



The Effect Of Entrepreneurs' Financial Literacy And Managerial Competency On Msme Performance Moderated Education Level

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ABSTRACT

This study aims to determine (1) the influence of entrepreneurs' financial literacy on the performance of Surakarta City MSMEs (2) the influence of entrepreneurs' managerial competence on the performance of Surakarta City MSMEs (3) find out whether the level of education can strengthen the influence of financial literacy and entrepreneurs' managerial competence. This type of research is quantitative with a population of 254 entrepreneurs in the city of Surakarta, obtaining a sample of 131 using convenience sampling techniques. Data collection techniques using a 1-5 point Likert scale questionnaire and dummy variables via Google Form. Data were processed using SPSS 25 software with instrument validity testing using Confirmatory Factor Analysis (CFA), reliability testing using Cronbach Alpha, hypothesis testing using Moderated Regression Analysis (MRA) with descriptive statistical tests and analysis prerequisite tests. The findings are (1) there is a significant and positive influence of entrepreneurs' financial literacy on the performance of MSMEs in Surakarta City. 2) there is a significant and positive influence of entrepreneurs' managerial competence on the performance of MSMEs in Surakarta City. (3) the level of education is not able to strengthen the literacy and managerial competence of entrepreneurs on the performance of MSMEs in the City of Surakarta. The implication is consistent with the Resourced Based View theory that financial literacy and managerial competence can improve the performance of MSMEs by attending seminars or training so that they can create new thinking to develop their businesses.

INTRODUCTION

Micro, medium, and small enterprises (MSMEs) are instruments that can influence economic growth. The existence of MSMEs or as known as UMKM, can create new jobs, entrepreneurship, and innovation (Karadag, 2017). MSME contribute as much as 53% of Indonesia's total gross product, contribute 20.52% to exports, and reduce the unemployment rate (Idawati & Pratama, 2020). However in reality, developing this sector is still fairly difficult. Entrepreneurs achieving business success will be faced with a challenge or problem. The challenges for MSME actors include an inefficient financial management system, inadequate managerial skills, a lack of trained human resources, poor access to financial resources, and minimal use of new technology (Karadag, 2017).

According to Purnomo (2019), financial literacy is a person's capacity to make wise choices about the use and management of money needed to survive in contemporary society. Individuals who are financially illiterate may find it difficult to use financial items (Abubakar, 2015). Meanwhile, competence is a skill that empowers companies to provide fundamental value and customer benefits that lead to customer loyalty (Kamukama et al., 2017). One of the competencies needed by a company or industry is managerial competence to manage its business (Aufar, E. 2016).

Personal characteristics of MSME owners or managers that influence managerial skills and abilities have a stronger impact on financial performance than industry differences (Karadag, 2017). Research by Li and Qian (2020), Rosliyati (2022), and Septiani and Wuryani (2020) states that financial literacy has a significant effect on business performance because entrepreneurs who have a good understanding of finance regarding economic transactions are better at managing finances. Meanwhile, research by Eresia-Eke and Raath (2013) states that business performance as measured by asset value is not significantly related to financial literacy.

The relationship between managerial competence and commercial bank financial performance is mediated by competitive advantage in a positive way (Kamukama et al., 2017). According to Wirda & Azra (2015) and Orobia et al. (2020), managerial competence influences performance. In contrast, individuals who are managerially overconfident will automatically be optimistic about the future and underestimate uncertainty, so they will maintain an overly positive attitude despite facing a period of financial difficulties (Hyo & Kim, 2021). According to Hyo and Kim (2021), investors, creditors, and monitoring bodies consider that overly confident managers are considered an additional risk factor for the company's risk characteristics. Research inconsistencies occur because researchers want to answer the debate.

Higher levels of education and longer experience are also associated with higher financial performance. According to Omerzel and Antoni (2008), the level of education of the owner or manager, skills, knowledge of functional disciplines, and self-confidence are important aspects of company performance. Skilled and knowledgeable managers have good thoughts through their decisions in overcoming companies with bad credit and non-performing loans, so that the bank can assume the company is performing well (Kamukama et al., 2017). Business actors who are uneducated and do not have sufficient knowledge about finance are more easily drawn to illegal and expensive financing (Sanistasya et al., 2019).

