

# THE INFLUENCE OF FINANCIAL KNOWLEDGE, FINANCIAL ATTITUDES AND PERSONALITY TO FINANCIAL MANAGEMENT BEHAVIOR FOR MICRO, SMALL AND MEDIUM ENTERPRISES TYPICAL FOOD OF COTO MAKASSAR

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**Abstract.** This study aims to analyze the effect of financial knowledge, financial attitudes, and personality on financial management behavior in micro, small, and medium-sized businesses of the typical Coto Makassar food in Makassar. This research is included in the causal associative research. The subjects of this study were all owners of micro, small, and medium enterprises of Coto Makassar typical food totaling 63 units, and as many as 32 units as a sample. Data were analyzed using multiple linear regression using the SPSS version 21 program. The data collection technique used a questionnaire. The results showed that (1) financial knowledge has a positive and significant effect on financial management behavior; (2) financial attitudes have a positive and significant effect on financial management behavior; and (3) personality has a positive and significant effect on financial management behavior.

**Keywords:** financial knowledge; financial attitudes; personality; financial management behavior

## I. INTRODUCTION

In the Indonesian economy, Micro, Small and Medium Enterprises are the business groups that have the largest number. In addition, this group has proven to be resistant to various kinds of shocks to the economic crisis. It is imperative to strengthen micro, small and medium enterprise groups that involve many groups. The criteria for businesses that are included in micro, small, and medium enterprises have been regulated in a legal umbrella based on law, namely Law Number 20 of 2008.

Based on information from the Ministry of Data Division-Planning Bureau of the State Ministry for Cooperatives and Small and Medium Enterprises of the Republic of Indonesia, micro, small and medium enterprises provide various types of contributions, including the contribution of micro, small and medium enterprises to national investment creation, Contribution of micro enterprises, small and medium enterprises to the National Gross Domestic Product, the contribution of micro, small and medium enterprises in the absorption of the national workforce, and the contribution of micro, small and medium enterprises to the creation of national foreign exchange. In short, it can be concluded that micro, small and medium enterprises are the main pillars of the Indonesian economy.

The capacity of micro, small and medium enterprises needs to be continuously empowered and developed by trying to overcome the obstacles faced by micro, small and medium enterprises, so that they are able to contribute more optimally. According to data from the Ministry of Cooperatives and Small and Medium Enterprises, the

performance of Small and Medium Enterprises has shown an increase in the last few years. This shows how the role of micro, small and medium enterprises is very dominant in Indonesia's economic growth. So that the empowerment of micro, small and medium enterprises is something important in an effort to increase economic growth in Indonesia. The contribution of micro, small and medium enterprises to Gross Domestic Product is an indicator of the importance of micro, small and medium enterprises in increasing economic growth in Indonesia.

The existence and performance of the increasingly stretching micro, small and medium enterprises is not without problems and constraints. There are several problems, including the financial management behavior of micro, small and medium enterprises. Financial management behavior is considered as one of the important concepts in the discipline of finance. Many definitions are given in connection with this concept, for example Horne and Wachowicz in Mien and Thao [1] proposing financial management behavior as the determination, acquisition, allocation, and utilization of financial resources. While overall Weston and Brigham in Mien and Thao [1] describe the behavior of financial management as a financial decision making, harmonizing individual motives and company goals.

The role of micro, small and medium business owners is very dominant in running their business. Business owners have full responsibility for the business they run. The decisions concerning the company are entirely in the hands of the owner. So, an owner must be able to overcome and solve problems that arise in his company by making the right decisions.

Financial knowledge and a good financial attitude can help business owners make the right decisions in their business financial management, resulting in good financial management behavior.

Nowadays competition in the business world is increasingly competitive, a business actor must have the ability to maintain the continuity of his business, if the business actor does not have the ability to manage his business, over time the business may experience failure. The ability of business actors to be able to compete must be improved, one of which is in terms of financial management and financial management behavior of micro, small and medium enterprises themselves.

Among the problems of concern for micro, small and medium enterprises, especially the typical Coto Makassar food business, are problems related to financial management behavior, namely the problem of financial knowledge they have. Financial knowledge consists of financial skills and mastery of financial tools. Ida and Dwinta [2] describe financial skills as a technique for making decisions in financial management behavior, such as preparing a budget, choosing an investment, choosing an insurance plan, and using credit are examples of financial skills. Meanwhile, financial tools are the tools used in making financial management decisions such as checks, credit cards, and debit cards.

