Determinant of Micro Small Medium Enterprise's Performance: Financial Behavior as Mediating Variable

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Abstract

This research analyzes about financial behavior mediates the influence of financial literacy and sociodemography on the performance of micro small and medium enterprises in Kudus Regency. The population of MSMEs in Kudus is 17.184, and 175 samples were taken using purposive sampling technique. This research use Structural Equation Modeling (SEM) analyzes with AMOS24 software. The results are: Financial literacy has a significant positive effect on financial behavior, sociodemography has a significant positive effect on financial behavior, financial literacy has no effect on MSMEs performance, sociodemography has a significant positive effect on MSMEs performance, and financial behavior has no effect on MSMEs performance in Kudus Regency. Financial behavior cannot mediates the effect of financial literacy on MSMEs performances and the effect of sociodemography on MSMEs performance. These researches is provide advices to the owners of MSME especially in Kudus Regency, so they can increase their financial literacy, improve the sociodemographic's conditions and have better financial behavior to improve MSME's performance in Kudus.

Keywords: *Financial Literacy, Sociodemography, Financial Behavior, Micro Small Medium Enterprises Performance.*

INTRODUCTION

Micro Small Medium Enterprises (MSMEs) are one of the sources of economics' strength of the country. MSMEs are part of the business world, includes economic activities which has a role, position and strategic potential in the structure of the national economy (Fajar, 2015). In Kudus regency, MSMEs are able to develop well,

and received supports from various parties, due to the development of MSMEs in Kudus from 2019 until April 2022 has increased from 14.847 to 17.184 MSMEs or 0,86% (Edris & Asy'ari, 2022). Due to the covid-19 pandemic, the government made policies to limit economic activities. As a result the pandemic has affected business performances, especially on the MSMEs scale. So that there is a decline in MSMEs performance as evidenced by data from the Central Java Cooperative MSME Office (Dinas Koperasi Usaha Kecil dan Menengah Jawa Tengah, 2022):

Figure 1 MSMEs Performance Comparison Before and After Pandemic
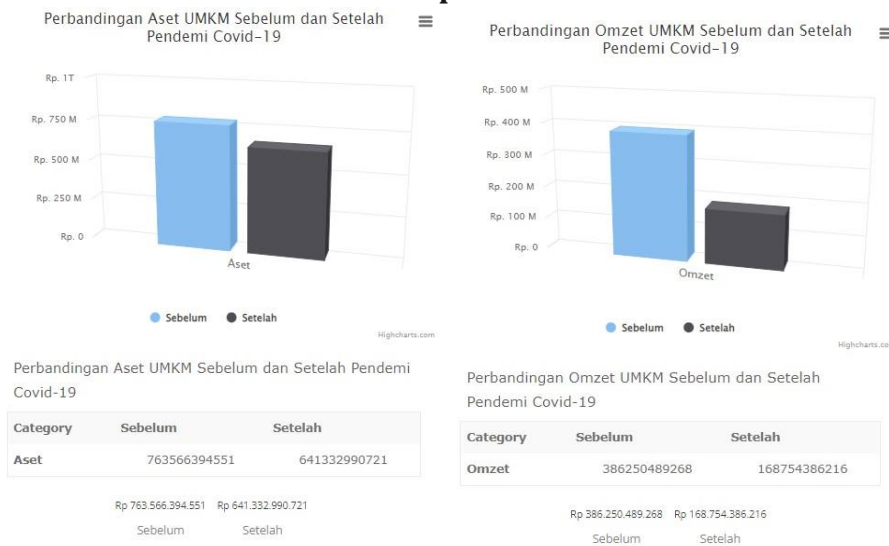
Source: Dinkop UKM Jateng, 2022.

To increase the performance of the business, MSME's owners should increase their knowledge, skills and perspectives on finance (M. Andriyani & Mulyanto, 2022). Insight or knowledge about finance is often known as financial literacy. Financial literacy is knowledge and understanding of financial concepts and risks, skills, motivation and confidence in applying those financial knowledge and understanding (Meszaros & Suiter, 2016).

Another factor which can affect MSME's performances is sociodemographics. Sociodemography is a scientific discipline used to study the structure and population in area, and there are demographic characteristics which include age, gender, education, family and work (Mulyantini & Indriasih, 2021). The demographics' environment with the characteristics of the communities around the company's activities can affects business performance, because the demographic changes can pose threats and / or opportunities for business (Febrianty et al., 2020).

