The Role of Self-efficacy and Financial Attitude to Financial Well-Being: *Mediation of MSME Financial Behavior*

Puji Handayati[1] (✉), Nurika Restuningdyah[1], Ratnawati[2,3], and Meldona[2,4]

[1] Faculty of Economics, State University of Malang, Malang, Indonesia
puji.handayati.fe@um.ac.id
[2] Doctoral Programme in Management, State University of Malang, Malang, Indonesia
[3] Faculty of Economics and Business, Universitas Wisnuwardhana, Malang, Indonesia
[4] Program Studi Akuntansi, Universitas Islam Negeri Maulana Malik Ibrahim Malang, Malang, Indonesia

Abstract. In this study, the effect of self-efficacy and financial attitudes on financial well-being as mediated by financial behavior is examined. 160 respondents from Malang City, East Java, Indonesia, who represent small and medium-sized businesses, made up the study's sample. As an analytical technique, it makes use of structural equation modeling. The results showed that financial activity might influence attitudes that affected both financial behavior and well-being. The findings demonstrated that financial attitudes directly influence financial behavior, which in turn affects financial well-being. How people handle their money for financial well-being may be a moderator of financial attitude. Additionally, a person's behavior and sense of self-efficacy have a direct influence on their financial well-being. One's financial decisions are influenced by self-efficacy. Finally, financial behavior cannot offset the impact of financial self-efficacy on the financial health of SMEs in the craft industry in Malang City.

Keywords: financial self-efficacy · financial attitude · financial behaviour · financial well-being

1 Introduction

Due to their ability to be located everywhere and be utilized for any kind of commercial activity, including in rural and urban regions, Micro, Small, and Medium-Sized Enterprises (MSMEs) play a key role around the world [1] and are crucial for economic development [2]. It is believed that SMEs promote initiatives to combat poverty by generating jobs [4]. The Ministry of Cooperatives and SMEs reports that 64.2 million MSMEs account for 61.07% of the global economy's GDP, or 8,573.89 trillion rupiahs. SMEs may absorb 97% of the entire labor force, which is one way they can boost the Indonesian economy. It may receive up to 60.4% of the total investment (www.ekon.go.id).

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Due of MSMEs' contributions to the national economy, UMKM is challenging to attain due to problems with marketing, financing, ownership, and various other business management-related challenges. Financial behavior is the way someone controls, handles, and employs their financial resources [5]. Financial behavior, in contrast, refers to any behavior involving money [6]. The science of financial behavior examines how psychological elements affect a person's financial decisions.

How someone rates their level of financial expertise can be used to gauge their level of financial self-efficacy [7]. Positivity toward learning and developing one's financial abilities is the definition of having self-confidence in financial affairs. According to [8] having a high level of trust in one's capacity to handle money wisely is known as financial self-efficacy. Finance-related behavior is influenced by financial self-efficacy, as demonstrated in [9–12].

The will to behave is thought to be directly influenced by beliefs about behavior. [6] The study of financial behavior looks at the psychological factors that influence a person's financial choices. Financial behavior incorporates elements of human nature into the financial model, which enhances our grasp of economic theory [13]. According to [7, 14–16], financial attitudes affect financial behavior.

The financial behavior of MSME owners might enhance financial well-being. [17] One's financial well-being is impacted by personal financial management, or the capacity to efficiently manage one's resources. Financial conduct has been shown in [18–20] to impact financial well-being. The wellbeing of Indonesia's population as well as the expansion and development of the country's economy depend heavily on MSMEs [21]. By investigating the financial behaviour of MSMEs, this study aims to comprehend and evaluate the contribution of self-efficacy and financial attitudes on financial well-being.

2 Methods

This study adopts a quantitative approach, which focuses on putting ideas or notions to the test by giving variables numerical values and utilizing statistical techniques to analyze data in order to evaluate hypotheses. There are 1 60 MSME proprietors in Malang City's handicraft industry who are part of this study analysis unit. Face-to-face interviews and online questionnaires were used in this study's data gathering method to gain information from respondents. Respondent responses are used to measure the variables being examined on a Likert scale. The AMOS version 20 program was utilized to execute the SEM analysis approach (Structural Equation Modelling).

3 Result and Discussions

3.1 Analysis Results Goodness of Fit

If the theoretical model is supported by empirical data, the conceptual framework of the study is said to be appropriate. In Fig. 1, the results of the test to assess how well the overall model fits the data are displayed after the results of the SEM analysis to see if the hypothetical model is supported by the empirical data.

