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Determinant Factors of Financial Literacy in MSME Actors in Medan Deli District

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ABSTRACT
The existence of this research is to identify and analyze the factors that influence financial literacy in MSME actors in Medan Deli District with a sample tested of 103 special MSME units in the culinary field using a non-probability sampling technique and a quantitative descriptive methodology. The data collection technique used was a questionnaire technique, the data were analyzed using SPSS version 23 software. This study revealed that income factors have a partial and significant effect on financial literacy, financial behavior has a partial and significant effect on financial literacy, investment decisions have an effect on financial literacy partially. Income, financial behavior and investment decisions simultaneously affect financial literacy. If MSME actors balance income for financial behavior such as saving, giving alms, setting aside money for emergency funds and taking advantage of the goodness of financial services such as investment, this can increase financial and economic literacy.

Keywords : Determinant Factors, Financial Literacy

INTRODUCTION

Financial literacy has become a global issue and is increasingly emphasized as an essential life skill related to empowering people to maintain their welfare, but people's financial literacy is still low. This statement is in accordance with (OJK, 2016) which refers to a set of information, abilities, and values that shape attitudes and actions and help people make better financial and decision-making decisions in order to develop. (Brillianti & Kautsar, 2020) concludes the impact of financial education on the welfare of the Indonesian people. (Pohan et al., 2021) concluded that the protracted process of acquiring financial literacy enables people to create long-term financial strategies for wealth accumulation that suit their lifestyle and routines. (Wahyuni et al., 2022) concluded that the ability referred to in financial literacy is making a difference between financial possibilities, money, and financial problems when there are none. Being prepared for the future and reacting appropriately to life events, such as overall economic events, impact day-to-day financial decisions. (Ibnu, 2021) Financial literacy is the need for each individual to be able to use financial services in financial management, especially for business people who need to know about it. So financial literacy is an understanding that can help in managing personal or business finances properly and regularly.

Based on the findings of (OJK, 2020) it is known that in 2019 financial inclusion has occupied the figure of 76.19% and the level of financial literacy is 38.03%. This figure is higher than the findings of the OJK study in 2016, namely 67.8% and 29.7%. In the 2019 OJK SNLIK poll, which takes into account demographics such as gender and urban/rural differences. Especially for the province of North Sumatra, the level of financial literacy is better than the previous year, which was at 29% and increased to 37.96%. (Waspada.id, 2019) the financial literacy index for the province of North Sumatra based on rural areas in 2019 was recorded at 35.26%, while for urban areas it was 40.63%. When viewed by region, both urban and rural in North Sumatra, the financial inclusion index was recorded at 97.40% (urban) and 90.53% (rural) respectively. In conclusion, the majority of the population of North Sumatra have been touched by the products or services of financial service institutions. Based on the results of mini-research conducted by researchers, this study also found that the income level of MSME actors is one of the things that has a relationship with their level of financial knowledge. Income or earnings is a term for wages or rewards received after doing a job. PSAK No. 23 concerning Revenue in (KSAP, 2018) states that Revenue is the amount of economic profit, the overall inflow comes from the company's regular operations in a period of time that results in an increase in capital, including sales of products and services, interest, dividends and royalties that are not linked with investor contributions.

At the time of mini research, it was found that MSME actors who get profits that are obtained monthly are managed again for venture capital which has a high percentage of 95.70%, and MSME actors who earn profits that are obtained monthly are partly saved for long-term needs have a sufficient percentage level low at 57%. This suggests that because of an imbalance between their income and financial behavior. Micro, small and medium enterprises continue to exhibit poor financial behavior. MSMEs prefer to roll back the income earned for business capital rather than for long-term needs and savings, causing them to indicate a lack of financial literacy. According to (Ismanto et al., 2019) that individuals who are knowledgeable and financially intelligent have a positive attitude towards financial transactions and are more financially satisfied when individuals are able to manage their finances appropriately and appropriately through acceptable monetary behavior. According to (Silaya & Joseph, 2021) states that the things that influence financial behavior are: 1) Adequate understanding is obtained, 2) The financial structure is concerned, 3) Income management as a controller of attitude and intelligence. Therefore, the introduction of financial services including investment, savings, credit and insurance is very beneficial for ordinary MSMEs to increase financial literacy. Financial management practices are also defined as aligning financial decision making, personal motivation, and organizational vision and mission. (Lubis, 2016) Investment is a financial outlay or an alternative source of owning current assets to earn profits in the future. These assets can be financial (stocks, deposits, bonds and other financial market instruments) or physical (real estate, buildings, machinery, land and other physical goods with economic value).