The success of MSMEs also supported with good financial behavior of business's owners (Hijir et al., 2022). Financial behavior studies about how humans actually behave on making a financial decision (Risman et al., 2021). Low financial literacy is a serious problem because it can have a negative impact on financial behavior (Hidajat, 2015). In the aspect of financial behavior, there are several sociodemographic factors that can influence finance management such as education's level, income's level, gender, social culture or even customs (Mulyantini & Indriasih, 2021)

The results of previous studies still found some research gaps. (Hijir et al., 2022) concluded financial literacy has a significant positive effect to financial behavior but (Regista et al., 2021) stated financial literacy has no significant effect to financial behavior. (Masdupi et al., 2019) concluded that demography has a significant positive effect to financial behavior, in contrast to (Purwidianti, Tubastuvi, et al., 2022) who concluded demographic's factors has no effect to financial behavior.

According to (M. Andriyani & Mulyanto, 2022), financial literacy has a significant positive effect to MSMEs performance. Contrary to (Cahya et al., 2022) who concluded that financial literacy has no effect to MSMEs performance. (Le Thi Nuong, 2022) concluded the demographics' factor has a significant positive effect to MSMEs performance, (Fitriani & Arijanto, 2021) concluded the demographics' characteristic has no significant effect to MSMEs performance. The result of (Gusman et al., 2021) research concluded that financial behavior has a positive significant effect to MSMEs performance, in contrast to (Fitria et al., 2021) who concluded that financial behavior has no effect to MSMEs performance.

Based on the explanation above and gaps in previous research, this study focus on MSMEs in Kudus Regency, Central Java, Indonesia. From the Department of Labor, Industry, Cooperatives, and MSME's (Disnakerperinkop UKM Kudus) data in 2021, there are 17.184 MSMEs in Kudus.

The purpose of the study is to analyze the influence of financial literacy and sociodemography to financial behavior MSMEs owners in Kudus, and analyze the influence of financial literacy, sociodemography and financial behavior to performance of MSMEs in Kudus. The contribution of this research is for MSMEs owners to determine factors that influence MSMEs performance in Kudus. This research was conducted with the title "Determinant of Micro Small Medium Enterprise's Performance: Financial Behavior as Mediating Variable".

LITERATURE REVIEW

Resource-Based View Theory

The Resource-Based View (RBV) theory by Wernerfelt in 1984 argues that a company's competitive advantage is based on the resources and its ability to utilize them. The RBV theory states that a company's internal resources are more important than external factors outside the company (Yasa et al., 2023).

RBV theory answers the phenomenon of why there are differences in performance or growth among companies even when they are in the same environtment. The answer is that the resources owned by companies are different, which is what indicates the cause of differences in company performance (Rahman et al., 2022:8). Hitt et al (2005:80) stated that one of the intangible resources owned by company is knowledge which thought to cause the growth rate of MSMEs (Rahman et al., 2022:8).

MSME's Performance

Due to the Covid-19 pandemic, MSMEs are now in the recovery period. MSMEs owners strive for performance improvement which can be influenced by several factors. Performance is a measure of the success, or level of success in achieving company goals, which can be seen through company's marketing performance, financial's performance and human resource's performance (Sumekar & Wismar'en, 2022).

Indicators of MSMEs performances are about Sales growth, increasing customers, met the sales target, expanding market, growth of assets, product innovation, increase products and also customer actions (repurchasing) (Darmanto et al (2018:14), (Attamah, 2019), (Augustin et al., 2020), Kasendah et al (2019)).

The performance of Micro Small Medium Enterprises is a level of achievement based on previously set goals (Darmanto et al., 2018). Based on previous research it was found that financial literacy, sociodemography and financial behavior can influence the MSMEs performance.

Financial Literacy

Financial literacy is the knowledge and ability to organize personal and business finances, also can prevent people from financial problems (Desiyanti & Hamirul, 2020). Low of knowledge about business financial management and low awareness of the importance of saving in the bank and use the bank facilities, also

lack of insight into insurance and investment can affect the financial behavior of MSMEs owners. As a result MSMEs owners cannot plan finance for business needs, not used to saving and investing also do not have an insurance (Aji et al., 2020).

(Hidajat, 2015:3) states that low financial literacy is a serious problem because it can have a negative impact on financial behavior. A person or family who does not have sufficient literacy tends not to plan a retirement program (M. C. J. van Rooij et al.), borrows at high interest rates (Lusardi & Tufano), has few assets (Lusardi & Mitchell) and is less involved with the formal financial system compared to people who are more financially literate (Cole, Sampson & Zia). Therefore, integrating microfinance literacy is an important step to improve community financial management and development (Suci & Anwar, 2021). Increasing financial literacy in all sectors of society requires a systematic, sustainable and coordinated approach to bring about long-term behavioral change (Chong et al., 2021).