The results of research by Oseifuah (2010) and Asnianti et al. (2018) said that education and experience greatly impact financial literacy for both men and women. Education is an important aspect of efforts to improve the managerial capabilities and skills of MSME owners and managers so that company performance becomes better (Karadag, 2017). In contrast to the research by Nurhidayati and Anwar (2018) and Suryandani and Tahwin (2020), who said that the level of education did not affect financial literacy and described a negative relationship, In addition, according to Anggraeni (2016) in his research, 60% of respondents who graduated from S1 did not understand the value for money concept. Therefore, education is needed so that business people are more familiar with financial management.

There was research inconsistency between Oseifuah (2010) and Asnianti et al. (2018) with Nurhidayati and Anwar (2018), Anggraeni (2016), and Suryandani & Tahwin (2020) regarding the effect of educational level on performance, so researchers added a moderator variable in the form of level of education. The problems found were in the form of financial literacy, managerial competence, and the low education level of MSME in Surakarta, so that MSME are difficult to develop and there are research gaps. The purpose of this study was to determine whether there is an effect of financial literacy and managerial competence of entrepreneurs and to find out whether the level of education can strengthen the influence of financial literacy and managerial competence of entrepreneurs on the performance of MSME in Surakarta. This study uses the theory of resource-based view theory, or RBV, which is anything that can provide strengths or weaknesses to a company depending on how the available resources are utilized (Burvill et al., 2018). Companies have two resources: tangible resources such as financial and physical capital (Burvill et al., 2018) and intangible resources such as entrepreneurial knowledge, skills, experience, organizational procedures, and company reputation (Li & Qian, 2020). Things that can influence a company's strengths or weaknesses are financial literacy and managerial competence.

LITERATURE REVIEW

Financial Literacy

In developed countries, financial literacy is an important component of financial behavior. According to Ouachani (2019), financial literacy is financial knowledge that leads to making the right decision. Hussain et al. (2018) explained that financial literacy is a resource that has implications for the continuity of companies, especially start-ups, and their growth. The existence of financial literacy can increase the company's capital flow, efficiency, competitiveness, and ability to exploit financial or commercial information in order to gain a competitive advantage.

Based on Ouachani's research (2019), which examines the relationship between individual financial literacy and financial behavior, it is stated that those with high levels of knowledge are better able to make effective financial decisions. Limited financial literacy knowledge can adversely affect financial access, continuity, and company growth. Literacy is very useful for MSME or companies in managing a good and orderly financial system. According to several definitions related to financial literacy provided by previous experts, it can be concluded that financial literacy is a person's skills, knowledge, and resources to assess and decide on the management of his finances. The better a person's financial literacy level, the better his financial management will be. Oseifuah (2010) explains that financial literacy is measured using three parameters: basic money management (budgeting, spending, savings, loans, and credit facilities), financial planning or retirement planning, and investment knowledge. Meanwhile, according to Sanistasya et al. (2019), indicators of financial literacy include behavior, skills, knowledge, and attitude.

Managerial Competence

One of the results of knowledge management that has an impact on personal productivity is competence (Aufar, 2016). Meanwhile, successful and efficient managers must have management competencies, which are general competencies. (Wirda & Azra, 2015). According to Zacca and Mumin (2018), managerial competence is an individual's substantive ability to solve a problem or achieve a goal. In addition, Kamukama et al. (2017) stated that managerial competence is an important aspect for every institution, one of which is industry, because every time an institution or industry performs well, it directly states that there are

competent staff making wise decisions. The conclusion is that the skills needed by every entrepreneur to manage their business, such as solving problems in order to achieve the company's initial goals by using resources effectively and efficiently,

According to Robert L. Katz's idea in Aufar (2016), a manager must have three main competencies to achieve organizational goals: technical skills, human skills, and conceptual abilities. Technical competence is the capacity to manage a company effectively using the right techniques, tools, processes, methods, and information. Communication skills and the willingness to work hard for oneself and others are often referred to as interpersonal and personal interaction skills and humanity. One's capacity to organize and integrate interests and activities into analysis and interpretation is known as conceptual ability.

Managerial competence is measured in terms of staff knowledge, skills, and experience (Kamukama et al., 2017). Skilled and knowledgeable entrepreneurs can make good decisions. The existence of previous experience that individuals have can provide related understanding and help manage income and expenses. Meanwhile, according to Orobio et al. (2020), indicators of managerial competence include knowledge, abilities, and skills. Entrepreneurs who recognize the value of management skills as owners and managers of MSME will be able to develop their businesses further. (Aufar, 2016). The success of a business depends on its economic performance and cooperative techniques between employers and employees in carrying out their activities to achieve a goal (Kamukama et al., 2017). In line with the opinion of Aufar (2016), which states that organizational success is influenced by managerial ability in managing the company because it requires good knowledge in order to be able to achieve company goals.

