The Influence of Financial Attitude and Financial literacy on Behavioral Finance: A Study on Leading Small and Medium Enterprises in Cimahi City, Indonesia

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ABSTRACT

This study aims to examine the effects of financial attitude and financial literacy on behavioral finance for leading SMEs in Cimahi City, Indonesia. Financial attitude refers to how a person feels about personal financial problems, which is measured by the response to a statement or opinion. Financial literacy is a person's ability to understand and use financial problems. Behavioral finance is related to how humans actually behave in a financial determination. Cimahi City is a city in Indonesia that is growing and developing and is in a very strategic position. The economy of Cimahi City relies on three sectors, namely: the industrial sector, the trade sector and the service sector. The population of this study covers all Small and Medium Enterprises in Cimahi City which consists of 4 sectors. The sample includes 70 leading SMEs in Cimahi City supplying superior products. The research method used is quantitative with multiple regression analysis. The results of this study show that most business actors desire to increase business finance because by doing so they can open up business in other fields, and that they obtained their finance knowledge from their education, training courses, and families/children. Most business owners in Cimahi City consider that paying cash is better than taking debt. The results suggest a significant influence of financial attitude and financial literacy on behavioral finance.

Keywords: Financial Attitude, financial Literacy, Behavioral finance, Small and Medium Enterprises.

1. BACKGROUND

Med Hudson (2005) stated that Small and Medium Enterprises are the main pillars in a country's economic activity. This statement is strengthened by the role of SMEs in developed countries, such as in the United States, Japan, Germany, and Italy. SMEs in developed countries are believed to be the main pillars that determine a country's business activities. The aforementioned conditions may occur if the governments of these developed countries have policies that support the creation of conducive conditions for SMEs to grow and develop properly. This is evident when the global economic crisis occurred some time ago, SMEs were still able to survive. SMEs are one

of the industrial sectors that have been slightly affected by the global economic crisis. This means that the existence of SMEs can be calculated to increase the competitiveness and stability of the financial system.
To maintain financial system stability, as a growing city in Indonesia, it is very important for SMEs to understand the financial aspects. Finance is the science and art of managing money. Good SME finance will make a business that will continue. The most important thing is that SMEs have good business continuity. Business can continue if the financial aspects are clearly recorded.

There are several problems related to financial attitude, namely that entrepreneurs do not have financial plans in the future, this is due to a lack of understanding of finances. Financial literacy is the problem of a lack of understanding of the importance of understanding finance. Most of them do not have financial statements. The financial statements are not made by them because they don't want to think complicated things. as well as for behavioral finance problems they have a habit of not saving money. Personal money and business money are still combined so that there is no visible advantage. As well as different ways of managing money, resulting in confusion in financial management. Sometimes technology is considered to be difficult not to make it easier.

With the perceived constraints, one of the things that can affect financial performance is the behavioral finance of UKM players in Cimahi City. Behavioral finance theory, namely the theory of Habitus and Practice from Pierre Bourdieu (1990) as a cultural study, is needed to analyze financial management behavior by leading SMEs in Cimahi City in addition to the theory of knowledge and knowledge management from Nonaka (2000).

2. LITERATURE REVIEW

Behavioral finance studies how psychological phenomena affect financial behavior (Shefrin, 2000). Financial behavior studies how humans actually behave in a financial determination (Nofsinger, 2001)
Behavioral finance has been defined as a new theoretical branch in finance by combining knowledge of psychology, sociology and other social sciences (Buss, 2009, Bernheim, Douglas, 2008).

2.1.1 Concept of Behavior

The behavior according to Bourdieu in Inge (2014) will be used to see the relationship between Practice = (Habits x Capital) + Field / Changes. Bourdieu's formula implies that a person's behavior / performance (finances) is determined by his habitus, which is then strengthened by the capital he owns, according to terrain / field / changes contained in its environment.

