

Financial Behavior Mediates Financial Literacy And Inclusion On The Performance Of Cirebon City MSMEs

Dwi Setiani¹⁾, Yunita Indah Pratiwi²⁾, Acep Komara³⁾

^{1,2,3)} Department of Economics and Business, University of Swadaya Gunung Jati, Cirebon, Indonesia

*Corresponding Author

Email: dwisetiani207@gmail.com ; yunita5124@gmail.com ; acep.komara@ugj.ac.id

Abstract

This research aims to analyze the role of financial behavior in mediating the influence of financial literacy and financial inclusion on the performance of MSMEs in Cirebon. This research is quantitative descriptive, primary data. The Partial Least Square (PLS) testing method is based on Structural Equation Modeling (SEM) with the Non-Probability Sampling method with purposive sampling as sample collection. The population in this research is MSME actors in Cirebon City with a sample of 61 micro business actors with a scale for measuring respondents' opinions using Likert. This research shows the following results: First, financial literacy has a negative and insignificant effect on the performance of MSMEs. Second, Financial Inclusion has a positive but not significant effect on MSME performance. Third, Financial Behavior has a positive and significant effect on MSME Performance. Fourth, Financial Literacy has a positive and significant effect on Financial Behavior. Fifth, Financial Inclusion has a positive but not significant effect on Financial Behavior. Sixth, financial behavior has a positive and significant effect in mediating financial literacy on MSME performance. Seventh, financial behavior has a positive and insignificant effect in mediating financial inclusion on MSME performance. This research shows that increasing understanding of financial literacy and knowledge of access to financial services accompanied by good financial behavior and appropriate and wise implementation by MSME players can improve MSME performance.

Keywords: *Financial Behavior, Financial Literacy, Financial Inclusion, MSME Performance*

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) significantly influence a country's economic growth and global economic growth. With the development of Globalization, MSMEs are also touted as the backbone of the world economy. In the 6th Annual Islamic Finance Conference in 2022, it was stated that MSMEs can contribute from their business activities by 90% and open more than 50% of jobs worldwide. In addition, in developing countries, formal MSMEs contribute 40% of the Gross Domestic Product (GDP) (Widhia Arum Wibawana, 2023). Both in developed and developing countries, MSMEs certainly have a crucial role for a country. As in countries in the Southeast Asian region, especially in the ASEAN region, MSMEs have a crucial role in economic growth. According to Sri Mulyani (Ministry of Finance, 2023), MSMEs can contribute significantly in absorbing 35-97% of the workforce and 35-69% of each country's Gross Domestic Product (GDP) where Indonesia is a country that occupies the Numero Uno position with the most significant number of MSMEs in ASEAN. In Indonesia, MSMEs also contribute to absorbing labor and have a crucial role in equalizing and increasing people's income, accelerating economic growth, and achieving national stability.

According to the United Nations Conference on Trade and Development (UNCTAD) in the ASEAN 2022 investment report released in October, there are 65.46 million MSMEs that contribute 60.3% to GDP and have the potential to attract 97% or 117 million of the labor force in Indonesia and contribute 14.4% to national exports (Cindy Mutia Annur, 2023). The following is the growth of MSMEs in Indonesia from 2017-2021.



Figure 1: Development of the number of MSMEs in Indonesia period 2017-2021

Source: DKUKMPP Cirebon city

Based on the data above, MSMEs in Indonesia have increased yearly, but in 2020, there was a slight decrease of 1.3% compared to the previous year. However, it cannot be denied that MSMEs still play a significant role in Indonesia's economy. Cirebon City is one of the regions in Indonesia with many potential MSMEs in various business fields such as culinary, fashion, and so on. Cirebon City is a city whose local revenue is mainly obtained from trade. In addition, the city of Cirebon is also used as one of the largest markets in Southeast Asia, namely the Tegalbugub market.