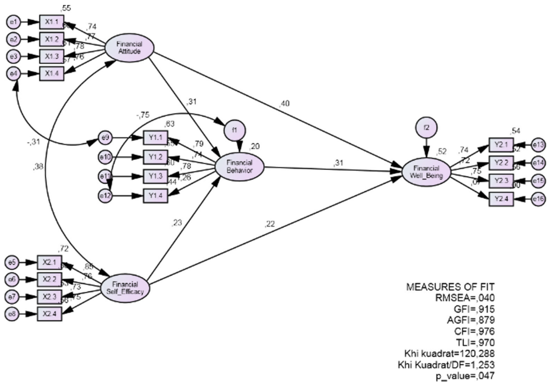

Fig. 1. Results of the overall goodness of fit model's tests

The Fit's Quality According to the overall test findings based on Fig. 1, not all criteria point to a good model. They are referring to Arbuckle and Wothke's (1999) claim that the best indicators of the applicability of the model are CMIN/DF values less than two and RMSEA less than 0.08. Since the RMSEA and CMIN/DF values fulfill the cut-off criteria, making it appropriate and useable, empirical data support the hypothetical model used in this work.

3.2 Hypothesis Testing Results

The results of this test show both the direct effects of financial attitudes and self-efficacy on financial well-being as well as the indirect effects of those characteristics, which are mediated through financial behavior. Table 1, displays the findings of the hypothesis testing.

A 0.000 p-value was discovered for the association between financial perspectives and financial well-being, which was determined to be 3.834. Because the p-value exceeds the statistical significance threshold at 5%, the hypothesis that financial attitudes directly influence financial well-being is acceptable. This result suggests that the better financial attitude that MSME owners possess contributes to the financial well-being of MSME craft owners in Malang City.

In the meantime, Table 2 summarizes how financial behavior mediates the indirect impact of financial attitudes on financial well-being:

Table 1. Regression Weight Analysis Result (Direct Influence)

Relationship			Path Coefficient	C.r.	P-value	Information
Financial Behavior	→	Financial Well-Being	0.311	3.834	0.000	Significant
Financial Self-Efficacy	→	Financial Well-Being	0.225	2.375	0.018	Significant

Table 2. The Effect of Financial Attitude Towards Financial Well-Being with financial Behavior as Mediation

Relationship			Path Coefficient	C.r.	P-value	Information
Financial Attitude	→	Financial Behavior	0.443^{a}	3.634	0.000	Significant
Financial Attitude	→	Financial Well-Being	0.405^{b}	3.877	0.000	Significant
Financial Behavior	→	Financial Well-Being	0.407^{c}	3.632	0.000	Significant

Table 3 displays the findings of the study on the association between financial attitudes and financial well-being without the use of any financial behavior mediation variables.

The test findings show that financial attitudes affect financial behaviour, with a value of Cr 3.634, a p-value of 0.000, and a path coefficient of 0.443. (a). It illustrates how strongly financial views have an impact on financial behaviour. Financial attitudes are directly tested, and the results indicate that the Cr value is 3.877, the p-value is 0.000, and the path coefficient is 0.405. (b). It demonstrates how one's financial attitudes have a big impact on their financial well-being. With a Cr value of 3.632, a p-value of 0.000, and a path coefficient of 0.407, financial conduct mediates the impact of financial behaviour on financial well-being (c). It illustrates how a person's financial outlook significantly affects their financial well-being.

The test results, which have a Cr value of 5.360, a p-value of 0.000, and a path coefficient of 0.584, demonstrating that financial activity does not mediate the association between financial attitudes and financial well-being. (d). The mediation test using the approach recommended by Baron and Kenney (1986) yielded significant coefficient values for (a), (b), (c), and (d). However, if the coefficient (c) value is less than (d). Financial behaviour acts as a partial mediator in influencing the financial health of MSMEs in the craft industry in Malang City (partial mediation).

Table 4 shows how financial activity might mitigate the indirect effects of financial self-efficacy on financial well-being.

Without employing financial behaviour mediation factors, Table 5 shows the findings of the connection between financial self-efficacy and financial well-being.

Table 3. The Effect of Financial Attitude Towards Financial Well-Being without Financial Behavior as Mediation

Relationship			Path Coefficient	C.r.	P-value	Information
Financial Attitude	→	Financial Well-Being	0.584^{d}	5.360	0.000	Significant

Table 4. The Effect of Self-Efficacy on Financial Well-Being with Financial Behavior as Mediation.

