Peer-Reviewed Article

Jurnal Keuangan dan Perbankan
Volume 26, Issue 4 October 2022, page. 805-819
ISSN: 1410-8089 (Print), 2443-2687 (Online)
DOI: 10.26905/jkdp.v26i4.7936

The Role of Financial Literacy, Access to Finance, Financial Risk Attitude on Financial Performance. Study on SMEs Jogjakarta

R. Heru Kristanto HC
Department of Management FEB UPN Veteran Yogyakarta, Indonesia
*Corresponding Author: heru_kris2010@yahoo.com

Abstract

Micro, small and medium enterprises (SMEs) contribute significantly to economic development. Financial literacy, access to finance, and attitudes toward financial risk play a key role in improving the performance of SME participants. The primary aim of this study is to examine the impact of financial literacy on access to finance, attitudes to financial risk, and financial performance. The impact of financial literacy on home improvement financial performance examines the mediators of access to finance and attitudes to financial risk. Statistical analysis model used mediated regression. The research sample is the Actors' SMEs in Yogyakarta. The sampling technique was purposive sampling. Respondents were SMEs as many as 276 entrepreneurs. The mediation regression analysis tool uses PLS. The results of the research show: 1) Financial literacy has a positive effect on financial performance. 2) Financial literacy has a positive impact on access to finance. 3) Access to finance mediates the impact of financial literacy on financial performance. 4) Financial literacy has a positive impact on attitudes toward financial risk. 5) Attitudes to financial risk mediate the impact of financial literacy on financial performance. Survey results recommend the importance of improving financial literacy, easy access to finance, and attitudes toward financial risks. You need the ability to analyze small business risks to improve your company's financial performance and sustainability. Providing financial education to entrepreneurs requires the will of state agencies, the entrepreneurs themselves, and educational institutions.

Keywords : Financial literacy, financial risk attitude, access to finance, financial performance.
JEL Classification : G10, G53

1. INTRODUCTION

During the Covid-19 pandemic, SMEs are the driving force for the economy of the Special Region of Jogjakarta. Dominated by micro and small industries by 98.4%, and employment reached 79%. The Shopee MSME Campus is present which can bridge the needs of SMEs in facilitating and accelerating the digitization of SMEs in Jogjakarta. Amid many foreign products flooding the Indonesian and Jogjakarta markets (BI, 2022). During the Covid-19 pandemic, there was a decline in Medium Enterprises, Small Enterprises, while Micro Enterprises experienced an increase (Deperindag DIY, 2022).

The BI Jogjakarta authority is committed to improving the performance of SMEs. Various Pentahelix collaboration programs with various parties are carried out to support the development of SMEs. These programs include the implementation of Grebeg SMEs Jogjakarta, Jogjakarta Import Export Communication Forum, Ngayogyokarto Tourism Synergy Program (Siwignyo), Payment Digitization Acceleration Program, Jogja and Surrounding Inflation Control Coordination Program (KOPI JOSS), and Sharia Economic and Financial Development (BI, 2022).

BI Jogjakarta remains optimistic that the economic recovery will continue in 2022, and projects Jogjakarta's economy at the end of 2021 to grow in the range of 5.4-6.2% (yoy). Meanwhile, in terms of the achievement of Jogjakarta 2021 inflation, it is estimated that it will still be low in the range of 1.6–2.0% (yoy). In 2022, BI believes that Jogjakarta's conditions will improve, especially in the field of handling the Covid-19 pandemic and the economy.

SMEs contribute significantly to economic development through wealth distribution, job creation, technological progress, poverty alleviation, and innovation (Agyei, SK, 2018). A strong SME sector is essential to building the country's industrial sector and economy. Healthy SMEs are essential for stable and sustainable economic growth. Rapid economic development and high profitability in emerging economies offer SMEs the opportunity to become more competitive in both domestic and global markets (Hosseini, et.al., 2019). A strong SME sector is very important for developing countries where there is great potential for the development of this sector. Many regions have yet to fully realize the benefits of a strong SME sector. The SME sector in developing countries is stagnant. Several characteristics of developing countries, economic turmoil, unstable exchange rates, immature information infrastructure, rising transaction costs, political instability, high inequality, and increasing unilateralism in trade policy, contribute to the persistence of SMEs as an additional threat to potential (Oláh, et. al, 2019; Wu & Si, 2018). Many researchers want to engage directly with the small business sector to find ways to improve their performance and sustainability.

A growing interest in Knowledge-Based Views (KBV) will accelerate knowledge-based policymaking. KBV suggests strategies companies can use to gain a competitive advantage and improve performance (Grant, RM, 1996). Collective and tacit knowledge are the most important resources for improving business performance. KBV also emphasizes the importance of the ability to integrate individual and company-specific knowledge about products and services. Organizations with rich knowledge base resources are more likely to have a significant advantage over their competitors. Knowledge can be viewed as a socially complex and important resource that is difficult to imitate and transfer (Nonaka, et.al., 2006). In the growing literature on SME performance, little attention has been paid to the importance of knowledge-based resources and their role in sustainable SME performance.

Apart from the importance of knowledge resources for SME sustainability, most studies focus on other factors such as competitive advantage, supply chain management, and internationalization (Degong, et.al. 2018; Ying, et.al., 2019). Ying, et.al., (2019) found evidence that the intangible skills of managers make a crucial contribution to sustainable SMEs. Managers play a key role in dealing with volatile market conditions. Husain, et.al., (2018) examined the contribution of knowledge resources to SME performance. The results show that knowledge resources such as financial literacy and business experience help

SMEs stay productive. There are some detailed analyzes of how certain knowledge resources are used, such as B. Financial literacy can improve the sustainability of SMEs and expand the literature.