The results of previous studies still found several gaps in research results. Hijir et al., (2022) concluded financial literacy has a significant positive effect to financial behavior but Regista et al. (2021) stated financial literacy has no significant effect to financial behavior.

A lack of knowledge regarding business financial management, low awareness of the importance of saving in banks and using banking facilities, as well as a lack of insight into insurance and investment can influence the financial behavior of Micro, Small and Medium Enterprises. As a result, Micro, Small and Medium Enterprises cannot make budgets or financial plans for business needs, are not used to saving and investing and do not have insurance (Aji et al., 2020).

Indicators of financial literacy are: general knowledge of finance, saving literacy, investment literacy, insurance, inflation, time value of money, aspects of financial management (Money management), credit literacy, aware to the risks of financial products, financial responsibility ((Susanti et al., 2018), (Yanti, 2019), (Herdinata, 2020), (Alansori, 2020)).

H_1 : Financial literacy has a significant positive effect on financial behavior.

Sociodemography

Sociodemography is a scientific discipline used to study the structure and population in area, and there are demographic characteristics which include age, gender, education, family and work (Mulyantini & Indriasih, 2021). Sociodemographic's factors which can influence financial behavior are age, gender and education level (Ilona, 2018). At a mature age, individuals will tend to show an attitude of frequent saving and not free-spending. While less than 35 years old, they

behave more extravagantly and intuitively in making purchases. In terms of gender, women are actually more free-spending than men, risk aversion is also more prevalent in women (Ilona, 2018).

Aji et al. (2020) stated that individuals with a high level of income tend to be active in investing, while individuals with a low income refer more to their daily consumption behavior and short-term financial decisions. The education obtained is only about basic financial knowledge such as saving activities obtained at the basic education level, but there is no further education regarding other knowledge where this knowledge can be used to help make financial decisions when financial problems occur or used to avoid problems (Andriyani & Sulistyowati, 2021). The consumer behavior of society and the heterogeneous structure of Indonesian society, especially in terms of socio-demographics, give rise to various irresponsible financial behaviors such as a lack of savings activities (Ilona, 2018).

The results of previous studies still found several gaps in research results. Based on research by Sulistianingsih et al. (2021) and Masdupi et al. (2019), concluded that sociodemographics have a significant positive effect on financial behavior, in another case the research from Purwidianti et al. (2022) and Iriani et al. (2021) stated that sociodemography factors do not affect financial behavior.

Indicators of sociodemography are about: gender, age, marriage status, education level, income, outcome ((Sulistianingsih et al., 2021), Mulyantini & Indriasih (2021), (Jihan H Aziza, 2022))

H_2 : Sociodemography has a significant positive effect on financial behavior.

Financial literacy is an ability of individuals to know and understand about financial management (Azhari et al., 2020). Well financial literacy hoped that MSMEs owners will be able to make the right financial and management decisions to improve business performance (Rahyono et al., 2023).

Knowledge and skills in managing finances better will increase the effectiveness of financial management so that Micro, Small and Medium Enterprises can generate higher profits, therefore financial literacy is an important thing that can support the performance of Micro, Small and Medium Enterprises (Andriyani & Mulyanto, 2022).

Lack of knowledge, skills, attitudes and awareness to handle and direct finances in an appropriate, transparent and professional manner is a significant obstacle to the performance growth and sustainability of Micro, Small and Medium Enterprises (Wulansari & Muhadjir, 2022).

Business performance and continuity will decline as a result of a lack of financial literacy (Purwidianti et al., 2022). The financial management capabilities possessed by individuals are a factor that influences appropriate financial decisions, so that company performance can increase when every financial decision taken is in accordance with business conditions (Azhari et al., 2020).

The results of previous studies still found several gaps in research results. Research by Septiani & Wuryani (2020), Andriyani & Mulyanto (2022), Idawati & Pratama (2020), Kasendah et al. (2019) concluded that financial literacy has a significant positive effect on the performance of Micro, Small and Medium Enterprises. Meanwhile, research conducted by Cahya et al. (2022) and Kumalasari & Asandimitra (2019) showed that financial literacy has no effect on the performance of Micro, Small and Medium Enterprises.

Indicators of financial literacy are: general knowledge of finance, saving literacy, investment literacy, insurance, inflation, time value of money, aspects of financial management (Money management), credit literacy, aware to the risks of financial products, financial responsibility ((Susanti et al., 2018), (Yanti, 2019), (Herdinata, 2020), (Alansori, 2020)).

H_3 : Financial literacy has a significant positive effect on MSMEs performance.

