

The Role of Financial Management Behavior in Mediating the Relationship Between Financial Attitudes and Financial Literacy: Study of MSMEs using E-Wallets in Pontianak City - Indonesia

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ABSTRACT

This study aims to examine the role of financial management behavior, and whether it can mediate the relationship between financial attitudes and financial literacy. The independent variable in this study is financial attitudes, the dependent variable is financial literacy and the mediating variable is financial management behavior. This study uses a quantitative design with the WarpPLS analysis tool. The data collection method used by distributing questionnaires with the Likert scale, this study had a total of 200 respondents who managed MSMEs in Pontianak City. The results of this study are financial attitudes have a significant influence on financial management behavior, and financial management behavior can mediate the relationship between financial attitudes and financial literacy of MSMEs in Pontianak City. Appropriate financial management behavior will have an impact on the ability of MSMEs to manage their finances. So that, with the application of the right financial attitude, the increase in knowledge about financial literacy will be better.

Keywords: Financial Management Behavior, Financial Attitudes, Financial Literacy

INTRODUCTION

Research gaps were found (Ali, Rahman, & Bakar, 2014; Ameliawati & Setiyani, 2018; BinoyThomas & Subhashree, 2020; Tuffour, Amoako, & Amartey, 2020), between financial attitudes toward financial literacy, where the relationship between these two variables still tends to be weak. It should be logical that the better one's financial attitude, the higher the ability of one's financial literacy, which means that the relationship between the two variables should be very strong and close. This study tries to cover this research gap by trying to cover it by offering the use of a mediating variable with the name "Financial management behavior" (Bapat, 2020).

A financial attitude is a person's behavior in responding to every use of the money they have, especially when they are in a surplus position and a deficit position. The ability to control oneself to remain able to think logically and rationally is an important thing to do. Do not let the use and placement of money you have become inappropriate, namely by behaving extravagantly and placing it in investment instruments that are high risk and unclear. Likewise, when we are in a deficit situation, every action we take to overcome any perceived financial problems must rely on a logical and rational mindset in managing the remaining finances.

Financial management behavior is a person's character and mindset in deciding how to manage his finances. Every decision you choose will lead to your understanding and knowledge of financial management. Good or bad, right or wrong, and high risk or low risk will return to their respective profiles. This study tries to make the behavioral financial management variable a mediating variable, to strengthen the relationship between financial attitudes and financial literacy, which initially had a weak relationship, but became stronger.

Financial literacy is a person's skill in understanding and implementing correct patterns and decisions about how to manage finances appropriately, effectively, and efficiently. Mastery of the right way to deal with every problem you have is a crucial thing to do. Expertise in the use of various investment products, financial institutions, and financial technology in the form of software and hardware is important, to be able to know the various facilities owned, mainly related to the risks that will be faced in every financial decision that has been made. Financial literacy is very important and urgent to study seriously so that we can understand how to take advantage of every existing financial product, institution, and technology.

Low financial literacy has an impact on the public's lack of awareness and thoroughness towards various investment offers. This causes many of them to be deceived and trapped by joining people who offer high-yield services in a short time. Based on data from the investment alert task force, which calculated the number of fraudulent investments that caused public losses to reach 45 trillion rupiahs. Where, one of the fraudulent investment cases that deceived many people was the Golden Trader Indonesia Syariah in 2010, in this case, managed to deceive 1,800 customers and collect funds estimated at up to 10 trillion rupiahs. Other fraudulent investment cases are Pandawa Depok Group which raised trillions of rupiah in funds, Dream For Freedom, and PT Kam and Kam (Memiles) (Putri, 2020). The investment alert task force explained that the number of public funds invested in illegal investment companies that were not registered with the financial services authority, for the period 2009 to 2019 was 92 trillion rupiah (Fadliansyah, 2020).

This study aims to empirically examine the role of the mediating variable. Financial management behavior can play a full role in linking financial attitudes and financial

literacy?. The next goal is to find out whether MSMEs in Pontianak City that use e-wallet facilities have the right financial management behavior?. This goal is important to do so that we can know the extent to which MSME managers have the awareness to learn about good financial management and how to place and apply appropriate and efficient financial behavior.