This paper aims to examine the importance of financial literacy in the SME sector and fill gaps in the literature. This research contributes to the literature on financial literacy and small business performance and sustainability in five ways. First, it relates to three theoretical perspectives: KBV, pecking order theory, and dual process theory. Discuss the importance of financial literacy, access to finance, and attitudes to financial risk in the SME sector. Second, we broaden our knowledge of financial literacy by examining the indirect relationship between financial literacy and financial performance, as well as the sustainability of SMEs. Third, we close the gap by examining firm-level financial literacy in Yogyakarta's SME sector. Fourth, create a framework that SMEs can use to conduct business continuity. Fifth, the results of this study will help policymakers design and launch financial literacy programs, including programs specifically tailored to the needs of SMEs (Wang, H. & Han, G., 2008). This research will also contribute to research in the Yogyakarta region and the results will help improve the sustainability of SMEs in Yogyakarta.

2. LITERATURE REVIEW AND HYPOTHESIS

Banking is a driving force in improving well-being in the SME sector. The government encourages bank donations through national small business lending targets to improve financial literacy. Financial literacy is well documented in the financial management literature. Financial literacy is defined as the knowledge and cognitive skills necessary to manage finances and make effective financial decisions (Adomako, et.al., 2015). Eniola & Enteban, H. (2017) defines financial literacy as an individual's ability to make good judgment and effective decisions related to the use and management of money. Financial education is very important for entrepreneurs. Small businesses need financial literacy to assess corporate financial management and make financial decisions. Financial education helps businesses overcome challenges in tough credit markets.

Financial Literacy helps entrepreneurs manage risk through strategies such as 1) maintaining financial reserves, 2) diversifying their investment portfolio, and 3) reducing risk and purchasing insurance. Inadequate financial literacy was identified as a major obstacle to the sustainable development of SMEs. Empirical studies show that the financial capacity of entrepreneurs is still low. Eniola and Entebang (2017) identified the lack of financial literacy as a common problem for SMEs. Lack of financial literacy affects companies beyond the start-up stage. Kotzè and Smit (2008) show that a lack of financial literacy is a major reason for SME failure. While the benefits of financial literacy have been empirically proven, its impact on SME sustainability has not been extensively studied.

The financial decisions of people with high financial literacy are influenced by cognitive processes and intuition. Widdowson and Hailwood (2007) show that financial literacy helps people take advantage of increasing competition in financial markets by applying risk management knowledge and skills. The study also shows that financial literacy helps entrepreneurs communicate their views to bankers when meeting with customers. Enabling SMEs to meet changing business and financial market challenges to achieve sustainability (Reich, & Berman, 2015; Cowling, et.al., 2015). Financial literacy has a direct and indirect impact on corporate sustainability. Experimental research designs are often used to study how an individual's financial literacy influences prior decisions such as investment decisions and strategies (Norton & Moore, 2006). Research on financial literacy has been conducted in developed countries, and some research on financial literacy has been conducted in the SME sector in developing countries (Florio & Leoni, 2017).

Empirical Validation and Hypothesis Formulation

The resource-based view (RBV) states that competitive advantage and firm performance depend on tangible and intangible resources. (Das & Teng, 2000). To maintain a competitive advantage, companies require diverse resources and a broad knowledge base (Conner & Prahalad, 1996). Carmeli and Tishler (2004) show that intellectual capital has a positive impact on organizational sustainability. The KBV model shows that financial literacy is the source of knowledge that determines the future viability of SMEs. Financial literacy plays an important role in the value-creation process and sustainable performance of SMEs (Jappelli, 2013; Lusardi et.al., 2010). Financial literacy contributes to an organization's knowledge base and helps it adapt to the changing business environment. Businesses will benefit from the opportunities arising from these changes (Hosseini et.al., 2019). Businesses need to understand the importance of financial literacy and strategies to enhance business knowledge competencies.

Several studies have shown that financial literacy is positively correlated with organizational performance. Financially conscious companies have better insight into the financial side of strategic issues and perform better. Wise (2013) shows that financial literacy is critical to SMEs survival in both developed and developing countries. Poor financial literacy leads to poor financial management practices and often leads to financial mistakes (Lusardi & Mitchell, 2014). Eniola & Entebang, H. (2017) show that financial literacy is necessary to cope with rapid economic change. Widdowson and Hailwood (2007) conclude that people with sound financial skills are more likely to invest in complex assets and are more likely to succeed. Davidson III et al. (2004) found an association between financial literacy and firm performance. Financial literacy is recognized as an important factor in wealth accumulation and performance (Behrman et al., 2012). Financial literacy has become one of the key drivers in corporate decision-making and strategic long-term financial planning (Allgood & Walstad, 2015). Financially conscious organizations are more likely to adopt good financial management practices and promote their development and sustainability. Financial education is therefore believed to have a positive impact on the financial performance and sustainability of SMEs. **Hypothesis 1: Financial literacy has a positive effect on financial performance.**

Research on the direct impact of financial knowledge on the sustainable performance of SMEs is extensive. Through access to finance, the indirect impact of financial literacy on the sustainable performance of SMEs is explained by the hierarchy theory. Myers (1984) extended the funding sequence theory. Organizations take a tiered approach to their investment and funding needs, supporting internal funds, external debt, and external capital in that order. Several secondary supply and demand reasons for this hierarchy of preferences have been suggested in the literature. Stiglitz and Weiss (1981) argue that supply-side constraints exist when SMEs do not have access to debt financing. Factors such as rising interest rates and collateral requirements create a capital shortage. Demand-side factors identified by Bolton (1971) and LeCornu et al. (1996) are based on facts. Small business owners are very reluctant to relinquish control of their businesses, relying first on their own money (personal savings and internal reserves) to finance their business needs, then on short-term loans, and then on long-term loans (Lawless. & McCann, 2011). Studies on small business funding often show that funding constraints are a problem in this sector. Lack of financial literacy has been identified as the main reason for the high failure rate of SMEs (Van Praag, 2003). SMEs' limited access to financial markets means they must rely on internally generated funds. The extent to which internally generated funds can sustain small business performance is limited.