According to DKUKMPP Cirebon City, West Java, after the COVID-19 pandemic, transactions for home industry products have increased; this can be seen from transactions at the Cirebon City UMKM Mall, which continues to grow, where 291 business actors market their products at the Cirebon City UMKM Mall. According to Fathur Rohman (2023), The number of MSMEs that have been registered at DKUKMPP Cirebon City is 2,276 MSMEs spread across five sub-districts and 22 villages in Cirebon City, which have various business sectors in each sub-district since 2018-2022 (ANTARAJABAR, 2023). Based on the results of data observation at DKUKMPP Cirebon City, West Java, the number of MSMEs in Cirebon City has increased from the previous year, which amounted to 2,426 MSME players in 2023.

Reflects that MSMEs contribute significantly to economic progress in Cirebon. MSMEs in Cirebon City can also absorb labor of around 5-14 people per industrial sector (ANTARAJABAR, 2023). However, the increase did not match the increase in the number of MSMEs in Cirebon and the performance of MSMEs in the city of Cirebon. It could not be separated from the existing challenges, and there were still MSMEs with an undeveloped status of 10%. MSMEs in the city of Cirebon also still have several problems, one of which is that they often experience delays in their development, such as limited quality human resources, the application of management that is still slow and traditional, the difficulty of marketing products to the global market, as well as lack of capital resources and lack of guidance and guidance from related parties and knowledge of financial management that is still low (Renaldy & Herdianto, 2020).

It will therefore have an impact on MSMEs' performance in Cirebon City, where MSMEs' performance can be defined as their capacity to meet sales goals. As a result, several initiatives are needed to raise MSMEs' performance (Respatiningsih, 2019). The inability of MSMEs to manage and organize their funds is one factor that impacts their success. It is therefore connected to how business actors behave financially. A business actor's ability to manage finances to expand a competitive business is referred to as financial conduct. Therefore, MSME players will

find it easier to make judgments to enhance MSME performance the better their financial conduct. In addition, the lack of knowledge of MSME actors in understanding financial management also still often occurs, thus affecting their financial behavior, which can hinder the growth of their business (Putri, 2020).

In this case, MSME actors must have a high level of financial literacy to avoid future risks. Financial literacy is an individual's capability to manage finances and make budget plans to facilitate quality financial decisions. In addition, financial inclusion is also an important aspect of improving the performance of MSMEs. Financial inclusion is the expertise of individuals to utilize financial service facilities by removing existing barriers to the sustainability of a business (Lumenta, U. Z., & Worang, 2020). This financial inclusion aims to increase public knowledge of financial service facilities to obtain financing or capital to increase business sustainability.

One of the main points related to the obstacles often experienced by MSME actors is access to financing (Jessica Gabriela Soehandoko, 2023). For MSME actors to support enhancing MSME performance, financial inclusion and financial literacy are therefore essential. West Java had financial literacy and inclusion rates of 56.10% and 88.08% in 2022, respectively, according to data from the National Survey of Financial Literacy and Inclusion (SNLIK) on the OJK.go.id website. This figure is higher than the national financial literacy and inclusion rate of 49.68% and 85.10%, while Cirebon City has a low financial literacy and inclusion rate of 18.7% (Dedi Haryadi, 2022). Based on this, it can be seen that the low level of financial literacy and financial inclusion is due to the rampant cases of fraud committed by financial institutions, both bank and non-bank financial institutions such as savings and loan cooperatives, insurance companies, online loans and so on.

According to the Head of DKUKMPP of Cirebon City Yati Rohayati, with the proliferation of online loan applications in circulation, business actors make loans to various online loan applications from legal to illegal ones, so that this has a bad impact on their business (Sholehah, 2020). Taking into account earlier studies, Sicily, Maharani, and Wayan (2022). They say that financial inclusion and financial literacy have a big and positive effect on the success of small and medium-sized businesses (MSMEs) in the year 2022. Purba (2020), however, contends that the operations of MSMEs are only slightly improved by financial literacy. Another thing that Hilmawati and Kusumaningtias (2021) say is that financial inclusion doesn't seem to have a clear impact on how well MSMEs do. Also, Ari Sulistyowati and Puput Andriyani say that financial literacy and inclusion make a big difference in how people handle their money for the better (2021).

