

Peer-Reviewed Article

Jurnal Keuangan dan Perbankan
Volume 26, Issue 2 2022, page. 317-334
ISSN: 1410-8089 (Print), 2443-2687 (Online)
DOI: 10.26905/jkdp.v26i2.6846



The Role of Locus of Control as a Mediation of Financial Literacy and Financial Inclusion on The Financial Performance of MSMEs

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Abstract

This study examines the relationship between financial literacy and financial inclusion of MSMEs' financial performance in Buleleng Regency, where the locus of control variables are intervening variables. This phenomenon is essential to be studied given the condition of the performance of MSMEs in the Buleleng Regency, which is not optimal, and the importance of the MSME sector to improve the national economy. This research was conducted using quantitative methods and data analysis techniques using SEM (Structural Equation Modeling) with the PLS (Partial Least Square) method. The processed sample is 100 UKM samples with the Slovin formula determined by the random sampling technique. The test results show that the locus of control can intervene variables between financial literacy and financial inclusion of MSME's financial performance in Buleleng Regency with a positive and significant influence. These results reinforce that the Locus of Control has an important role in supporting the influence between financial literacy and financial inclusion on the financial performance of MSMEs in the Buleleng Regency.

Keywords: Literacy; Inclusion; Financial Performance

JEL Classification: G32, G53, M21, M41

1. INTRODUCTION

Community welfare can be increased through economic development and growth through small and medium-sized micro-business sectors (MSMEs). MSMEs are considered effective because MSMEs can expand employment opportunities that affect the increase in the amount of labor absorption. The level of labor absorption is around 97% of all national workers, and the contribution of gross domestic product (GDP) of around 57% (Bank Indonesia, 2015). MSMEs are the most contributing sectors to the growth of Gross Domestic Product (GDP) in Indonesia (Koperasi, 2021). The importance of the contribution of MSMEs makes this sector the regional economy and the country. Realizing this, the Buleleng Regency Government of Bali Province conducted various efforts to support the MSME sector in Buleleng Regency. One of them by holding a collaboration with the Bali Regional Development Bank (BPD) for the expansion of marketing access to MSME products and partners to obtain capital access (Prokomsetda,

2021). The step was based on data from the Financial Services Authority (OJK) as of June 2020, that credit was worth Rp. 1,015,438 trillion has been channeled to the MSME sector, and this value is half of the distribution to the large and retail trade sector, which is Rp. 505,656 trillion (Kulsum, 2020). The OJK data illustrates that the MSME sector plays an active role as an economical drive. Various efforts have been made to improve the quality of MSMEs. However, there are still obstacles to the development of MSMEs in the Buleleng Regency, especially the constraints of business financial management. Tidal Development of the MSME sector in Buleleng Regency was seen in the number of MSMEs who had decreased in 2018 and 2019 (Table.1).

Table 1. Data from the number of Buleleng Regency MSMEs in 2017/2021

Year	Number of MSMEs
2017	31.563
2018	34.552
2019	34.374
2020	35.555
2021	35.890

Source (Trade Service, Prindustriation and Cooperative, 2022)

The decline in the number of MSMEs caused a decrease in the acceptance of the gross regional domestic product (GRDP) in the Buleleng Regency. In current conditions, UMKM competitiveness in Buleleng is still low when compared to MSMEs in other regions. The weak competitiveness is caused by the ineffective management of MSMEs, and MSME financial management, which will affect other MSME financial performance Fields(Yuniarta, 2017).

Financial performance is an indicator of the effectiveness of a company's financial management. The higher the quality of financial management, the healthier the financial position of the company (Rina Destiana, 2016). Financial literacy and inclusion are an important factor in managing business finances, including in the MSME sector, and based on the results of the National Survey of Literacy and Financial Inclusion (SNLIK) organized by the Financial Services Authority (OJK) in 2019, producing a financial literacy rate of 38.03% and financial inclusion of 76.19% (www.ojk.go.id, 2020). And now in 2020 financial literacy increased, reaching 40% by 2020 (keuangan.kontan.co.id, 2020). Despite experiencing an increase since 2016, many Indonesian people still do not understand financial management correctly. Likewise, what happened to MSMEs in Buleleng Regency? Most of the business actors had a level of education that was still low. The following are the details of the education level of the MSME business actors in Buleleng Regency:

Financial literacy is the main needs of the community in carrying out a business. Because financial difficulties appear not only from low income, but also from the wrong management of the company (Rahmayanti et al., 2019). Financial literacy emphasizes implementing financial knowledge and skills to make financial decisions (Fadli, M.A., 2020). Financial literacy produces financial statements used to make decisions in business management. So that the decision taken by the management is more appropriate because it has been based on the actual financial condition. In addition to financial literacy, it becomes a must to make MSME players more inclusive about finance because it is related to loan or credit access to financial institutions (Dermawan, 2019). Financial inclusion also plays a vital role in supporting MSME financial performance. Financial inclusion is an

essential factor for increasing financial literacy. Financial inclusion is a concern for the government because it plays a role in encouraging ongoing national economic growth, and gaps and improving the community welfare (Puspitasari & Astrini, 2021).

