

FINANCIAL CHARACTERISTICS OF SMALL AND MEDIUM ENTERPRISES (SMEs) IN PEKAN BARU

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ABSTRACT

This study empirically analyses financial characteristics, namely the influence of economic knowledge of financial, attitudes, and financial experience on financial management behavior in Small and Medium Enterprises (SMEs) in Pekanbaru, Riau. This research is a quantitative study, and this study uses primary data obtained through questionnaires. The population in this study was SMEs in Pekanbaru, Riau. The sampling technique in this study is convenience sampling. After conducting the questionnaire distribution, the sample obtained was 131 questionnaires. Data processing and analysis using SEM-PLS analysis are processed using Smart-PLS software assistance. The study results show that financial knowledge, financial attitudes, and financial experience positively affect financial management behavior.

Keywords: *Financial Management Behavior, Financial Knowledge, Financial Attitude, Financial Experience, SMEs*

BACKGROUND

Small and medium enterprises (SMEs) are industries that support the Indonesian economy. Individuals can start and manage these companies (Abdurohim, 2020). SMEs are essential to the Indonesian economy (Wahyudiono et al., 2019). SMEs have a contribution to the Indonesian economy. The gift of SMEs includes creating a public investment, increasing gross domestic product (GDP), recruiting human resources, and increasing the national currency. The growth in the number of SMEs in Indonesia is related to the financial management behavior of SME entrepreneurs. Financial management behavior is one of the most important concepts in business entrepreneurs. SMEs often do not fully understand the concept of financial management for their businesses (Nisa et al., 2020). SMEs' financial management behavior is to determine, acquire, allocate, and use financial resources (Mien & Thao, 2015).

Along with the increasingly intense business competition today, entrepreneurs must be able to maintain their business, especially in terms of financial management and the behavior of financial management of SMEs. Financial management actions and financial capabilities make entrepreneurs make the best decisions (Dayanti et al., 2020). The company can fail if SME entrepreneurs ignore the financial control of their business (Humaira & Sagoro, 2018).

In carrying out financial management activities, SMEs must consider several economic factors. Financial management includes finances, income and expenses, and knowledge of savings, credit, and investment, both in absolute and financial terms (Kholilah & Iramani, 2013). Financial skills and financial instruments are part of the financial knowledge that SMEs must have (Humaira & Sagoro, 2018). Financial skills help SMEs make financial management decisions, such as business budgets, investment selection, credit card use, check usage, and credit/debit cards (Ida & Dwinta, 2010).

Financial skills and expertise that entrepreneurs need to pay attention to are making a company's business budget. However, most SME members rarely compile their business budgets (Humaira & Sagoro, 2018). Entrepreneurs should manage businesses related to planning, organizing, and controlling finances. The level of awareness of entrepreneurs or SMEs in managing finances is still relatively low. Information and data from the Riau Central Statistics Agency show that the number of businessman with financial records in Pekanbaru is 7.26%, and 92.74% do not have business financial records.

The lack of awareness of SMEs in preparing business budgets is because small and medium entrepreneurs consider business budget planning not crucial for businesses and easy to adjust (Estuti et al., 2021). Entrepreneurs believe that their business will not harm the sustainability

of their business if they do not make a business budget (Humaira and Sagoro, 2018). Whereas if an entrepreneur possesses financial knowledge, the entrepreneur has well-planned financial management.

It is also tricky for entrepreneurs to manage their businesses well, even though SME members have obtained loans to develop and grow their businesses (Siburian, 2019). Lack of knowledge of SMES finance regarding creditworthiness. Most SME entrepreneurs do not have an excellent financial attitude. Financial attitude is reflected in the low motivation of entrepreneurs to improve their company's financial management (Humaira & Sagoro, 2018). The poor financial attitude of SMEs is also shown by the assumption that they are quickly satisfied with the existing results and because economic actors consider their business to be running well and ignore obstacles in their business (Humaira & Sagoro, 2018).

Business people must have experience in managing finances and managing their businesses.

A financial experience is an economic event that has become an experience passed by someone in the past and present (Putri, 2020). Individual financial experience can be a lesson when managing finances and planning investments. Business financial decisions can be made more carefully, more focused, and have a wise attitude (Widyaningrum, 2018). Psychological factors are also often necessary in economic decision-making (Sina, 2014).