METHOD

The method in this study using a quantitative approach. This research was conducted in the vicinity of Medan Deli District on MSME actors specifically in the culinary field as a reference for sampling. The data used are primary data using survey techniques or direct observation and secondary data using library techniques or documentation from the Medan Deli MSME data published by the Medan City Industry Service on the official website disperin.pemkomedan.go.id.

The population in this study were 103 MSME units recorded in the disperin.pemkomedan.go.id database which was accessed in April 2022. While the sample used was a saturated sample or taking the entire existing population using a non-probalistic sampling technique. or retrieve data from SMEs that happen to be encountered. For data collection, object criteria are needed: 1) UMKM in the culinary field, 2) Especially for Medan Deli District, 3) There is a willingness to fill out a questionnaire.

The analysis technique for processing the data in this study is starting from the normality test to evaluate the regression model, the dependent variable and independent variables are distributed regularly or not, to testing multiple linear analysis through SPSS version 23.

RESULT AND DISCUSSION

This research is aimed at MSME actors in Medan Deli District, specifically in the culinary field. In this study, a questionnaire was distributed to 103 MSME actors, containing 8 statements related to the financial literacy variable (Y), 6 statements on income variables (X1) and 8 statements on financial behavior variables (X2) and 4 statements on investment decision variables (Z), as well as using likert scale.

Validity and Reliability Test

The validity test determines whether or not a questionnaire is valid for respondents. The value of rcount must be greater than rtable to determine whether the questionnaire is original or not. In this study, the rtable was obtained, namely 0.1937 with a significance level of 5% which was greater than the probability value, so the research was declared valid. The reliability test results for all variables are more than 0.70. The variables in this investigation are reliable.

Normality test

The results of the normality test by utilizing the Kolmogorov-Smirnov Test conditions and shown in the normal p-plot graph via SPSS are as follows:

Table 1. One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		103
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	3.25641131
Most Extreme Differences	Absolute	.073
	Positive	.034
	Negative	-.073
Test Statistic		.073
Asymp. Sig. (2-tailed)		.200[c,d]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

Source: SPSS Data Processing Results 2022

Through the results above, the values of the Kolmogrov-Smirnov variables income, financial behavior, investment decisions, and financial literacy with Sig. > 0.05, then the data is regularly distributed. The value satisfies the conditions given. This can be seen from Asymp. 0.200 sig (2-tailed).

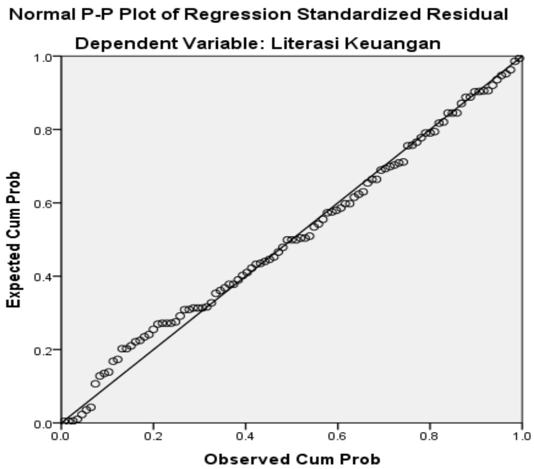

Figure 1. Normality P-Plot

In the results of the p-plot above, the data spreads along the diagonal direction, so the test is in accordance with the assumption of normality.

Multicollinearity Test

Table 2. Multicollinearity Test
Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Income	.418	2.394
	Financial Behavior	.458	2.182
	Investment Decision	.372	2.687

a. Dependent Variable: Financial Literacy
Source : SPSS Data Processing Results 2022

According to the table above, the income variable (X1) has a VIF value of 2.394 <10, the financial behavior variable (X2) is 2.182 <10, and the investment decision variable (Z) is 2.687. < 10. Similarly, the income variable (X1) has a tolerance of 0.418 > 0.1, the financial behavior variable (X2) has a tolerance of 0.458 > 0.1, and the investment decision variable (Z) has a tolerance of 0.372 > 0.1. This means that there is no indication of multicollinearity between the independent variables in the study.