Sociodemography is a scientific discipline used to study the structure and population in a region, and includes demographic characteristics including age, gender, education, family and work. Sociodemographic conditions can influence the performance of Micro, Small and Medium Enterprises. Hidayat & Alliyah (2021) stated that before the Covid-19 pandemic, female entrepreneurs could improve the performance of Micro, Small and Medium Enterprises. However, when a pandemic occurs, the role of women Micro, Small and Medium Enterprise managers is not significant in improving business performance. Gender of the business founder also can be a differentiating factor that influences business performance (Franco & Prata, 2019). The level of education can be the basis for improving MSMEs performance (Darmawan, 2021).

Silaya (2021:21) states in a general description of an individual, which can show the condition of an individual or group in a study. This factor changes can create opportunities and/or threats for companies. Such as the socio-cultural environment related to habits, customs, values and norms that apply in the society where the business company carries out its operations. The socidemographics' environment with the characteristics of the communities around the company's

activities can affects business performance, because the demographic changes can pose threats and / or opportunities for business (Febrianty et al., 2020).

The gap of this researches are study from Nurfarida & Sarwoko (2019) and Le Thi Nuong (2022) who concluded that socio demographic factors have a significant positive effect on business performance. The research by Fitriani & Arijanto (2021) concluded that individual sociodemographic characteristics in the form of gender, age and education do not have a significant effect on business performance.

Indicators of sociodemography are about: gender, age, marriage status, education level, income, outcome ((Sulistianingsih et al., 2021), Mulyantini & Indriasih (2021), (Jihan H Aziza, 2022)).

H_4 : Sociodemography has a significant positive effect on MSMEs performance.

Financial Behavior

Viale et al. (2018:188) states that the literature from behavioral finance has identified a number of individual behaviors that can influence economic and financial choices in different ways. Financial behavior is a person's ability to control, manage, check, plan and save the money they have (Ningtyas & Andarsari, 2021).

Financial behavior is the science that studies how humans actually behave in making financial decisions (Risman et al., 2021:2). One of the successes of MSMEs is that they are supported by the good financial behavior of business actors (Hijir et al., 2022).

Financial behavior is formed when someone is able to consider and plan budget income, so that someone is able to save, accept financial risks that may occur and make the needs and available budget suitable for the needs of continuing their business (Susanti et al., 2018).

Having good financial behavior in a person will of course have a good impact on company performance, because the better their financial behavior, the more focused they will be in running the business. Because there are actions in decision making that will indirectly affect business performance (Augustin et al., 2020).

A founder or operator of a Micro, Small and Medium Enterprise with good financial behavior based on the level of self-confidence and financial actions has a higher chance of having a positive impact on the company he manages.

Good financial behavior leads to global economic competitiveness, while worse financial behavior makes unsustainability for business (Fitria et al., 2021).

The result of Gusman et al. (2021) research concluded that financial behavior has a positive significant effect to MSMEs performance, in contrast to (Fitria et al., 2021) who concluded that financial behavior has no effect to MSMEs performance.

Indicators of financial behavior are: Create a budget, Record expenses, Pay bills on time, Provide emergency funds, Provide funds for little needs, Provide retirement funds, Set aside monthly income for saving and investment, Interesting on financial issues, Comparing prices, Free-spending (Ferli & Nursanti, 2018), (Iramani & Lutfi, 2021), (Ilona, 2018).

H_5 : Financial behavior has a significant positive effect on MSMEs performance.

Figure 2 Conceptual Framework
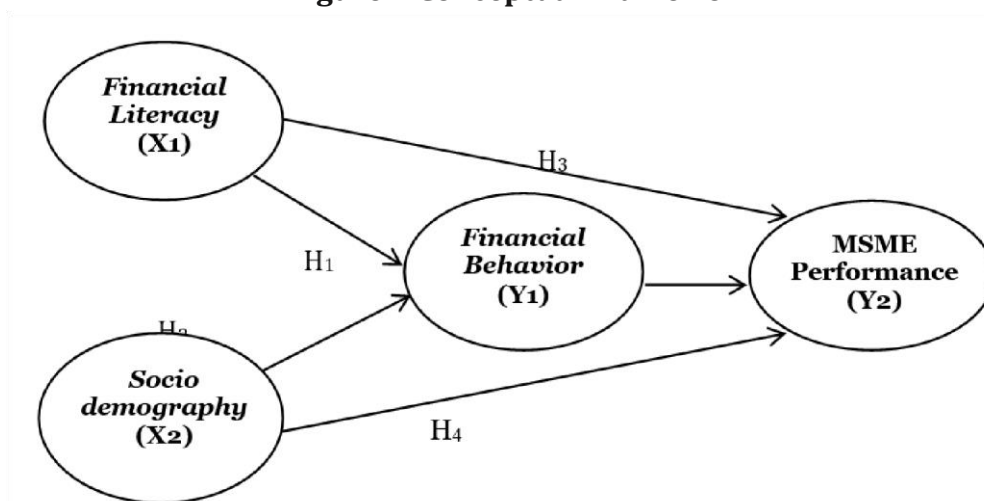
RESEARCH METHOD