Eka Nur Anisyah, Dahlia Pinem, and Siti Hidayati (2021) say that how someone handles their money isn't really affected by how much they know about money or how much they are included in money matters. Given the previously stated rationale, it seems reasonable that the research attempts to determine whether financial behavior and financial literacy in Cirebon City have an impact on MSMEs' performance. Meanwhile, according to Rochmi Widayanti, Ratna Damayanti, Fithria Marwanti (2017), financial literacy has an influence on business sustainability of 28.9%. This shows that knowledge of finance owned by business actors is very important in supporting the sustainability of their business.

RESEARCH METHODS

According to Hengky Latan (2012), the SEM method can analyze and predict better than path analysis and multiple regression because SEM can analyze in depth the variables or constructs being studied. So the SEM method is able to explain research phenomena more comprehensively. For this reason, this research uses the Partial Least Square (PLS) method based

on Structural Equation Modeling (SEM) with the aim of being able to explain the relationship between the research phenomenon and the variables studied with details of the research method as follows:

Population and Sample

Population is part of the research; researchers have determined subjects and objects, and the characteristics and qualities have been considered (Hilmawati, Mei Ruli Ninin, & Rohmawati, Kusumaningtias, 2021). The population in this research is MSMEs in the city of Cirebon, which focuses on micro-business actors with a population of 2.426 and there are only 125 population members eligible to be sampled. However, of the 125 population members, only 61 completed the questionnaire. Therefore, a sample of 61 micro business actors from 5 districts was obtained. This study uses the Non-Probability Sampling method with sampling techniques carried out using Purposive Sampling, where sampling is based on certain criteria. These criteria are in the form of selecting business actors that are considered according to the researcher's expectations (Pandawangi, 2021). The following are the criteria in this study:

1. Have a financial report or at least record financial income and expenses.
2. The business must have been running for at least one year.
3. Have a minimum turnover of IDR 300,000,000/year or IDR 2,500,000/month.
4. Complete the questionnaire.

The following is a classification of variables and variable measurements using a Likert scale:

Table 1 : Classification of Variables and Indicators

Variables	Variable Definition	Indicator	Scale
Financial literacy (X)₁ (Rosliyati & Iskandar, 2022) (SNLKI OJK, 2019)	Financial literacy is an individual's capability to manage finances to make effective financial decisions.	General knowledge of financial management	Likert
		Credit Management	
		Financial Attitude	
Financial Inclusion (X)₂ (SNLKI OJK, 2019) (Yanti, 2019)	Financial inclusion is a condition where people are facilitated in accessing financial services to support the welfare of the community in their business to improve business performance.	Access/availability of financial products and services	Likert
		Use of Financial Services	
		Welfare	
		Quality of financial products and services	
Financial Behavior (M) (Sianipar, 2019) (Harahap et al., 2020)	Financial behavior is the capability of individuals to manage, organize, plan, and allocate their finances.	Financial Management	Likert
		Expenditure Budget	
		Savings & Investment	
		Paying Bills on Time	
MSME Performance (Y) (Mokodompit et al., 2019)	MSME performance is to the company's objectives. The result of the work achieved by a business in carrying out its business in a certain period in accordance with the company's objectives.	Sales Growth	Likert
		Marketing Growth	
		HR Growth	
		Profit Growth	

Method of collecting data

This study uses primary data collected using a descriptive quantitative methodology. 125 respondents were given questionnaires to complete, and 61 respondents who met the requirements provided the data. A Likert scale with intervals of 1–5 was used to gauge the attitudes of the respondents. The response categories were Strongly Agree (SS) = 5, Agree (S) = 4, Undecided (R) = 3, Disagree (TS) = 2, and Strongly Disagree (STS) = 1. The Likert scale is the most generally used scale in survey research and is a psychometric measure that is frequently used in surveys.