Table 2. Education level of MSMEs in Buleleng Regency

No	Education level	Total	Percentage
1	Not graduating from elementary school	2.656	7,4%
2	Graduated from elementary school	17.012	47,4%
3	Junior High School	5.491	15,3%
4	High School	8.362	23,3%
5	Bachelor (S1)	2.118	5,9%
6	Postgraduate (S2)	251	0,7%

Source (Trade Service, Prindustriation and Cooperative, 2022)

Financial literacy and inclusion affect financial management that impacts the performance and sustainability of the MSMEs (Desiyanti. R, 2016). But, Syahdanadarma & Hidayati (2013) in his study found the result that financial literacy did not have an influence on financial performance on MSMEs in Cilandak. The results of a similar study also obtained Bahiu et al (2021), according to him, financial literacy did not affect the financial performance of MSMEs in the Talaud Islands Islands village. Hilmawati & Kusumaningtias (2021) found that financial inclusion did not affect the performance and sustainability of the MSME sector.

In this study, the Locus of Control variables is included due to the social learning theory consisting of expectancy factors related to one's hopes that a person's learning history also determines the response to certain behaviors from within or from the outside environment that will get feedback on the action (reinforcement) (Rotter, 1966). In addition, according to (Forte, 2005), the Locus of Control emphasizes the condition of a person to catalyze the success or failure achieved. In other words, the Locus of Control, a person, has a role in achieving success or failure of a person because it is related to one's belief in the target of life achievement. In addition, the results of previous studies by Darmawan (2021), found that the Locus of Control had a significant positive effect on MSME's financial performance in the city of Banjar Patroman. In other words, someone should be able to control himself well so that confidence is formed against him for the expected achievement.

The importance of supporting MSMEs in Buleleng Regency and the results of previous studies that still need to be studied. So, this study will analyze about literacy, financial inclusion and locus of control as an intervening variable that has implications for the financial performance of MSMEs in Buleleng Regency in Bali Province.

2. HYPOTHESES DEVELOPMENT

Financial literacy has a significant positive effect on the Locus of Control.

Someone requires adequate financial literacy to control themselves (Locus of Control) when managing their finances (M. H. Putri & Pamungkas, 2019). Financial literacy plays a role in helping individuals to control themselves to avoid financial problems. A comfortable and spared life of financial problems is the desire of everyone (Dyah R. P, 2018). Khoirunnisa & Rochmawati (2021), also stated that high financial literacy was able to form the increasingly qualified locus of control. Financial

management that has adequate knowledge and understanding should definitely encourage the formation of a good locus of control in considering financial decision-making (Prastiawan, 2018). So, the better a person's financial literacy, the better the Locus of Control person to increase financial control, such as controlling storage and funding. Based on this understanding, the first hypothesis can be formulated (H¹), namely "financial literacy has a significant positive effect on the Locus of Control MSMEs in Buleleng Regency".

Financial literacy has a significant positive effect on MSME financial performance.

Financial literacy can be used as a gauge of the level of understanding of the financial management of a business actor so that business actors better understand savings and loans, insurance, and investment. If financial literacy has increased, it will positively impact the financial performance of the MSMEs (Ida Ardila Syafitri Romain, 2021). Poor financial performance can be caused by limited resources and a lack of understanding of the financial management (Rahmayanti et al., 2019). Individuals who have understood financial literacy certainly have the ability to determine business decisions based on information contained in financial statements, thus avoiding the risk of financial issues (Idawati & Pratama, 2020). Financial literacy is important for performance and business continuity. Without sufficient financial management capabilities, the community does not have a good ability when make financial decisions. Hurry decision-making with inadequate financial understanding can pose a financial risk. MSME managers who have adequate financial literacy are more provisions to make decisions related to savings, investment, and loans (Kasendah, B.K & Wijayangka, 2019). Based on the theory, the second hypothesis (H²) is "financial literacy has a significant positive effect on MSME's financial performance".

Financial inclusion has a significant positive effect on the Locus of Control.

Financial inclusion is a person's expertise to access, use financial services and services or financial institutions that are useful in meeting the needs (Khoirunnisa & Rochmawati, 2021). Financial inclusion is able to influence the control of a person (Locus of Control) in managing financial and financial decision-making. This is because, financial inclusion in the form of providing services that can be managed by UMKM business actors effectively and efficiently for the achievement of business objectives (Nisa, 2021). Financial inclusion helps teach positive financial activities by practicing self-management and planning for the future. The existence of financial services institutions provides opportunities for business actors to increase their financial income and performance (Brief, 2012). Based on the exposure can be formulated the third hypothesis (H³), namely financial inclusion has a significant positive effect on the Locus of Control".