This research was conducted to identify problems in the performance of MSME's in Kudus. By using quantitative method, this research distributed questionnaires to 175 samples from 17.184 MSMEs population in Kudus. The sample size is a requirement that must be met by Structural Equation Modeling (SEM), which is minimum of 100 then use a comparison of at least five observations for each parameter (Ferdinand, 2014).

The indicators used are 35 so five times 35 result 175 samples. The technique used is non-probability sampling technique because the population is spread widely. The type of sampling used is purposive sampling based on certain criteria by researcher (Ferdinand, 2014).

The data used can describes the correlations of each variable that can be hypothesized. This research use primary and secondary data. The primary data is obtained directly from the results of filling out questionnaires. Secondary data is obtain from the result of previous academic researches, journal, various literature, and other data which related to this research.

Each variable which used on this research can measure by several indicators based on previous researches or theory. One variable is formed from some indicators according to its definition. The measurements of variables are below:

Table 1

Variables and Measurements

Variable	Definition	Indicators	Sources
Financial Literacy	Financial literacy is people's basic knowledge of finance, financial management, credit management, and understanding about saving and investment (Desiyanti & Hamirul, 2020:6)	- General knowledge of finance; - Saving literacy; - Investment literacy; - Insurance; - Inflation; - Time value of money; - Aspects of financial - management (Money management); - Credit literacy; - Aware to the risks of financial products; - Financial responsibility.	(Susanti et al., 2018) (Yanti, 2019) (Herdinata, 2020) (Alansori, 2020)
Sociodemography	Sociodemography is a scientific discipline that study the structure and population in demographic characteristics such age, gender, education, family and work (Mulyantini, 2021:30)	- Gender - Age - Marriage status - Education level - Income - Outcome	(Sulistianingsih et al., 2021) (Mulyantini & Indriasih, 2021) (Jihan H Aziza, 2022)

Financial Behavior	Financial behavior studies about how humans actually behave on making a financial decision (Risman et al., 2021:2)	- Create a budget; - Record expenses; - Pay bills on time; - Provide emergency funds; - Provide funds for little needs; - Provide retirement funds; - Set aside monthly income for saving and investment; - Interesting on financial issues; - Comparing prices; - Free-spending.	(Ferli & Nursanti, 2018) (Iramani & Lutfi, 2021) (Ilona, 2018)
MSME's Performance	Performance is management activities that provide an overview of the achievement, the result of the tasks that have been carried out, also the responsibility in public accountability, whether it successes or even shortcomings that occur in a business (Fatmawati et al., 2022:24)	- Sales growth; - Increasing customers; - Met the sales target; - Expanding market; - Growth of assets; - Product innovation; - Increase products; - Customer actions (repurchasing).	(Darmanto et al., 2018:14) (Attamah, 2019) (Augustin et al., 2020) (Kasendah et al., 2019)

The questionnaire's research must be tested before being filled in by the respondent using instrument test. Test instrument is a test before giving questionnaires to respondents, so the validity and reliability tests are needed on each question's item from each variable used, in order to obtain valid data. To test the questionnaire's valid or not, this research will use the Structural Equation Modeling (SEM) program which has 95% trust level ($\alpha = 0,05$).

Confirmatory Factor Analysis or CFA is used to test the multidimensionality or validity of a theoretical construct. The measures of construct validity are Convergent Validity, Average Variance Extracted, Reliability and Discriminant Validity (Ghozali, 2017). By using SEM program, the analysis is normality test, outlier test and sample size test.

Data analysis used is descriptive statistic, in order to provide a description or empirical description of the collected data (Ferdinand, 2014). The equation model

used is a structural equation model based on causality correlation, which is changes in a variable are assumed to result changes in other variable (Ghozali, 2017:59).

The research's model consists of exogenous variables which affect the endogenous variables, so the indicators are formed used to test the correlation between these variables. The suitability of the model will be evaluating through the study of various goodness of fit criteria. Before conducting a feasibility assessment of a structural model, it must to assess whether the processed data has met the assumptions of SEM (Ghozali, 2017:63).

