literacy and financial behavior, is not supported by the data. While the t-test value for fintech was 0.019, the interaction significance value of 0.111 exceeds the threshold of 0.05. This indicates that fintech does not moderate the relationship between financial literacy and financial behavior.

Similarly, H4, which proposes that fintech moderates the relationship between personality and financial behavior, is also not supported. Although the t-test value for fintech was 0.019, the interaction significance value of 0.175 is greater than 0.05. This shows that fintech does not moderate the relationship between personality and financial behavior.

In summary, the results confirm H1 and H2, demonstrating significant effects of financial literacy and personality on financial behavior. However, H3 and H4 are not supported, indicating that fintech does not moderate the examined relationships.

DISCUSSION

Financial Literacy Affects Financial Behavior

Testing hypothesis 1 (H1), the test results show that financial literacy affects financial behavior. This study's results align with those of Ningtyas & Andarsari (2021) and Sesa et al. (2024). The findings highlight the close relationship between a person's understanding of financial concepts and prudent financial behavior. A person's ability to comprehend and use sound knowledge serves as the foundation for their judgments about their financial course of action. Individuals with sound financial understanding can make prudent decisions, such as increasing retirement savings, exercising caution when investing, and improving household money management. Conversely, poor financial literacy results in ineffective decisions, such as taking on high-interest loans and cutting back on savings.

Research conducted by Atkinson and Messy (2011) shows that financial literacy greatly influences financial behavior, such as managing savings and budgets and staying out of debt. Nations with higher levels of financial literacy also experience better financial inclusion. For example, people in Russia who were more financially literate handled their money better during the COVID-19 pandemic by saving more for emergencies and cutting back on non-essential spending (Klapper et al., 2013).

Adequate financial literacy increases the likelihood of survival for new business owners. A solid grasp of finance is essential for controlling cash flow and preventing costly errors that could lead to bankruptcy (Wise, 2013). The results of the study by Amri (2018) indicate that the financial performance of MSMEs in Surabaya is highly influenced by financial literacy. Higher financial literacy among MSMEs is associated with improved financial management, particularly budgeting and financial recordkeeping. Similarly, research by Rasjid and Hadju (2024) shows that financial management in food and beverage MSME actors in Gorontalo City is influenced by financial literacy. Financial literacy is a capability that enables individuals to manage their income to achieve financial improvement effectively. It also positively impacts MSMEs' financial performance. The greater level of financial literacy comprehension MSME business actors possess, the more their financial management performance is enhanced

(Nugroho, 2022).

The results of the study by Hou (2023) also demonstrate that financial literacy affects the financial performance of MSMEs in Medan-Marelan City in 2023. The more often individuals engage in financial literacy activities, the better their knowledge related to financial management, which positively impacts the financial management of a business or activity. With high financial literacy, MSME owners can improve financial performance and business growth. Financial literacy helps entrepreneurs in more effective financial management, including cash management and investment decisions (Fatoki, 2012). Additionally, MSMEs with sound financial literacy can better adapt to financial innovations, thereby increasing their business's competitiveness and sustainability (Eniola & Entebang, 2015).

Personality Affects Financial Behavior

Test results for hypothesis 2 (H2) show that personality affects financial behavior. This study's results align with research conducted by Shahu (2023), which provided empirical evidence that the personality traits of extroversion and conscientiousness significantly positively impact the investment decision-making process of retail investors. Similarly, neuroticism has a statistically significant positive impact on an investor's investment decisions at the ten percent significance level. A study by Khasanah and As' ari (2024) further supports these findings, demonstrating that personality variables positively and significantly influence financial management behavior. This underscores the importance of understanding how personality traits affect financial decision-making and management practices, particularly among entrepreneurs in the culinary sector.

