

The Influence of Financial Literacy on Personal Financial Management Competence through the Financial Attitude of SME Owners in Ambon City

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ABSTRACT

The saving behavior of the millennial generation in Ambon City is relatively low since it is influenced by several factors. This research aims to examine and analyze whether financial literacy influences personal financial management competence, whether financial literacy influences financial attitude, whether financial attitude influences personal financial management competence, and whether financial literacy influences personal financial management competence through the financial attitude of SME owners in Ambon City. This research applied a quantitative descriptive method. The number of samples is forty SMEs in Ambon City. This study tested the hypothesis using the Path Analysis model with 1 mediating variable.

The research results showed that the financial literacy variable did not influence financial management competence directly and significantly, the financial literacy variable influenced financial attitude directly and significantly, the financial attitude variable influenced financial management competence directly and significantly, the financial literacy variable influenced financial management competence directly and significantly through the financial attitude of SME owners in Ambon City.

Keywords: Financial Literacy, Personal Financial Management Competence, Financial Attitude.

Date of Submission: 07-06-2024

Date of acceptance: 21-06-2024

I. INTRODUCTION

Small and Micro Enterprises (SMEs) in Ambon City do not have yet adequate capabilities to carry out their roles effectively. SMEs still face structural obstacles in controlling production factors, especially in terms of capital. Moreover, there are several problems like the financial management behavior of SME owners. Financial management behavior is considered one of the important concepts in the financial discipline.

Financial management behavior is influenced by determining factors as a reference, including adequate mastery of knowledge, financial attitude in spending money, and income management as a controller of attitude and intelligence. These three factors are interconnected with one another. Financial education is not developing optimally and is rarely found in both academic and non-academic institutions. In achieving the organization's mission and vision, it is necessary for the individuals involved to improve themselves, in terms of knowledge and attitudes.

II. THEORY

According to Rapih (2016) in (Napitupulu et al., 2021) financial literacy is shown in the form of the ability to choose financial needs, discuss financial problems, plan for the future and respond wisely to daily life events that affect daily financial decisions. Gunawan, Pulungan and Koto (2019) in (Napitupulu et al., 2021) state that financial management based on understanding financial management can help make financial decisions properly and regularly. Previous research that discusses the effect of financial literacy on financial management behavior is research (Anggraeni & Tandika, 2019) in their research which states that financial literacy has a significant effect on financial management behavior.

Theory of planned behavior explains that the control possessed by individuals leads individuals to have better attitudes. Financial knowledge will lead individuals to use financial management principles as control over the financial conditions that individuals have. Meanwhile, according to Marsh (2006) in (Herdjiono & Damanik, 2016) attitude refers to how a person feels about personal financial matters. Previous research that discusses the effect of financial literacy on financial attitudes is from Tang and Baker (2016) which shows that financial

knowledge has a positive influence on a person's financial attitudes. In his research, it is explained that someone with high financial knowledge will spur the formation of a positive attitude towards finance. This financial attitude can be formed on the basis of the knowledge possessed. This is also in line with research from Agtya Rindivenessia (2021) which shows the results of high financial knowledge will affect good financial behavior with financial attitudes as a mediating variable.

According to Marsh (2006) in (Herdjiono & Damanik, 2016) attitude refers to how a person feels about personal finance issues. Meanwhile, financial management behavior refers to how a person behaves in relation to personal finance matters, measured by the actions of the individual. Meanwhile, Madern and Schors (2012) in (Herdjiono & Damanik, 2016) state that financial attitudes affect financial problems such as arrears in bill payments and lack of income to meet needs. Previous research that discusses the effect of financial attitudes on financial management behavior, namely research (Budiandriani & Rosyadah, 2020) which states that financial attitudes have a positive and significant effect on the financial management behavior of micro, small and medium enterprises and in research by Eni Puji Estuti, et al, 2021 entitled Analysis of Financial Knowledge, Personality and Financial Attitudes towards Financial Management Behavior states that the Financial Attitude Variable has a positive and significant effect on the Financial Management Behavior variable..