LITERATURE REVIEW

In this literature review, the author will examine several research findings that the author considers important and relevant to be explained in this research. This empirical study will start with the findings of the latest research related to financial literacy, especially those related to gender, this finding is interesting and even raises a research gap because it turns out that men dominate in the context of mastering financial literacy and investment compared to women. The results of his research are, where women are more likely to have lower levels of financial literacy than men (Lotto & Tokic, 2020), then the participation of female investors compared to male investors is very low (Muhammad Junaid, Dr. Faheem, & Syed, 2020), women score lower on several financial literacy variables and are more dissatisfied financially (Škreblin Kirbiš, Vehovec, & Galić, 2017) Men are more likely to have a higher level of financial literacy than women (Lotto & Tokic, 2020), The participation of female investors compared to male investors is very low (Muhammad Junaid et al., 2020), men score higher on several financial literacy variables and are more satisfied financially (Škreblin Kirbiš et al., 2017), the tendency to do financial planning is more dominated by male respondents than female respondents (Arpana & Swapna, 2020), men are more financially knowledgeable than women, but women are more positive than men in terms of financial behavior and financial attitudes (Kadoya & Khan, 2020), female students tend to display lower levels of personal financial literacy than male students because they have lower self-confidence and less interest in learning about Personal Finance (Mändmaa, 2020), male respondents have higher financial literacy than female respondents (Rasool & Ullah, 2020).

In the next empirical study, the author will begin to focus on the investor context for the United Arab Emirates (Hassan Al-Tamimi & Anood Bin Kalli, 2009), explaining that there is a significant relationship between financial literacy and investment decisions. The most influential factor in investment decisions is religious reasons and the least influential factor is rumors. In the context of investment and pension fund management (Natalie Gallery, Brown, Furneaux, & Palm, 2011), explaining the understanding of financial literacy that is still at the basic level, will be related to low investment knowledge and pension fund management. Then for a case study on household consumers in the Netherlands (van Rooij, Lusardi, & Alessie, 2011), the majority of respondents in this research have the basic financial knowledge and an understanding of compound interest, inflation, and the time value of money. However, there are still respondents who do not know the difference between bonds and stocks, the relationship between bond prices and interest rates, and the basics of risk diversification. The context of the Turkish country on SMEs (Bayrakdaroğlu & Şan, 2014), explains that managers with higher levels of financial literacy show greater participation in the stock market. Still, the context in Turkey (Aren & Zengin, 2016), obtained a significant relationship between financial literacy and investment preferences. Where, if the level of financial literacy of investors is low, then they will prefer deposits and foreign currencies. On the other hand, when the level of financial literacy increases, investors tend to own a stock portfolio or buy equities. Meanwhile, risk-averse investors tend to only have deposits.

Financial management behavior is a person's character and mindset in deciding how to manage his finances. The following is a questionnaire that makes up the variables of financial management behavior (Bapat, 2020):

1. Compare prices when purchasing products and services
2. Pay your bills on time
3. Record your monthly expenses
4. Stay on or within your budget
5. Pay off your credit card balance in full every month
6. Compare prices when buying products and services
7. When borrowing from a friend, return it on time
8. I have an emergency savings fund
9. I am saving money from all my paychecks and benefits
10. We save for long-term goals such as cell phones, cars, education, and homes.

Financial attitude (Tuffour et al., 2020) can be defined as the application of financial principles to create and sustain value through sound decision-making and resource management (Anthony, Ezat, Junid, & Moshiri, 2011). Financial attitudes such as risk aversion, time orientation, socioenvironmental factors, and exercise all contribute to better performance. Small business owners are motivated to learn more about financial management, resulting in higher profitability and better business performance. Financial literacy has been postulated as an essential requirement for positive financial attitudes of managers (Hathaway & Khatiwada, 2008). Financial attitude is the ability to evaluate new and evolving financial instruments (Eniola & Entebang, 2017).

Financial attitude (BinoyThomas & Subhashree, 2020) refers to an individual's mental or psychological assessment of financial problems. A person's attitude towards money influences their level of financial literacy. If a person value earning money and is determined to achieve material (financial) goals, he or she strives to achieve higher financial literacy. People who look at money only to meet immediate needs are less likely to seek to improve their financial literacy. Financial attitude is a person's behavior in responding to the use of money, especially when in surplus or deficit.