Data analysis technique

The structural equation modeling (SEM) technique based on partial least squares (PLS) is used in this study's approach. The statistical method known as structural equation modeling (SEM) looks at patterns of correlations between latent constructs and measurement errors, as well as between indicators and latent constructs. SEM allows for the direct study of several dependent and independent variables (Hair, J. F., M. Sarstedt, L. Hopkins & Kuppelwieser., 2014). Because PLS does not require that the data have a certain scale measurement, it is a soft modeling approach that allows for small sample sizes (less than 100 samples). This investigation revealed that 61 samples met the requirements.

RESULT AND DISCUSSION

According to Hair et. al. (2019) Partial least squares analysis involves two steps: the assessment of the structural model (inner model) and the measurement model (outer model). Utilizing SmartPLS 4.0.9.9 for data management, the following results were obtained:

Evaluation of the Measurement Model (Outer Model)

There are two ways to test the measuring model: convergent validity and composite reliability. To find the mirror, we use the loading factor, the composite reliability, and Cronbach's alpha. The variable is high if its value is over 0.70 and its Average Variance Extracted (AVE) value is over 0.50. The following is a table that shows the outer loading results of handling data with SmartPLS:

Table 2 : Outer Loadings

Variables	Indicator	Outer Loading	Description
Financial Literacy	LK2	0.876	Valid
	LK3	0.846	Valid
	LK8	0.771	Valid
Financial Inclusion	IK10	0.765	Valid
	IK6	0.794	Valid
	IK7	0.886	Valid
	IK8	0.876	Valid
Financial Behavior	PK12	0.895	Valid
	PK13	0.843	Valid
	PK3	0.882	Valid
	PK4	0.862	Valid
	PK5	0.863	Valid
	PK6	0.792	Valid

Variables	Indicator	Outer Loading	Description
	PK8	0.826	Valid
MSME Performance	K1	0.899	Valid
	K2	0.890	Valid
	K3	0.816	Valid
	K6	0.765	Valid
	K8	0.888	Valid
	K9	0.826	Valid

Source: Primary Data Processed (2024)

Based on the test results in table 2. It can be seen that the *outer loading* value of all variables > 0.70 so it can be concluded that all indicators have met *convergent validity* or are said to be valid and can explain all variables in the study.

Validity and Reliability Test

The instrument's validity is tested, and its reliability is tested, both of which determine how well the instrument measures the items that need to be measured and how consistently it produces results. If the variable in this measurement has a composite reliability value, Cronbach's alpha > 0.70, and Average Variance Extracted (AVE) > 0.50, then it has a high correlation.

Table 3 : Cronbach's alpha, Composite reliability and Average Variance Extracted.

	Cronbach's alpha	composite reliability (rho_a)	composite reliability (rho_c)	Average Variance Extracted (AVE)
Financial Literacy (X1)	0.854	0.927	0.900	0.692
Financial Inclusion (X2)	0.922	0.931	0.939	0.720
Financial Behavior (M)	0.780	0.805	0.871	0.693
MSME Performance (Y)	0.937	0.942	0.949	0.727

Source: Primary Data Processed (2024)

Each reflective construct has an Average Variance Extracted (AVE) value greater than 0.50, as demonstrated by the test results in Table 3. These constructs are deemed excellent constructs because they satisfy all the criteria for convergent validity. It is evident from the above table's construct reliability test results as well as the composite reliability value that all variables' Cronbach's alpha values are larger than 0.70. Therefore, each construct has a high level of reliability test, so it can be concluded that all constructs can be used and are reliable or it can be said that all reliability measures are met and all instruments are consistent in measuring all their respective latent variables.

Discriminant Validity

A method of assessment known as discriminant validity uses statistical testing and actual evidence to confirm that variables are conceptually distinct. Therefore, the HTMT, Cross Loading, and Fornell-Lacker criteria must be examined in order to assess discriminant validity. The variable's root average variance exceeds the correlation between the variables, which is known as the Fornell-Lacker criterion.