Financial inclusion has a significant positive effect on the financial performance of MSME

Financial inclusion has a very important role, namely increasing the development of reducing poverty, leveling financial distribution and increasing the stability of the financial system et al.et al.(Qamariyah et al, 2021). Because financial inclusion aims to minimize all forms of community barriers to access to financial services. So that the better access to financial services obtained, it will have a good impact on the financial performance of the MSME (Salsabila, 2021). The realization of financial inclusion is also seen in the quality of access to capital which certainly has a high contribution to the support of the achievement of MSME performance (Kurniawan & Rahayu, 2019). Capital access further strengthens the role of financial inclusion as an important factor to improve

the financial performance of MSMEs. Based on the exposure it can be concluded that the fourth hypothesis (H⁴) this research is "financial inclusion has a significant positive effect on MSME's financial performance".

Locus of Control Has Significant Positive Effect on MSME's Financial Performance

A person's failures and successes are the result of influence from oneself and the surrounding environment. This is due to the Locus of control which is believed to be the ability of self to control achievements in life or fate. Locus of control is an aspect of personality that refers to a person's psychological system. The implementation of locus of control lies in the decision-making process of business actors or managers to obtain the expected financial performance (Kusumadewi, 2017). The same thing was stated by Darmawan (2021), where the Locus of Control was associated with the right decisions that influenced the achievement of the maximum corporate profits. So that self-confidence in the ability to control and plan finances well and make effective and efficient decisions making. So, locus of control is a form of confidence and self-control in conducting financial management to improve financial performance (Filtroh, 2019). Based on the exposure, the fifth hypothesis (H⁵) can be compiled: "Locus of control has a significant positive effect on the financial performance of MSMEs."

Locus of Control is Able to Intervening Financial Literacy to Financial Performance of MSMEs

Financial performance is the result of control in conducting financial management based on the skills to conduct financial management owned. In addition, someone who has good financial control will help his life avoid financial problems (Putri, 2017). Financial management skills (financial literacy) accompanied by good self-control are certainly able to improve financial performance. A similar opinion was also conveyed by (Wahida, 2019), who stated that a person will have good control in him if he has a good level of financial literacy. Good literacy encourages a person to manage his finances well by making savings and reducing sudden purchases. Based on the presentation, the sixth hypothesis (H⁶) can be compiled: "Locus of control is able to intervene financial literacy to the financial performance of MSMEs."

Locus of Control can Intervening Financial Inclusion to Financial Performance of MSMEs

Locus of control when associated with the field of finance, then locus of control is related to self-efficacy or self-confidence in the field of finance about how a person is able and confident to manage and manage his personal finances (Asmin, 2021). Financial inclusion is part of poverty reduction and socio-economic development. Because through broad financial inclusion, the public can know about a variety of services, networks, and banking facilities that have been provided. Good financial management will guarantee financial performance. If financial inclusion is adequate, good financial control is needed to ensure one's financial performance (Hendra & Afrizal, 2020). Based on this understanding, the seventh hypothesis (H⁷) was formulated, namely: "Locus of Control Able as Intervening Financial Inclusion To The Financial Performance of MSMEs".

3. METHOD, DATA, AND ANALYSIS

This research uses quantitative methods. Quantitative methods are used to explore causality between variables in research. Such methods are intended to examine the relationship of financial literacy variables, financial inclusion, and financial performance of MSMEs in the Buleleng Regency through locus of control variables as intervening. This

assessment is very important to do on the financial performance of MSMEs in the Buleleng Regency, considering MSMEs as the most important economic drivers to improve the community's welfare.

The population of MSMEs in the Buleleng Regency amounted to 35,890 business units. The number of samples is determined using the Slovin Formula, as follows:

$$\begin{aligned}n &= \frac{N}{1 + Ne^2} \\ &= \frac{35.890}{1 + 35.890 (10\%)^2} \\ &= 99,72 (100 \text{ Sampels})\end{aligned}$$

Based on the results of the calculation of the Slovin Formula, the number of samples amounted to 100 MSMEs. Sampling techniques use random sampling techniques. The collection of research data using likert-scale questionnaire instruments with intervals of 1-5 was distributed to 100 MSMEs in Buleleng Regency. The questionnaire given to respondents by giving a score of 1-5 with a very disrespectful description to strongly agree. Questions on research instruments used guided by previous research conducted by (R. S. Putri, 2020) and made slight modifications in accordance with the conditions of MSMEs in Buleleng Regency. The reliability test answers the questionnaire using Cronbach Alpha and validity tests by comparing correlation values (r calculates) with t tables.

Structural Equation Modeling Technique or SEM analysis techniques with the Partial Least Square (PLS) method. Has two stages, namely the first stage of the model measurement evaluation (Outer Model). Validity and reliability test through Convergent Validity, Discriminant Validity Composite Reliability, Cronbach's Alpha, and AVE (Imam Ghozali, 2015). Formative indicators are tested using the weight of significance and multicollinearity. The second stage namely the structural evaluation of the model (inner model). Evaluation is done by paying attention to the coefficient of determination (R²), Predictive relevance (Q²), Goodness of Fit Index (GOF). Then, when conducting a test of the hypothesis, the researcher will focus on the T-statistics and probability value. The hypothesis test uses statistical values, so the alpha 5% value of statistics is 1.96.

