The Effect of Financial Knowledge, Financial Confidence, and Learning Capacity on The Financial Behavior of MSMES in Pakpak Bharat Regency

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Abstract

This study examines the influence of financial knowledge, financial confidence, and learning capacity on the financial behavior of MSMEs in Pakpak Bharat Regency. This study uses primary data obtained by distributing questionnaires to 100 MSME actors in Pakpak Bharat Regency. The data analysis technique used is multiple linear regression analysis consisting of data instrument testing, classical assumption testing, and hypothesis testing. The results indicate that partially financial knowledge, financial confidence, and learning capacity positively and significantly affect financial behavior. Meanwhile, the simultaneous test results reveal that financial knowledge, financial confidence, and learning capacity significantly affect the financial behavior of MSMEs in Pakpak Bharat Regency.

Keywords: Financial Knowledge, Financial Confidence, Learning Capacity and Financial Behavior

1. Introduction

Financial management is vital in efforts to achieve prosperity. Good financial management is substantial because it can determine short-term and long-term financial goals and finances. According to Safitri and Sukirman (2018), short-term financial management can help control the desire to consume less necessary products, while long-term financial management can help plan for the future.

Financial management needs to be carried out in a disciplined and planned manner to achieve planned goals. The necessary stages in managing one's finances include recording assets or assets owned, recording all income and expenses, identifying monthly and annual routine expenses, preparing spending plans, saving periodically, planning programs for the future, and saving periodically for the future. According to Sina (2014), in carrying out financial management or good financial behavior, of course, it is something that must be implemented. A person who can make decisions in managing his finances will not experience difficulties in the future, and he shows healthy behavior so that he can determine priorities about what his needs and desires will be in the future.

Financial behavior (financial behavior) explains how a person treats, manages, and uses the financial resources they have, such as stated by Syuliswati (2020) that someone who has responsibility for his financial behavior will use money effectively by budgeting, saving money, and controlling expenses, making investments, and paying debts on time. In carrying out financial management, there must be financial planning to achieve either short-term or long-term goals.

Failure to manage one's finances will trigger financial difficulties, which will fail to achieve prosperity. The problem of financial management itself is known as financial behavior. However, in reality, there are still MSME actors who have not been able to run their businesses effectively because there is still a lack of knowledge about financial behavior, which often causes the failures of many MSME actors. Handayani et al. (2022) mention that financial management must be considered when managing a business. Financial management is a major problem for MSME actors due to the importance of financial management being ignored by MSME actors. MSME actors must manage and utilize their assets properly.

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Financial behavior itself arises from financial attitudes. Individuals who are not wise in responding to their financial problems tend to have bad financial behavior. According to Ersha (2016), financial behavior is a science that explains a person's behavior in managing finances from a psychological point of view and the habits of that individual or person. It explains how to make irrational decisions about their finances.

One of the factors influencing a person's financial behavior is knowledge of finance. If someone knows financial management, the person will tend to be wiser in decision-making about finances. According to Bahri (2020), financial knowledge or financial knowledge is very substantial in managing finances by applying good and correct financial management methods, and a person will be able to use the money he has to achieve goals. Previous research conducted by Handayani et al. (2022) concluded that financial knowledge positively and significantly affects financial behavior. Then the same results obtained by Wijaya and Yanuar (2021) found that financial knowledge influences financial behavior.

Another factor affecting a person's financial behavior is financial confidence. It is because the higher trust in financial management, the better behavior in managing finances. According to Puspita and Isnalita (2019), self-confidence related to financial aspects is a positive attitude toward knowledge and competence related to financial aspects, which appears in an individual's assessment of financial knowledge. Previous research conducted by Wijaya and Yanuar (2021) found that financial confidence positively and significantly affected financial behavior.