Some studies have attempted to determine the importance of financial literacy to various aspects of SME performance, particularly their sustainability (Fatoki, 2014). Beal & Delpachitra (2003) identified financial literacy as a key skill that empowers people to navigate financial markets, make informed financial decisions, and reduce the likelihood of being deceived in financial matters. I'm here. Financial literacy in executives improves access to corporate finance and allows them to make effective decisions to avoid financial loss and hardship. Poor financial statement preparation and lack of financial information increase the likelihood of loan application denials and affect access to loans (Fatoki, 2014). Financially literate SMEs improve access to financial resources by appropriately sharing timely and useful financial information with stakeholders such as banks and lenders (Van Auken & Carraher, 2013). Lusardi & Mitchell (2011) showed that financial literacy is key to persuading bankers to prepare loan applications and meet customers. Good financial literacy enables SMEs to respond to business changes and financial market challenges (Cowling, et.al., 2015). Financial literacy makes it easier for small and medium-sized businesses (SMEs) to access and be eligible for financial resources, lowers the cost of financing, and facilitates the development of a sound capital structure, all of which contribute to sustainability. **Hypothesis 2: Access to finance is improved by financial literacy. Hypothesis 3: The impact of financial literacy on financial performance is mediated by access to finance.**

The dual-process theory explains the financial risk attitudes that have an indirect effect on the sustainability of SMEs. According to the dual-process theory, intuition and cognitive processes have an impact on the mind. A view, judgment, understanding, or belief that cannot be rationally justified or empirically verified is called intuition. According to Chan & Park (2013), people who rely a lot on intuition are willing to take mental shortcuts, so their minds are heavily influenced by their emotions. Mind processes that are involved in acquiring, altering, evaluating, elaborating, storing, and utilizing sensory input and knowledge (thoughts and experiences) are referred to as cognitive processes. Understanding, calculation, reasoning, problem-solving, and decision-making are all aspects of cognition (Chan & Park, 2013). Financial risk attitudes are influenced by the relative prevalence of cognitive and intuitive thinking patterns, which in turn influence decision-making (Lusardi & Mitchell, 2014).

According to Ryack (2011), there is growing research on the connection between financial risk attitudes and financial literacy. A company's willingness to pursue risky financial resource opportunities in ventures with unknown outcomes is referred to as its financial risk attitude. The organization's enthusiasm for large and risky resource commitments can be seen in its financial risk attitude. According to Cacciotti & Hayton (2015), cognitive and emotional factors influence financial risk attitudes. One would expect, intuitively, a company's response to a particular circumstance to differ depending on its underlying attitude toward financial risk. Risk tolerance is different for different businesses. Risk management is better at some companies than at others. Attitudes toward uncertainty are one aspect of risk management and financial risk attitudes.

A positive attitude toward taking risks that comes with having good financial literacy can help people understand the uncertainty of business and perform well financially and strategically. Halahan and others (2004) discovered a link between attitudes toward financial risk, financial literacy, and education level. According to Hsiao & Tsai (2018), financial risk attitudes are positively correlated with financial literacy. A.A. Eniola;

According to Entebang, H. (2017), poor financial decisions are influenced by inadequate financial literacy. A company's attitude toward financial risks and challenges can be improved by increasing its financial literacy. Enhancing managerial knowledge and abilities will be made easier by raising the company's financial literacy. According to Widdowson & Hailwood (2007), better financial literacy will make it easier for businesses to take advantage of the increased competition in financial markets. This leads to better resource management. Financially literate companies have better risk management and financial knowledge. Financial literacy makes it easier to make decisions. According to Wiseman & Gomez-Mejia (1998), there is a belief that the better a company's strategic risk-taking experience, the more certain it is of the likely outcome of a particular risk. By allowing businesses to more thoroughly evaluate and justify their actions, financial literacy can lessen the risk of loss that comes with taking risks. The degree to which a particular strategic response is viewed as a risk that can be tolerated can be influenced by financial literacy. Financially illiterate businesses may not be aware of the need to evaluate risk, which may restrict their access to opportunities that offer extremely high returns to SMEs with high financial literacy levels. More inclined to take calculated risks, which may improve their sustainability. **Hypothesis 4: Financial risk attitude is positively influenced by financial literacy. Hypothesis 5: The influence of financial literacy on financial performance is mediated by a financial risk attitude.**