Furthermore, Pekanbaru City is the capital of Riau Province, which has economic activities for selling goods and services. Geographically, Pekanbaru City occupies a strategic position and allows the carrying out of business. The behavior of SMEs financial management in Pekanbaru, an initial survey was conducted by distributing a questionnaire containing indicators of financial management of SMES entrepreneurs, including compiling financial goals, budgeting, savings, insurance, and investment (Humaira & Sagoro, 2018).

Table 1. Pre-survey of the Behavior Financial Management of SMEs Pekanbaru

| No. | Questionnaire | Answer | | Number of SMEs | % |
|-----|--|--------|----------|----------------|-----|
| | | Agree | Disagree | | |
| 1. | I set short, medium, and long-term financial goals. | 15% | 85 % | 30 | 100 |
| 2. | I do the budgeting of expenses and expenditures | 27% | 73 % | 30 | 100 |
| 3. | I make a record of all my daily income and expenses. | 30 % | 70% | 30 | 100 |
| 4. | I save periodically or regularly | 37% | 63% | 30 | 100 |
| 5. | I have insurance to avoid future risks. | 20% | 80% | 30 | 100 |
| 6. | I keep assets for future investment. | 39% | 61% | 30 | 100 |

Source: Data Proceed, 2023

Table 1 shows that the financial management behavior of SMEs in Pekanbaru, Riau is still quite good, as seen from the initial survey of 30 respondents. The initial survey showed that only a few of the 30 respondents made and compiled their financial goals, prepared their financial budgets, and recorded daily income and expenses. SMEs make sales budgets (short-term, medium-term, long-term) only 15%. Compile a budget of only 27% of costs and expenditures, record all incoming money and daily expenses, 30% carry out savings activities regularly, 20% only participate in insurance activities, and 39% store assets for investment.

The presence of inconsistencies in the results of previous studies. Financial management behavior is positively influenced by financial knowledge, financial attitudes, and personality (Humaira & Sagoro, 2018; Ariadin & Safitri,

2021). On the contrary, Estuti et al. (2021) and also Ardhiyanti et al. (2021), in the results of their research, found that there was no influence of financial knowledge on financial management behavior. Research conducted by Widyaningrum (2018) shows that financial attitudes have a significant positive effect, while financial knowledge and experience do not affect financial management behavior. However, the research results by Nisa et al. (2020) show that financial attitudes do not affect the behavior of SMES financial management. The research subject of small and medium enterprises in the batik center of Bantul Regency, while the subject of this study is Pekanbaru SMEs. Another difference is that this study uses financial experience variables.

The problem in this study is whether financial knowledge, attitudes, and experience influence SMEs' financial management behavior in

Pekanbaru, Riau. Furthermore, the research aims to analyze the influence of financial knowledge, attitudes, and experience on the behavior of financial management of SMEs in Pekanbaru, Riau. This study is expected to be useful for academics. This research is expected to be a guide that supports research on financial management behavior and can be a guiding material for future research. This research is helpful for Riau New Week SMEs that aim to achieve effective financial management. For the government to improve people's financial literacy, the use of financial products, attitudes, and financial experience for the people.

THEORETICAL THEORY AND HYPOTHESIS DEVELOPMENT

Theory of Planned Behavior

The theory of planned behavior (TPB) is the theory of the desire of people to perform an action or not perform a specific behavior. According to this theory, a person's behavior performing an action or activity of deeds is directly influenced by the intention of their behavior. Behavior is determined by the attitude of the behavior they feel and the control over it. A person's behavior is his willingness to make the business more successful. According to Ajzen (1991; 2006), conceptual intentions are influenced by three aspects, namely subjective norms, attitudes toward behavior, and perceived control of behavior.

Financial Management Behavior

Financial management behavior is people's behavior when managing and managing their finances when viewed from the perspective of psychology and habits (Humaira & Sagoro, 2018). Financial management behavior is an individual's responsibility in managing their finances (Khoirini et al., 2021). People who practice proper money management, such as budgeting, savings, cost control, investment, and secured debt repayment, tend to use money effectively (Alexander & Pamungkas, 2019).

The behavior financial management of businessmen is seen from personal ability when managing their finances, planning, budgeting, controlling, and storing daily financial funds (Dayanti et al., 2020). Behavioral financial management is a process of forecasting, collecting, spending, investing, and planning the cash necessary for a business or individual to perform well (Rachmiyantono et al., 2019). Management behavior is a fundamental skill needed by society because it is related to everyday consumer

decisions that affect a person's life and financial stability (Ariadin & Safitri, 2021). The influence of the intensity of the individual's desire to fulfill desires is in line with the level of income generated. Triggers the formation of a person's financial management behavior (Ariadin & Safitri, 2021). SMEs need to make a financial budget for a business. Businessmen are also closely related to investment activities and know the requirements when applying for credit (Humaira & Sagoro, 2018).