2. Methods

The data analysis method used in this study is a quantitative method using multiple linear regression analysis. This study uses primary data obtained by distributing questionnaires to MSME actors in Pakpak Bharat Regency with a sample of 100 respondents. The data analysis method is a method used to manage research results to obtain conclusions (Ghozali, 2018). The technique used in this study is multiple linear regression analysis to know how the independent variable influences the dependent variable using SPSS 26. Hypothesis testing uses statistical tests to determine whether to accept or reject the proposed hypothesis. The multiple linear regression equation in this study is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Description:
Y   : Financial Behavior
α : Constant
β : Regression Coefficient
X1   : Financial Knowledge
X2   : Financial Confidence
X3   : Learning Capacity
ε : Error Term

The variables used in this study are:

a.   Financial Knowledge

Financial knowledge is someone's mastery of their finances. Financial knowledge emphasizes the ability to understand the basic concepts of economics and finance and how to apply them appropriately. Financial knowledge indicators consist of general knowledge, personal finance, savings and loans, insurance, and investments (Sandi et al., 2020).

b.   Financial Confidence

Trusts are all the knowledge possessed by a person and all the conclusions made by a person about the objects, attributes, and benefits of finance. The indicators consist of reliability, honesty, caring, and credibility (Wijaya and Yanuar, 2021).

c.   Learning Capacity

The capacity to learn about finances in universities and other places will show a person's ability to have behavior towards his personal finances, which will appear from the way a person manages his finances well and knows his financial arrangements with indicators consisting of being able to manage the money earned, inviting other people to work, invite others to save, make a simple budget, and donate (Erawati and Susanti, 2017).

d. Financial Behavior

Financial behavior is a science that studies how humans behave in the decision-making process in investing in the information they receive. The indicators consist of consumption, cash flow management, savings and investment, and debt management (Dew and Xiao, 2011).
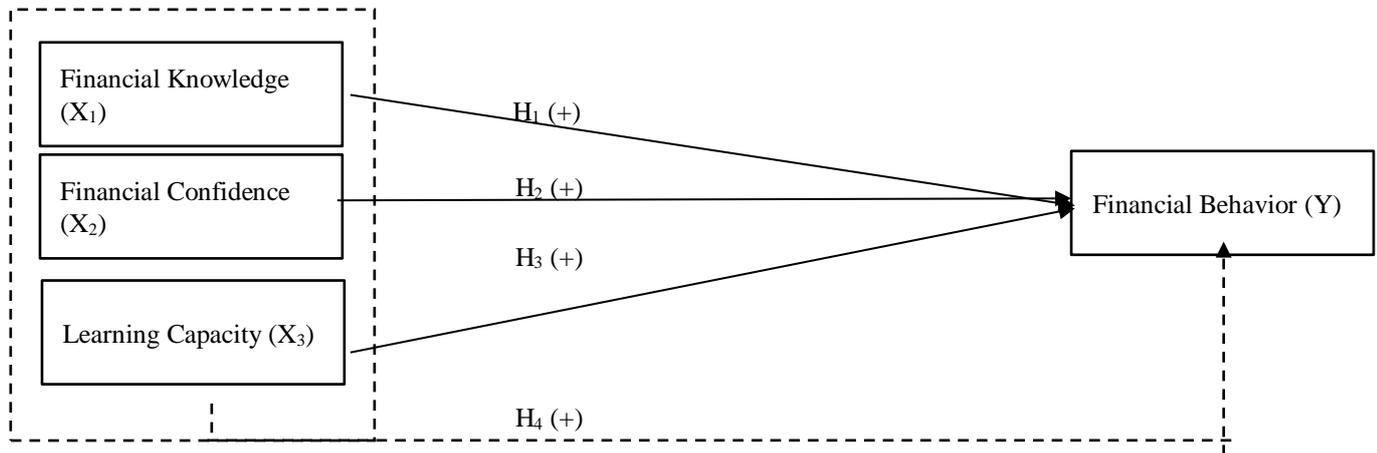
The framework and hypotheses in this study are as follows:

Figure 1. Conceptual Framework

Description of the conceptual framework that is supported by existing theory. Then the research hypotheses are as follows:

H_1: Financial knowledge positively and significantly influences the financial behavior of MSMEs in Pakpak Bharat Regency.