Table 4 : Fornell-Lacker criterion

Discriminant validity – Fornell-Lacker criterion				
	Financial Inclusion	Performance of MSMEs	Financial Literacy	Financial Behavior
Financial Inclusion	0.832			
Performance of MSMEs	0.162	0.849		
Financial Literacy	0.219	0.206	0.832	
Financial Behavior	0.180	0.409	0.706	0.852

Source: Primary Data Processed (2024)

The AVE root of each construct is greater than the correlation between the remaining variables, as shown by the test results presented above. It is evident that all variables meet the criteria for discriminant validity based on this information. Following this, cross-loading can be utilized to evaluate the value of discriminant validity. The discriminant validity value can be satisfied if the latent variable's cross loading value is greater than that of the other latent variables and the indicators for each construct show little or no correlation with one another.

Table 5 : Cross Loadings

Discriminant validity – Cross loadings				
	Financial Inclusion (X ₂)	Performance of MSMEs (Y)	Financial Literacy (X ₁)	Financial Behavior (M)
FI6	0.765	0.113	0.209	0.166
FI7	0.794	0.025	0.191	0.150
FI8	0.886	0.194	0.219	0.191
FI10	0.876	0.155	0.067	0.047
P1	0.249	0.899	0.195	0.368
P2	0.104	0.890	0.138	0.312
P3	0.045	0.816	0.078	0.221
P6	0.150	0.765	0.162	0.371
P8	0.083	0.888	0.212	0.345
P9	0.138	0.826	0.222	0.400
FL2	0.129	0.252	0.876	0.668
FL3	0.257	0.142	0.846	0.568
FL8	0.172	0.096	0.771	0.487
FB3	0.190	0.346	0.520	0.895
FB4	0.080	0.374	0.597	0.843
FB5	0.151	0.292	0.757	0.882
FB6	0.086	0.417	0.645	0.862
FB8	0.218	0.293	0.658	0.863
FB12	0.084	0.360	0.485	0.792
FB13	0.281	0.368	0.489	0.826

Source: Primary Data Processed (2024)

according to the test results in Table 5. Since it has been shown that each variable's indicator value has a larger cross-loading value for the latent variable than for the other latent variables, all of the indicators are deemed valid because there is little evidence of an indicator's correlation with the other latent variables. Every notion has high ratings for discriminant validity. Furthermore, as per Hair et al. (2019), analyzing the HTMT value enhances the precision of evaluating discriminant measures. The test findings indicate that the HTMT value of each

variable is less than 0.90; if this value is below 0.90, the discriminant validity measure is considered met.

Structural Model Evaluation (Inner Model)

R-Square value (R²) and Effect Size (F²) are used to test the structural model (inner model):

R-Square

By examining the R-Square for the dependent respondent construct, one can evaluate the Inner Model. The impact of exogenous variables on endogenous variables can be quantified using the R value. A higher R² value indicates a better research model prediction. The following are the criteria for testing R² according to Ghazali & Latan (2015):

- If the value of R² = 0.75 means substantial (large/strong)
- If the value of R² = 0.50 means moderate (medium)
- If the value of R² = 0.25 means weak (small)

Table 6 : R-Square or R-value test results²

	R-Square or R ²
MSME Performance (Y)	0.192
Financial Behavior (M)	0.499

Source: Primary Data Processed (2024)

According to Table 6's test results, financial behavior, financial inclusion, and financial literacy all have an impact on 19.2% of MSME performance. In contrast, variables outside of the study model impact the remaining 80.8% of MSME performance. It is found that the performance of MSMEs is not significantly impacted by financial inclusion, financial literacy, or financial behavior traits. An R-squared value of 0.499 can be found for the variable M, which is banking behavior. shows that financial inclusion and financial knowledge affect 49.9% of financial behavior. The other 50.1% of financial behavior is affected by factors that were not part of the study model. The traits of financial participation and knowledge have some effect on how people handle their money.