Table 2
Goodness-of-Fit

Goodness-of-Fit Index	*Cut-off Value*
χ^2 (*Chi-square*)	Small
Significance Probability	≥ 0,05
RMSEA	≤ 0,08
GFI	≥ 0,90
AGFI	≥ 0,90
CMIN/DF	≤ 2,0
TLI	≥ 0,95
CFI	≥ 0,95

Source: (Ghozali, 2017)

Hypothesis test will do in order to prove the provisional assumptions by identifying hypotheses which are theoretically prepared have similarities with the result of the SEM AMOS program. Hypothesis test was done by looking at the t-value in AMOS, which is the value of the Critical Ratio at the Regression Weight table of the fit model, that has a significant level of 0,05. This research was conducted using 175 samples of MSMEs owners in Kudus.

Table 3 Respondent's Profile

Data	Criteria	Frequently	Percentage
Gender	Female	108	62%
	Male	67	38%
Age	20-35	94	53,72%
	36-51	73	41,71%
	>51	8	4,57%

Based on Table 3 showed that 175 respondents are consists of 108 females and 67 males. Respondent at age 20-35 are 94 respondents, 36-51 are 73 respondents and >51 are eight respondents.

RESULTS

This research uses statistical tests have been carried out using the SEM AMOS program. In SEM analysis, several suitability indices are used to measure suitability (in degrees) between the supported model and researched data. Several matching indices can use to tell a model whether it is accepted or rejected. At first analysis found that data was not fit, it have to be modified until find a good value of fit indices. The modified result is below:

Table 4
Goodness-of-fit Indices Full Model

Goodness-of Fit	*Cut-off Value*	**Value**	**Result**
Chi Square	Small	11,668	Good
Chi Square/DF	≤ 2	0,556	Good
Probability	≥ 0,05	0,948	Good
GFI	≥ 0,90	0,986	Good
AGFI	≥ 0,90	0,969	Good
CFI	≥ 0,95	1,000	Good
TLI	≥ 0,95	1,024	Good
RMSEA	≤ 0,08	0,000	Good

Source: Primary Data, 2023.

Based on table 4 concluded that data was accepted on goodness of fit index.

Data Normality test is use to see the distribution of normal or abnormal data. Normality test was conducted on single normality and multivariate normality, where several variables were used at once in final analysis. The critical value of the normality of the data is ±2,58 at 0,05 significance level.

The results of Normality test are below:

Table 5 Normality Test

	Kurtosis	**c.r.**	**Result**
Multivariate	5,217	2,452	Normal

Source: Primary Data, 2023.

Based on table 5 showed that CR value of the data is 2,452. It was less than critical value of normality data (2,452 < 2,58) so the data in this researches is normal.

Outlier evaluation done to see the condition of an observation from the data, which has unique characteristic, and looks much different from other observations.

It appears in the form of extreme values, either from a single or combination variables.

Table 6 Outlier Analysis

Observation number	Mahalanobis d-squared	p1	p2
25	28,857	,001	,113
93	23,982	,004	,176
...	...	...	...
77	7,202	,616	,926
171	7,190	,617	,907

Source: Primary Data, 2023.

The limit value of D-squared mahalanobis is known from the DF value sought for the maximum Chi-square value at 1% significance. The value of DF at the output is known to be 21, with a chi-square value of 38,932. Based on the table above it known that the highest D-squared mahalanobis value is 28,857 and the value is smaller than 38,932. So the research data stated that there were no outlier data.

Hypothesis test is done to find out if there is influence between variables. The hypothesis is stated to be accepted at significance (p-value) less than 0,05. The results of hypothesis test are below:

Table 7 Regression Weights: (Group number 1 – Default model)

			Estimate	S.E.	C.R.	P	Label
FB	<---	FL	,431	,146	2,950	,003	par_7
FB	<---	SD	,305	,141	2,156	,031	par_9
MSME Performance	<---	FL	-,294	,178	-1,657	,097	par_8
MSME Performance	<---	SD	,887	,183	4,862	***	par_10
MSME Performance	<---	FB	,367	,212	1,735	,083	par_11

Source: Primary Data, 2023.

Based on Table 7 can conclude that hypotheses test results are:

1. The Influence of Financial Literacy on Financial Behavior

Based on the data analysis can concluded that CR value is 2,950 so it was more than minimum limit of CR value which is 1,645 (2,950 > 1,645). With p value of 0,003 which is adequate significance (0,003 < 0,05). Then it can be concluded that **Hypothesis 1 is accepted**. The estimate value of the effect FL to FB is 0,431 which mean that every increase in a unit of Financial Literacy can increases 0,431 of Financial Behavior.