H_2: Financial confidence positively and significantly influences the financial behavior of MSMEs in Pakpak Bharat Regency.

H_3: Learning capacity positively and significantly influences the financial behavior of MSMEs in Pakpak Bharat Regency.

H_4: Financial knowledge, financial confidence, and learning capacity simultaneously positively and significantly influence the financial behavior of MSMEs in Pakpak Bharat Regency.

3. Result and Discussions

3.1. Partial Test

Table 1. Partial Test Result

Variable	Unstandardized Coeficient		Standardized Coeficient Beta	t	Sig
	B	Std. Error			
(Constant)	2,644	2,209		2,197	0,001
Financial Knowledge	0,486	0,057	0,593	8,458	0,000
Financial Confidence	0,299	0,078	0,268	3,841	0,000
Learning Capacity	0,187	0,091	0,139	2,059	0,042

Based on the partial test results above, financial knowledge has a significant value of 0.000 or less than 0.05 (0.000 <0.05) and obtains a t-count value of 8.458 or higher than the t-table value of 1.98397 (8.458 > 1.98397) and a coefficient value of 0.486. It concludes that financial knowledge positively and significantly affects the financial behavior of MSMEs in Pakpak Bharat Regency and accepts the hypothesis (H1 is accepted).

Financial confidence has a significant value of 0.000 or less than 0.05 (0.000 <0.05) and obtains a t-count value of 3.841 or higher than the t-table value of 1.98397 (3.841 > 1.98397) and a coefficient value of 0.229. So, it concludes that financial confidence positively and significantly affects the financial behavior of MSMEs in Pakpak Bharat Regency and accepts the hypothesis (H2 is accepted).

Learning capacity has a significant value of 0.042 or less than 0.05 (0.042 <0.05) and obtains a t-count value of 2.059 or higher than the t-table value of 1.98397 (2.059 > 1.98397) and a coefficient value of 0.187. So, it partially concludes that learning capacity positively and significantly affects the financial behavior of MSMEs in Pakpak Bharat Regency and accepts the hypothesis (H3 is accepted).

3.2. Simultaneous Test

Table 2. Simultaneous Test Result

Model	Sum of Squares	Df	Mean square	F	Sig.
Regression	195,900	3	65,300	43,958	0,000
Residual	142,610	96	1,486		
Total	338,510	96			

Based on the simultaneous test results in the table above, it reveals that the significant value obtained is 0.000 or less than the significant level of 0.05 (0.000 <0.05) with the f-count value of 43.958 or higher than the f-table, namely 2.70 (43.958 > 2.70). So, simultaneously, financial knowledge, financial confidence, and learning capacity significantly affect the financial behavior of MSMEs in Pakpak Bharat Regency and accept the hypothesis (H4 is accepted).

3.3. Coefficient of Determination Tests

Table 3. Test Result Of The Coefficient Of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,761	0,579	0,566	1,219

Based on the test results of the coefficient of determination in the table above, the coefficient of determination value (adjusted r-square) is 0.566. It shows that the financial behavior of MSMEs in Pakpak Bharat Regency is influenced by financial knowledge, financial confidence, and a learning capacity of 56.6%. Meanwhile, the remaining 43.4% of the financial behavior of MSMEs in Pakpak Bharat Regency is influenced by other variables not used in this study. Therefore, it concludes that the financial behavior of MSMEs in Pakpak Bharat Regency has a significant relationship with financial knowledge, financial confidence, and learning capacity.

