

Structural Modeling of MSME Women's Finance Literacy in Pacitan

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ABSTRACT

This study will address to determine finance inclusion and finance literacy in making finance decisions which mediated by finance intentions toward women MSME in Pacitan. The reason is that the level of local finance literacy is still low in addition to the problem of contradicting the results of previous research. The sampling technique used is snowball sampling with a total of 150 respondents. The results of this study confirmed the effectiveness of structural modeling in the field of finance literacy research and succeeded in proposing a finance literacy model for MSME women. The results of the study indicate that finance intention is an important mediating factor for women entrepreneurs of SMEs in Pacitan in determining finance decisions. In addition, from the results of the SEM test, the strongest mediating effect occurs in the antecedent variable of finance inclusion, not finance literacy. This provides evidence that women who are MSME actors still need assistance in making finance decisions and to increase their literacy power by naturally over time.

Keywords: *Finance Inclusion, Finance Literacy, Finance Decision Making. Women's MSME in Pacitan*

1. INTRODUCTION

The unique demographic characteristics found in Pacitan in understanding finance literacy and inclusion, as well as finance intentions in trigger some finance decisions in their family. Based on the previous study development of a finance citizenship model design for women in Indonesia by Setyawan, et al. (5) & (6) which refers to previous research from Suryani, et.al. (7) & Lusardi (3), we will continue to examine the finance literacy and inclusion of women in utilizing finance institutions, banking products & services, which are related to basic finance knowledge and finance intentions in finance management decisions.

The results of previous studies still show extraordinary contradictions in the placement of latent variables for finance literacy and inclusion in order to find the determinants of finance decisions. There are studies that try to place finance inclusion variables as mediating variables and there are other studies that try to place finance literacy variables as mediating variable. However, the results are not maximum because there are

differences in distinctive characteristics when placing the two as mediating variables.

It is well known that the variables of finance inclusion and finance literacy have very different definitional contexts. Lusardi (3) states finance inclusion relates to the extent to which people will be able to attach to finance products and be able to use them in their daily lives. While finance literacy is a collection of one's knowledge of these finance products and a person will be considered literate if he is able to show the reasons and benefits derived from his activities using these finance products [Lusardi and Mitchell (2)].

But then the problem is the low level of finance literacy in Indonesia in general and this also applies to women who are MSME actors in Pacitan. This low finance literacy is inversely proportional to finance penetration efforts from local regulators i.e. Bank Jatim and PLUT (Pelaksana Layanan Usaha Terpadu) UMKM Pacitan, which every year they provide assistance and guidance to MSMEs in terms of disbursing credit funds.

In response to the above, in our opinion, there is something missing in this effort to increase finance inclusion and literacy, namely the need to instill finance intentions for MSME actors in Pacitan. Finance intentions can be measured by the extent to which they are able to realize finance inclusion and finance literacy properly, for example they are able to show an increase in the use of finance products, namely banking and investment services compared to the previous year and are able to explain the reasons and benefits of using these finance products properly and correctly so that they can attracting other MSME actors to be more inclusive and financially literate.

Therefore, this study will address to determine finance inclusion and finance literacy in making finance decisions which mediated by finance intentions toward women MSME in Pacitan.

2. RESEARCH METHOD

The population of the study is female MSME actors in Pacitan. They are including snack makers, traders, craftsmen and others. In this study we can get 150 respondent and we think it will consistent with the number of samples taken refers to Grohman, et.al. (1) and Lusardi (3). They state that according to the multivariate technique, the ideal sample is between 30 – 100.

Furthermore, the SEM model can be displayed as follows:

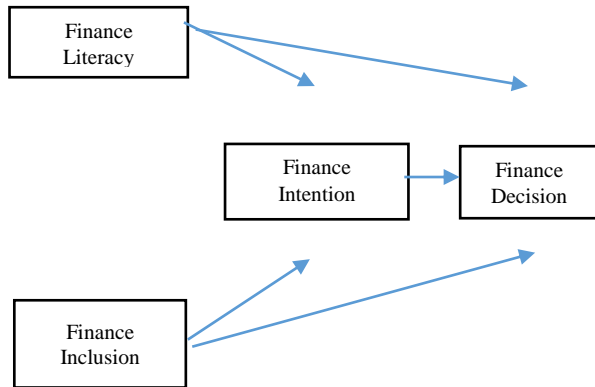


Figure 1. Research Model

Based on diagram 1 above, it can be argued that the more inclusive and literate the women who are MSMEs in Pacitan are, the higher their finance intentions and the better finance decisions they will make.