2. The Influence of Sociodemography on Financial Behavior

Based on the data analysis can concluded that CR value is 2,156 so it was more than minimum limit of CR value which is 1,645 (2,156 > 1,645). With p value of 0,031 which is adequate significance (0,031 < 0,05). Then it can be concluded that **Hypothesis 2 is accepted**. The estimate value of the effect SD to FB is 0,305 which mean that every increase in a unit of Sociodemography can increases 0,305 of Financial Behavior.

3. The Influence of Financial Literacy on MSME's Performance

Based on the data analysis can concluded that CR value is -1,657 so it was less than minimum limit of CR value which is 1,645 (-1,657 < 1,645). With p value of 0,097 which is not adequate significance (0,097 > 0,05). Then it can be concluded that **Hypothesis 3 is rejected**. The estimate value of the effect FL to MSME Performance is -0,294 which means that every increase in a unit of Financial Literacy can decrease 0,294 of MSME Performance.

4. The Influence of Sociodemography on MSME's Performance

Based on the data analysis can concluded that CR value is 4,862 so it was more than minimum limit of CR value which is 1,645 (4,862 > 1,645). With p value of 0,000 which is adequate significance (0,000 < 0,05). Then it can be concluded that **Hypothesis 4 is accepted**. The estimate value of the effect SD to MSME Performance is 0,887 which mean that every increase in a unit of Sociodemography can increases 0,887 of MSME Performance.

5. The Influence of Financial Behavior on MSME's Performance

Based on the data analysis can concluded that CR value is 1,735 so it was more than minimum limit of CR value which is 1,645 (1,735 > 1,645). With p value of 0,083 which is not adequate significance yet (0,083 > 0,05). Then it can be concluded that **Hypothesis 5 is rejected**. The estimate value of the effect

FB to MSME Performance is 0,367 which mean that every increase in a unit of Financial Behavior can increases 0,367 of MSME Performance insignificantly.

Estimates value of Indirect effect and Total effect on mediating analysis are below:

Table 8 Estimate Value of Indirect Effect and Total Effect

	Direct Effect	Indirect Effect	Total Effect	Significant Value	Result
MSME Performance <-- Financial Literacy	-0,294	**0,158**	-0,136	FB à MSMEperformance **0,083** (not significance)	*Financial Behavior* **cannot be a mediating variable**.
MSME Performance <-- Socio demography	0,887	**0,112**	0,999	FB à MSMEperformance **0,083** (not significance)	*Financial Behavior* **cannot be a mediating variable**.

Source: AMOS, 2023.

Based on Table 8 can concluded that Financial Behavior cannot mediates the influence of Financial Literacy and Sociodemography on Performance of Micro Small Medium Enterprises.

The results of analysis can be formed to linear regression equation as follows:

Table 9 Standardized Regression Weight

			Estimate
FB	<---	FL	,490
FB	<---	SD	,364
MSME Performance	<---	FL	-,299
MSME Performance	<---	SD	,946
MSME Performance	<---	FB	,327

Source: AMOS, 2023.

Based on Table 9 can made linear regression equation as follows:

1) FB = 0,490FL + 0,364SD

The Increase of Financial Behavior is determined from 0,490 financial literacy and 0,364 sociodemography.

2) MSME Performance = -0,299FL + 0,946SD + 0,327FB

The Increase of MSME Performance is determined from -0,299 financial literacy, 0,946 sociodemography and 0,327 financial behavior.

The results of analysis also get the R-Square value in the Squared Multiple Correlation table as follows:

Table 10 Squared Multiple Correlation

	Estimate
FB	,642
MSME Performance	,971

Source: AMOS, 2023.

Based on Table 10 its known that the squared multiple correlation's value of Financial Behavior is **0,642** and MSME Performance is **0,971**. The results show that it is the coefficients of determination that gives the variation on the total influence of variables. Financial behavior is influenced by 0,642 from financial literacy and sociodemography. The performance of MSME is influenced by 0,971 from financial literacy, sociodemography and financial behavior. The remaining is **0,358 (35,8%)** and **0,029 (2,9%)** were not studied in this research.

DISCUSSION

Financial literacy has a significant positive effect on financial behavior of MSME owners in Kudus. Financial literacy is the knowledge and ability to organize personal and business finances, also can prevent people from financial problems (Desiyanti & Hamirul, 2020:2). The finding is in line with Hidajat (2015:3) theory that low financial literacy is a serious problem because it can has a negative impact on financial behavior. The results are also in line with the researches of (P. Andriyani & Sulistyowati, 2021) and (Masdupi et al., 2019), who concluded that financial literacy has a significant positive effect on financial behavior. This means that a good financial

literacy can make a well financial behavior. Well financial literacy is needed by MSME owners to behave properly and increase the business finance managing.