The problem in terms of financial skills experienced by micro, small and medium enterprises is mainly in preparing a budget. Most micro, small, and medium entrepreneurs have never prepared a financial budget in their business management, as evidenced by a survey conducted by Raharjo and Wirjono [3], most micro, small and medium entrepreneurs have never made any bookkeeping related to their business management. Micro, small and medium entrepreneurs should make bookkeeping related to budget planning, implementation, and control in their finances. However, the fact that was found was that the awareness of micro, small and medium enterprises to make bookkeeping for business financial management was still very low. The reason for the low awareness of micro, small and medium business actors in making budget planning is due to the thinking of micro, small and medium entrepreneurs that budget planning is not important and can be easily managed and there is no negative impact on the sustainability of their business even though micro business actors, small and medium enterprises do not do budget planning.

The next problem of financial skills is in terms of investment. Not many micro, small and medium enterprises have entered the investment world.

The problem of financial skills is not only in terms of budget and investment, in terms of credit, micro, small and medium entrepreneurs also experience obstacles. Knowledge of credit for micro, small and medium enterprises is still very low. Micro, small and medium entrepreneurs do not really understand the factors that affect creditworthiness, making it difficult for micro, small and medium entrepreneurs to obtain additional capital. In addition, many micro, small and medium enterprises do not take various

considerations when applying for credit, such as considering loan interest rates and loan terms. Micro, small and medium business actors should be able to consider various things when applying for credit so that they can use credit wisely.

In general, the lack of financial knowledge in terms of financial skills is caused by education. Financial knowledge can be obtained from formal education and informal sources. This formal education is such as high school programs or lectures, seminars, and out-of-school training classes. Meanwhile, informal sources can be obtained from the surrounding environment, such as from parents, friends and coworkers, as well as those from one's own experiences.

There are other problems that affect the financial management behavior of micro, small and medium enterprises, namely the problem of their financial attitudes. Most micro, small and medium entrepreneurs have a bad attitude about finance, marked by low motivation to continue to improve their ability to manage their business finances, even though the motivation to continue to improve their ability in financial management is very important. The poor financial attitude of micro, small and medium entrepreneurs is also marked by thinking that they are easily satisfied with existing performance and have not thought about improving their ability in financial management because some business actors feel that their performance is good enough and their business continues to run smoothly smoothly and without obstacles even though micro, small and medium enterprises do not make budget planning and financial control. If this attitude is left unchecked, it will cause the performance of micro, small and medium enterprises to decline and be unable to compete competitively in the market.

Makassar is one of the cities in South Sulawesi Province which has a relatively high level of creative industry development compared to other cities / regencies in South Sulawesi. Economic growth in Makassar City is also supported by the activity of micro, small and medium enterprises (micro, small and medium enterprises) because there are many small and medium industrial centers, including the typical coto Makassar food business.

Coto Makassar is a traditional food from Makassar, South Sulawesi. This food is made from beef offal that has been boiled for a long time. The offal stew mixed with beef is then sliced and seasoned with specially formulated spices. Usually coto is served in a bowl and enjoyed with ketupat or burasa (a kind of ketupat but cooked in coconut milk and wrapped in banana leaves). The taste of Coto Makassar is very thick with beef, spicy and the sauce is not too runny.

Thus, in managing micro, small and medium enterprises, especially the typical coto Makassar food business, financial knowledge, financial attitudes, personality, and the perpetrators must have financial management behavior. Yulianti and Silvy [4] explain that financial knowledge is everything about finance that is experienced or what happens in everyday life. Financial knowledge can also be defined as a person's mastery of various things about the world of finance, which consists of financial tools and financial skills (Andrew and Nanik, [5]).

Ida and Dwinta [2] describe financial skills as a technique for making decisions in personal financial management. Setting up a budget, choosing an investment, choosing an insurance plan, and using credit are examples of financial skills. Meanwhile, financial tools are tools or means used in making personal financial management decisions, such as checks, credit cards, and debit cards.

The better financial knowledge, the better the financial management behavior of Kholilah and Iramani [6]. Someone with inadequate financial knowledge will prevent someone from making the right decisions in managing their finances, whether in investment, consumption, or savings activities. Meanwhile, someone with good financial knowledge will have a stronger perception of making decisions in a wise and responsible way as a result of more adequate learning in the past.

