

THE EFFECT OF FINANCIAL KNOWLEDGE, SELF-EFFICACY AND PERSONALITY ON FINANCIAL PERFORMANCE WITH FINANCIAL GOVERNANCE AS AN INTERVENING VARIABLE IN MSME ACTORS

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ABSTRACT

The purpose of this study is to analyze the effect of financial knowledge, self-efficacy and personality on financial performance with governance as an intervening variable in MSME actors. The results of this study are expected to provide contributions and benefits for business actors, especially MSMEs so that they can manage their finances well and can develop their business performance. The type of research used is quantitative. The object of this study is MSME actors in Malang City. In this study used primary data obtained through the distribution of questionnaires to respondents. The sampling method is non-probability sampling through purposive sampling techniques. This study involved 89 respondents. Using an analytical tool approach with the PLS method using SmartPLS 4 software. The results of this study indicate that financial knowledge has a positive and significant effect on governance, self-efficacy has a positive and significant effect on governance, personality has a positive and significant effect on governance and governance has a positive and significant effect on financial performance in MSME actors.

Keywords: Financial Knowledge; Self-Efficacy; Personality; Financial Governance and Financial Performance

1. INTRODUCTION

MSMEs are one of the supporters of the economy in Indonesia. The number of MSMEs is growing rapidly, but many have also gone bankrupt due to lack of entrepreneurial knowledge, business management, financial management and lack of updates on how to establish a business online. The positive impact of MSMEs is that they can open up employment opportunities, increase welfare and equal income (Fatimah & Susanti, 2018).

According to Andi (2022) there are four common problems faced by MSMEs when developing their businesses. The first challenge is lack of access to capital, the second is lack of sufficient sales and marketing capabilities, the third is distribution and logistics, and the fourth is human resource development. Where the main challenge is in the financial sector, so that people are forced to manage their finances as well as possible.

Financial management behavior has a psychological meaning for someone who can influence their financial and psychological decisions; this includes people who have the ability to change the way

they think and act when they make decisions by considering all relevant aspects (Aji, Aziz & Wahyudi, 2020). According to Suharno (2020) said "Around 90% of MSME owners do not know accounting, the result of errors in asset management. They cannot distinguish personal money from company money. Supervising the business only uses records and intuition". With this happening, if economic actors are asked about the profits they get, they cannot prove it in the form of finance but only proof in the form of assets.

Someone who can manage finances well is someone who has good financial knowledge, this can realize responsible behavior towards finance (Suryantari & Patni, 2020). The decision to achieve financial goals sometimes makes someone feel stressed or confused which ends with an emotional reaction appearing immediately. So before making financial decisions, someone must have the ability to control their emotions.

According to Linting et al., 2021, how an entrepreneur manages his own finances depends on his personality. An entrepreneur must have high confidence, focus on tasks and results, dare to take risks and be future-oriented. Someone who has extensive knowledge, is confident in their own abilities in completing tasks or solving problems and has a good personality can influence the financial management of their business well. So if the financial management is good, the financial performance of the business is also good.

From the description above, this study aims to determine the influence of financial knowledge, self-efficacy and personality on financial performance with financial governance as an intervening variable in Micro, Small and Medium Enterprises (MSMEs).

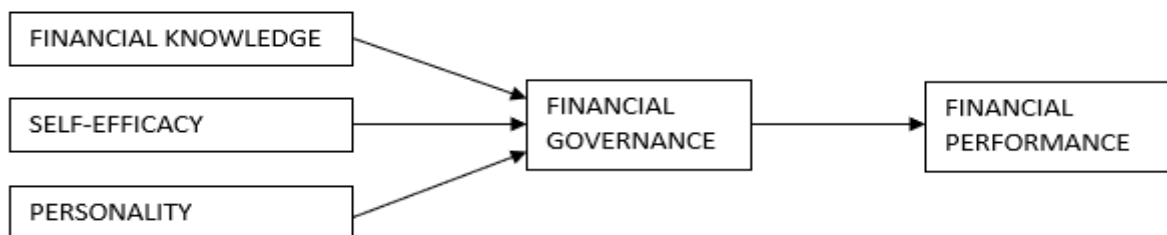


Figure 1. Research Model

2. MATERIALS AND METHODS

This type of research is quantitative research. Quantitative research is usually used to "measure" (Darmalaksana, 2020). This study aims to measure the level of success of the influence between independent variables and dependent variables by involving intervening variables. The independent variables are financial knowledge, self-efficacy and personality. The intervening variable is governance and the dependent variable is financial performance.