METHODS

The type of research used in Surakarta City, Central Java with handicraft MSMEs in the area. The time in this research starts from March 2022 – June 2023. The population is 254 and a sample of 131 handicraft MSMEs is obtained using the Isaac & Michael formula. This sampling technique is convenience sampling using a questionnaire. This type of research is quantitative descriptive with a causal or causal type of associative approach. Regression analysis uses an interaction test or Moderated Regression Analysis because it tests more than one independent variable.

Regression analysis with control variables:

$$Y = a + K1 + K2 + e$$

$$Y = a + K1 + K2 + b1 X1 + e$$

$$Y = a + K1 + K2 + b1 X1 + b2 X2 + e$$

$$Y = a + K1 + K2 + b1 X1 + b2 X2 + b3 M + e$$

$$Y = a + K1 + K2 + b1 X1 + b2 X2 + b3 M + b4 M * X1 + e$$

$$Y = a + K1 + K2 + b1 X1 + b2 X2 + b3 M + b4 M * X1 + b5 M * X2 + e$$

Information:

a : Constant

b : Regression Coefficient

K1: Gender

K2: Labor

K3: Education Level

Y: MSME performance

X1: Financial Literacy

X2: Managerial Competence

M: Education Level (Moderate)

e : Error Coefficient

RESULTS

The second model of the entrepreneur's financial literacy variable has a significant influence on the performance of MSME, namely at $\text{Sig} < 0.05$, and it can be stated that hypothesis one (1) is accepted. In addition, the calculated t value of the entrepreneur's financial literacy variable is 2.777 greater than the t table of 1.978; therefore, it can be concluded that H1 is accepted, which means that there is an influence between the entrepreneur's financial literacy (X1) and MSME performance (Y). In the third model, the entrepreneur's managerial competency variable has a sig value of 0.05, and it can be stated that hypothesis two (2) is accepted. In addition, the tcount value of the entrepreneur's managerial competence variable (X2) is 2.380, which is greater than the ttable of 1.978; therefore, the conclusion is that H2 is accepted, which means that there is an influence between the entrepreneur's managerial competence (X2) and the performance of MSME (Y).

In the fifth model, the researchers added an interaction method between the moderator variables, namely the level of education and financial literacy of entrepreneurs. Testing this method results in an interaction relationship between entrepreneur financial literacy and educational level having a sig value > 0.05 , and it can be stated that it has no significant effect. In addition, the tcount value is smaller than the t table ($1.293 < 1.987$), so it can be concluded that the level of education is not able to moderate financial literacy. H3a is rejected. The 6th model results from the interaction test between the entrepreneur's managerial competence variable and the education level variable, which has a sig value > 0.05 , and it can be stated that it has no significant effect. In addition, the tcount value is smaller than the t table ($1.301 < 1.987$), so it can be concluded that the level of education is not able to moderate the managerial competency of the entrepreneur. H3b is rejected.

Tabel 1. Hierarchical Regression Analysis Results With Control Variables

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Main Variables						
Financial Literacy (X1)		0,148** (2,565)	0,122** (2,110)	0,203** (2,567)	-0,013 (-0,070)	0,073 (0,372)
Managerial Competence (X2)			0,143** (2,418)	0,153** (2,577)	0,168 (2,786)	-0,088 (-0,427)
Level of education (M)				-0,753 (-1,493)	-3,210 (-1,644)	-6,434 (-2,027)
Interaction Variables						
X1*M					0,056 (1,293)	0,039 (0,864)
X2*M						0,070 (1,301)
Control Variables						
Gender	-0,521 (-0,562)	-0,461 (-0,509)	-0,552 (-0,620)	-0,438 (-0,492)	-0,429 (-0,483)	-0,582 (-0,652)
Labor	0,605 (1,077)	0,269 (0,476)	0,335 (0,604)	0,576 (1,000)	0,652 (1,129)	0,787 (1,345)
Constanta	37,554	31,350	24,319	22,142	29,840	40,972
N	131	131	131	131	131	131
R	0,106	0,245	0,319	0,342	0,359	0,375
R2	0,011	0,060	0,102	0,117	0,129	0,141
$\Delta R2$	0	0,049	0,042	0,015	0,008	0,016
Adjusted R2	-0,004	0,038	0,073	0,082	0,087	0,092