Financial Knowledge

Financial knowledge is an individual's knowledge and understanding of various aspects of finance, including proficiency in using finance (financial instrument) and financial skills (Andrew & Nanik, 2014). Financial skills are described as decision-making approaches to managing private money, such as budgeting, investment selection, insurance plan selection, and credit use (Ida & Dwinta, 2010). Likewise, financial knowledge is critical in the business world, with the understanding of financial products needed by the community and SMEs in running their business world (Desiyanti, 2017). An understanding of various concepts of personal finance can be used to measure a person's level of knowledge about personal financial issues (Widyaningrum, 2018). Financial knowledge allows people to manage their finances and positively affects the economy (Devi, 2020). Nababan and Sadalia (2012) stated that there are several financial aspects of financial knowledge, including the basics of personal finance. Include understanding the basics of the financial system, for example, calculating interest rates, compound interest, the time value of money, asset liquidity, inflation rates, and opportunity costs.

Financial Attitude

A financial attitude refers to a person's psychological tendencies related to financial problems (Andansari, 2018). Their willingness to disclose financial information remembers the importance of management, namely managing and managing finances such as consumption, promising future directions, and a sense of responsibility towards finances. Herdjiono and Damanik (2016) revealed that financial attitudes are a state of mind, opinion, and judgment about financial ownership.

According to Herdjiono and Damanik (2016), the financial attitude reflects six concepts: obsession, which reveals a person's obsession with money, and his perception of good money

management. Power; is the power of money as a tool to regulate others where it is argued that money can solve problems. Effort; states to someone who feels he deserves more money than he has done. Inadequacy stated to someone who always thought he didn't have much money. Retention; someone who tends to be reluctant to spend money. Security; refers to someone's outdated mindset regarding money, as money is not used for investment but is better kept only.

Financial Experience

According to Putri (2020), a financial experience is an event that someone related to finances has experienced, felt, and realized in the past and present. A person's experience can be used as a lesson in financial management and future investment planning to make financial decision-making more focused and wiser (Devi, 2020).

Financial experience can be measured by events that have been experienced and in the form of personal experiences from friends and family. Financial experience can also be obtained from other people who have experience in the field of finance so that it becomes learning and can improve one's financial management (Brilianti & Lutfi, 2020). Good childhood experiences with family and parents regarding their financial management, social environment, and saving attitudes also play an important role in financial management for individual financial behavior in the future (Yulianti & Silvy, 2013).

Hypothesis Development

The Effect of Financial Knowledge on the Financial Management Behavior of SMEs in Pekanbaru, Riau

Financial knowledge is a necessary knowledge to be possessed by a businessman. Strong financial management skills and a good understanding of finances need to be owned by businessmen (Kholilah & Iramani, 2013). Financial knowledge is essential for personal gain and the managed company's benefit. Financial knowledge makes people who use their money wise and further beneficial to the economy in general. Research by Humaira and Sagoro (2018) shows that financial knowledge positively influences the behavior of SMEs' financial management. In line with the study's results, Nisa et al. (2020) found that financial knowledge has a significant positive effect on SMEs' financial management behavior. Dayanti et al. (2020) shows that financial knowledge significantly influences financial management behavior. Novianti and

Salam (2021) show that financial knowledge significantly affects financial management behavior. When a person's knowledge of finances is high, the individual will demonstrate better financial management behavior (Herleni & Tasman, 2019). On the other hand, a person with poor financial knowledge will make it challenging to make the right financial decisions in managing his finances, both in terms of investment, consumption, and savings (Humaira & Sagoro, 2018). The hypothesis is intended as follows:

H1: Financial knowledge positively affects SMEs' financial management behavior in Pekanbaru, Riau.

The Influence of Financial Attitudes on SMEs' Financial Management Behaviour in Pekanbaru, Riau.