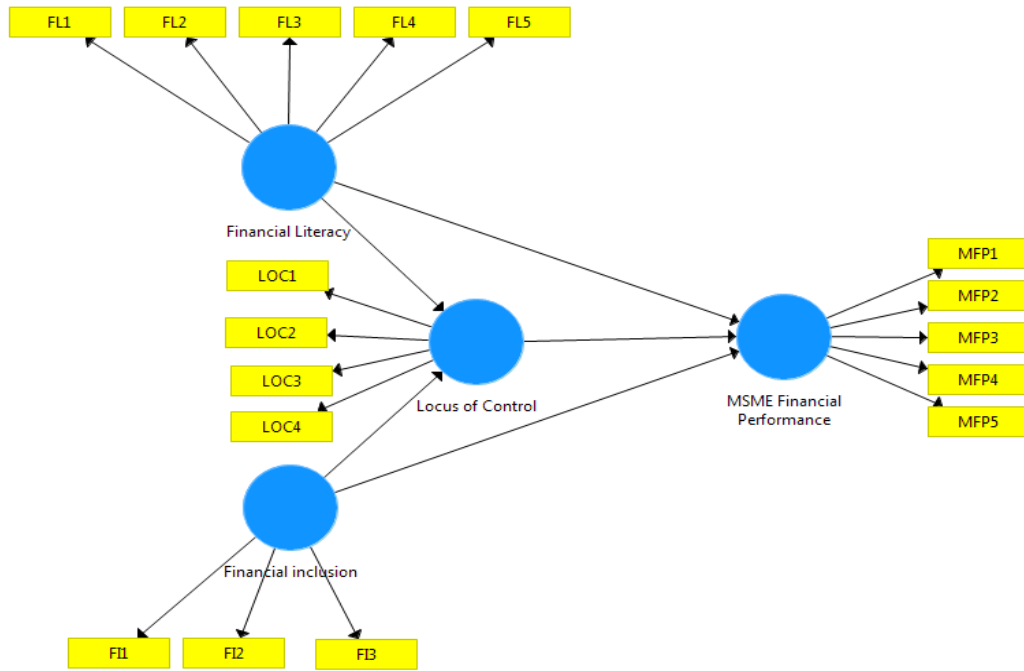


Figure 1. Framework of Thought
Source: SEM PLS Data Analysis, 2022

In accordance with Financial Knowledge Theory, financial literacy is related to the ability to understand, analyze and manage finances to make informed decisions so as to help the development of MSME financial performance. This shows that financial literacy is very important for the development and progress of the performance of a business, including MSMEs. According to (Akmal, H. & Saputra, 2017) describes, there are four (5) indicators of financial literacy (FL) that are also used as research indicators, including general knowledge of financial management (FL1), savings and loans (FL2), insurance (FL3), investment (FL4), and analyzing risk, return and liquidity (FL5).

In addition to financial literacy, an important factor that helps the performance of MSMEs is financial inclusion. Financial inclusion supports the acceleration of economic growth through the contribution of quality financial sector services to the community of MSMEs. The services and capital support provided are able to optimize the financial performance of MSMEs (Septiani & Wuryani, 2020). Financial inclusion is defined as the right of every individual to gain access to information and services of financial institutions with a fixed time, comfortable, informative and at an affordable cost to support the welfare of the community (Bank Indonesia, 2014). Bank Indonesia (2014) stated financial inclusion indicators (FI), including access dimension (FI1), usage dimension (FI2), and quality dimension (FI3).

In addition to financial literacy and financial inclusion, Locus of Control is a belief that a person has to control failure, and success obtained is considered essential to achieve expected financial performance. Based on this understanding, MSME business actors should be able to control themselves to make the right financial decisions to get maximum profits. Similar opinions supported by previous research, namely Darmawan (2021) stated that in addition to financial inclusion and financial literacy, there is a Locus of Control that is also considered capable of supporting business financial performance. Previous research results showed that locus of control had a significant positive effect on

the financial performance of MSMEs. There is four Locus of Control indicators, including interest (LOC1), business (LOC2), fate (LOC3), and social environment (LOC4).

Financial performance is a process of achieving profits and profit results in the company's operational activities (Rina Destiana, 2016). According to (Dermawan, 2019) and (Widodo et al, 2003) stated several important factors for the financial performance of MSMEs (MFP), including sales turnover (MFP1), net assets (MFP2), the number of workers (MFP3), credit (MFP4), and net income (MFP5).