Sociodemography has a significant positive effect on financial behavior of MSME owners in Kudus. Sociodemography is a scientific discipline used to study the structure and population in area, and there are demographic characteristics which include age, gender, education, family and work (Mulyantini and Indriasih, 2021:30). The findings are in line with researches by Sulistianingsih et al (2021) and Masdupi et al (2019) also a theory by Mulyantini and Indriasih (2021:30) which stated that in finances managing there a several sociodemographic factors that can influence it, including education level, income level, gender, socio-culture or customs. This means a good conditions of sociodemography can makes well financial behavior.

Financial literacy has no effect on MSME Performance in Kudus. Financial literacy is an individual's ability to understand a good financial management (Azhari et al, 2020). With a well literate in finance, MSME owners will be able to make a right financial and management decisions to improve business performance (Rahyono et al, 2023:41). The definition of financial literacy used in PISA 2012 Financial Literacy Assessment Framework from Meszaros & Suiter theory (2016:26) financial literacy is knowledge and understanding of financial concepts and risks, skills, motivation and confidence to apply such knowledge and understanding, in order to make effective decisions across a range of financial context, improve the financial well-being of individuals society and to enable participation in economic life. This following result has a problem which MSME owners are only understand the financial literacy definition but they still unoptimal in applying this understanding and knowledge. For example when respondents understand insurance in a definition but in reality they do not have insurance. As for those who understand the concept of financial management, they do not separate personal money and business finance. The finding is in line with (Kumalasari & Asandimitra, 2019) research, who concluded that financial literacy cannot improve the business performance.

Sociodemography has a significant positive effect on MSME Performance in Kudus. Sociodemography is a scientific discipline used to study the structure and population in area, and there are demographic characteristics which include age, gender, education, family and work (Mulyantini and Indriasih, 2021:30). This result is in line with Nurfarida & Sarwoko (2019) and Le Thi Nuong (2022) also Febrianty's theory (2020:10) who stated that the demographic environments with the characteristic of the community around the companies greatly affects business performance because demographic changes can create threats and or opportunities for its business.

Financial behavior has no effect on MSME Performance in Kudus. Financial behavior is people's ability to control, manage, check, plan and save the money they have (Ningtyas & Andarsari, 2021). In accordance with the theory from (Viale et al., 2018) the literature from behavioral finance has identified behavioral people that can influence economic and financial choices in different ways. With good financial behavior, it will have a good impact on business performance because it will be more focused in running the business and taking action in making decisions that will affect business performance (Augustin et al, 2020). The result of this study is in line with Fitria et al (2021) and Irmawati et al (2022) who concluded that financial behavior does not affect the performance of MSME.

CONCLUSION

Based on analysis's results and discussions this research can conclude that Financial literacy has significant positive effect on financial behavior MSME's owners in Kudus. This means that the increase of financial literacy will provide increases financial behavior. Sociodemography has significant positive effect on financial behavior MSME's owners in Kudus. This means that the better conditions of sociodemography will provide in financial behavior. Financial literacy has no effect on MSME's performance in Kudus. This means that performance of MSME is not influenced by how good the financial literacy and it does not affect to performance of MSME. Sociodemography has significant positive effect on MSME's performance in Kudus. This means that the better conditions of sociodemography will increases the performance of MSME. Financial behavior has no effect on MSME's performance in Kudus. This means that better financial behavior does not affect the performance of MSME. Financial behavior cannot mediate the influence of financial literacy and sociodemography on Performance of MSME. This means that financial behavior cannot mediates well financial literacy and good conditions of sociodemography on MSME performance.

The results of this research have implications for Micro, Small and Medium Enterprises in Kudus Regency, namely as follows; MSME owners should increase financial literacy by paying attention to financial aspects as a whole, especially understanding inflation so that they can provide knowledge to help improve their financial behavior and improve their business performance. So that MSME owners improve their socio-demographic conditions, especially marital status in terms of controlling finances when they are married, so that MSME owners are able to behave financially well to improve their business performance. MSME owners can improve

their financial behavior, especially comparing prices when shopping, so that they can help improve the performance of the business they manage.

This research has some limitations. Sample that used in this research are only 175 samples which is less than 10% of population (17.184). Variables on this research are only has two endogenous, a mediation and an exogenous variable. In accordance to squared multiple correlation which concluded that the performance of MSME is influenced by 0,971 from financial literacy, sociodemography and financial behavior. The remaining is 0,358 (35,8%) and 0,029 (2,9%) were not studied in this research. In future research it can modify or add another variables which in accordance the theory and science of this research, such as financial inclusion and financial technology. It also can add samples and use another method such as qualitative or mix method.

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