Herdjiono and Damanik (2016) revealed that financial attitudes are financial applications of thoughts, opinions, and evaluations. Financial attitudes describe how a person uses, stores, collects or wastes money (Amanah, 2016). Financial management behavior becomes good if appropriately managed anyway (Humaira & Sagoro, 2018). Financial management behavior is influenced by financial attitudes (Estuti et al., 2021; Dayanti et al., 2020; Djou, 2019; Ardhiyanti et al., 2021). The results of previous research show that financial attitudes have a significant positive effect on financial management behavior, meaning that it is good that a person's financial perspective can more intelligently solve the financial problems they face. Furthermore, aspects of personality also influence the behavior of financial management. Poor management is caused by lousy character, but when nature is good, behavior becomes good. Marsh (2006) concluded that a person's financial management behavior starts from his financial attitude, a person who is wise in responding to his financial problems will have better financial management behavior. Based on the previous description and the results of prior research, it can be said that financial attitudes will positively affect financial management behavior. Then the hypothesis is addressed as follows:

H2: Financial attitude has a significant positive effect on the SMEs' behavior of financial management in Pekanbaru, Riau

The Effect of Financial Experience on the Behavior of Financial Management of SMEs Pekanbaru, Riau.

Financial experience is the ability of events related to financial problems that are lived, both old and new. Based on financial experience, experienced by person can be used as an encouragement to carry out good financial management (Yulianti & Silvy, 2013). Financial transactions or decision-making in the past can provide financial experience for business people. Entrepreneurs who manage finances should be more understanding and careful when making financial decisions because the motivation to increase business success comes from life lessons and experiences with finance. The results of research by Purwidiyanti and Mudjiyanti (2016), and Putri (2020) show that the results of financial experience have a positive influence on financial behavior. A person's financial experience will also encourage effective financial management. The more often entrepreneurs have financial expertise, the better they will be at distributing their finances. In addition, good financial experience, SMEs can wisely handle their business financial difficulties (Putri, 2020). Based on the explanation above, in this study, a third hypothesis can be formulated, namely:

H3: Financial experience has a significant positive effect on the SMEs' financial management behavior Pekanbaru, Riau

RESEARCH METHODS

Research Population and Sample

The population is a generalization of objects or subjects with specific characteristics, traits, and features determined for investigation and from which conclusions are drawn (Sugiyono, 2013). The population used in this study was SMEs in Pekanbaru, Riau. The sample is part of the population employed in the study. Samples taken from the population and used in the study must be strictly representative. Sampling is done by convenience sampling.

Data Types and Data Collection Methods

Data Type

The data source for this study is sourced from primary data. A primary data source is obtained directly by a data collector. The data was first obtained by researchers (Sugiyono, 2013). Primary data from questionnaires were shared now with research respondents using questionnaires. Quantitative data is used because it is related to numbers.

Data Collection Methods

Primary data were collected through field research methods. This study used a research tool in the form of a questionnaire. Questionnaires are data collections involving respondents answering questions or writing arguments (Sugiyono, 2013). The variables will be measured with a questionnaire using a likert scale. The Likert scale measures a person's or group's attitudes, opinions, and perceptions toward a social phenomenon (Sugiyono, 2013). A likert scale with 5 points was used in this study.

Operational Variables and Deficiencies

This study examined three independent variables (financial knowledge, attitudes, and experience) and one dependent variable (financial management behavior). The operational definition of each variable:

Independent Variable (X)

According to Humaira and Sagoro (2018), financial knowledge is the first independent variable in this study (X1). The ability to work on good financial decisions is used to prevent potential problems with financial management, known as financial knowledge. A person's mastery of many aspects of the financial world, such as financial tools and skills, is also described as financial knowledge. Through Humaira and Sagoro (2018) research, the indicators used in this variable are knowledge of financial management or management, expenses, and income, financial planning, credit knowledge, basic knowledge of investment, and basic knowledge of insurance.

Furthermore, X2 is a financial attitude. According to Andansari (2018), financial attitudes are psychological traits of a person related to personal finances, such as the attitude to disclose financial data, due to the importance of immersive financial management regarding consumption, future directions, and a sense of responsibility. Financial attitudes have indicators, namely personal financial orientation (Humaira & Sagoro, 2018). A person's attitude to having an excellent financial budget in financial management planning and debt philosophy. A person's attitude is lending funds to manage finances and money security. The attitude of a person who makes deposits on his income when he is short of money, the last of which is to assess personal finances, reflects a person's attitude towards financial planning.

The third independent variable (X3) is financial experience is the ability to consider or make decisions in financial matters (Sina, 2014). Plan and know how to use financial management

for the present and the future. Indicators of financial experience are experience in banking, experience in pawnshop products, and experience in insurance products (Listiani, 2017).