Conceptual Framework

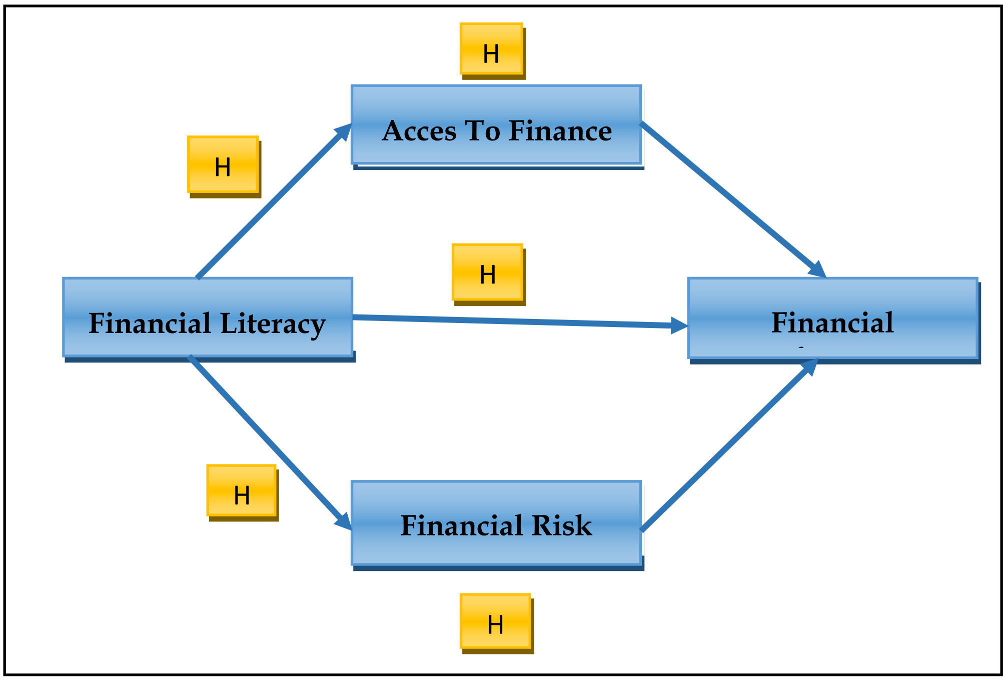

Figure 1. Conceptual Framework

3. DATA, RESEARCH SAMPLE, AND STATISTICAL MODEL

There are 390,737 SMEs in Jogjakarta that make up the population of the study. Purposive sampling was used, and the following criteria were used in the selection process: a) Capital following the PP No. classification7 of 2021, b) the financial statements, and c) the kind of company that is registered with the Jogjakarta Deperindag. An organized survey was utilized to gather information. The sample consists of 276 small and medium-sized business owners in Jogjakarta. The number of sample sizes already satisfies the requirements and accurately portrays the population. The loading factor also determines the sample size (Hair et al., 2010). The theory and empirical study outcomes that support the hypothesis to be tested are referred to as the research design. The mediation regression model was used to answer the hypothesis (Hair, et. all, 2010; 2013 Wooldridge). SEM-PLS model, a statistical tool for explanation factor analysis. The following equation depicts a statistical model for hypothesis testing or determining the effect between variables:

Hypothesis 1: $Y1 = \alpha + \beta.FL + \varepsilon$

Hypothesis 2: $Y2 = \alpha + \beta.FL + \varepsilon$

Hypothesis 3: $Y1 = \alpha + \beta.Y2 + \beta.FL + \varepsilon$

Hypothesis 4: $Y3 = \alpha + \beta.FL + \varepsilon$

Hypothesis 5: $Y1 = \alpha + \beta.Y3 + \beta.FL + \varepsilon$

Where: α = is the y-intercept

β = is the slope of the line

ε = error term

FL = Financial Literacy

Y1 = Financial Performance

Y2 = Access to Finance

Y3 = Financial Risk Attitude

The hypothesis was tested using the Structural Equation Modeling Technique and the Partial Least Square (PLS) method. The model measurement evaluation (Outer Model) is the first step. Convergent Validity, Discriminant Validity Composite Reliability, Cronbach's Alpha, and AVE are tests of validity and reliability. Multicollinearity and the weight of significance are used to evaluate formative indicators. The subsequent stage is the primary assessment of the model (inward model). The Goodness of the Git Index (GOF), the coefficient of determination (R2), and the predictive relevance (Q2) are all important aspects to consider during the evaluation process. The researcher will then concentrate on the probability value and T-statistics when testing the hypothesis.

Identification and Operational Definition

Identification and operational definitions are used to clarify and sharpen the research focus to get the right results. A questionnaire using a 5 Likert scale. Respondents were asked to rate the questionnaire on a scale from -2 to +2, with a very disrespectful description being strongly agreed upon. The ability to effectively manage one's finances and make decisions is referred to as financial literacy. Questions about inflation, interest rates, exchange rates, and future values are used to assess financial literacy. Eight (8) items from the measurement scale created by Bongomin et al. (2018) are used in this study. The physical accessibility and viability of small and medium-sized enterprises (SMEs) to financial resources, as well as making financing more affordable and making it simpler to establish a sound capital structure, are all aspects of access to finance. The method utilized by Jianmu and Kulathunga (2019) is used to measure access to financial resources. The access to finance was measured using ten (10) items. The company's capacity to pursue uncertainly risky financial resource opportunities within the business unit is referred to as a financial risk attitude. Utilizing psychometric instruments developed by Claessens and Tzioumis (2006) to measure financial risk attitudes used to assess one's attitude toward financial risk. Six (6) items were used to evaluate two aspects of financial risk attitude: risk perception and propensity to take risks. Western nations have conducted extensive testing on this instrument. The company's ability to profit from the sale and use of its assets is its financial performance. Financial performance is using 10 items that reflect performance. Using the measurement scale developed by Jianmu & Kulathunga (2019). A feasibility test of the questionnaire was first conducted using his sample of 30 respondents from the SME cluster in Yogyakarta. The reliability test answers the questionnaire using Cronbach Alpha and validity tests by comparing correlation values (r calculates) with t tables.

4. RESULT AND DISCUSSION

Characteristics of respondents in this sample research show that table1. Intended to explain the profile of managers of SMEs in Jogjakarta Province based on the gender respondents which is the majority of men = 56.52 percent, age respondents mostly range from 35 to 43 years = 38.41 percent, education level mostly diploma = 39.49 percent and several employees the majority range from 1 to 15 people = 50.72 percent.