As anticipated, findings also suggest that conscientiousness and locus of control significantly influence financial attitudes and behaviors. Moreover, neuroticism, agreeableness, and openness were identified as significant factors, while extroversion was shown to influence consistent savings behaviors. These findings corroborate the hypothesis that personality significantly influences financial matters (Davey & George, 2011). Research by Mulyadi et al. (2024) also highlights that financial behavior is a critical factor positively influencing MSME performance. This emphasizes the importance of how MSME owners manage their finances and make decisions regarding their financial activities.

Positive financial attitudes, often shaped by personality, correlate with proactive financial behaviors essential for business sustainability (Sesa et al., 2024). Financial attitudes are a direct factor in studies, indicating that individuals' perceptions and feelings toward money management play a crucial role in shaping their financial behavior (Handayani, 2024). Similarly, Obenza et al. (2024) examined the relationship between five personality traits—extroversion, agreeableness, openness, conscientiousness, and neuroticism—and financial well-being. Their findings revealed that only extroversion and neuroticism are significantly and positively associated with financial well-being.

Fintech Cannot Moderate the Relationship Between Financial Literacy and Financial Behavior

Testing hypothesis 3 (H3), the findings indicate that fintech cannot moderate the relationship between financial literacy and financial behavior. This study aligns with Jünger and Mietzner (2020), who found that fintech adoption did not moderate the correlation between German consumers' financial behavior and financial literacy. While fintech increases access to financial services, it does not alter financial habits in individuals who lack financial literacy. Similarly, research by Kulshrestha (2023) highlights that in underdeveloped nations, fintech does not significantly affect the relationship between financial activity and financial literacy. Kulshrestha's analysis shows that fintech can enhance financial literacy and inclusion among low-income households in India by offering low-cost and convenient financial services, such as mobile banking and digital payments. However, challenges like inadequate digital infrastructure and internet connectivity in rural areas hinder its accessibility.

Further research supports the notion that financial literacy significantly influences financial behaviors, including the intention to use fintech services. For instance, Abadi and Saida (2024) revealed that millennials with higher financial literacy make better financial decisions, such as budgeting, saving, and investing, despite the risks associated with fintech services, such as fraud and misuse. Adiandari & Okvitawanli (2023) and Limantoro & Damayanti (2023) noted that financial literacy can mitigate these risks by enhancing users' understanding of fintech products. However, studies also emphasize the role of digital competency. While it improves MSME performance, it does not moderate the relationship between financial literacy and financial behavior concerning MSME performance (Mulyadi et al., 2024).

Digital financial literacy encompasses the knowledge and skills necessary to navigate fintech effectively. This includes understanding digital financial products, recognizing risks, and knowing consumer rights in digital transactions (Prykaziuk & Khodakivska, 2023). For instance, digital product awareness involves understanding services like peer-to-peer lending and mobile banking (Tabassum & Ali, 2024). Risk management focuses on mitigating digital financial risks, such as data privacy concerns and fraud (Prykaziuk & Khodakivska, 2023), while consumer rights awareness ensures protection in digital financial transactions.

Research by Jose & Ghosh (2024) and Koskelainen et al. (2023) suggests a positive correlation between enhanced financial behaviors and digital financial literacy. Individuals with higher digital financial literacy are more likely to demonstrate improved financial decision-making and self-efficacy, thereby enhancing financial well-being. However, digital finance presents challenges, especially for individuals lacking digital skills, potentially exacerbating inequalities despite the potential for financial inclusion. To bridge this digital divide, targeted educational initiatives are necessary to promote equitable access to financial resources (Tabassum & Ali, 2024).

Fintech Cannot Moderate the Link Between Personality and Financial Behavior
The fintech t-test resulted in a significant value of 0.019 after testing hypothesis 4 (H4). The results indicate that fintech cannot moderate the link between personality and financial behavior when adjusted to the moderating variable determination criteria table.