Q-Square

The Q-Square predictive relevance test measures whether the model and its parameter estimates produce good observation values. If the Q-Square value is bigger than zero, the model can be used to make predictions. The model structure works better when it's close to 1. The range of the Q value² size is from 0 to 1. If the Q-Square number is less than 0, on the other hand, the value doesn't show how important it is. The following method is used to do the Q-Square calculation, which is shown below:

$$Q^2 = 1 - (1 - R^2)(1 - R^2)$$

$$Q^2 = 1 - (1 - 0.192)(1 - 0.499)$$

$$Q^2 = 1 - (0.808)(0.501)$$

$$Q^2 = 1 - 0.404$$

$$Q^2 = \mathbf{0.596}$$

It is evident from the calculation results above that Q² has a value of 0.596. According to the specifications, the model structure is better the closer Q² is to 1, with a value range of 0 < Q² < 1. It can be concluded that the model and its parameter estimates produce good observation values and have predictive relevance.

F-Square

An external influencing variable's relative impact on an endogenous influencing variable is measured using the F² effect size (F-Square). Ghazali & Latan (2015) list the following standards for evaluating F²:

- If the F value² is 0.02, the independent latent variable doesn't have much of an effect on the dependent latent variable.
- If the F value² is 0.15, the hidden variable does not depend on the latent variable. You could say that the dependent variable has a middling or modest effect.
- If the F value² is 0.35, it means that the independent latent variable has a big effect on the dependent latent variable.

Table 7 : F-Square

F-Square – Matrix				
	Financial Inclusion (X₁)	Performance of MSEM_s (Y)	Financial Literacy (X₂)	Financial Behavior (M)
Financial Inclusion (X₁)		0,014		0.001
Performance of MSEM_s (Y)				
Financial Literacy (X₂)		0.021		0.932
Financial Behavior (M)		0.167		

Source: Primary Data Processed (2024)

The test findings in Table 7 show that the financial inclusion variable on MSME performance has a value of 0.014, suggesting that financial inclusion has a minimal influence on MSME performance. Second, there is no evidence that financial inclusion has an influence on financial conduct, as seen by the financial behavior variable associated with financial inclusion's value of 0.001. The value of 0.021 for the link between financial literacy and MSME performance also shows that financial literacy doesn't have much of an effect on MSME performance. The indicator for financial behavior has a value of 0.167, which means that it doesn't have a big effect on the success of MSME's. On the other hand, a number of 0.932 means that the variable measuring financial knowledge has a big effect on how people handle their money.

Hypothesis Test

The PLS Bootstrapping method was used to test each endogenous latent variable relationship in the sample in order to test the hypothesis of the direct effect of an exogenous influencing variable on an endogenous affected variable, or direct effect (Path Coefficient).

Table 8 : Direct Effect (Path Coefficient)

Hypothesis	Variables	Path Coeff	T Statistic	P-Value	Description
H1	LK → K	-0.184	0.644	0.285	Not significant
H2	IK → K	0.109	0.272	0.519	Not significant
H3	PK → K	0.519	1.069	0.003	Significant
H4	LK → PK	0.700	9.025	0.000	Significant
H5	IK → PK	0.026	2.941	0.786	Not significant

Source: Primary Data Processed (2024)

The Effect of Financial Literacy on MSME Performance

We can assume that H1 is not true because the path coefficient between financial literacy and MSME performance tests has a t-value of 0.644, a path coefficient of -0.185, which means there is a negative effect, and a P-value of 0.285 > 0.05, which means it is not important. The above data management results table shows that financial knowledge has a small but negative effect on the success of MSMEs. The overall understanding of credit management, money management, and money attitudes is known as financial literacy. Since these three factors are

not the primary means by which financial literacy influences MSMEs' performance, they have no effect on the performance of MSMEs in the city of Cirebon; there are still many other factors from the organization in the form of the influence of leadership involvement and discipline.