Table 1. Profile of Respondents

Description:	N	Percent (%)
Gender:		
Men	156	56,52
Women	120	43,48
Age:		
17-25	15	05,43
26-34	38	13.77
35-43	106	38.41
44-52	69	25.00
53-62	48	17.39
Education:		
High school	43	15.58
Diploma	109	39.49
Bachelor	89	32.25
Master	35	12.68
Size of employees:		
1-15	140	50.72
16-30	56	20.29
31-45	41	14.86
46- 60	21	07.61
Above 60	18	06.52
Note: n = 276		

Data processed in 2022

Factor Analysis

Cronbach Alpha is used to measure reliability, and factor loadings of AVE are measured to check validity. Table 2 shows the measurement results:

Table 2. Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Access to Finance	0.904	0.915	0.921	0.540
Finance Risk Attitude	0.823	0.839	0.868	0.524
Financial Literacy	0.875	0.883	0.902	0.535
Financial Performance	0.910	0.915	0.925	0.555

Data processed in 2022

The reliability test results in Table 2 indicate that the questionnaire questions on the variables financial literacy, access to finance, attitudes to financial risk, and financial ability are reliable and valid. This is indicated by the magnitude of Cronbach's alpha of more than 0.800. Other results show a combined reliability of 0.9 and also an Average Variance Extracted of 0.500.

Test of the Hypotheses

R squared shows the relationship between the independent variables together with the dependent variable pattern. Based on the results of statistical tests table 3 shows that access to finance has an R Square Adjusted of 0.323. The results show that changes in access to finance can be explained by financial literacy of 32.30%. The finance risk attitude has an R Square Adjusted of 0.16. Changes in financial risk attitude can be explained by financial literacy of 16.00%. Financial performance has an R Square Adjusted of 0.53. Changes in financial performance can be explained by financial literacy of 53.40%.

Table. 3. R Square, R Square Adjusted

	R Square	R Square Adjusted
Access to Finance	0.325	0.323
Finance Risk Attitude	0.163	0.160
Financial Performance	0.539	0.534

Data processed in 2022

Table 4. accepts the first hypothesis, which states that financial literacy improves financial performance. The statistical test yields a t-statistic of 2.403 and a p-value of 0.017, respectively. This research supports previous research, such as Huston (2010), Lusardi & Mitchell (2014), Widdowson and Hailwood (2007), and Behrman et al. (2012). To deal with the rapid changes in the economy, financial literacy is necessary. The entrepreneur's ability to react quickly to changes for the business's smooth operation increases with financial literacy. Financial literacy is crucial to the survival of small and medium-sized businesses (SMEs) in almost every sector across a variety of nations. Entrepreneurial decision-making and strategic short- and long-term financial planning are most influenced by financial literacy. Financial literacy promotes company performance and business viability and serves as the foundation for sound financial management practices among SMEs.

Table 4. Path Coefficients, Mean, STDEV, T-Values, P-Values

	Original Sample (O)	Sample Mean (M)	Standard Deviation	T Statistics (|O/STDEV|)	P Values
Access to Finance -> Financial Performance	0.453	0.451	0.067	6.744	0.000
Finance Risk Attitude -> Financial Performance	0.249	0.250	0.063	3.931	0.000
Financial Literacy - > Access to Finance	0.570	0.572	0.057	10,039	0.000
Financial Literacy -> Finance Risk Attitude	0.404	0.410	0.075	5.393	0.000
Financial Literacy -> Financial Performance	0.167	0.171	0.069	2.403	0.017

Data processed in 2022

Table 4 shows that financial literacy has a positive impact on access to finance and hypothesis 2 is acceptable. Statistical tests yielded a t-statistic of 10,039 and a p-value of 0.00, suggesting that financial literacy has a positive impact on SME access to finance. Higher financial literacy means easier access to finance. An entrepreneur's financial literacy can improve access to financial institutions. Make effective decisions to accelerate fundraising, investing, and trading. Good access to funds avoids financial losses and hardships. Higher financial literacy among entrepreneurs makes it easier for them to understand various uses of financial information (Fatoki, 2014; Cowling, et al., 2015; Lawless & McCann, 2011).

Table 5. Specific Indirect Effects Mean, STDEV, T- Values, P-Values

	Original Sample (O)	Sample Mean (M)	Standard Deviation	T Statistics (|O/STDEV|)	P Values
Financial Literacy -> Access to Finance -> Financial Performance	0.258	0.257	0.041	6.255	0.000
Financial Literacy -> Finance Risk Attitude -> Financial Performance	0.101	0.103	0.034	3.002	0.003

Data processed in 2022

Figure 2 and Table 5 of the specific indirect effect illustrate the mediation role of access to finance. Diagram of a path Hypothesis 3 is confirmed by the study's findings, which indicate that access to finance can moderate the impact of financial literacy on financial performance. The statistical test yielded a p-value of 0.000 and a t-statistic of 6.255. The findings lend credence to previous research by Agyei (2018); The Bongomin (2018) Eniola (2017), and Hussain and co (2018). SMEs are more physically able to access financial resources and are more eligible for them if they have easier access to finance. The number of financial institutions that can be accessed increases with access to finance. Transactions and financing are made easier when there is a lot of access to finance. This will make it easier for small and medium-sized businesses (SMEs) to operate, which will result in improved performance for the business. According to Hussain et al. (2018), easy access to finance can result in a healthy capital structure and greater sustainability.