This formula implies that a person's social behavior is determined by his Habitus, then strengthened by the capital he has, according to the field occupied.
Bourdieu turned his attention, to studying and bridging the dialectic between structure and agent. The problem of structure / agent duality has practical implications. Those who adhere to structural determinism emphasize socialization, social hierarchy, and top -- down or bottom -- up approaches in discussing public policy, social change, or models in development. In contrast, agent determinists prioritize social learning, the expansion of options for individuals, and dialogue. The main idea of the habitus is defined as follows:

"Habitus refers to assets of dispositions, created and reformulated through the conjuncture of objective structures and personal history. Dispositions are acquired in social positions within a field and imply a subjective adjustment to that position. "(Harker R., et al, 1990)

The field that Bourdieu refers to, is not a static field and without struggle; It's a dynamic field. The field or land which has a 'struggle' in it, the struggle to 'win' and occupies a disposition, earns recognition. The position that a person gets in a field (arena), therefore, is largely determined by the habitus and capital he has. Bourdieu defines capital into 4 categories: (i) material / economic, (ii) cultural, (iii) social, and (iv) symbolic. Material capital is capital in the form of money, or other assets that can be exchanged for money, hence it is called economic capital. Cultural capital is capital that is experience and knowledge, either tacitly or explicitly. Social capital is capital that is owned in the form of networks or working relationships, friendships, which the perpetrator has built and obtained during his lifetime. The last capital, namely symbolic capital, is capital in the form of a good name, or reputation, namely the trust of other people that the actor has obtained during the process of his work or business.

2.1.2 Financial Attitude

Attitude refers to how a person feels about personal financial problems, as measured by the response to a statement or opinion (Marsh, 2006). Pankow (2003) defines financial attitudes as states of mind, opinions and judgments about finances. Hayhoe, et.al (1999) states that there is a relationship between financial attitudes and the level of financial problems. Thus it can be said that a person's financial attitude also affects the way a person regulates their financial behavior. Lim and Teo (1997) and Madern and Schors (2012) state that a number of financial attitudes are also related to financial difficulties that are often faced by young people.

Financial attitudes can be reflected by the following six concepts (Furnham, 1984), namely:

1. Obsession, refers to a person's mindset about money and their perceptions of the future to manage money well.
2. Power, which refers to someone who uses money as a tool to control other people and according to him money can solve problems.
3. Effort, refers to someone who feels they deserve money from what they have done.
4. Inadequacy, refers to someone who always feels they don't have enough money
5. Retention, refers to someone who has a tendency not to want to spend money
6. Security, refers to someone's very outdated view of money such as the assumption that money is better just kept alone without saving it in a bank or for investment

2.1.3 Financial Literacy

Understanding Financial Literacy according to Remund (2010), financial literacy is a person's ability to understand and use financial matters. That is, financial literacy is a person's ability to understand and use financial matters. Huston (2010) considers financial literacy including awareness and knowledge and financial instruments and their application in business and personal life. In general, these definitions show that financial iteracy includes the ability to balance a bank account, budget preparation, save for the future and learn strategies to manage debt. State that financial literacy includes awareness, knowledge and financial instruments and their application in business and personal life. According to Remund (2010: 45) Financial literacy is reflected by a person's cognitive knowledge and abilities regarding finance.

According to Remund (2010: 45), there are four things that are most common in financial literacy, namely:

1. Knowledge
2. Ability regarding budgeting
3. Savings
4. Loans and investments

3. RESEARCH METHODS

The method used in this research is quantitative, namely, to determine the effect of Financial Attitude and Financial Literacy on Behavioral Finance.

Population and Sample

Population

The population in this study is all UKM in the city of Cimahi, which is around 1327 UKM. Which consists of 4 SME sectors.

Research Samples

The sample of this research is for the leading UKM players in Cimahi City which consists of 70 UKM with superior products.