Huston (2007) states that a high level of financial literacy will result in good financial management. Proper financial management which is certainly supported by good financial literacy is able to improve living standards and income levels. Vincentius and Nanik Linawati (2014) concluded that individuals with higher financial knowledge tend to be wiser in their financial behavior when compared to respondents who have lower financial knowledge. From previous research, it can be said that a high level of financial literacy has a positive influence on financial management behavior. The various problems experienced by MSME actors reflect the poor financial knowledge and financial attitudes of MSME actors which will affect their financial management behavior. Researchers used Path Analysis with the following paradigm:

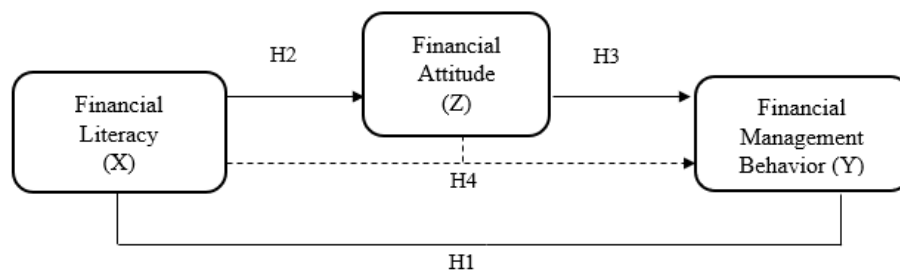


Figure 1. Paht Analysis Model

III. METHODOLOGY

The type of research used in this research is an associative quantitative approach (Nasution et al., 2020). Quantitative Research is a research method that, as the name implies, is required to use a lot of numbers, starting from data collection, interpretation of the data, in quantitative research the problem is not determined at the beginning, but the problem is found after the researcher goes to the field and if the researcher gets a new problem, the problem is re-examined until all problems have been saturated and have been answered.

The sample in this study used purposive sampling method, where this method is done by taking samples based on certain criteria including, namely: SME owners who are in Ambon City, especially Kec. Sirimau, Businesses owned for at least 5 years, Have knowledge of financial management and Have financial records that help in financial management. By using the partial Least square analysis tool with the mediation model.

IV. RESULT

Convergent validity test, discriminant validity test, and reliability test need to be done in order to prove whether the measurement model is a good model or not.