Financial risk attitude is positively impacted by financial literacy. This is shown in table 4, with a p-value of 0.00 and a t-statistic of 5.393. The findings demonstrate that the attitude toward financial risk is inversely proportional to financial literacy. The results of this study are similar to the research findings of Chan & Park (2013), Lusardi & Mitchell (2014), Cacciotti & Hayton (2015), and Hsiao & Tsai (2018). The entrepreneurial attitude toward financial risk is risky because it encourages commitments to organizational resources. In the process of making financial decisions, risk attitudes are influenced by cognitive and intuitive thinking patterns, which are influenced by financial literacy (Lusardi & Mitchell, 2014). Risk management is better for entrepreneurs than for others. Attitudes toward uncertainty and business conditions determine risk attitudes and risk management.

The intervening job of monetary gamble demeanor should be visible in table 5 and figure 2. According to the findings, financial risk attitude can act as a mediator between financial literacy and financial performance. Hypothesis 5 is accepted because the t-test statistic returned a value of 3.002 and a p-value of 0.00

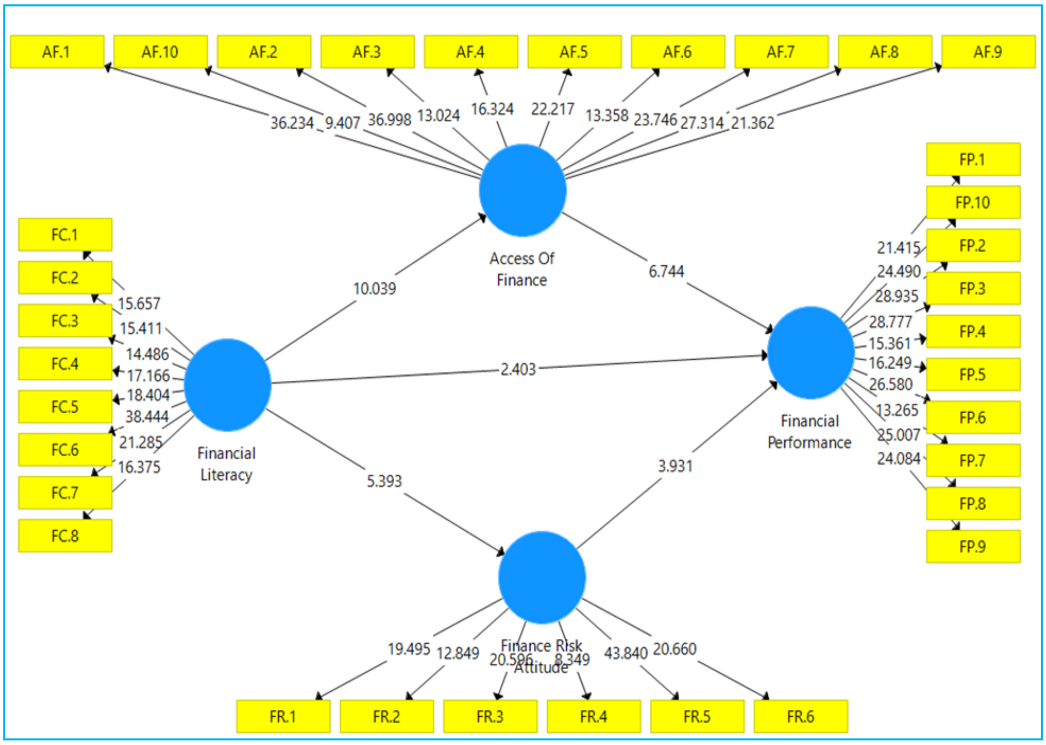

Figure 2. Path Diagram

This suggests that SMEs' performance will rise as a result of increased financial literacy and easier access to financing. Wiseman & Gomez-Mejia (1998), Rooij et al. (2011), Cacciotti & Hayton (2015), and Hsiao & Tsai (2018) are all supported by this study. Entrepreneurs will be able to make better financial decisions as a result of their improved financial literacy. Attitudes toward risks will improve with financial literacy, and overcoming financial challenges will become simpler. Financial literacy enhances managerial and entrepreneurial knowledge. Resource and financial management can be managed more effectively and efficiently with financial literacy. According to Hsiao & Tsai (2018), better business decisions are made with more careful risk consideration and entrepreneurial experience in strategic risk-taking.

5. CONCLUSION AND MANAGERIAL IMPLICATION

Conclusion

The performance of small and medium-sized enterprises (SMEs) in the province of Jogjakarta, Indonesia, is the subject of this investigation, which investigates the effects of financial literacy, access to finance, and risk attitudes. With 390,737 business units, SMEs in Jogyakarta make up the population of the study. Purposive sampling was used as the method of sampling. There were as many as 276 business owners who took part in the survey. The findings indicate that SMEs in Jogjakarta's financial performance, risk attitudes, and access to finance all benefit from financial literacy. The impact of financial literacy on financial performance can be mediated by attitudes toward risk and access to finance.

The ability to access finance and the willingness to take financial risks increase with the level of entrepreneurial financial literacy. The impact of financial literacy on the company's financial performance will be strengthened or enhanced by having access to finance. The impact of financial literacy on the company's financial performance will be stronger the higher the risk financial attitude.

Managerial Implication

The managerial implications of the research results are policies to increase access to finance, financial literacy, and also attitudes toward risk to improve the financial performance of SMEs. Stakeholder policies, especially the Provincial Government, are urgently needed for SMEs. Policies for fostering financial skills, wise financial attitudes and behavior, and access to finance. First, financial literacy is not only based on aspects of knowledge, skills, and beliefs. Attitude and behavior aspects are also needed. Second, financial literacy is closely related to financial inclusion, so there needs to be alignment and continuity between financial literacy and financial inclusion activities. Third, the achievement of a more efficient financial literacy and inclusion strategy is carried out together so that the achievement of financial literacy to expand public access to the financial services sector can be carried out more optimally.