Dependent Variable (Y)

According to Sugiyono (2013), output variables, criteria, and their effects are common names for dependent variables. The dependent variable (Y) is the financial management behavior of SMEs in Pekanbaru, Riau. According to Humaira and Sagoro (2018), financial management behavior is human behavior in financial management from the psychological field and is based on personal habits. In this research, the dependent variables of traders' financial management behavior can be measured by several metrics. According to Humaira and Sagoro (2018), financial management indicators are: a) A targeted financial budget is a person's behavior when preparing a company's financial budget, and b) Saving is the behavior of someone who regularly saves income. c) Insurance activities are a way to prepare for insurance when financial management implementation contains risks. d) Investment activity is a person's behavior in choosing investments to manage the future economy. e) Credit or debt is the behavior of a person who carefully takes credit when managing the economy.

Data Analysis Techniques

The Structural Equation Model (SEM) method based on Partial Least Squares (PLS) assesses the research hypothesis. PLS is a structural equation model (SEM) based on components or variants. The structural equation model (SEM) is a statistical method that often takes the form of a causal or causal model (Sarwono & Narimawati, 2015). SEM PLS is an alternative to data processing where data is not normally distributed. The main goal of using SEM with PLS is to maximize the variance of endogenous latent variables. There are two sub-models contained in SEM using PLS, namely the structural model (Inner model and the measurement model (measurement / outer model) (Sarwono & Narimawati, 2015).

Descriptive Statistical Analysis

The descriptive statistical analysis presents an overview for the data to be understood simply by everyone reading. Descriptive statistics describe the data, such as mean, minimum, maximum, and standard deviation values, and dependent Variable

(Y). Output variables, criteria, and their effects are common names for dependent variables (Sugiyono, 2013). In this study, the dependent variable (Y) is the financial management behavior of SMEs in Pekanbaru, Riau. Financial management behavior is human behavior in financial management from the psychological field and is based on personal habits (Sugiyono, 2013). Several metrics can measure the dependent variables of traders' financial management behavior. According to Humaira and Sagoro (2018), financial management indicators are: a) A targeted financial budget is a person's behavior when preparing a company's financial budget, and b) Saving is the behavior of someone who regularly saves income. c) Insurance activities are a way to prepare for insurance when financial management implementation contains risks. d) Investment activity is a person's behavior in choosing investments to manage the future economy. e) Credit or debt is the behavior of a person who carefully takes credit when managing the economy.

Measurement (Outer) Model

A variable size model is a model that aims to describe a situation or concept, or element. The measurement model measures the structural strength of the dimensions that comprise a part of SEM (Haryono, 2016). This model used validity tests and reliability tests. Test validity with convergent validity. Convergent validity measures the degree of correlation between constructs and latent variables. Convergent validity can be seen from the load factor value of each structural indicator. The loading factor value of 0.7 is said to be ideal, which is a valid index to measure the structure it forms (Haryono, 2016). A variable is considered valid when the Average Variance Extracted (AVE) value must be greater than 0.5, indicating a good measure of the convergent value. In other words, latent variables can explain the mean of more than half of the indicator variants (Haryono, 2016).

A reliability test is a test that measures the internal consistency of a measuring instrument. Reliability represents the accuracy, uniformity, and precision of measurements in taking measurements. Reliability testing was performed by testing Cronbach's alpha and composite reliability (CR) values. The standard combined value is 0.6, and the minimum alpha value is 0.7 (Sarwono & Narimawati, 2015).

Structural (Inner) Model

After the outer model, the next stage is to evaluate the structural or inner models. Structural

models describe the relationship between latent or exogenous (independent) and endogenous (dependent) variables in SEM models. The value of R^2 measures how much influence the indented variables have on the dependent variable. The higher the R^2 value, the better the prediction model of the research model. The explanation of the importance of R^2 is the same as R^2 linear regression, namely the magnitude of the endogenous variable that can be explained by exogenous variables (Haryono, 2016).

RESULTS OF RESEARCH AND DISCUSSION

Description of Research Data

This study aims to analyze the influence of financial knowledge, financial attitudes, and financial experience on the behavior of SMEs financial management in Pekanbaru, Riau. The primary data was used and obtained through questionnaires distributed to survey respondents, namely SMEs located in Pekanbaru City, Riau. Table 2 below shows the data of the research questionnaires used:

Table 2. Research Questionnaire Data

| Information | Sum |
|---|-----|
| Number of questionnaire deployments | 150 |
| Number of the incompleteness of questionnaire data | 19 |
| The number of questionnaires that are complete and used | 131 |

