

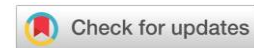
# Financial Satisfaction of SMEs in The Coastal Region of Madura: Financial Management Behavior and Financial Knowledge

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## ABSTRACT

**Keywords:**

*Financial Knowledge; Financial Management Behavior; Financial Satisfaction*

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In the current 4.0 era, good economic growth is one of the standards for the government's success in achieving development goals, including the economic aspect. One of the government's efforts is to create and comprehensively support MSME activities. MSMEs on the island of Madura are growing yearly in terms of quantity, quality and sales of MSME products that have entered foreign markets. This research aims to analyze the influence of financial management behaviour and financial knowledge on the financial satisfaction of MSME actors in the Madura coastal area. Data were analyzed using quantitative methods with descriptive and associative approaches. Data was received from the results of interviews and filling out questionnaires by MSME actors in the Madura coastal area in Pamekasan Regency and Sumenep Regency, totalling 60 respondents. The data was processed with the help of smartPLS 3 software. The findings from this research are that financial management behaviour and financial knowledge positively influence financial satisfaction.

## INTRODUCTION

In the current 4.0 era, good economic growth is one of the standards for the government's success in achieving development goals, including the economic aspect. One of the government's efforts is to create and comprehensively support MSME activities. MSMEs are the basis of the people's economy, which depends on the economy of Indonesian society. MSMEs are a sector that continues to contribute to GDP. The sustainability of MSMEs' contribution to state income shows the ability of MSMEs to support the country's economic conditions and provide employment opportunities for workers to reduce unemployment (Novitasari, 2022).

The community cannot just address MSMEs because their presence is very beneficial in allocating community income (Gitayuda and Kurniawan, 2022). The

development of the MSME industrial sector must be focused and directed to develop further and ultimately support improving the community's economy.

MSMEs on the island of Madura experience growth every year in terms of quantity, quality and sales of MSME products that have entered foreign markets (Gitayuda et al., 2023). Based on the East Java Cooperatives and MSMEs Service, in 2022, Madura Island has a gross added value of K-UMKM of 73.929 billion, with two districts having the highest distribution of added value, namely Pamekasan Regency and Sumenep Regency. The gross added value of K-UMKM Pamekasan Regency in 2022 is 23.108 billion, while the gross added value of K-UMKM Sumenep Regency is 24.182 billion. One of the growth factors for MSMEs on the island of Madura is also because it is located in a strategic area and has adequate infrastructure through the construction of the SURAMADU bridge.

With high competition and the current flow of business globalization, MSMEs must be able to face various existing challenges. Because MSMEs are one of the sectors that can absorb more labour. However, in reality, until now, only a few MSMEs have been able to manage their finances well. Most MSMEs do not carry out financial budgeting activities in their business management activities (Gitayuda et al., 2023). Based on the results of observations of problems experienced by MSME actors in the Madura coastal area, there is behaviour that tends to be consumptive, so they need more savings. Apart from that, they must still implement financial budgeting in all their expenditures. So, some MSMEs cannot develop their businesses because they cannot manage their finances well. One aspect influencing financial management behaviour is the knowledge about finance that every MSME player must have.

In efforts to overcome the problems among MSME players, mentoring activities are needed so that MSME players can achieve financial satisfaction. Mentoring activities centre on entrepreneurship assistance and also the management of MSMEs based on the problems that the majority of MSMEs face in the coastal areas of Madura.

## **LITERATURE REVIEW**

### **Theory of Planned Behavior**

Ajzen's (1991) Theory of Planned Behavior is a theory that predicts planned behaviour and supports someone in mastering how to change someone's behaviour. In carrying out a behaviour, a person is undoubtedly based on intention, where the intention is considered a stimulus that influences behaviour, which shows how much a person is willing to prove and how much effort is planned in carrying out the behaviour.

### **Financial Satisfaction**

Financial satisfaction is an individual's satisfaction with his finances (Rusdini, 2021). Managing finances effectively is essential to financial satisfaction, where

satisfaction is obtained when needs or desires are realized. According to Adiputra (2021), financial satisfaction occurs if someone feels satisfied with their financial situation, which is often characterized by adequate financial assets.

### **Financial Management Behavior**

Financial management behaviour is a philosophy that explains a rational and consistent decision-making style regarding financial management and a person's behaviour in controlling their finances (Prabowo and Asandimitra, 2021). Sound financial management behaviour can be seen in regularly controlling, managing and preparing finances.