A digital literacy policy from the Provincial Government is needed to strengthen SMEs with the proliferation of financial technology. The digital literacy policy in the education sector for SMEs includes courses, training, technical assistance, and also legal protection. Digital literacy education is a driving force for developing financial access, SMEs character in a positive direction as a character grows to create a digital literacy ecosystem.

REFERENCES

Adomako, S.; Danso, A.; Ofori Damoah, J, (2015). The moderating influence of financial literacy on the relationship between access to finance and firm growth in Ghana. *Ventur. Cap*. 2016, 18, 43–61. DOI:10.1080/13691066.2015.1079952

Agyei, S.K. (2018). Culture, financial literacy, and SME performance in Ghana. *Cogent Econ. Finance*, 6, 1463813. DOI:10.1080/23322039.2018.1463813

Allgood, S.; Walstad, W.B. (2016) The effects of perceived and actual financial literacy on financial behaviors. *Econ. Inq*., 54, 675–697. https://doi.org/10.1111/ecin.12255.

Beal, D.J.; Delpachitra, S.B. (2003). Financial literacy among Australian university students. *Econ. Pap*., 22, 65–78. DOI: j.1759-3441.2003.tb00337.x.

Behrman, J.R.; Mitchell, O.S.; Soo, C.K.; Bravo, D. (2012). How financial literacy affects household wealth accumulation. Am. *Econ. Rev*. 102, 300–304. DOI: 10.1257/aer.102.3.300

Bongomin, G.O.C.; Munene, J.C.; Ntayi, J.M.; Malinga, C.A. (2018). Exploring the mediating role of social capital in the relationship between financial intermediation and financial inclusion in rural Uganda. *Int. J. Soc. Econ*. 45, 829–847. https://doi.org/10.1108/IJSE-08-2017-0357.

Bolton, J.E. (1971) Small Firms: Report of the Commission of Inquiry on Small Firms; Her Majesty's Stationary Office: London, UK.

Cacciotti, G.; Hayton, J.C. (2015) Fear and entrepreneurship: A review and research agenda. *Int. J. Manag. Rev*.17, 165–190. https://doi.org/10.1111/ijmr.12052.

Carmeli, A.; Tishler, A.(2004) The relationships between intangible organizational elements and organizational performance. *Strateg. Manag*. J. 25, 1257–1278. DOI:10.1002/smj.428

Chan, C.S.R.; Park, H.D. (2013). The influence of dispositional affect and cognition on venture investment portfolio concentration. *J. Bus. Ventur*. 28, 397–412. DOI: 10.1016/j.jbusvent.2012.02.006.

Claessens, S.; Tzioumis, K. (2006). Measuring Firms' Access to Finance; World Bank: Washington, DC, USA. pp. 1–25. Corpus ID: 167401864

Conner, K.R.; Prahalad, C.K. (1996). A resource-based theory of the firm: Knowledge versus opportunism. *Organ. Sci*. 7, 477–501. DOI:10.1287/ORSC.7.5.477

Cowling, M.; Liu, W.; Ledger, A.; Zhang, N. (2015). What really happens to small and medium-sized enterprises in a global economic recession? UK evidence on sales and job dynamics. *Int. Small Bus. J*. 33, 488–513. https://doi.org/10.1177/0266242613512513.

Das, T.K.; Teng, B.S. (2000). A resource-based theory of strategic alliances. *J. Manag*. 26, 31–61. DOI:10.1177/014920630002600105

Davidson, W.N., III; Xie, B.; Xu, W. (2004). Market reaction to voluntary announcements of audit committee appointments: The effect of financial expertise. *J. Account. Public Policy*. 23, 279–293. DOI:10.1016/J.JACCPUBPOL.2004.06.001

Degong, M.; Ullah, F.; Khattak, M.; Anwar, M. (2018). Do international capabilities and resources configure firm's sustainable competitive performance? Research within Pakistani SMEs. *Sustainability*. 10, 4298. DOI:10.3390/su10114298

Eniola, A.A.; Entebang, H. (2017). SME managers and financial literacy. *Glob. Bus. Rev*.18, 559–576. https://doi.org/10.1177/0972150917692063.

Fatoki, O. (2014). The causes of the failure of new small and medium enterprises in South Africa. Mediterr. *J. Soc. Sci*. 5, 922. DOI:10.5901/mjss.2014.v5n20p922

Florio, C.; Leoni, G. (2017). Enterprise risk management and firm performance: *The Italian case. Br. Account. Rev*. 49, 56–74. DOI:10.1016/J.BAR.2016.08.003

Hair, J.F.; Anderson, R.E.; Babin, B.J.; Black, W.C. (2010) *Multivariate Data Analysis*: A Global Perspective; Pearson: Upper Saddle River, NJ, USA, Volume 7.

Hallahan, T.A.; Faff, R.W.; McKenzie, M.D. (2004). An empirical investigation of personal financial risk tolerance. *Financ. Serv. Rev*.-Greenwich, 13, 57–78. Corpus ID: 1461812

Hosseini, S.; Fallon, G.; Weerakkody, V.; Sivarajah, U. (2019) Cloud computing utilization and mitigation of informational and marketing barriers of the SMEs from the emerging markets: Evidence from Iran and Turkey. *Int. J. Inf. Manag*. 46, 54–69. DOI:10.1016/j.ijinfomgt.2018.11.011

Hsiao, Y.J.; Tsai, W.C. (2018). Financial literacy and participation in the derivatives markets. J. Bank. Finance. 88, 15–29. https://doi.org/10.1016/j.jbankfin.2017.11.006.