Source: Data Proceed, 2023

Table 2 shows that 131 Pekanbaru SMEs residents participated in this study. The sampling technique in the study is convenience sampling. The study sample was 131 respondents. One hundred fifty were obtained from the questionnaire distribution, however only 131 of the 150 questionnaires had complete information at the time of the questionnaire distribution. The description of the respondents was used to determine the characteristics, including the gender,

age, and level of the respondent's last education, more precisely based on the respondent's answers to the questionnaire distributed by SMEs the Pekanbaru, Riau. Among the respondents were the following:

Description of Respondent Data

Descriptive respondent data is shown in Table 3 below:

Table 3. SMEs' Respondent Profile

| No | Descriptive | Information | Sum | (%) |
|---------------|-------------|--------------------|-----|-------|
| 1 | Gender | Male | 41 | 31.29 |
| | | Female | 90 | 68.70 |
| 2 | Age | 18-22 | 16 | 6.42 |
| | | 23-27 | 17 | 3.67 |
| | | 28-32 | 12 | 11.01 |
| | | 33-37 | 8 | 7.340 |
| | | 38-42 | 11 | 10.09 |
| | | 43-47 | 23 | 21.10 |
| | | 48-52 | 16 | 14.68 |
| | | 53-57 | 16 | 14.68 |
| | | 58-62 | 3 | 2.75 |
| | | 63-67 | 5 | 4.59 |
| 3 | Education | 68-72 | 1 | 0.92 |
| | | 73-77 | 3 | 2.75 |
| | | Elementary School | 4 | 3.05 |
| | | Junior High School | 11 | 8.40 |
| | | Senior High School | 93 | 70.99 |
| | | Diploma | 8 | 6.11 |
| | | Graduate | 15 | 11.45 |
| Post Graduate | 0 | 0.00 | | |

Source: Data Proceed, 2023

Table 3 shows that of the 131 respondents, the number of male respondents was 41 (31.29%) and as many females as 90 (68.70%). Most age of SME presentation in Pekanbaru, Riau, is 43-47, 23 people or 21.10%. It is also known that most of the respondents are graduates of senior high school, which is 93 respondents or 70.99% and for the level of elementary education, which is four people or 3.05%.

Data Analysis Using SEM-PLS

Various stages of analysis were carried out, and the initial results with Smart-PLS were obtained in data processing techniques using a PLS-based SEM approach. The Partial Least Square (PLS) analysis technique tests hypotheses using SmartPLS 3.0. Here is the schematic model of the PLS program that has been tested:

Hypothesis Test

The hypothesis test is carried out by paying attention to the coefficient path value or

inner model's value to determine the influence between independent variables on dependent variables with a confidence interval level of 95% and an alpha of 5%. Path coefficients with a statistical T value of large or equal to 1.96 or a P value of minor or equivalent to 0.05 are declared significant (Haryono, 2016).

RESEARCH RESULTS

Data Analysis Using SEM-PLS

Several stages of analysis are carried out, starting from the initial investigation with Smart-PLS. This study used the Partial Least Square (PLS) analysis technique in testing its hypothesis. The first-to-first step is tested for each variable's item validity level. Validity tests are carried out to ensure that each variable indicator is valid or invalid.

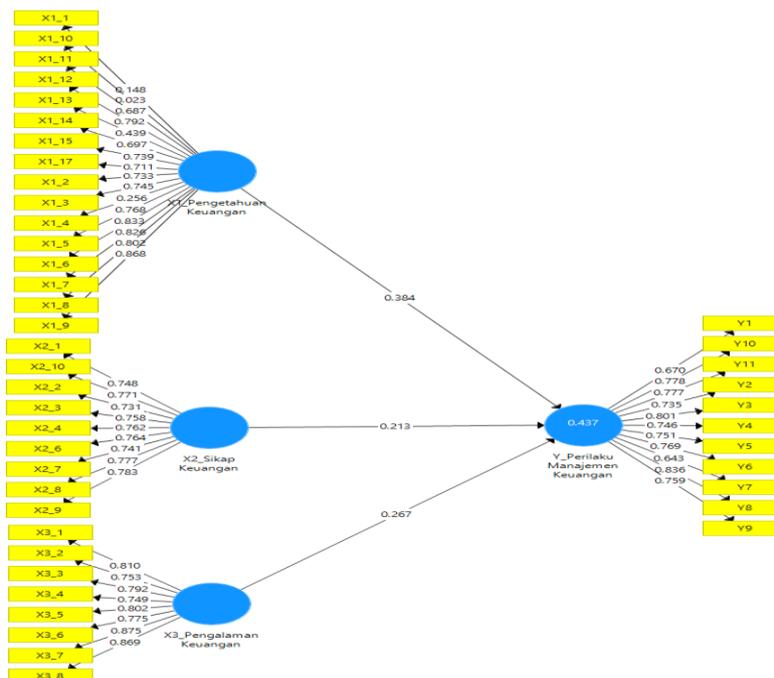


Figure 1. Outer Model

From Figure 1 Outer model is carried out to remove invalid indicators. The indicator is weak if the loading factor value is below 0.7. Furthermore, testing indicators using AVE. The

hand can be judged valid if the average variant extracted (AVE) value must be more than 0.5, indicating a good measure of convergent validity.