The following is a questionnaire on the variables of financial attitudes (Ali et al., 2014):

1. Money brings luck in life
2. Always know how much money you have in your wallet/purse/pocket
3. I always know how much money I have in my savings account each day. I feel compelled to argue and haggle over the price of almost everything I buy.
4. Cost is the first consideration when buying for any purpose
5. After buying something, you wonder if you can get the same thing for less
6. I don't want to lend money
7. I often fantasize about money and what I can do with it.

Financial literacy is a person's skill in understanding and implementing the right patterns and decisions about how to manage finances appropriately, effectively, and efficiently. The following is a questionnaire that composes financial literacy variables (Rahman, Isa, Masud, Sarker, & Chowdhury, 2021):

1. Balance sheet shows your financial situation
2. Spend more money when you use your savings to buy your daily necessities
3. Buying insurance is the best investment.
4. Life insurance that protects policyholders from financial burden
5. Having a credit card increases your purchasing power
6. A person who can use his 20% or more of his monthly income for installments
7. All kinds of investments are profitable.
8. You can borrow money to invest
9. Malaysia only has a traditional banking system

10. He must save three months' income for family emergencies.

RESEARCH METHOD

In this research, the writer uses a quantitative research form. For the form of quantitative research, the author uses a survey method, with the form of an associative problem formulation and with a causal relationship model. This research uses an exogenous variable with the name financial attitude, the endogenous variable is financial literacy and the mediating variable is financial management behavior. The sample selection used a non-probability sampling technique, with a purposive sampling model. Using a measurement scale with a Likert scale (1-7), with a data collection model in the form of a questionnaire. Place of research in Pontianak City. This research was conducted in April, May, June, and July 2022.

Based on the nature of the type of data this research uses quantitative data with survey methods. Based on the measurement scale of this type of research data using interval data, using parametric statistics. Based on the source, this type of research data uses primary data. The population in this research is all MSMEs in Pontianak City, as many as 39,868 (2021). Determination of the number of samples, the authors use the formula of Isaac and Michael (Sugiyono, 2013, pp. 158-159).

$$S = \frac{\lambda^2 * N * P * Q}{d^2 * (N-1) + \lambda^2 * P * Q} = \frac{3,841 * 39,868 * 0,5 * 0,5}{0,05^2 * (39,868-1) + 3,841 * 0,5 * 0,5} = \frac{38.283,25}{100,63} = 381 \text{ respondent}$$

Note:

S = Number of samples, $\lambda^2 = 3.841$, N = Total population, P = probability of being correct (0.5), Q = probability of being wrong (0.5), d = 0.05

With various limitations of cost and time, from a total of 381 respondents, the author only able to get a sample of 200 respondents, which will be used as sample in this research. The research uses analytical techniques with quantitative methods. Where for quantitative research, using the WarpPLS 7.0 analysis tool, because this research is more focused on exploring the preparation of variables with names that function as mediating variables to cover the gaps in previous research. In addition, the WarpPLS software is included in the software that uses the statistical method "Exploratory Factor Analysis" (EFA), whereby choosing this method the author has the flexibility and freedom to explore well, compared to using the statistical method "Confirmatory Factor analysis" (CFA). The following shows the research model used.

RESULTS

Table 1. Electronic Wallet Users

E-WALLET		
	F	%
Dana	45	22.5
Doku	1	0.5
GoPay	52	26
JakOne Mobile	2	1
Jenius	3	1.5
Lainnya..	4	2
Link Aja	5	2.5