The population of this study includes MSME actors in Malang City. The data collection technique uses a questionnaire. The questions in the questionnaire include:

Table 1. Indicators and questions

Variable	Indicator	Questions
Financial Knowledge	The importance of planning for MSME	Do you agree that financial planning can help MSMEs to achieve their financial goals?
	MSMEs benefit from the sale	Is the profit of MSMEs from sales must be enough to meet operational costs?
	Expenditures made by MSMEs are operational costs	In your opinion, do MSME operational costs must include raw material costs, labor costs, rental costs, electricity costs, water costs, transportation costs and promotional costs?
Self-Efficacy	Dare to take risks	Are you willing to take the risk of innovating your MSME products or services?
	Have a leadership spirit	Do you have the talent to lead and motivate others?
	Future oriented	Are you able to identify and take advantage of opportunities that appear in the future for the development of MSMEs?
Personality	Has an open nature of input or criticism from consumers	Are you willing to accept input or criticism from consumers, both positive and negative?
	Have a vision in running a business	Do you have a clear vision of what you want to achieve with your business?
	Can evaluate the business and develop it	How much do you agree with the statement that you always evaluate your business periodically and you take action to develop your business based on the evaluation results?
Financial Governance	Independence	Do you agree that you have the freedom to make decisions in running your business?
	Systematic	Do you agree if the governance policy is well documented so that it can be accessed systematically by all parties?
Financial Performance	Sales Growth	Do you agree that sales growth is a performance indicator in measuring financial success?
	Capital growth	Do you agree that capital growth is the main indicator in evaluating the stability and development of MSMEs?

	Market growth	How much do you agree that market growth can affect business performance?
	Profit growth	Do you agree that profit growth is an important factor in assessing the financial performance of MSMEs?

To obtain the right MSMEs as research samples, researchers set several business criteria as follows:

- a) The business is run in the Malang City area
- b) The business has been operating for at least one year
- c) The company has performed well for a period of one year

Next, sample determination is carried out with the following stages:

1. Determining the ideal number of samples using the Hair et al., (2019) formula, which is 5 to 10 times the number of indicators. The indicators in this study are 15 indicators. So:
 - a) 5×15 to 10×15 samples
 - b) $5 \times 15 = 75$ to $10 \times 15 = 150$ samples

This means that the minimum sample limit is 75 to the ideal limit of 150 samples

2. Based on the criteria, researchers obtained 89 MSMEs with owners as respondents.

3. RESULTS AND DISCUSSION

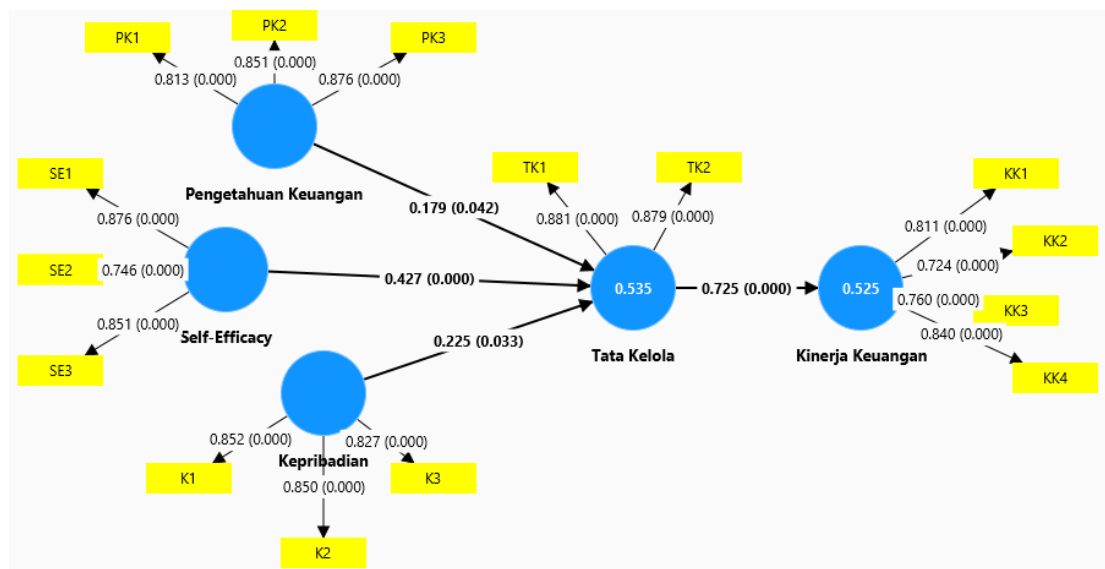


Figure 2. Path Diagram

Figure 2. Shows the results after the data was processed with the help of SmartPLS 4 software.

Table 2. Loading Factor Test Results

	Pengetahuan Keuangan	Self-Efficacy	Kepribadian	Tata Kelola	Kinerja Keuangan
PK1	0.813				
PK2	0.851				
PK3	0.876				
SE1		0.876			
SE2		0.746			
SE3		0.851			
K1			0.852		
K2			0.85		
K3			0.827		
TK1				0.881	
TK2				0.879	
KK1					0.811
KK2					0.724
KK3					0.76
KK4					0.84

The results of the loading factor test for each item, if it is above 0.70, can be declared valid.