Attitude refers to how a person masters personal financial matters, as measured by the response to a statement or opinion. Meanwhile, financial management behavior refers to how a person behaves in relation to personal finance as measured by the individual's actions. stated that a person's personal financial behavior arises from his financial attitude, individuals who are not wise in responding to their personal financial problems tend to have bad financial behavior Marsh [7]. Rajna et al. [8] that financial attitudes are psychological tendencies expressed when evaluating recommended financial management practices with several levels of agreement and disagreement. Based on the explanation above, it can be said that financial attitudes will affect financial management behavior.

According to Feist [9] personality is a character pattern that is relatively permanent, and a unique character that provides both consistency and individuality to one's behavior. According to Sina [10], understanding the personality aspects of managing finances is needed to successfully manage finances because each personality type is different in how to manage finances. After an in-depth analysis, several weaknesses of each personality type were found that would cause financial problems, such as excessive debt.

Various financial researchers have also found that personality aspects also influence a person's success in managing their finances. Lown in Sina [10] found that there were personality differences between women regarding retirement savings and risk tolerance. This causes financial behavior to be different so that overall the results of the study find that women need education about risk, the impact of time on the value of money and, significantly, the need to establish correct financial goals.

Financial management behavior is considered as one of the important concepts in the discipline of finance. Many definitions are given in connection with this concept, for example, Horne and Wachowicz in Mien and Thao [1] proposed financial management behavior as the determination, acquisition, allocation, and utilization of financial resources. While overall Weston and Brigham in Mien and Thao [1] describe financial management behavior as a financial decision making, harmonizing individual

motives and company goals. Thus, according to Mien and Thao [1] financial management is related to the effectiveness of fund management, and in recent years, financial management practices have received serious attention from various organizations such as governments, financial institutions, universities and so on.

Financial management behavior is related to a person's financial responsibility regarding the way of financial management they have (Ida and Dwinta [2]). Financial responsibility is the process of managing money and other assets in a way that is considered productive.

Therefore, with good financial management behavior, individuals can avoid unlimited consumerism. With the behavior of financial management, individuals can better plan and manage their finances in different expenditure items in a balanced proportion. Every individual has different financial management behavior. This is adjusted to the financial condition and targets to be achieved by each individual.

## II. RESEARCH METHODS

Sources of data used in this study are primary data and secondary data. Primary data obtained from empirical research results through questionnaires to micro, small, and medium-sized entrepreneurs of Coto Makassar typical food as respondents and data from direct interviews with respondents. Secondary data were obtained from related agencies regarding data deemed relevant to this study, especially data from the Department of Industry, Trade, Cooperatives and micro, small and medium enterprises of Coto Makassar typical food in Makassar City, journals and related references.

The data collection technique required in this study was carried out by (1) observation, namely data collection through direct observation on micro, small, and medium enterprises typical of Coto Makassar food; (2) interviews with micro, small, and medium-sized businesses of Coto Makassar typical food regarding the type of business they do, loan funds and production capacity; (3) distributing questionnaires to micro, small and medium enterprises of Coto Makassar typical food, to find out their perceptions of financial knowledge, financial attitudes, personality, and financial management behavior; and (4) documentation to obtain secondary data that has been published by third parties.

the research hypothesis is formulated as follows:

- a. Financial knowledge has a positive and significant effect on the financial management behavior of micro, small and medium enterprises, the typical coto Makassar food in Makassar City.
- b. Financial attitudes have a positive and significant effect on the financial management behavior of micro, small, and medium enterprises in the typical coto Makassar food in Makassar City.
- c. Personality has a positive and significant effect on the financial management behavior of micro, small and

medium enterprises, the typical coto Makassar food in Makassar City.

### III. RESULTS AND DISCUSSION

#### a. The Effect of Financial Knowledge on Financial Management Behavior

The results showed that financial knowledge has a positive and significant effect on financial management behavior on micro, small, and medium-sized businesses of the typical coto Makassar food. This is evidenced by the positive regression coefficient value of the financial knowledge variable (0.492) and a significance value of 0.037.