4. RESULTS

Outer Model Testing

Outer Model testing is essential to determine the validity and reliability of a model. This analysis will be seen from the results of factor loading, Average Variance Extratcted (AVE), and Discriminant Validity, as well as composite reliability.

a) Loading Factor

Loading factor is the initial stage to test the validity of research indicators. The indicator can be declared valid if the loading factor value >0.6 . When the loading factor value does not match, then the indicator is removed from the research model (Husain, 2015). Here are the results of the outer model algorithm in Figure 2:

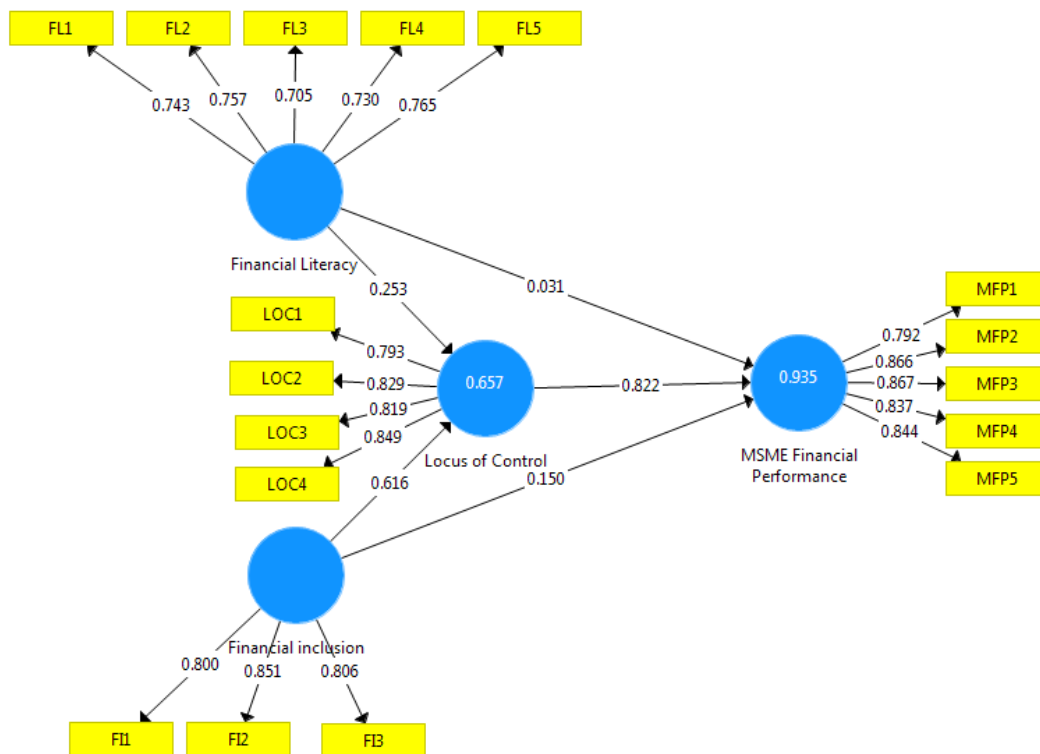


Figure 2. Algorithm Outer model results

Source: SEM PLS Data Analysis, 2022

When viewed algorithm results, loading factor indicators on all three latent variables value > 0.6 . This shows that all latent variable indicators are valid so they are worth using in research.

b) Average Variance Extracted (AVE)

AVE values are used to assess convergent validity because these values are the result of convergent validity. Based on the results of the data found that all AVE values >0.5 (above 0.5). This indicates that the construction is reliable or can be handled. The following AVE results can be seen in Table 3:

Table 3. Average Variance Extracted (AVE)

Variable	Average Variance Extracted (AVE)
Financial Literacy	0.548
Financial Inclusion	0.671
Locus of Control	0.677
MSME Financial Performance	0.709

Source: SEM PLS Data Analysis, 2022

c) Discriminant Validity

Discriminant validity is determined based on the results of cross loading values. These results are used to test the discriminant validity of the research indicator level. The provision used is the correlation between indicators and latent variables > compared to the correlation between indicators and other latent variables. Here the cross loading of this research indicator is seen in Table 4.

Table 4. Cross Loading

Indicator	Financial Literacy	Financial Inclusion	Locus of Control	MSME Financial Performance	Information
FI1. Access Dimensio	0.612	0.800	0.516	0.557	Valid
FI2. Usage Dimension	0.598	0.851	0.845	0.841	Valid
FI3. Dimensions of Quality	0.455	0.806	0.467	0.526	Valid
FL1. General Knowledge of Financial Management	0.743	0.592	0.640	0.639	Valid
FL2. Savings and Loans	0.757	0.367	0.419	0.395	Valid
FL3. Insurance	0.705	0.398	0.300	0.392	Valid
FL4. Investment	0.730	0.262	0.391	0.407	Valid
FL5. Analyzing risk, return and liquidity	0.765	0.737	0.590	0.620	Valid
LOC1. Ability	0.515	0.594	0.793	0.792	Valid
LOC2. Interest	0.467	0.551	0.829	0.777	Valid
LOC3. Effort	0.586	0.603	0.819	0.751	Valid
LOC4. Social Environment	0.638	0.819	0.849	0.837	Valid
MFP1. Sales Turnover	0.515	0.594	0.793	0.792	Valid
MFP2. Net Assets	0.554	0.638	0.833	0.866	Valid
MFP3. Number of Workers	0.566	0.663	0.831	0.867	Valid
MFP4. Credit	0.638	0.819	0.849	0.837	Valid
MFP5. Net Profit	0.621	0.729	0.731	0.844	Valid

Source: SEM PLS Data Analysis, 2022

d) Composite Reliability

Composite Reliability is used to test the unidimensionality of the research model. The composite reliability value in the research model shows > 0.7 , detailed in Table 5. This suggests that there are no constraints or unidimensionalities in this research model.