This study's findings align with Khaleel and N (2024), who demonstrated that traits such as extraversion and conscientiousness influence investment decisions among the Big Five Personality Traits. Conscientious individuals are more inclined to make systematic, long-term financial decisions, whereas extraverted individuals may prefer riskier investments influenced by social signals. Singh (2024) highlights behavioral finance factors such as emotional and psychological distortions—herd behavior and overconfidence—which can result in inefficient financial decisions.

While fintech tools offer real-time data and analytics that amplify the effects of financial literacy on investment decisions, the interaction between personality traits and fintech usage suggests that technology can enhance decision-making for individuals with strong financial knowledge. Nevertheless, emotional biases can still lead to suboptimal outcomes, emphasizing the importance of balanced financial education and awareness (Ariwangsa et al., 2024).

Fintech adoption has been linked to enhanced financial well-being, mediating the relationship between technological use and sustainable financial practices. This improved financial well-being fosters sustainability in small businesses, demonstrating broader implications for fintech adoption (Sharma et al., 2024). Digital financial literacy, in particular, mediates the relationship between fintech adoption and access to financial services, which is essential for promoting financial inclusion. However, disparities in financial literacy and access to technology can exacerbate unequal outcomes, highlighting the need for targeted interventions to ensure equitable fintech innovations (Adhikari et al., 2024).

Financial literacy is pivotal for responsible fintech usage. Studies show that higher perceived financial literacy correlates with increased adoption of fintech services. Integrating fintech in financial education can enhance financial literacy, thereby promoting better financial decision-making (Prabhakaran & Mynavathi, 2023). Conversely, impulsive purchasing behaviors are adversely affected by economic literacy. However, fintech may mediate this relationship by facilitating impulsive behaviors, even among individuals with strong financial literacy. The ease of access to financial services through fintech introduces risks of impulsive purchasing, particularly for individuals with low economic literacy. These potential hazards underscore the need to evaluate fintech's impact critically, balancing its advantages against risks of impulsive financial behavior (Farid et al., 2024).

Personality traits, including risk tolerance and financial attitudes, also influence financial behavior, shaping how MSMEs engage with fintech solutions (Handayani, 2024). Understanding these traits can inform the development of tailored financial education programs to improve financial management practices among MSMEs. Conversely, fintech, while advantageous, may also increase complexity in financial decision-making for MSMEs lacking digital literacy. This underscores the need for comprehensive training and support systems to enable MSMEs to leverage fintech effectively for growth (Nadiyani & Lubis, 2024).

CONCLUSION

This research empirically examines whether fintech can enhance the financial behavior of MSMEs in Jayapura City and Jayapura Regency. Financial literacy is a key determinant of financial behavior, as individuals with adequate financial knowledge are more likely to manage their cash flow effectively and avoid costly errors that could lead to bankruptcy. For new business owners, financial literacy is particularly crucial for survival.

Personality also significantly influences financial behavior, with conscientiousness, neuroticism, and openness playing a major role in investing, debt management, and saving. Among MSME entrepreneurs, conscientiousness and openness are particularly beneficial, fostering sound financial conduct, effective capital management, and informed investment decisions.

The findings indicate that fintech does not moderate the relationship between financial literacy and financial behavior. Despite the growing adoption of fintech, financial literacy remains a critical factor influencing financial decisions. Digital technologies alone cannot bridge the knowledge gap in finance, essential for making informed financial choices.

Similarly, fintech does not moderate the relationship between personality and financial behavior. Although fintech usage is rising, personality traits such as neuroticism and extroversion influence financial conduct more. These inherent traits outweigh the impact of technology in shaping economic behavior, further confirming that fintech cannot alter the association between personality and financial behavior.

The results of this study demonstrate the significance of financial behavior training and the enhancement of digital competencies for MSMEs. These results can serve as a benchmark for local governments and universities to provide financial management and digital competency training to MSME actors to enhance regional financial inclusion.

LIMITATION

This research was only conducted on MSMEs in the city and region of Jayapura, so its results do not describe the overall results of MSME actors in other regions in Papua Province.

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The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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