Eresia-Eke & Raath (2013) stated that financial literacy is not only seen from the knowledge of an owner, but it can also be seen by looking at employee knowledge and hiring an employee who is an expert in financial management so that the performance of MSMEs continues to run well, but this depends on the mindset of each business actor. The investigation's findings are consistent with the theory of planned behavior (TPB), which holds that people are logical agents who carefully consider all available information before acting or refraining from acting. This fits with the findings of Naufal and Purwanto (2022), who found that financial literacy doesn't seem to improve the success of MSMEs. According to a study conducted in 2022 by Sicily et al., this is not true. The study shows that financial literacy has a big and positive effect on the success of MSMEs.

The Effect of Financial Inclusion on MSME Performance

I We can say that the relationship between MSME performance and financial inclusion is not significant because the path coefficient is 0.109, the t-value is 0.272, which means it has a positive effect, and the P-value is $0.519 > 0.05$, which means it's not important. This means that hypothesis H2 is not true. The above data management results table shows that financial inclusion has a big effect on the success of MSME. This means that financial inclusion is moving in the right way to help MSMEs in Cirebon City run better. The donation, on the other hand, is generally not very important and doesn't have much of an effect on how well MSMEs run. MSME players in Cirebon City have taken advantage of how easy it is to get bank goods and services. However, financial technology is now also easy to get and use, so success is no longer limited by barriers to financial inclusion.

The analysis's findings support the theory of planner behavior (TPB), which holds that people are logical agents who use information in a methodical manner. In other words, financial inclusion has made financial service information more accessible. Nevertheless, people won't be motivated to adopt financial inclusion if they believe it won't boost their performance. The results of the study agree with those of Hilmawati et al. (2021), who did not discover any evidence that the performance of MSMEs was significantly impacted by financial inclusion. However, Kusuma's (2022) analysis of how financial inclusion affects MSMEs' performance is unrelated to this study.

The Effect of Financial Behavior on MSME Performance

After testing the path coefficient between financial conduct and MSME performance, the findings reveal a significant positive relationship (P-Value of $0.003 < 0.05$) and a statistical t-value of 1.069 with a path coefficient of 0.519. These results imply that H3 is acceptable. The data management results table above shows that MSMEs' success is significantly and favorably impacted by financial conduct. Hence, financial behavior has a positive correlation with enhancing the performance of MSMEs in Cirebon City; that is, the more financially responsible MSME actors are, the more successful MSMEs in Cirebon. People who behave responsibly with money are capable of handling and allocating their resources. influences MSMEs' performance in the city of Cirebon without a doubt since MSMEs' goals, attitudes, and self-control allow them to oversee and manage their operations (Putri, 2020).

This idea is congruent with the theory of planned behavior (TPB), which holds that an individual would consider all available choices before acting. Consequently, consideration has been given serious consideration to present attitudes and activities. The results of the study support the conclusions of Yulianto, M. A., & Rita's (2023) study, which contends that financial conduct positively and significantly influences MSMEs' performance. This contradicts a research

by Fitria et al. (2021) which claims that financial conduct has no effect on the performance of MSMEs.

The Effect of Financial Literacy on Financial Behavior

The path coefficient between financial literacy and behavior was looked at and found to have a statistical t-value of 9.025 and a path coefficient of 0.700, which means it had a positive effect. The P-value was 0.000, which is less than 0.05, which means it was significant. With these results in mind, H4 has been validated. The accompanying data management results table shows how financial behavior is positively and significantly impacted by financial literacy. According to, MSME participants in Cirebon City exhibit better financial behavior the more financially literate they are. According to Sugita & Sinarwati (2022) According to Sugita & Sinarwati (2022), a person's behavior regarding knowledge of financial aspects gives a person the confidence to make strategic decisions for his business so as to minimize the risk of loss and expand his business opportunities.