Table 5. Composite Reliability

Construct	Composite Reliability
Financial Literacy	0.858
Financial Inclusion	0.859
Locus of Control	0.893
MSME Financial Performance	0.924

Source: SEM PLS Data Analysis, 2022

Testing of the outer model of unidimensionality can also be seen through the value of Cronbachs Alpha. The following details are shown in Table 6:

Table 6. Cronbachs Alpha, rho_A, Composite Reliability and Average Variance Extracted (Ave) Value

Construct	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Financial Literacy	0.803	0.820	0.858	0.548
Financial Inclusion	0.768	0.824	0.859	0.671
Locus of Control	0.841	0.847	0.893	0.677
MSME Financial Performance	0.897	0.898	0.924	0.709

Source: SEM PLS Data Analysis, 2022

Based on the results of Cronbachs Alpha it can be known that there is no unidimensionality in the research model of the influence of financial literacy and financial inclusion on the financial performance of MSMEs mediated by the locus of control, because the value of Cronbachs Alpha reaches >0.7 .

Inner Model Testing

a) Coefficient of Determination R2 (R Square)

The relationship between latent constructs on this research model can be known by doing structural testing models. Select the Inner Assessment Model seen through R Square on all independent latent variables (Ghozali, 2015). In detail, the results of the inner test of the R Square value model are conveyed in Table 6. The test result of R Square Locus of Control reached 0.657, which is 65.7%. The value of R Square explained that the Construction of the Locus of Control was explained by 65.7% of financial literacy variables and financial inclusion. The remaining 34.3% is explained by other variables.

While the results of the R Square test of MSME financial performance reached 0.935, which is 93.5%, the value shows that the construct of financial performance of MSMEs can be explained by the variables of financial literacy and financial inclusion, amounting to 93.5%. Other factors explain the remaining 6.5%. According to (Chin, 1998), the range of R Square values of 0.67 (strong), 0.33 (medium) and 0.19 (weak), so the value of R Square Locus of control 65.7% and the financial performance of MSMEs 93.5% can be declared strong.

Table 7. R Square

	R Square	R Square Adjusted
Locus of Control	0.657	0.650
MSME Financial Performance	0.935	0.933

Source: SEM PLS Data Analysis, 2022

Hypothesis Testing

The output value of the inner weight is used as the primary basis for assessing the hypothesis test results. Here Table 8 conveys more details related to the results of this research hypothesis test:

Table 8. Path Coefficients

	Original Sample (O)	Sample Mean (M)	Standar Deviation (STDEV)	T Statistics	P Value
Financial Literacy -> Kinerja Keuangan UMKM	0.242	0.241	0.065	3.732	0.000
Financial Inclusion-> MSME Financial Performance	0.658	0.662	0.047	13.905	0.000

Source : The data is processed by SEM PLS, 2022

Based on the hypothesis test results seen in the development for the inner weight that financial literacy has a significant influence on the financial performance of MSMEs, which is then done a comparison between t calculated with t table (Panca P et al., 2017). Based on the test results, it is known that financial literacy has a positive and significant effect on the locus of control. It is indicated by a statistical t value more significant table t, which is $3,723 > 1,960$. While the relationship between financial literacy and financial performance of MSMEs has an insignificant positive influence. This is indicated by a statistical t value smaller than the table's t value, $0,767 < 1,960$. Furthermore, the financial inclusion test results on the locus of control are positive and significant, with a statistical t value higher than the table's t value of $12,431 > 1,960$. Similarly, the influence of financial inclusion on the financial performance of MSMEs obtained significant positive results with a statistical significance of 3,017 and t table 1,960 ($3,017 > 1,960$). The locus of control hypothesis test results on the financial performance of MSMEs had a significant positive effect with a statistical t value of 19,261 and a table t value of 1,960 ($19,261 > 1,960$).

Table 9. Total Indirect Effects

	Original Sample (O)	Sample Mean (M)	Standar Deviation (STDEV)	T Statistics	P Value
Financial Literacy -> MSME Financial Performance	0.208	0.209	0.057	3.631	0.000
Financial Inclusion -> MSME Financial Performance	0.507	0.511	0.050	10.187	0.000

Source: SEM PLS Data Analysis, 2022

The results of a hypothesis test that emphasizes locus of control as intervening are seen in total indirect effects. The results showed that the indirect influence of financial literacy on MSMEs' financial performance through locus of control as mediation showed

significant positive results. The test results showed at statistic value of 3,631 higher than $t_{table} 1,960$ ($3,631 > 1,960$) with a value of P-Value 0.000. Similarly, the results of the influence of financial inclusion on the financial performance of MSMEs through the locus of control as mediation showed positive results. The test results showed a statistical t result of 10,187 higher than $t_{table} 1,960$ ($10,187 > 1,960$) with a value of P-Value 0.000.