Table 4. Average Variance Extracted (AVE)

| Variable | Average Variance Extracted (AVE) |
|------------------------|----------------------------------|
| X1_Financial Knowledge | 0.635 |
| X2_Financial Attitude | 0.577 |

| | |
|----------------------------------|-------|
| X3_Financial Experience | 0.647 |
| Y_ Financial Management Behavior | 0.601 |

Source: Data Proceed, 2023

Reliability Test

This study used Cronbach's alpha and composite reliability (CR) values to conduct a

reliability test. The standard combined reliability value is 0.6, and the minimum value for alpha is 0.7 (Sarwono & Narimawati, 2015).

Table 5. Cronbach's Alpha dan Composite Reliability

| Variabel | Cronbach's Alpha | Composite Reliability |
|----------------------------------|------------------|-----------------------|
| X1_Financial Knowledge | 0.936 | 0.946 |
| X2_Financial Attitude | 0.911 | 0.925 |
| X3_Financial Experience | 0.924 | 0.936 |
| Y_ Financial Management Behavior | 0.917 | 0.931 |

Source: Data Proceed, 2023

Analysis of the data in Table 5 shows that each variable has a value of Cronbach's alpha greater than 0.7; this means that each variable in this study has been reliable because Cronbach's alpha is more significant than 0.7. It can be concluded that each research variable has high reliability. All research variables' composite reliability test results have a value of more than

0.6, so it can be supposed that all variables are reliable.

Evaluation of Structural Models (Inner Model)

The structural model describes the relationship between the independent and endogenous (dependent) variables in an SEM model, evaluated using the value of R².

Table 6. R Square

| | R Square | R Square Adjusted |
|----------------------------------|----------|-------------------|
| Y_ Financial Management Behavior | 0.427 | 0.413 |

Source: Data Proceed, 2023

Table 6 shows the value of R² on the model of 0.427, the model is said to be medium. The influence of financial knowledge, financial attitudes, and experience gave a value of 0.427, which means that the variability of financial knowledge, financial attitude, and financial experience had 41.3% of financial management behavior, and the rest was as ample as described by other variables beyond those studied.

determine the influence of the independent variable on the dependent variable. The path coefficient with a T statistic \geq of 1.96 or a P-value of \leq 0.05 is considered significant. The following are the results of hypothesis testing obtained using structural models in this study.

Hypothesis Test

Test the hypothesis by looking at the value of the path coefficient or internal model to

Table 7. T-Statistic dan P-Value

| | T Statistics | P Values |
|---|--------------|----------|
| X1_Financial Knowledge -> Y_ Financial Management Behavior | 4.525 | 0,000 |
| X2_Financial Attitude -> Y_ Financial Management Behavior | 3.284 | 0.001 |
| X3_Financial Experience -> Y_ Financial Management Behavior | 4.077 | 0,000 |

Source: Data Proceed, 2023

Table 7 shows all proposed hypotheses are acceptable. Each influence shown has a P-Value above 0.05 and a Tstatistic value \geq 1.96. It can be concluded that the influence of independent

variables on their dependent variables has a significant impact.

Discussion of Research Results

This study empirically analyzes the influence of financial knowledge, financial attitudes, and financial experience on the behavior of SMES financial management in Pekanbaru, Riau State. Based on the results of the analysis carried out, the discussion of this research is as follows:

The Effect of Financial Knowledge on the Financial Management Behavior of SMES in Pekanbaru, Riau

The results showed the results that financial knowledge has a positive influence on financial management behavior. The better a person's financial knowledge, the better the financial management behavior of the individual. A highly knowledgeable possessed person will show better and more responsible financial behavior (Herleni & Tasman, 2019). The financial knowledge SMEs can help them make the right financial decisions. This research related with theory of planned behavior (TPB). TPB is the development of an individual's desire to perform a particular behavior. A person's actual behavior when performing an action is directly influenced by their behavioral intentions, which are also determined by their perceived behavioral attitude and control over the behavior.