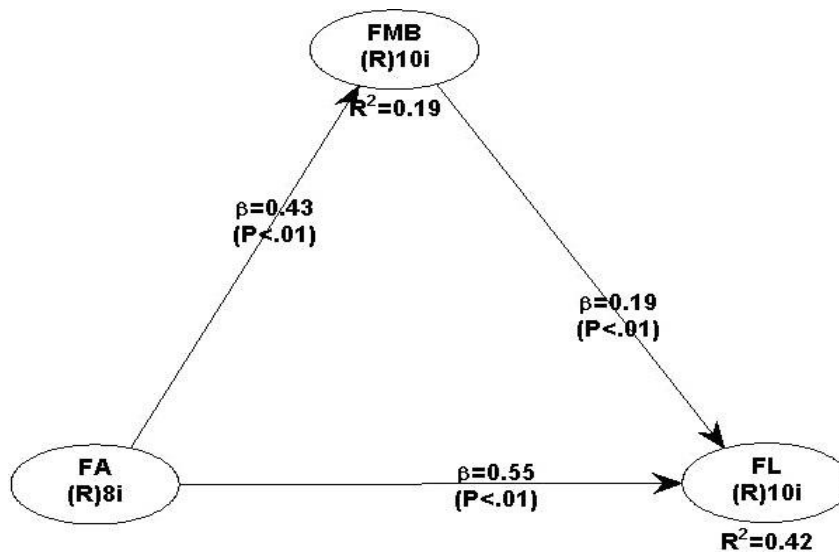
OCTO Go Mobile	1	0.5
OVO	26	13
Paytren	1	0.5
Sakuku	2	1
Shopee pay	58	29
Total	200	100

Table 2. Characteristics of Respondents

LOCATION		
	F	%
West Pontianak	40	20
Pontianak City	66	33
South Pontianak	42	21
Southeast Pontianak	20	10
East Pontianak	18	9
North Pontianak	14	7
Total	200	100
CATEGORY		
Small	76	38
Medium	36	18
Micro	66	33
Ultra Micro	22	11
Total	200	100
AGE (years)		
0 - 1	60	30
1 - 2	75	37.5
10 >	8	4
3 - 5	43	21.5
5 - 10	14	7

TYPE		
	F	%
Automotive	7	3.5
Electronic	7	3.5
Fashion	45	22.5
Furniture	3	1.5
Information Technology (IT)	3	1.5
Daily needs	11	5.5
Health	3	1.5
Culinary	72	36
Other	15	7.5
Food and Drink	24	12
Agriculture	6	3
Property	4	2
Total	200	100

Figure 1. Research Model Result



Note: FMB: Financial management behavior, FA: Financial Attitude, FL: Financial Literacy

DISCUSSION

Table 3. Latent variable coefficient

	FMB	FA	FL
R-squared	0.188		0.417
Adj. R-Squared	0.184		0.411
Composite Reliab.	0.832	0.767	0.841
Cronbach's Alpha	0.778	0.654	0.789
Avg. var. extrac	0.346	0.295	0.36
Full collin. VIF	1.213	1.601	1.619

By referring to table three, for R^2 in model one it is 18.8%, but in model two it has increased to 41.7%, however, the R^2 figure is still in the moderate category (Latan & Ghazali, 2017, p. 92). The reliability test in PLS uses two methods, with composite reliability and Cronbach's alpha, if a number is found between 0.7 - 0.9 then it is very good (Hair et al., 2021, p. 77). For average variance extracted (AVE), it is said to be good if it has a value above 0.5 (Hair et al., 2021, p. 78). For the value of full collinearity (VIF) is said to be good if it has a value below the number 5 (Hair et al., 2021, p. 93).

Table 4. Regression Results

Hypothesis	Direction	Path-Coef.	P-Value	Results
H1	FA → FMB	0.434	<0.001***	Accepted
H2	FA → FL	0.546	<0.001***	Accepted
H3	FMB → FL	0.194	0.002***	Accepted
	FA → FMB → FL	0.084	0.044**	Accepted

Note: FMB: Financial management behavior, FA: Financial Attitude, FL: Financial Literacy, *** 1% significant, ** 5% significant.

By referring to table four, it is found that all hypotheses are accepted, where each independent variable has a significant effect on the dependent variable. The relationship between variables that has the largest path coefficient value is Financial

Attitude towards Financial Literacy (0.546), then the one with the lowest path coefficient value is financial management behavior towards Financial Literacy (0.194).

CONCLUSION

Financial management behavior variables can mediate significantly, on the relationship between Financial Attitude and Financial Literacy, and is included in the partial type of mediation, because the relationship between Financial Attitude and Financial Literacy already has a significant influence, before the financial management behavior variable is included.

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DECLARATION OF CONFLICTING INTERESTS

I declare that there is no conflict of interest in certain parties related to the results of this research and I am responsible for various things that will happen in the future.

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