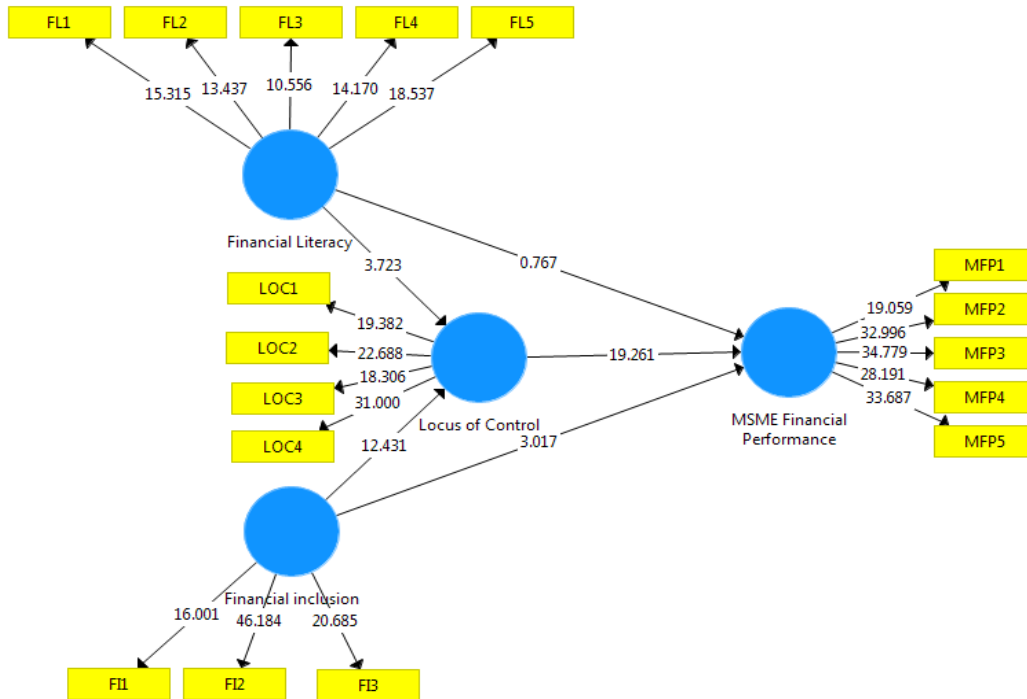


Figure 3. Bootstrapping Results
 Source: SEM PLS Data Analysis, 2022

5. DISCUSSION

Influence of Financial Literacy on Locus of Control

The hypothesis test results showed that financial literacy significantly affected the locus of control in MSMEs in Buleleng Regency. The better the quality of financial literacy of MSME actors, the better the locus of control owned by MSME business actors. The results are similar to the results delivered by Khoirunnisa & Rochmawati (2021), which also stated that adequate financial literacy could form the proper locus of control in improving financial performance. Good financial literacy will develop a locus of control in the form of confidence to solve and minimize the possibility of financial problems (Prastiawan, 2018). Similar opinions were also conveyed by (Kholilah Naila Al & Iramani Rr, 2013), which stated that someone who had a good literacy or financial knowledge would form good self-control (Locus of Control), including in controlling their finances. So, financial knowledge or literacy is not enough to ensure financial management without being accompanied by the awareness of the belief that the fate of the financial is inseparable from determination from within. Thus, it is important for MSME business actors in Buleleng Regency to have the adequate financial literacy to form self-awareness to exercise self-control over financial management.

Influence of Financial Literacy on Financial Performance of MSMEs

The hypothesis test results showed that financial literacy had an insignificant positive influence on the financial performance of MSMEs in Buleleng Regency. This shows that, the better financial literacy, the better the financial performance of MSMEs in

Buleleng Regency, but at an insignificant level. The results of a similar study previously by (Fitria, 2021), which found that financial literacy did not significantly affect the financial performance of MSMEs in Palembang City. Similar opinions were also conveyed based on research Syahdanadarma & Hidayati (2013), that MSME's financial literacy in Cilandak sub-district did not have a significant effect on financial performance. Based on these results, it can be concluded that financial literacy does not have implications for the financial performance of MSMEs in the Buleleng Regency. According to Fitria (2021), an MSME business does not necessarily suffer losses or decreased financial performance if they do not have adequate financial literacy. There is still an opportunity for, business people who already have capital are able to hire people who have good financial literacy skills to manage their business finances. In addition, the financial management of MSMEs in Buleleng Regency still tends to be simple and business people do not dare to take risks to do business development. In other words, MSME businesses tend to stagnate in their comfort zone.