Humaira and Sagoro (2018), and Pamungkas (2019) suggest that financial knowledge positively affects financial expertise and financial management behavior in SMEs. Financial problems can be overcome by having a sound financial understanding. Financial knowledge is essential for a person in managing. Financial knowledge is important for a person to manage their finances. The results of this study are also in line with research conducted by Dayanti et al. (2020), which shows that financial knowledge significantly influences management behavior. It will have an impact on financial management behavior if an entrepreneur's financial ability increases or decreases

The Effect of Financial Attitudes on Financial Management Behavior of SMEs Pekanbaru, Riau

The results of this study show the results that financial attitudes have a positive effect on financial management behavior. An individual's good or bad financial attitude can affect the financial management behavior of the individual. The better a person's financial attitude, his financial management behavior improves. The

better the financial attitude of the SMEs, the better it will make decisions about its finances. A financial attitude can also lead a person to direct his financial management. A person has the effect of being good or bad, being the benchmark of one's money-related behavior. If a person can give a good value to the attitude, then the better the person's behavior then the attitude will also be good. On the contrary, if there is a wrong view of the individual then his attitude will not be good (Dayanti et al., 2020). The research related with theory of planned behavior (TPB). TPB affect behavioral intentions, and financial management behavior. Financial knowledge can be interpreted as the concept of individual control about financial aspects.

Estuti et al. (2021) support this study's results. Financial attitudes have a positive and significant influence on the variables of financial management behavior. This research also aligns with that conducted by Dayanti et al. (2020), which shows that financial attitudes significantly and positively influence financial management behavior. Djou (2019) indicates that financial attitude variables positively and significantly influence financial management behavior. Ardhiyanti et al. (2021) studied the significant influence of financial attitude variables on financial management behavior.

The Effect of Financial Experience on the Financial Management Behavior of SMEs Pekanbaru, Riau

Financial experience has a positive influence on financial management behavior. If someone has a lot of experience managing finances, there will also be more learning about financial management. Such a person will improve the evaluation of his financial management. Good experience in financial management, the surrounding environment, and attitude towards good management financial behavior are part of financial management behavior in the future. It will impact financial management behavior. Good financial management behavior can also be obtained and influenced by good financial experiences, such as mastering individual expenses and saving activities. Financial experience can also be used as evaluation material in managing one's finances. If someone has a lot of experience managing finances, there will also be more learning about financial management so that it can evaluate its financial management. The result relates with TPB. TPB explains that attitudes toward behavior are an important point that can predict an action, although it is necessary to

consider a person's attitude in testing subjective norms and measuring the control of the person's perceptual behavior. If there is a positive attitude, support from people around and a perception of ease because there are no obstacles to behavior, a person's intention to behave will be higher.

The results of this research are supported by Purwidiyanti and Mudjiyanti (2016), who show that financial experience positively influences financial management behavior. Putri (2020) also supports this research, which shows that financial experience relates to financial management behavior. The financial experience motivates each individual to be better. Financial experience can help SMEs in managing their finances. This research also aligns with Brilianti and Lutfi (2020), which shows that financial experience positively affects financial management behavior. An excellent financial experience can encourage individual financial management behavior to be better.

CONCLUSIONS AND SUGGESTIONS

Conclusion

From all previous discussions, this research can be concluded as follows:

1. There is a positive influence of financial knowledge on SMEs' financial management behavior in Pekanbaru, Riau.
2. Financial attitudes positively influence SMEs' financial management behavior in Pekanbaru, Riau.
3. Financial experience positively influences SMEs' financial management behavior in Pekanbaru, Riau.

Limitations and Suggestions

This research has limitations and suggestions of recommendations that are useful for future research, namely:

- a. Limited research variables determine financial management behavior's influence: financial knowledge, financial attitudes, and behavior. Suggestions for further research need to add other independent variables that affect the financial behavior of SMEs, such as religiosity and family background.
- b. There are few respondents at the SMEs in Pekanbaru, Riau. For future research, the object of study can be carried out in community groups other than business people SMEs, such as families, students or in different fields of business.

Implication

- a. SMEs in Pekanbaru, Riau, rarely prepare their business financial goals. It is recommended that SMEs compile a budget and sound financial management of their financial goals so that their business activities can be more targeted.
- b. Business people are expected to improve their financial knowledge. They are learning things related to financial knowledge, reading books, or attending seminars on financial management.
- c. SMEs can consider the use/borrowing of banking products to avoid the lack of funds experienced by businessmen

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