Table 3. Composite Reliability Test Results

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Financial Knowledge	0.806	0.831	0.884	0.717
Self-Efficacy	0.77	0.803	0.865	0.683
Personality	0.799	0.812	0.881	0.711
Financial Governance	0.71	0.71	0.873	0.775
Financial Performance	0.791	0.794	0.865	0.616

In the measurement of Table 3. a variable is said to be reliable if it has a composite reliability value and Cronbach's alpha of more than 0.70. The level of convergent validity can be indicated by the AVE value, if the AVE value > 0.50 means that it has met the requirements of good convergent validity.

Table 4. R-Square Test Results

	R-square	R-square adjusted
Financial Governance	0.535	0.519
Financial Performance	0.525	0.52

If the R-Square results are in the range of 0.25 then it is in the weak category. If the R-Square is in the range of 0.50 then it is in the medium category. If the R-Square is more than 0.75 then it can be categorized as strong.

Table 5. Hypothesis Testing Results based on Path Coefficient

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Financial Knowledge -> Financial Governance	0.179	0.181	0.103	1.729	0.042
Self-Efficacy -> Financial Governance	0.427	0.429	0.102	4.173	0.000
Personality -> Financial Governance	0.225	0.227	0.122	1.837	0.033
Financial Governance -> Financial Performance	0.725	0.726	0.059	12.194	0.000

Table 6. Hypothesis Testing Results based on Specific Indirect Effects

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Financial Knowledge -> Financial Governance -> Financial Performance	0.13	0.13	0.074	1.741	0.041
Self-Efficacy -> Financial Governance -> Financial Performance	0.309	0.312	0.079	3.907	0.000

Personality	->					
Financial Governance	->	0.163	0.167	0.094	1.739	0.041
Financial Performance						

The test results in this study indicate that Financial Knowledge on Governance in MSME actors has a positive and significant effect. These results are indicated by the value of P Value of 0.042. This means that by utilizing financial knowledge in business activities that are studied and practiced, it can effectively influence the financial governance of these business actors. Thus, it can be stated that the first hypothesis (H1) is accepted

The Financial knowledge variable in this study is described in three indicators, namely the importance of financial planning for MSMEs, MSMEs gain profits from sales results, expenses incurred by MSMEs are operational costs. Of the three indicators, the indicator that is the dominant indicator is the importance of financial planning for MSMEs. Aspects that can be considered in financial planning include budget, profit and loss estimates, accounts receivable and payable management, determining funding sources such as personal capital, loans or investments, cost control and risk management.

Self-Efficacy on Governance in MSME actors has a positive and significant effect. The results are shown by the value of the P Value which is positive at 0.000. So, it can be stated that the second hypothesis (H2) is accepted. This means that there is a positive and significant influence between the self-efficacy variable and governance in MSME actors.

The self-efficacy variable in this study is described in three indicators, namely daring to take risks, having leadership and being oriented towards the future. Of the three indicators, the indicator that is the dominant indicator is having leadership. Leadership for business actors includes being able to take, analyze and consider the right decisions, motivating and caring about the team, being able to communicate effectively with all related parties so that they can build a solid team, overcome challenges better and advance the business effectively.

Personality on governance in MSME actors has a positive and significant effect. The results are shown by the value of the P Value which is positive at 0.033. So it can be stated that the third hypothesis (H3) is accepted. This means that there is a positive and significant influence between personality variables on governance in MSME actors.

The personality variables in this study are described in three indicators, namely having an open nature to input or criticism from consumers, having a vision in running a business, being able to evaluate the business and develop it. Of the three indicators, the indicator that is the dominant indicator is having an open nature to input or criticism from consumers. Input or criticism not only helps in retaining customers, but also attracting new customers through improving quality and good reputation.

The test results in this study indicate that Governance on Financial Performance in MSME actors has a positive and significant effect. The results are indicated by the value of the P Value which is positive at 0.000. Thus, it can be stated that the fourth hypothesis (H4) is accepted. This means that there is a positive and significant influence between the governance variable and the financial performance variable in MSME actors.

The governance variables in this study are described in two indicators, namely independence and systematic. Of the two indicators, the indicator that is the dominant indicator is independence. The

independence in question is by acting to make quick and precise decisions without relying on other parties and being able to manage effectively and efficiently by using time, energy, money so as to maximize results with available resources,

Meanwhile, for the financial performance variable in this study, it is described in four indicators, namely sales growth, capital growth, market growth and profit growth. Of the four indicators, the indicator that is the dominant indicator is profit growth. Where good company performance is a company that makes a profit or gain.

4. CONCLUSION AND SUGGESTIONS

Based on the results of the study "the influence of financial knowledge, self-efficacy and personality on financial performance with governance as an intervening variable in MSME actors" the conclusion is that each independent variable has a positive and significant effect on the dependent variable with governance as an intervening variable. Among the three independent variables, there is one variable that is the dominant variable, namely the self-efficacy variable.

Suggestions for business actors are to be more active in the business they run because this study is one of the proofs and added value that the importance of financial management on financial performance. Further researchers can consider or add other variables that are not discussed in this study.

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