*significant

(Source: Primary data processed by researchers, 2023)

DISCUSSION

This research is expected to provide benefits in the form of knowledge and insight regarding MSME performance, financial literacy, and managerial competence. Apart from that, the other theoretical benefits of this research are that it answers the research debates of Li and Qian (2020), Rosliyati (2022), and Septiani and Wuryani (2020) that financial literacy has a positive effect on business performance, while Eresia-Eke and Raath (2013) argue that business performance as measured by asset value is not significantly related to financial literacy. Furthermore, answering the research debate of Orobia et al. (2020) with indicators of motivation, character, self-concept, and managerial competence skills can have a positive effect on business performance in the creative industries of West Sumatra. According to Setiawati et al. (2021), Kamukama et al. (2017), and Wirda & Azra (2015), small businesses can also improve the financial performance of their owners. Meanwhile, according to Hyo and Kim (2021), individuals who are optimistic about the future and underestimate uncertainty will automatically maintain an overly positive outlook even though they are faced with a period of financial difficulties, so that it is considered an additional risk factor for the risk characteristics of the company.

Researchers also enhanced a variable level of education as a moderator variable. This research also answers the debate between Kojo Oseifuah (2010) and Asnianti et al. (2018), which state that the level of education has a positive effect on performance, and Nurhidayati and Anwar (2018), Anggraeni, B.D. (2016), and Suryandani & Tahwin (2020), which state that education level does not affect financial literacy and depicts a negative relationship.

This research is a replication of Li and Qian's (2020) research, which uses the Resource Based View (RBV) theory, which explains that if a company wants to achieve a sustainable competitive advantage and high profitability, it requires valuable resources and capabilities, but if there is a lack of finances, human resources, resources, and organizational capabilities, it will result in many obstacles to company activities (Barney, 1991; Li & Qian, 2020). This theory is still relevant because financial literacy and managerial competence can be used to achieve sustainable competitive advantage and high company profitability.

The results of this study show that the financial literacy of entrepreneurs has an influence on the performance of MSME in handicrafts in Surakarta and is moderated by the level of education. Good entrepreneurial financial literacy is one of the resources that has a positive impact on MSME performance. The better the financial literacy possessed by MSME players, the better their performance. The level of education in this study has a negative influence because later there will be training from the company to support literacy skills that are tailored to requirement of the company.

The results of this study show that the managerial competence of entrepreneurs has an influence on the performance of MSME in handicrafts in Surakarta and is moderated by the level of education. The managerial competence of good entrepreneurs is certainly able to have a positive impact on the performance of MSME. The existence of this level of education weakens managerial competence so that it does not produce good performance because later training will be held by the company to support managerial abilities that are tailored to requirement of the company.

CONCLUSION

Entrepreneurial financial literacy has a positive and significant influence on the performance of MSME in Surakarta City, and managerial competence also has a positive and significant influence on MSME performance in Surakarta City. This is shown by the results of the T test in the hierarchical regression analysis, with the value of Tcount greater than Ttable. The conclusion from the two is that when entrepreneurs have good financial literacy and managerial competence, they can improve the performance of MSME in Surakarta City. The independent variables of financial literacy and managerial competence cannot be strengthened by the level of education. This is shown by the results of the T test in the hierarchical regression analysis, with

the Tcount value of the Education Level variable being greater than Ttable. In conclusion, the variable level of education does not strengthen the financial literacy and managerial competence of entrepreneurs in an effort to improve the performance of MSME in Surakarta City.

Suggestion

Future researchers are expected to be able to carry out developments related to entrepreneurs' financial literacy, entrepreneurs' managerial competence, MSME performance, and education level as moderating variables or use other variables that are factors in MSME performance. This research only uses respondents who are specific to MSMEs with certain criteria, future researchers can expand the research respondents also in this instrument developed through variable indicators according to several experts, further researchers can use variable indicators from different sources so that they can improve and develop the existing results. this research. As a result of this research, researchers found that the variable financial literacy of entrepreneurs was able to improve the performance of MSMEs, the managerial competence of entrepreneurs was able to improve the performance of MSMEs, the level of education was not able to moderate the financial literacy of entrepreneurs and the managerial competence of entrepreneurs on the performance of MSMEs.

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