Heteroscedasticity Test

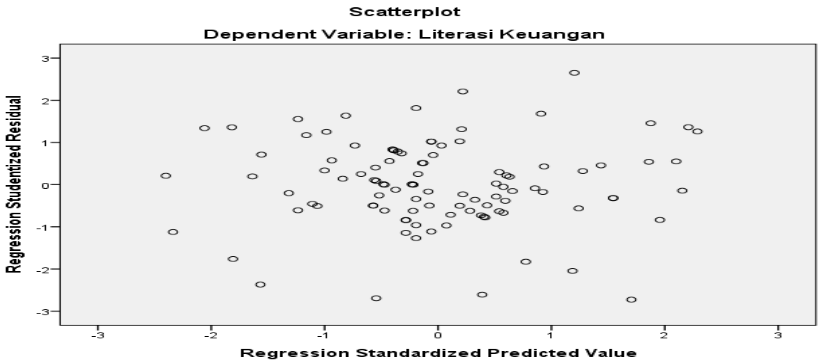

Figure 2. Heteroscedasticity test

Some unclear patterns can be seen in the scatterplot above, such as the distribution of the scatterplot at 0 on the Y axis, so it does not include heteroscedasticity. This test then uses the Glejser test which is a modification of the previous test.

Multiple Linear Regression Analysis

With multiple linear analysis, it can be assessed the influence of each variable, namely X and Y, as shown in the following data.

Table 3. Multiple linear regression
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	3.564	2.561	
	Income	.999	.148	.664
	Financial Behavior	-.107	.085	-.117
	Investment Decision	.320	.142	.236

a. Dependent Variable: Financial Literacy
Source : SPSS Data Processing Results 2022

According to the data above, the values obtained are:
Constant (a) = 3.564
Regression coefficient (b) Income = 0.664
Regression coefficient (b) Financial Behavior = -0.117
Regression coefficient (b) Investment Decision = 0.236

The following is the multiple regression equation.

$$Y = 3.564a + 0.664\ X1 + (-0.117\ X2) + 0.236Z$$

Information :

1. The constant value (a) is 3.564. This means that when the variable value of income, financial behavior, and investment decisions is zero (0), then the dependent variable of financial literacy is 3.564.
2. The income regression coefficient (X1) is 0.664. This means that when income increases by 1 unit, the dependent variable of financial literacy increases by 0.664 and vice versa.
3. The regression coefficient for monetary behavior (X2) is -0.117 and is negative. This means that when the Financial Behavior variable decreases by 1 unit, the dependent variable Financial Literacy also decreases by -0.117 and vice versa.
4. The investment decision regression coefficient (Z) is 0.236 which is positive. That is, an increase of 1 unit in the investment decision variable also increases the dependent variable, financial literacy, by 0.236, and vice versa.

The coefficient values in the multiple linear equation above reflect the direction of influence of each independent variable (X1, X2, Z) on the dependent variable Y. The X2 variable has a negative coefficient value, but the X1 and Z variables have a positive coefficient value. So the factors in question affect the financial literacy variable in one direction.

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Model Regression

a) Partial t test

Table 4. Partial t Test

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	3.564	2.561		1.392	.167
	Income	.999	.148	.664	6.739	.000
	Financial Behavior	-.107	.085	-.117	-1.248	.215
	Investment Decision	.320	.142	.236	2.257	.026

a. Dependent Variable: Literasi Keuangan

Source: SPSS Data Processing Results 2022

The effect of income on financial literacy was determined using the test findings. The tcount value is 6.739, and the 5% ttable is 1.98, the significance level is 0.000 <0.05. As a result, tcount greater than 1.98 (6.739 > 1.98) rejects H0. That is, income influences financial literacy in a beneficial and significant way (H1). While the relationship between financial behavior and financial literacy, tcount is -1.248, and ttable with = 5% is 1.98, Sig. 0.215 > 0.05. As a result, tcount less than 1.98 (-1.248 < 1.98) H0 is acceptable. This shows that financial behavior has a negative and negligible relationship (H2). For the relationship between investment decisions and financial literacy at tcount 2.257 and ttable = 5% it was found to be 1.98, a significance level of 0.026 <0.05. Therefore, tcount > 1.98 (2.257 > 1.98), H0 can be rejected. That is, investment decisions affect financial literacy with a positive relationship (H3).

b) Simultaneous F Test

Table 5. F Test

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1612.972	3	537.657	49.211	.000[b]
	Residual	1081.630	99	10.926		
	Total	2694.602	102			

a. Dependent Variable: Financial Literacy

b. Predictors: (Constant), Financial Behavior, Income, Investment Decision

Source : SPSS Data Processing Results 2022

According to these results, Fcount was 49.211 > Ftable 2.70, and Sig. 0.000 < 0.05. That is, income, financial behavior, and investment decisions affect financial literacy simultaneously (together).

c) Coefficient of Determination

Table 6. Coefficient of Determination (*R*2)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.774[a]	.599	.586	3.305

a. Predictors: (Constant), Financial Behavior, Income, Investment Decision

b. Dependent Variable: Financial Literacy

Source : SPSS Data Processing Results 2022

It can be seen from the data above that the coefficient of determination represented in the table is 0.7742 X 100% = 0.599 or 59% which can explain the relationship between income variables, financial behavior and investment decisions on the determinants of financial literacy, with the remaining 41% explained by factors which was not investigated.