### **Financial Knowledge**

Financial knowledge is a person's knowledge of financial planning and understanding of personal financial indications, which will provide guidance in handling and making sound financial decisions (Alexander and Pamungkas, 2019).

### **Relationship Between Variables**

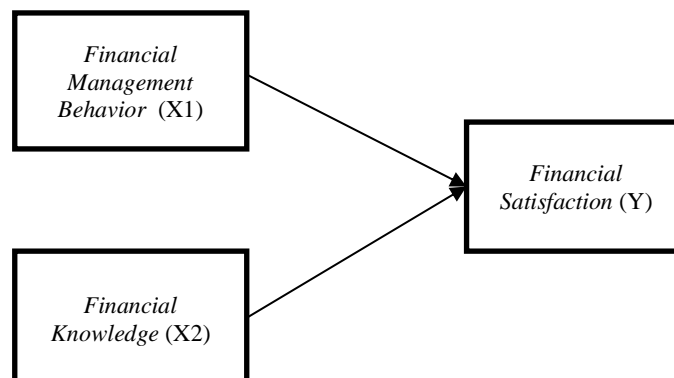
#### **Financial Management Behavior and Financial Satisfaction**

Research conducted by Wijaya & Pamungkas (2020), Lim & Pamungkas (2023), and Amalia & Asandimitra (2022) said that financial management behaviour has a significant influence on financial satisfaction. This differs from Sherlyani and Pamungkas (2020), who say that financial management behaviour does not affect financial satisfaction, meaning that someone with sound financial management behaviour will not necessarily have financial satisfaction.

#### **Financial Knowledge and Financial Satisfaction**

Research by Wijaya & Pamungkas (2020) and Yulianingrum et al. (2021) shows significant results between financial knowledge and satisfaction. This differs from research carried out by Ismayanti and Wijayanti (2022), who said that financial knowledge does not affect financial satisfaction

### **Conceptual Framework**



**Figure 1.** Conceptual Framework

## **Hypothesis**

Based on this research framework, the hypothesis of this research can be determined as follows:

H1: Financial management behaviour has a positive effect on financial satisfaction.

H2: Financial knowledge has a positive effect on financial satisfaction

## **METHOD**

### **Types of research**

This research uses quantitative research, which is based on the philosophy of positivism, used to study specific and cumulative population and sample data, using research tools quantitative data analysis, aiming to measure predetermined assumptions (Sugiyono, 2019).

### **Data Type**

#### **Primary Data**

This data is accumulated by researchers from the first source through direct interviews and questionnaires with MSME actors in the Madura coastal area.

#### **Secondary data**

Secondary data is data accumulated by other parties (Sugiyono, 2019). In this research, secondary data was obtained from various sources, including books, previous research, and others that support this research.

#### **Population and Sample**

The population used is MSME actors in the Madura coastal area in Pamekasan Regency and Sumenep Regency. The sampling technique used non-probability sampling with a purposive sampling approach; a sample of 60 MSMEs in the coastal area of Madura in Pamekasan Regency and Sumenep Regency was received.

#### **Data Analysis**

The data that has been obtained is then processed and analyzed using statistical tools, namely SmartPLS 3 software. Data analysis in this research includes the outer model test, which includes validity and reliability tests and the inner model, which consists of the R-square test and estimate for path coefficients. The data analysis technique consists of descriptive analysis and partial least squares analysis.

## **RESULT AND DISCUSSION**

### **RESULT**

It can be concluded that the characteristics of the respondents in Table 1 show that the dominant gender is 35 respondents (58.3%). Based on the income category, the dominant respondents had an IDR 1,500,000-IDR 2,400,000, a total of 28 people (46.7%).

**Table 1.** Characteristics of Respondents Based on Gender and Income

<b>Based on Gender</b>		
<b>Gender</b>	<b>Frequency</b>	<b>Percentage</b>
Male	25	41,7%
Female	35	58,3%
Total	60	100%
<b>Based on Income</b>		
<b>Income</b>	<b>Frequency</b>	<b>Percentage</b>
<1.500.000	2	3,3%
1.500.00-2.400.000	28	46,7%
2.500.00-3.500.000	13	21,7%
>3.500.00	17	28,3%
Total	60	100%

Source: SmartPLS Output, 2023

### Statistical Test Results

This validity test research pays attention to the value of convergent validity and discriminant validity. Convergent validity refers to the extent to which indicators in similar models are positively related. Convergent validity can be achieved by calculating each indicator's outer loading factor and average AVE value. Table 2 states that the AVE value for each variable is  $> 0.5$ , meaning one of the standards for adequate convergent validity,