These results mean that the more financial knowledge possessed by micro, small and medium entrepreneurs, the better the financial management behavior they will carry out. The financial knowledge they have can be a strong capital to help micro, small and medium-sized businesses of Coto Makassar specialties in overcoming any risks that may occur in the process of financial management and decision making. Every individual must acquire financial knowledge from learning from past experiences obtained in formal education and informal sources from the surrounding environment, such as from family, friends, or colleagues. Financial knowledge that comes from past experiences can be a motivation or obstacle for them in realizing more responsible financial management behavior.

The results of this study support the theory which states that increased financial knowledge can be a tool and means in the process of building wise and responsible financial management behavior. Micro, small and medium entrepreneurs who know the basic principles of finance will have a better income plan, have greater wealth, and can better avoid debt for consumptive activities (Ida and Dwinta, [2]).

The results of this study are in line with research conducted by Mien and Thao [1], which shows that financial knowledge has a positive and significant effect on financial management behavior. The same thing Andrew and Nanik [5] conducted a study which showed that financial knowledge had a positive and significant effect on financial management behavior. Respondents with a higher level of financial knowledge tend to be wiser in their financial behavior when compared to respondents with a lower level of financial knowledge. This indicates that the higher the financial knowledge possessed by micro, small, and medium-sized businesses of the typical coto Makassar food, the greater the tendency to show wiser financial behavior in budgeting, management, and timeliness in fulfilling financial obligations.

#### b. The Influence of Financial Attitudes on Financial Management Behavior

The results showed that financial attitudes have a positive and significant effect on financial management behavior in micro, small, and medium-sized businesses of typical coto Makassar food. This is evidenced by the results of statistical tests for financial attitude variables which show

a positive regression coefficient (0.574) and a significant value of 0.019 or less than 0.05. This means that the better the financial attitude of micro, small and medium entrepreneurs, the better their financial management behavior will be.

Micro, small and medium entrepreneurs with good financial attitudes, will show a good mindset about money, namely their perception of the future, being able to control their financial situation, adjusting the use of money so that they are able to meet their daily needs, do not want to spend money, and having a constantly developing view of money or not having an old-fashioned view so that they will be able to control their consumption, be able to balance their expenses and income, set aside money for savings and investment, and manage their finances for their welfare.

According to Yulianti [4], the more positive the attitude towards financial management, and the greater the knowledge of finance, the more financial management practices that can be applied. Financial attitudes shape the way a person spends, saves, hoard and waste money.

The results of this study are in line with research conducted by Mien & Thao [1] and Damanik & Herdjiono [11] which show that financial attitudes have a positive and significant effect on financial management behavior. Someone will tend to have wiser financial behavior if they have a good financial attitude.

#### c. The Influence of Personality on Financial Management Behavior

The results showed that the personality of the micro, small, and medium-sized entrepreneurs, the typical food of Coto Makassar, had a positive and significant effect on financial management behavior. This is evidenced by the statistical results for personality variables indicated by a positive regression coefficient (0.731) and a significance value of 0.000 or less than the value of 0.05.

The results of this study are in line with what Sina [10] states that the personality aspect is one of the indicators that significantly affects a person's success in managing his finances. In addition, Lown [12] suggests that there are personality differences between women regarding retirement savings and risk tolerance. This causes financial behavior to be different so that overall the results of the study find that women need education about risk, the impact of time on the value of money and, significantly, it requires the creation of correct financial goals. Furthermore, Ningsih [13] states that psychological factors are often considered as the key in the family financial decision process. Furthermore, personality aspects often also affect family financial management because they are the cause of poor management.

### IV. CONCLUSION

Based on the results of the analysis and previous discussion, this research can be concluded as follows:

- a. The financial knowledge possessed by micro, small, and medium-sized businesses of the typical Coto Makassar food has a positive and significant effect on financial

- management behavior. This means that the more financial knowledge possessed by micro, small, and medium-sized coto food entrepreneurs in Makassar City, the better the financial management behavior is applied.
- b. Financial attitudes have a positive and significant effect on financial management behavior in micro, small, and medium-sized businesses of the typical coto Makassar food. This means that the better the financial attitude of micro, small, and medium enterprises in the typical Coto Makassar food, the better their financial management behavior will be.
- c. Personality has a positive and significant effect on financial management behavior in micro, small, and medium-sized businesses of coto Makassar typical food. This means that the better the personality of the micro, small, and medium-sized entrepreneurs of the typical Coto Makassar food, the better the financial management behavior they will apply.

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