Hussain, J.; Matlay, H. (2007). Financing preferences of ethnic minority owner/managers in the UK. *J. Small Bus. Enterp. Dev*. 14, 487–500.

Hussain, J.; Salia, S.; Karim, A. (2018) Is knowledge that powerful? Financial literacy and access to finance: An analysis of enterprises in the UK. *J. Small Bus. Enterp. Dev*. 25, 985–1003. DOI: http://dx.doi.org/10.1108/JSBED-01-2018-0021.

Jianmu Ye; Kulathunga. (2019). How Does Financial Literacy Promote Sustainability in SMEs? A Developing Country Perspective. *Sustainability*. 11, 2990; DOI:10.3390/su11102990.

Jappelli, T.; Padula, M. (2013). Investment in financial literacy and saving decisions. *J. Bank. Financ.* 37, 2779–2792. DOI: https://doi.org/10.1016/j.jbankfin.2013.03.019.

Lawless, M.; McCann, F. (2011). Credit access for small and medium firms: Survey evidence for Ireland. *J. Stat. Soc. Inq. Soc. Irel.* 41, 1–23. URL: http://hdl.handle.net/2262/66026.

LeCornu, M.R.; McMahon, R.G.; Forsaith, D.M.; Stanger, A.M. (1996). The small enterprise financial objective function. *J. Small Bus. Manag.* 34, 1.

Lusardi, A.; Mitchell, O.S. (2011). Financial literacy around the world: An overview. J. Pension *Econ. Financ.*10, 497–508. https://doi.org/10.1017/S147474721100448.

Lusardi, A.; Mitchell, O.S. (2014). The economic importance of financial literacy: Theory and evidence. *J. Econ. Lit.* 52, 5–44. DOI: 10.1257/jel.52.1.5.

Lusardi, A.; Mitchell, O.S. (2010). Curto, V. Financial literacy among the young. *J. Consum. Aff.* 44, 358–380. DOI: https://doi.org/10.1111/j.1745-6606.2010.01173.x.

Myers, S.C. The capital structure puzzle. *J. Financ.* 1984, 39, 574–592. https://doi.org/10.1111/j.1540-6261.1984.tb03646.x.

Norton, W.I.; Moore, W.T. (2006) The influence of entrepreneurial risk assessment on venture launch or growth decisions. *Small Bus. Econ.* 26, 215–226. DOI: https://doi.org/10.1007/s11187-004-5612-y.

Oláh, J.; Kovács, S.; Virglerova, Z.; Lakner, Z.; Kovacova, M.; Popp, J. (2019). Analysis and Comparison of Economic and Financial Risk Sources in SMEs of the Visegrad Group and Serbia. *Sustainability*, 11, 1853. DOI: https://doi.org/10.3390/su11071853.

Reich, C.M.; Berman, J.S. (2015). Do financial literacy classes help? An experimental assessment in a low-income population. J. Soc. Serv. Res. 41, 193–203. DOI: https://doi.org/10.1080/01488376.2014.977986.

Ryack, K. (2011). The impact of family relationships and financial education on financial risk tolerance. *Financ. Serv. Rev.* 20, 181–193. Corpus ID: 151304584

Stiglitz, J.E.; Weiss, A. (1981). Credit rationing in markets with imperfect information. Am. *Econ. Rev.* 71, 393–410. DOI :https://doi.org/10.7916/D8V12FT1.

Van Auken, H.; Carraher, S. (2013). Influences on frequency of preparation of financial statements among SMEs. *J. Innov. Manag.* 1, 143. DOI:10.24840/2183-0606_001.001_0010

Van Praag, C.M. (2003). Business survival and success of young small business owners. *Small Bus. Econ.* 21, 1–17. DOI: https://doi.org/10.1023/A:1024453200297.

Wang, H.; Han, G. (2008). Local government's "black box" in small and medium-sized private enterprises' trans-ownership M&A failure: Chinese cases. *J. Small Bus. Enterp.* Dev. 15, 719–732.

Widdowson, D.; Hailwood, K. (2007). Financial literacy and its role in promoting a sound financial system. *Reserv. Bank N. Z. Bull.* 70, 37–47. https://econpapers.repec.org/RePEc:nzb:nzbbul:june2007:5.

Wise, S. (2013). The impact of financial literacy on new venture survival. *Int. J. Bus. Manag.* 8, 30. DOI: https://doi.org/10.5539/ijbm.v8n23p30.

Wiseman, R.M.; Gomez-Mejia, L.R. (1998). A behavioral agency model of managerial risk taking. *Acad. Manag. Rev*. 23, 133–153. DOI: https://doi.org/10.5465/AMR.1998.192967.

Wooldridge, Jeffry. (2016). *Introductory Econometrics. A Modern Approach*. Cengage. Center Street Boston, MA 02210. USA

Wu, J.; Si, S. (2018). Poverty reduction through entrepreneurship: Incentives, social networks, and sustainability. Asian Bus. Manag. 17, 243–259. DOI: 10.1057/s41291-018-0039-5.

Yang, Y.; Chen, X.; Gu, J.; Fujita, H. (2019). Alleviating Financing Constraints of SMEs through *Supply Chain Sustainability*. 11, 673. DOI: http://dx.doi.org/10.3390/su11030673.

Ying, Q.; Hassan, H.; Ahmad, H. (2019). The role of a manager's intangible capabilities in resource acquisition and sustainable competitive performance. *Sustainability*. 11, 527. DOI: http://dx.doi.org/10.3390/su11020527.

---------- BI. (2022). Development Information of SMEs DIY.

---------- Deperindag. (2022). SMEs in DIY