Data analysis

Multiple Linear Regression Analysis

Data analysis was carried out using Multiple Regression Analysis. Multiple linear regression analysis is a linear relationship between two or more variables of Financial Attitude (X1) and Financial Literacy (X2) with Behavioral Finance (Y) variables. This analysis is to determine the direction of the relationship between the independent variable and the dependent variable whether each independent variable has a positive or negative relationship and to predict the value of the dependent variable if the value of the independent variable has increased or decreased. The data used is usually an interval or ratio scale.

The multiple linear regression equation is as follows:

$$Y' = a + b_1X_1 + b_2X_2$$

Annotation :

Y = Behavioral Finance

X1 =Financial Attitude

X 2 = Financial Literacy

A = konstanta

Regression Coefficient Test Together (Test F)

This test is used to determine whether the variables Financial attitude (X1) and Financial literacy (X2) together have a significant effect on the Behavioral Finance (Y) variable. Or to find out whether the regression model can be used to predict the dependent variable or not. Significant

Formulating Hypotheses:

Ho: There is no significant influence between Financial Attitude and Financial Literacy jointly on Behavioral Finance

Ha: There is a significant influence between Financial Attitude and Financial Literacy jointly on Behavioral Finance

Testing criteria
Ho is accepted if F count <F table
Ho is rejected if F count> F table

Partial Regression Coefficient Test (t test)
This test is used to determine whether the regression model of the Financial Attitude and Financial Literacy variables partially has a significant effect on the Behavioral Finance variable.
Determining Hypotheses
Ho: Partially there is no significant influence between Financial attitude and Behavioral Finance.
Ha: Partially there is a significant influence between Financial Attitude and Behavioral Finance

Testing Criteria:
Ho is accepted if -t table <t count <t table
Ho is rejected if -t count <-t table or t count> t table

4. DISCUSSION

Financial Attitude of Leading SMEs in Cimahi City
There are several MSME actors who have not been able to control business money, this is due to the habit of business owners who still manage their finances by combining business money with private money to fulfill daily life. The biggest problems faced by SMEs are usually related to capital, marketing products, the ability to control business finances so that business does not decrease, and consumers who do not pay on time. But so far those who have experienced financial problems have been able to solve it by analyzing the business and consulting with fellow SME entrepreneurs or who are experts in their fields, cross-subsidizing them with their other business fields, minimizing production costs, when prices increase reduce quantity but by maintaining the same quality, set up an emergency fund and manage daily expenses Financial Literacy Condition of Leading SMEs in Cimahi City

There are several SME entrepreneurs, indicating that most SME entrepreneurs are very interested in understanding finance and have a desire to learn about how to plan, financial management in carrying out business activities, of course, by facilitating them. So that they can maintain the stability of their business and know what deficiencies exist in their business and with the hope that the business they are running can further develop.

Most of the SMEs in Cimahi City have invested for the sustainability of their business activities or for their personal interests, for example investing in property, gold, vehicles, land, gardens, livestock or business equipment which are not cheap. There are also some SMEs that do not have investment.

Behavioral Condition of UKM Finance in Cimahi City
Most business owners have an unyielding spirit in doing business activities, because it is in their mindset that a business owner must have an unyielding spirit if he is to succeed. When the business is in decline, remember the original goal of starting a business that has been done so hard, which then forms the unyielding spirit of entrepreneurs. As well as business owners also have the belief that success is not easy and it can be seen from how they have been running their business for a long time and have still survived until

now and if they do not have an unyielding spirit, then it is better not to be involved in any business field.