**Table 2.** Value of Average Variance Extracted (AVE)

<b>Variables</b>	<b>AVE</b>
Financial Knowlegde	0.592
Financial Management Behavior	0.639
Financial Satisfaction	0.685

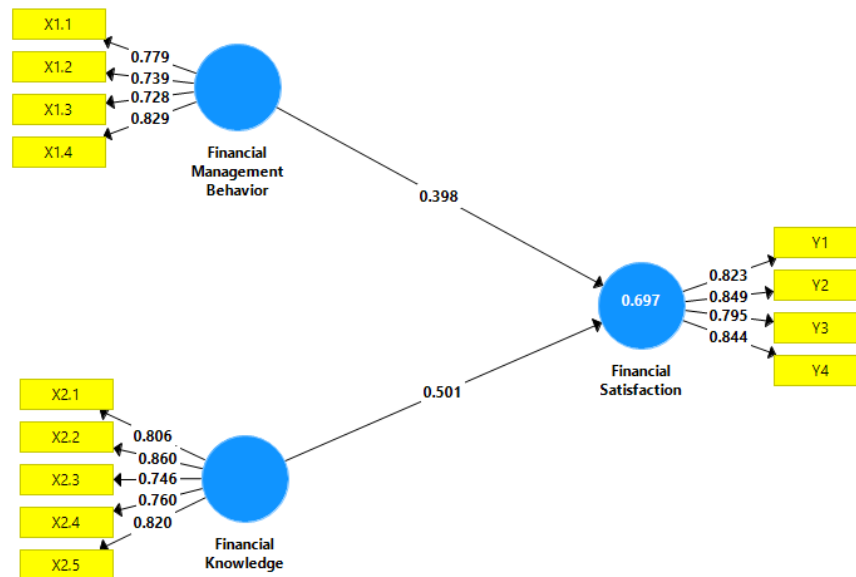
Source: Research data analysis, 2023

Table 3. States the loading factor value for each indicator on each variable. The loading factor value received shows a value  $> 0.7$ , which means adequate standards.

**Table 3.** Loading Factor

	<b>Financial Management Behavior</b>	<b>Financial Knowledge</b>	<b>Financial Satisfaction</b>
FMB1	0.779		
FMB2	0.739		
FMB3	0.728		
FMB4	0.829		
FK1		0.806	
FK2		0.860	
FK3		0.746	
FK4		0.760	
FK5		0.820	
FS1			0.823
FS2			0.849
FS3			0.795
FS4			0.844

Source: SmartPLS Output, 2023



Source: SmartPLS Output, 2023

**Figure 2.** Convergent Validity Results

In table 4. States the cross-loading value, which can be said to meet the requirements if  $> 0.7$  for each variable.

**Table 4.** Cross Loading

	Financial Management Behavior	Financial Knowledge	Financial Satisfaction
FMB1	<b>0.779</b>	0.664	0.646
FMB2	<b>0.739</b>	0.485	0.509
FMB3	<b>0.728</b>	0.524	0.536
FMB4	<b>0.829</b>	0.533	0.629
FK1	0.760	<b>0.806</b>	0.703
FK2	0.651	<b>0.860</b>	0.680
FK3	0.382	<b>0.746</b>	0.486
FK4	0.472	<b>0.760</b>	0.565
FK5	0.551	<b>0.820</b>	0.673
FS1	0.670	0.615	<b>0.823</b>
FS2	0.620	0.647	<b>0.849</b>
FS3	0.648	0.649	<b>0.795</b>
FS4	0.570	0.647	<b>0.844</b>

Source: SmartPLS Output, 2023

Table 5. States the Fornell-Larcker analysis values for each variable shown below:

**Table 5.** Fornell-Larcker Analysis

	Financial Knowledge	Financial Management Behavior	Financial Satisfaction
FK	0.799		
FMB	0.722	0.770	
FS	0.788	0.759	0.828

Source: SmartPLS Output, 2023

Table 5. Proves that the AVE square root value for each variable studied is greater than the relationship between variables. These results indicate the Fornell-Larcker analysis for discriminant validity is adequate.

Based on the validity index, testing was then carried out using Cronbach's Alpha, and composite reliability for each variable studied is shown in Table 6 below.

**Table 6.** Reliability Analysis

Variables	Cronbach's Alpha	Composite Reliability
Financial Management Behavior	0.770	0.853
Financial Knowledge	0.859	0.898
Financial Satisfaction	0.847	0.897

Source: SmartPLS Output, 2023

Table 6. States the Cronbach alpha value and composite reliability for each variable studied showing a value  $> 0.7$  so that the variable is declared reliable.