Relationship			Path Coefficient	C.r.	P-value	Information
Financial Self-Efficacy	→	Financial Behavior	0.349[a]	3.119	0.002	Significant
Financial Self-Efficacy	→	Financial Well-Being	0.289	2.9996	0.003	Significant
Financial Behavior	→	Financial Well-Being	0.484	4.085	0.000	Significant

Table 5. The Effect of Financial Self-Efficacy on Financial Well-Being without Financial Behavior as Mediation

Relationship			Path Coefficient	C.r.	P-value	Information
Financial Self-Efficacy	→	Financial Well-Being	0.457[d]	4.381	0.000	Significant

According to the test findings, financial self-efficacy had a value of Cr 3.119, a p-value of 0.002, and a path coefficient of 0.443. (a). It illustrates how a person's financial conduct is significantly influenced by their level of financial self-efficacy. A direct investigation of the relationship revealed a substantial direct association between financial self-efficacy and financial well-being. The p-value is 0.003, the Cr value is 2.996, and the route coefficient is 0.289. (b). When the association between financial conduct and financial well-being regulated by financial behaviour is investigated, a Cr value of 4.085, a p-value of 0.000, and a path coefficient of 0.484 (c) are discovered. This evidence supports the idea that financial behavior has a direct and significant impact on financial well-being.

The findings of the test on the relationship between financial self-efficacy and financial well-being without including financial behaviour as a mediator were a Cr value of 4.381, a p-value of 0.000, and a path coefficient of 0.457. (d). The findings of the mediation test and the methods of Baron and Kenney (1986) indicate that the coefficient values (a), (b), (c), and (d) are significant. If, however, coefficient (c) is greater than (d). Therefore, financial conduct cannot operate as a buffer between the effect of financial self-efficacy and the financial health of MSMEs in the craft industry in Malang City.

The results of the hypothesis testing show that financial behavior can reduce how much financial attitudes affect MSMEs' financial success. This finding indicates that the craft MSME players in Malang City have a good attitude toward money, as evidenced by their ability to maintain financial security, including making investments by buying assets used for operational support activities and saving to save money (funds) owned to contribute to the growth in financial behavior in managing credit, which is implied in the action of taking loans to add merchandise, buy assets, and pay debts (bills) on time. The research's conclusions are in line with the theoretical ideas put forth by Herdjiono and Damanik (2016), who claim that financial attitudes are views, opinions, and assessments about one's financial situation that help one develop their self-confidence and self-worth in order to secure their financial situation. Financial behavior prompts an evaluation of financial attitudes [22]. The level of one's financial well-being is therefore determined by their financial behavior, according to [23]. Positive financial behavior can enhance financial well-being, according to [24].

According to the results of the hypothesis test, financial conduct is unable to moderate the relationship between financial self-efficacy and financial well-being. This finding suggests that financial behavior in managing credit does not affect the self-efficacy of financial selves owned by MSME actors in the craft sector of Malang City. This finding has implications for actions involving borrowing money to increase sales, acquire assets, and make timely payments on debts (bills). It is because MSME actors, who must have the greatest potential to handle finances appropriately, haven't been very effective at addressing financial management issues.

The financial behavior of MSME actors in managing credit has implications for actions in taking loans to increase merchandise, purchase assets, and pay debts (bills) on time, can increase the financial well-being such as Financial conditions for the present and a safe and healthy future are implemented by having savings used for the future and having savings.

The results of this study support the theoretical idea put forth by [25] that a person lacking confidence in his abilities can develop imprudent financial management behaviors using the knowledge and assurance necessary to make financial judgments. According to [26], the ability to produce the confidence required by a person to use the financial services offered to better their life is known as financial self-efficacy. Therefore, if someone lacks self-efficacy, they'll probably feel less confidence using these financial services or goods.

4 Conclusion

The success of the MSME sector is greatly influenced by financial attitudes, financial self-efficacy, financial behavior, and financial well-being. It's because, in addition to their marketing skills, production ingenuity, and business network, sound financial behavior will aid MSME owners and managers in growing their companies.

Because financial literacy or knowledge is necessary as a foundation for decision-making in business operations, the government and the private sector must provide financial training and seminars concentrating on the MSME sector to increase awareness of good financial behaviour in that sector. The owners of MSMEs in the craft sector who are confident in their capacity to handle their money are not fully putting that confidence to use in good financial behaviour, which shows that financial conduct cannot mediate the link between financial self-efficacy and financial well-being.

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Authors' Contributions. This study offers empirical support for the idea that MSME owner financial behavior can moderate the impact of their financial views on the financial health of MSMEs. Financial well-being will increase with the capacity to manage funds through budgeting, planning, and expense management. Financial self-efficacy, however, cannot be mediated by financial behavior in the direction of financial well-being. Financial management confidence cannot achieve the financial welfare of MSMEs because it is not adequately implemented in financial behavior.

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