Effect of Financial Inclusion on Locus of Control

Hypothesis test results showed that financial inclusion had a significant positive effect on the locus of control. This shows that financial inclusion is able to encourage MSMEs in Buleleng Regency to do locus of control well. The situation is similar to the results of previous research by Nisa (2021), which states that financial inclusion can affect a person's self-control (locus of control), especially in controlling financial management and in making decisions. In addition, financial inclusion is a form of access to financial services and financial products that require good control and management by MSME businesses. According to (Putri, T.P & Susanti, 2018), through financial inclusion or the availability of access to good financial services, a person will be able and have the opportunity to do a good locus of control. Thus, inclusion or access to financial services facilities has a very important role in supporting MSMEs business actors in Buleleng Regency to do good locus of control. Adequate financial inclusion will provide an opportunity for MSME businesses to exercise self-control in managing their business.

Effect of Financial Inclusion on MSME's Financial Performance

The results of the hypothesis test on the influence of financial inclusion on the financial performance of MSMEs in Buleleng Regency found that there was a significant positive relationship between financial inclusion and the financial performance of MSMEs in Buleleng Regency. The results of previous research by Septiani & Wuryani (2020) also found that financial inclusion has a significant positive effect on the financial performance of MSMEs. Darmawan (2021) stated that financial inclusion is able to improve financial performance. Through financial inclusion, the community will be helped to overcome the problem of capital limitations to develop MSME businesses owned. This shows that capital access to MSMEs is very important to improve the financial performance of MSMEs in Buleleng Regency. Because, access to financial institutions is able to improve economic conditions and living standards for the community. However, the current condition of MSME businesses that have not been organized still have difficulty to obtain access to business capital loans. Chimucheka, T., & Rungani (2011) and Iqbal & Sami (2017) who stated that access to financial services is still quite difficult because financial institutions tend to minimize risk by not lending business funds to illegally organized businesses.

Influence of Locus of Control on MSME Financial Performance

The results of the hypothesis test showed that the Locus of Control had a significant positive effect on financial performance in MSMEs in Buleleng Regency. This shows that

the better Locus of Control owned by MSME business actors, the better the financial performance achieved. According to Darmawan (2021) that, locus of control plays an important role in financial management decision making that has an impact on achieving the level of financial performance of the company. Similarly, Filtroh (2019) dreams that a form of confidence and self-control is important in planning effective and efficient finances. By doing self-control and proper planning and spending in accordance with the needs, a person and business person will avoid financial problems. So that if you have a good locus of control in running a business, MSME actors in Buleleng Regency will be able to maintain to improve their financial performance because they have avoided financial problems.

Locus of Control as Intervening financial literacy to the financial performance of MSMEs

The results of the hypothesis test are seen in the results of total indirect effects that the locus of control is able as a mediation between financial literacy and the financial performance of MSMEs. This shows that the locus of control has an important role in influencing the relationship between financial literacy and the financial performance of MSMEs. Financial literacy owned by MSME business actors in Buleleng Regency has a significant positive influence on the financial performance of MSMEs through locus of control, thus it can be said that, good locus of control is able to support financial literacy owned to achieve expected financial performance. Wahida (2019), which states that someone who has control in if it has good literacy, good financial literacy creates more maximum financial management so that the opportunity to achieve financial performance is getting higher.

Locus of Control as Intervening financial inclusion to MSME's financial performance

The results of the total indirect effect show that the locus of control is able as a mediation variable between financial inclusion to the financial performance of MSMEs. This shows that, locus of control has an important role to support financial inclusion to affect the financial performance of MSMEs in Buleleng Regency. Financial inclusion in MSMEs in Buleleng Regency has a significant positive influence on the financial performance of MSMEs through locus of control. So it can be said that, someone who has access to adequate financial services requires a locus of control in themselves to achieve expected financial performance. The same result was also conveyed by Hendra & Afrizal (2020), that adequate financial inclusion requires good financial control to ensure a person's financial performance. So, despite having adequate financial inclusion, but to achieve the expected financial goals.

6. CONCLUSION, LIMITATIONS, AND SUGGESTIONS

The importance of the sustainability of MSMEs in Buleleng Regency to improve the welfare of the community urgently needs attention. Current conditions, the financial performance of MSMEs in Buleleng Regency has not been maximized. Increasing the financial performance of MSMEs, the greater the opportunity for the sustainability and progress of MSMEs in Buleleng Regency. Based on the results of the study, it was found that the locus of control has an important role to support financial literacy and financial inclusion to achieve maximum financial performance. Thus, it can be concluded that even though someone has an adequate financial literacy and financial inclusion, but is less effective when a good locus of control does not accompany it to maximize the process of achieving maximum financial performance.

Based on conclusions and research results that researchers can suggest are related parties both government and MSME business actors in Buleleng Regency, in addition to the need to pay attention to financial literacy and financial inclusion, it is very important to ensure that they have exercised good locus of control to achieve expected financial performance. Because, despite the lack of sufficient financial literacy and adequate financial inclusion, without good self-control or control when managing and making decisions, financial performance will not be achieved optimally.

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