**Table 7.** Nilai Koefisien Determinasi ( $R^2$ )

	R Square
Financial Satisfaction	0.697

Source: SmartPLS Output, 2023

Table 7 states that the coefficient of determination is 0.697, meaning that 69.7% of the dependent variables, especially financial satisfaction, are explained by the independent variables of this research, and the difference is 30.3% explained by variables outside this research.

**Table 8.** Path Coefficient Value

	Original Sample	Sample Mean	T Statistics	P Values
X1 -> Y	0.398	0.402	2.571	0.013
X2 -> Y	0.501	0.498	3.471	0.001

Source: SmartPLS Output, 2023

Table 8. The path coefficient value shows that the value of the financial management behaviour variable on financial satisfaction influences with a value of 2,571 and the value of the financial knowledge variable on financial satisfaction influences with a value of 3,471.

## DISCUSSION

### **The Influence of Financial Management Behavior on Financial Satisfaction**

This research proves that financial management behaviour positively affects financial satisfaction. The t-statistic result of 2.571 is greater than the predetermined cut-off value of 1.96 and p-value of 0.013.

Financial management behaviour influencing financial satisfaction allows MSMEs in the Madura coastal area to carry out more regular financial management. This can influence MSME players to determine what kind of behaviour or financial decisions they should take, which will ultimately be applied to their behaviour. So, with sound financial management behaviour, it will be easy to obtain financial satisfaction.

MSME players with sound financial management behaviour will find it easier to manage their finances. MSME players will be able to handle financial management if they have financial management behaviour that can be implemented in everyday life to make it easier to take or make decisions. On the other hand, MSMEs with poor financial management behaviour will find it challenging to manage, organize and make decisions regarding personal finances. MSME players who cannot take or make sound personal financial decisions ultimately develop bad habits in financial management behaviour.

The results of the research state that financial management behaviour has a positive effect on the financial satisfaction of MSME actors in the coastal area of Madura. MSMEs in the coastal areas of Madura are starting to budget their finances, save regularly and only take out debt when they are in a pinch.

This research is strengthened by research carried out by Amalia & Asandimitri (2022) and Sherlyani & Pamungkas (2020), which show that financial management behaviour significantly affects financial satisfaction.

### **The Influence of Financial Knowledge on Financial Satisfaction**

Financial knowledge that influences financial satisfaction can enable someone to obtain financial satisfaction. Sound financial knowledge will influence how MSMEs manage their finances to gain financial satisfaction. MSME players who have good financial knowledge can manage their finances more regularly.

The results of the tests that have been carried out show that Financial Knowledge has a positive effect on the financial satisfaction of MSME actors in the coastal area of Madura, which can be shown by paying attention to the t-statistic of financial knowledge on financial satisfaction, which is 3,471 which is greater than the predetermined cut off value of 1.96 with a p-value of 0.001. It can be seen from the research results that the R-Square (R<sup>2</sup>) value is 0.697. So, the better the financial knowledge of MSME players, the greater the level of financial satisfaction of MSME players.



The results of the research state that financial knowledge has a positive effect on the financial satisfaction of MSME actors in the coastal area of Madura. MSME players in the coastal areas of Madura already know how to manage personal finances, know sources of income, know the savings mechanism at banks, and know about investment.

This research is strengthened by research carried out by Lim & Pamungkas (2023) and Wijaya & Pamungkas (2020), which show that financial knowledge significantly influences financial satisfaction.

## CONCLUSSION

Based on the output of the research carried out, it can be concluded that financial management behavior positively affects financial satisfaction among MSMEs in the coastal area of Madura. With better financial management behavior among MSMEs in the Madura coastal area, their financial satisfaction will increase. Apart from that, financial knowledge also positively affects financial satisfaction among MSMEs in the Madura coastal area. As the level of financial knowledge of MSMEs in the Madura coastal area improves, they will understand financial management, which can make their finances more controllable.

The author hopes that MSME actors in the coastal areas of Madura are expected to have and apply good financial management behavior to produce better financial decisions. MSME actors are expected to increase their financial knowledge to manage and control their finances personally, which can increase financial satisfaction in the future.

The limitations of this research are that it only looks at the level of financial management behavior, financial knowledge, and financial satisfaction among MSME actors on the coast of Madura, especially in the Pamekasan and Sumenep districts. The sample used only had 60 respondents. In the future, other research needs to be developed by increasing the distribution of research objects.

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