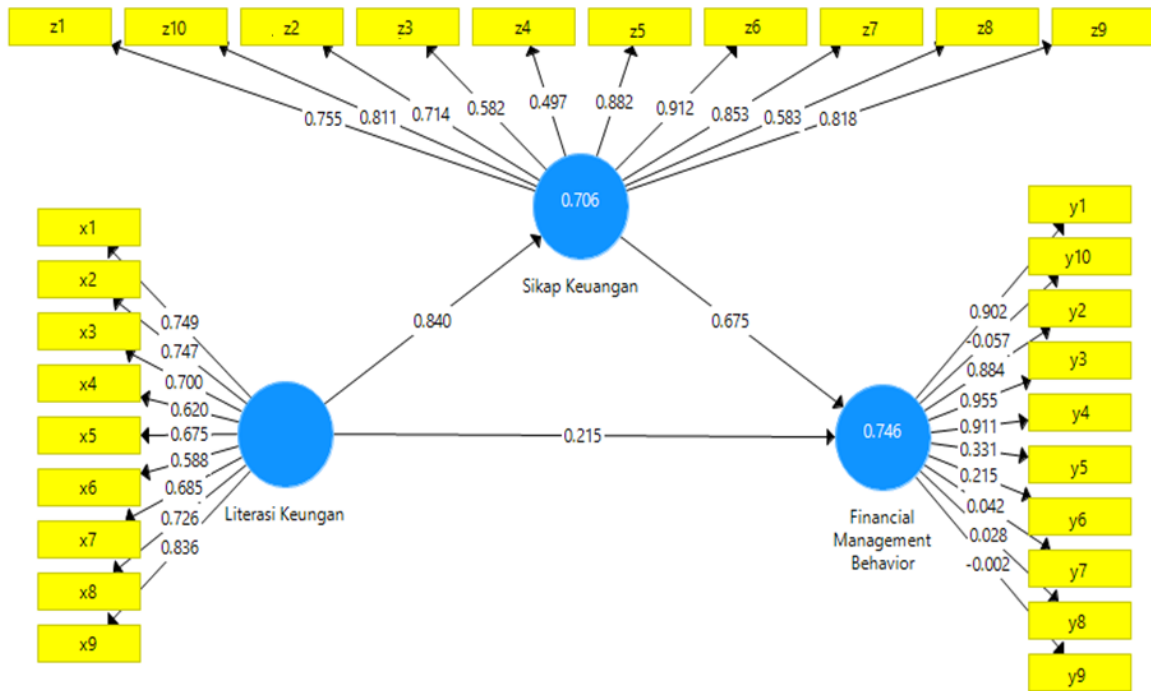


Figure 1, Outer Model Test

Based on the table above, there are 5 indicators of Financial Literacy (Literasi Keuangan) that have a loading factor value <0.70 , namely indicators with code X3, X4, X5, X6, and X7, there are 6 indicators of Financial Behavior Management that have a loading factor value <0.70 , namely indicators with code Y5, Y6, Y7, Y8, Y9, and Y10 and there are 3 indicators of Financial Attitude (Sikap Keuangan) that have a loading factor value <0.70 , namely indicators with code Z3, Z4 and Z8.

Based on Figure 2 below, all indicators of Financial Literacy and Financial Management Behavior already have a loading factor value >0.70 , only in the Financial Attitude variable there are still indicators that are less than <0.70 , namely the Z2 indicator, so the Z2 indicator must be removed from the model, and conduct a model improvement test again.