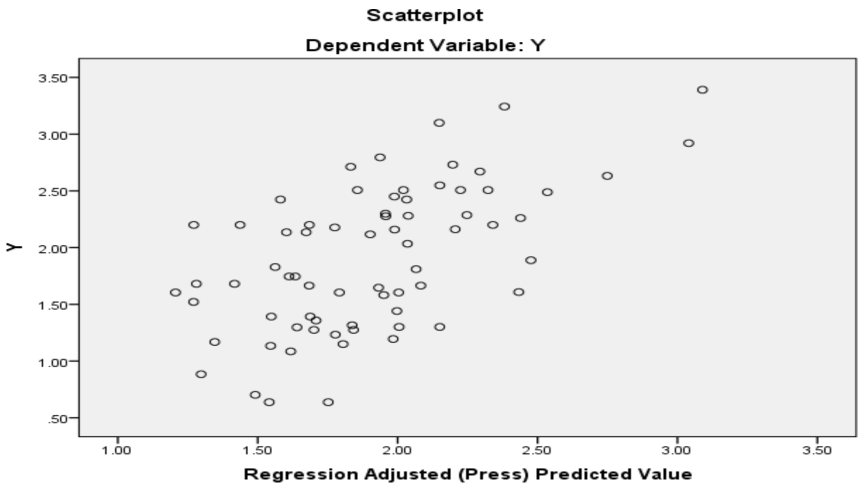
UKM players already have the habit of saving to maintain the continuity of their business in the future, based on several reasons: First the name of the business goes up and down so when we go down we already have savings. Second for sudden needs. Third, prepare for old age because we as SMEs do not have a pension and if we stop for a day, we feel we have no income. The fourth is to prepare provisions to start a business or develop a business and to send children to school. Meanwhile, some of the SMEs still mix business money with private property, so it is not clear between business savings and personal savings.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.931	.165		5.658	.000
	X1	.389	.089	.442	4.394	.000
	X2	.265	.082	.323	3.213	.002

The Regression Equations Are As Follows:
Z = 0.931 + 0.389X1 + 0.265X2

Meaning:
1. A constant of 0.931 states that if there is no increase in the value of the variable financial attitude and financial literacy, the value of the Behavioral Finance variable is 0.931.
2. The regression coefficient for the Financial Attitude variable is 0.389, which states that each addition (because of the + sign) one value on the financial Attitude variable will give an increase in the score of 0.389. The coefficient of the Financial Attitude variable has a significant influence on the Behavioral Finance variable. This can be seen from the significance level of the Financial Attitude variable of 0.000 which is smaller than 0.05 (0.000 <0.05).
3. The regression coefficient for the Financial Literacy variable is 0.265, which states that each addition (due to the + sign) one value in the Financial Literacy variable will provide an increase in score of 0.265. The financial literacy variable coefficient significantly influences the Behavioral Finance variable. This can be seen from the significance level of the financial attitude variable which is 0.002 which is smaller than 0.05 (0.002 <0.05).



Results Interpretation:
Hypothesis
Ho: There is no significant effect between Financial Attitude and Financial Literacy together on Behavioral Finance
Ha: There is a significant influence between Financial Attitude and Financial Literacy together on Behavioral Finance

Basis for Decision Making
1. If the probability value is less than or equal to the probability value of Sig. Ho accepted (Ha rejected). That is, there is no significant effect.
2. If the probability value is greater than or equal to the probability value of Sig. Ha accepted (Ho rejected). That is, there is a significant effect.

The results of the significance test in the ANOVA table show (value) Sig. amounting to 0,000. When compared with $\alpha = 0.05$, the Sig. smaller than α. This means that Ho is rejected and Ha is accepted. Thus, the variables Financial Attitude and Financial Literacy have a simultaneous and significant effect on the Behavioral Finance variables for the leading SMEs in Cimahi City.

The magnitude of the influence of the Financial Attitude and Financial Literacy variables simultaneously on the Behavioral Finance variable can be seen by looking at the R2 value in the Model Summary table. The interpretation obtained is the value R2 = 0.380 = 38%. This value indicates that the simultaneous influence of the Financial Attitude and Financial Literacy variables on the Behavioral Finance variable is 38% and the magnitude of other variables that affect the Behavioral Finance variable outside this variable is 62%.

5. CONCLUSION

Financial Attitude and Financial Literacy partially and simultaneously affect behavioral finance.

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