3.4. Multiple Linear Regression Analysis

Multiple linear regression analysis in this study aims to determine the influence of financial knowledge, financial confidence, and learning capacity on the financial behavior of MSMEs in Pakpak Bharat Regency. From the results of the questionnaire data processing, the regression equation is as follows:

$$Y = 2{,}644 + 0{,}486X_1 + 0{,}299X_2 + 0{,}187X_3$$

Based on the multiple linear regression equation above, the constant value of 2.644 means that if financial knowledge, financial confidence, and learning capacity increase, the financial behavior of MSMEs in Pakpak Bharat Regency will also increase. The coefficient value of financial knowledge is 0.486, meaning that if financial knowledge increases by 1%, the financial behavior of MSMEs in Pakpak Bharat Regency will increase by 48.6%. The coefficient value of financial confidence is 0.299, which means that if financial confidence increases by 1%, the financial behavior of MSMEs in Pakpak Bharat Regency will increase by 29.9%. The coefficient value of learning capacity is 0.187, meaning that if learning capacity increases by 1%, the financial behavior of MSMEs in Pakpak Bharat Regency will increase by 18.7%.

3.5. Discussions

3.5.1. Financial Knowledge Effects on Financial Behavior

Based on the results of the research, the result is that financial knowledge obtains a significantly lower value than the significant level used. So, it summarizes that financial knowledge partially has a positive and significant effect on the financial behavior of MSMEs in Pakpak Bharat Regency and accepts the hypothesis (H_1 is accepted).

The result is in line with the results of previous research by Handayani et al. (2022) concerning the effect of financial knowledge, financial attitudes, and personality on financial behavior and conclude that financial knowledge positively and significantly influences financial behavior. Then, a previous study by Wijaya and Yanuar (2021) regarding the effect of financial knowledge, financial satisfaction, and financial confidence on financial behavior also concludes that financial knowledge positively and significantly influences financial behavior.

3.5.2. The Effect of Financial Confidence on Financial Behavior

Based on the results of this study, financial confidence obtains a significant value lower than the significant level. So, it partially concludes that financial confidence positively and significantly influences the financial behavior of MSMEs in Pakpak Bharat Regency and accepts the hypothesis (H_2 is accepted).

It is in line with the results of research previously conducted by Morris et al. (2022) regarding the effect of financial knowledge, financial confidence, and learning capacity on financial behavior that financial confidence positively and significantly affects financial behavior. Also, Wijaya and Yanuar (2021), related to the effect of financial knowledge, financial satisfaction, and financial confidence on financial behavior, found that financial confidence positively and significantly influences financial behavior.

3.5.3. The Effect of Learning Capacity on Financial Behavior

Based on the results, learning capacity obtains a significantly lower value than the significant level used. It partially concludes that learning capacity positively and significantly influences the financial behavior of MSMEs in Pakpak Bharat Regency and accepts the hypothesis (H_3 is accepted). It is in line with the results previous study conducted by Morris et al. (2022) concerning financial knowledge, financial confidence, and learning capacity on financial behavior, which concludes that learning capacity positively and significantly influences financial behavior. Then, previous research by Safitri and Sukirman (2018) regarding the analysis of the factors influencing financial behavior concludes that learning capacity positively and significantly influences financial behavior.

3.5.4. The Effect of Financial Knowledge, Financial confidence, and Learning Capacity on Financial Behavior

Based on the results, the results show that financial knowledge, financial confidence, and learning capacity simultaneously obtain a significantly smaller value than the significant level used. So, it simultaneously concludes that financial knowledge, financial confidence, and learning capacity significantly influence the financial behavior of MSMEs in Pakpak Bharat Regency and accepts the hypothesis (H_4 is accepted).

It is in line with the results of research previously conducted by Safitri and Sukirman (2018) regarding the analysis of factors influencing financial behavior and simultaneously concludes that financial knowledge, financial confidence, and learning capacity significantly affect financial behavior. Besides, Morris et al. (2022), regarding financial knowledge, financial confidence, and learning capacity on financial behavior, conclude that financial knowledge, financial confidence, and learning capacity simultaneously and significantly influence financial behavior.

4. Conclusions

Based on the research results about the effect of financial knowledge, financial confidence, and learning capacity on the financial behavior of MSMEs in Pakpak Bharat Regency, it partially and simultaneously indicates that financial knowledge, financial confidence, and learning capacity positively and significantly affect the financial behavior of MSMEs in Pakpak Bharat Regency.

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