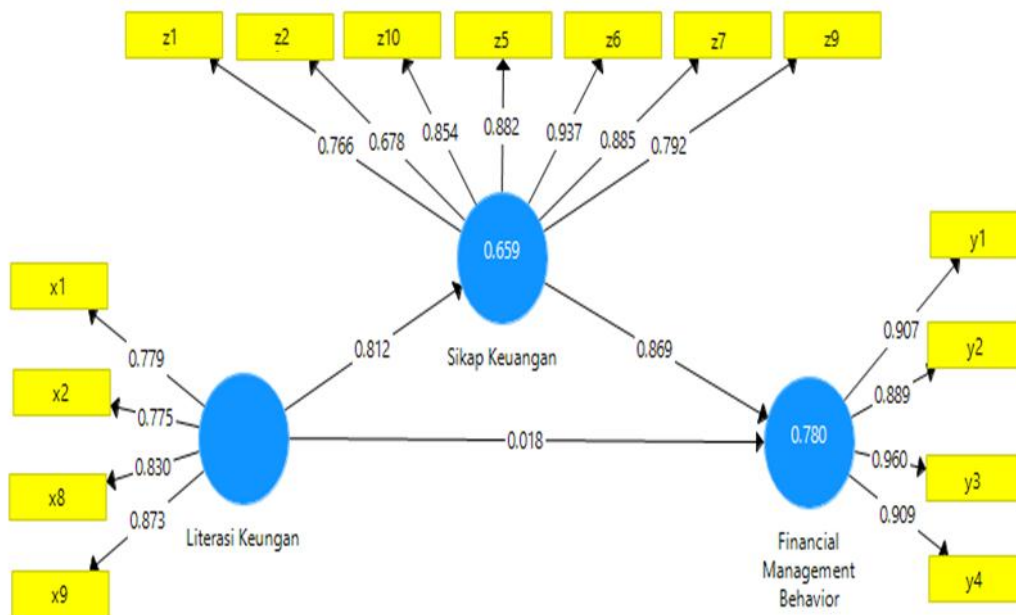


Figure 2. Outlier test improvement model

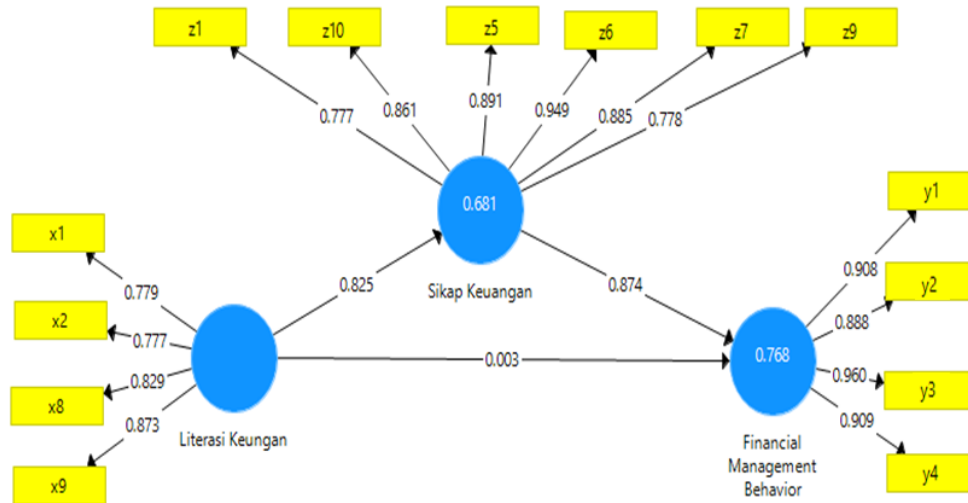


Figure 3. Outlier test improvement of the 2nd model

Table 1. Construct Reliability and Validitas

| Variable | Cut-off | Cronbach's Alpha | Average Variance Extracted (AVE) | Description |
|----------|---------|------------------|----------------------------------|-------------|
| Z | 0.50 | 0.928 | 0.738 | Fulfilled |
| Y | 0.50 | 0.936 | 0.840 | Fulfilled |
| X | 0.50 | 0.832 | 0.665 | Fulfilled |

Source : data processed, 2024

Based on the table above, it can be stated that the model meets the convergent validity criteria. The reliability test can use the Cronbach's Alpha value in table 4.7 which uses a cut-off of 0.50, it can be said that the reliability test is fulfilled because each variable has a value above 0.50 where the financial literacy variable has a Cronbach's Alpha value of 0.832, the Financial Management Behavior variable has a Cronbach's Alpha value of 0.936, and the financial attitude variable has a Cronbach's Alpha value of 0.928.

Table 2. Research Hypothesis Test

| Hypothesis | Coefficient | P-Value | Decision |
|--|-------------|---------|-----------------|
| Path Coefficients | | | |
| H1 : Financial Literacy → Financial Management Behavior | 0,003 | 0,985 | Not Significant |
| H2 : Financial Literacy → Financial Attitude | 0,825 | 0,000 | Significant |
| H3 : Financial Attitude → Financial Management Behavior | 0,874 | 0,000 | Significant |
| Specific Indirect Effects | | | |
| H4 : Financial Literacy → Financial Attitude → Financial Management Behavior | 0,721 | 0,000 | Significant |

Source : data processed, 2024

Table 3. R-square value

| Dependent Variable | R-square | R-square Adj. |
|-------------------------------|----------|---------------|
| Financial Management Behavior | 0,768 | 0,755 |
| Financial Attitude | 0,681 | 0,672 |

The R² value of 0.768 in the Financial Management Behavior model as the dependent variable indicates a fairly strong influence of the Financial Literacy variable on Financial Management Behavior through Financial Attitudes by 76.80% while the remaining 23.20% is influenced by other variables not discussed in this study. Then, the

model where financial attitudes as the dependent variable are influenced by financial literacy has an R-Square value of 0.681 or in other words in this study financial literacy affects financial attitudes by 68.10% and the remaining 31.90% is influenced by other variables outside the model studied.

V. CONCLUSION

Based on the results and discussion presented in the previous chapter, it can be concluded

- 1) That financial literacy variable did not influence financial management competence directly and significantly,
- 2) The financial literacy variable influenced financial attitude directly and significantly,
- 3) The financial attitude variable influenced financial management competence directly and significantly,
- 4) The financial literacy variable influenced financial management competence directly and significantly through the financial attitude of SME owners in Ambon City.
- 5)

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