3. RESULT & DISCUSSION

3.1 SEM Analysis Result

In general, the SEM results can be seen in diagram two below. It turns out that all antecedent variables, namely finance literacy and inclusion, have a direct significant influence on finance decisions. And besides the influence of both can be well mediated by the finance intention variable. These results support previous studies from Suryani, et.al. (7), Lusardi (3) and Setyawan, et.al (5) & (6).

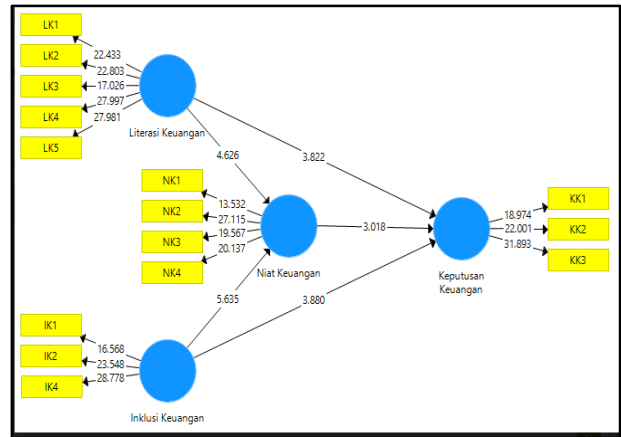


Figure 2. SEM Analysis Result

For the feasibility criteria for models such as AVE in table 1, reliability in table 2, coefficient of determination in table 3, and specifications for direct and indirect effects, respectively, in tables 4 and 5 are also met. In short, this model has met the criteria of the inner and outer models as usual SEM models.

Table1. AVE Test Results

Latent Variable	Average Variance Extracted (AVE)
Finance Inclusion	0.641
Finance Decision	0.649
Finance Literacy	0.625
Finance Intention	0.607

Table 2. Reliability Analysis Results

Latent Component	Cronbach's alpha	Composite reliability
Finance Inclusion	0.722	0.842
Finance Decision	0.729	0.847
Finance Literacy	0.850	0.893
Finance Intention	0.784	0.860

Table 3. R-Square Test Results

Latent Component	R-square
Finance Decision	0.626
Finance Intention	0.629

Table 4. Indirect Effect Test

Model Specific Indirect Effect	Value of Specific Indirect Effect
Finance Inclusion → Finance Intention → Finance Decision	0.135
Finance Literacy → Finance Intention → Finance Decision	0.114

Table 5. Total Effect

Latent Component	Finance Decision	Finance Intention
Finance Inclusion	0.459***	0.478***
Finance Literacy	0.4***	0.404***
Finance Intention	0.281***	-

Note:
 *** & ** : significant at 1% level & 5% respectively

3.2. SEM Discussion Result

Finance literacy is a measure of understanding of finance concepts and ability in management appropriate finance decisions in short-term decisions and planning long term in accordance with the dynamics of needs and economic conditions. Someone who has a higher level of finance literacy will tend to have a plan and be more successful [Lusardi & Mitchell (2)]. Thus, in a business management, finance literacy becomes important to improve because a good business needs to be supported with good finance management.

Effectiveness of finance management will be realized if MSME human resources are able to improve their finance literacy. Therefore, the level of finance literacy is very important for the performance of a company business, especially SMEs.

The higher the finance inclusion, the higher the performance of MSMEs in Pacitan so this is in accordance with the theory of Finance Behavior in which a person who have good finance behavior then he will be responsible and will more effectively use their finances so they can prosper their life.

The finance intention is mediating the finance literacy and finance inclusion on finance decision. Based on the results of the SEM in Figure 2, there is a significant mediating effect of finance intention on finance decisions derived from finance literacy and

finance inclusion, respectively. It's just that the SEM results show that the mediating significance effect of finance intentions on finance decisions stemming from finance inclusion is stronger than that from finance literacy. This is very reasonable considering that the profile of female respondents who are MSME actors in Pacitan must indeed be accompanied and educated a lot about finance literacy and inclusion so that they can always make good and correct finance decisions. Of course, the level of mentoring should decrease as their finance literacy increases [Lusardi (3) and Lusardi & Mitchell (2)].

4. CONCLUSION

The results of the study indicate that finance intention is an important mediating factor for women entrepreneurs of SMEs in Pacitan in determining finance decisions. In addition, from the results of the SEM test, the strongest mediating effect occurs in the antecedent variable of finance inclusion, not finance literacy. This provides evidence that women who are MSME actors still need assistance in making finance decisions and to increase their literacy power, they will be able to form naturally over time.

The following research can find the location of women who are MSME actors in other areas that have characteristics similar with Pacitan and try to add antecedents besides inclusion and finance literacy, such as finance socialization.

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