The relationship between variables can be described in the conceptual framework as below.

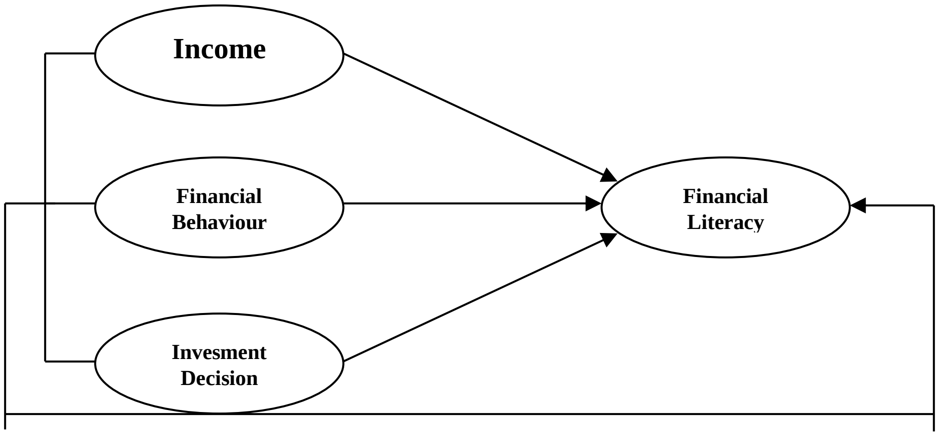

Figure 3. The conceptual framework

RESULT AND DISCUSSION

Income Influences Financial Literacy

According to the findings of the t-test, the Effect of Income on Financial Literacy H0 is rejected. That is, income affects financial literacy and is relationally oriented which is important, as well as profitable. This means that MSMEs with large incomes will tend to understand matters related to financial literacy. However, in the field, many MSME players who have high or low income now understand the importance of managing finances. The results of this study are consistent with research (Sofia & Irianto, 2016), (Mas'adah & Astuti, 2022) and (Yusnita & Abdi, 2018) Income has a major impact on financial literacy. Increasing parental income will make students have high financial literacy.

Financial Behavior Does Not Affect Financial Literacy

According to the t-test findings, financial behavior affects financial literacy H0 is accepted. This means that financial behavior does not affect financial literacy. If the financial behavior is good, then the level of financial literacy is not necessarily good, and vice versa. This is caused by the large number of people carrying out activities related to finance without studying and understanding it first, so that whatever they do does not increase their financial literacy. The results of this study are consistent with research (Nusa & Martfiyanto, 2021) which concluded that there is no impact of financial activity on the financial literacy of Bachelor of Accounting students at Jenderal Achmad Yani University, Yogyakarta. (Pahrudin et al., 2018) concluded that financial behavior does not have much effect on the financial literacy of Hamzanwadi University students.

Investment Decisions Affect Financial Literacy

Based on the findings of the t test, the effect of investment decisions on financial literacy H0 is rejected. This means that investment decisions have an impact on financial literacy. and shows the direction of a positive relationship. Quite a number of MSME actors who are respondents have made investment decisions because they are aware of the importance of long-term needs for the future. From this it can be concluded that those who have decided to invest, then their financial literacy is good. (Lubis, 2016) states that during the investment process, investors need to understand the basics of investment decisions, what investments to make and when to do them. This finding is consistent with research (Ningrum, 2018) which concluded that the investment level of MSMEs in Makassar has a positive impact on financial literacy and has an impact on financial literacy, Makassar MSMEs, especially dealers in the central market, prefer to invest their funds.

IMPLICATIONS

If MSME actors balance income for primary, secondary or tertiary term needs, consider other financial behaviors such as saving, giving alms, setting aside money for emergency reserve funds and taking advantage of the benefits of financial services such as investing for long term needs, then this can increasing financial literacy, as well as increasing the economic growth of MSMEs in Medan Deli District.

CONCLUSION

Based on the research findings and discussion above, the researchers provide conclusions regarding the relationship between each of the variables that have been tested on MSME actors in Medan Deli District. Following are the conclusions of the research: Partially Income influences Financial Literacy in a profitable and substantial direction for MSME actors in Medan Deli District. Partially Financial Behavior does not have an influence on Financial Literacy with the direction of unpleasant and unimportant connections to MSME actors in Medan Deli District. Partially, investment decisions have an effect on financial literacy with a positive and significant relationship between MSME actors in Medan Deli District. Simultaneously income, financial behavior, and investment decisions affect financial literacy

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