The theory of planned behavior (TPB), which holds that a person will weigh all the options before acting, is consistent with the analysis's findings. This indicates that the attitudes and actions that are in place have been given careful thought. The financial planning and administration of MSMEs has benefited greatly from the inclusion of financial literacy in their decision-making process while developing business advancement strategies. This relates to studies by Puput Andriyani and Ari Sulistyowati (2021) which indicates that financial behavior is positively and significantly impacted by financial literacy. On the other hand, M. Faisal's research from 2021 indicates that financial behavior is not much impacted by financial literacy.

The Effect of Financial Inclusion on Financial Behavior

When the path coefficient between financial behavior and financial inclusion is looked at, H5 is thrown out. The t-value of 2.941 and the path coefficient of 0.026, which show a positive impact and an insignificant P-value of $0.786 > 0.05$, respectively, back up this statement. The above data management results table shows that financial inclusion has a small but positive effect on people's financial behavior. Therefore, financial inclusion is a good way to improve the financial behavior of MSME players in Cirebon City, even if it only makes a small difference and doesn't have much of an effect on them most of the time. The study shows that the amount of financial inclusion is not the main thing that MSME players in Cirebon City think about when they are trying to solve their money problems. So, it can be proven that the majority of MSME players in Cirebon City have low knowledge of financial services, and there is no influence on their financial behavior.

The analysis's findings support the behavior planner theory (TPB), which holds that people are logical agents who utilize information in a methodical manner. In other words, financial inclusion has made financial service information more accessible. However, people won't be motivated to do so if they believe that financial inclusion doesn't offer advantages for better financial conduct. The results of this study are in line with research by Le et al. (2019) and Eka Nur Anisyah et al. (2021), which discovered no connection between MSME operators' financial conduct and financial inclusion. This runs counter to research by Pinem (2021), which shows that financial inclusion has a major influence on financial behavior.

Mediation Test

The Indirect Effect (Path Coefficient) study uses the following steps to test the idea that an outside variable can have an indirect effect on an inside variable that is being affected, through the mediating variable.

Table 9 : Indirect Effect (Path Coefficient)

Hypothesis	Variables	Path Coeff	T Statistic	P-Value	Description
H6	LK → PK → K	0.363	0.236	0.009	Significant
H7	IK → PK → K	0.014	2.628	0.812	Not Significant

Source: Primary Data Processed (2024)

The role of Financial Behavior in mediating Financial Literacy on MSME Performance

In terms of financial behavior, it has a statistical t-value of 0.236 and a route coefficient of 0.363. The testing findings indicate that financial literacy and MSME performance are positively correlated in an indirect manner, with a significant P-value of $0.009 > 0.05$. This suggests that there is mediation between the two variables' route coefficients. The study's results therefore suggest that the financial behavior variable may act as a mediator in the association between MSME performance and financial literacy. Therefore, between financial literacy and performance enhancement, financial conduct serves as a mediator. Financial conduct is thought to mediate financial literacy and enhance MSMEs' performance in Cirebon City. Because the MSME players in Cirebon City exhibit sound financial behavior, this encourages business actors to possess sound financial knowledge for the purpose of managing and allocating cash as well as making financial decisions, ultimately leading to improved MSMEs' performance in the city.

The results of the study align with the theory of planned behavior (TPB), which suggests that an individual would carefully consider and weigh the steps required to complete all planned activities in order to achieve the intended goals. The results of this investigation are in line with those of Yulianto, M. A., & Rita's research from 2023, which suggests that financial behavior moderates the association between MSME performance and financial literacy in a significant and positive way.

The role of Financial Behavior in mediating financial inclusion on MSME Performance

It looks like financial behavior is acting as a go-between for financial literacy and MSME success, as shown by the t-value of 0.236 and the path coefficient of 0.363. There is a strong positive indirect link in this case, as shown by the P-value of $0.009 > 0.05$. Based on the study's results, it seems that the Financial Behavior variable may act as a moderator in the link between MSME success and financial literacy. This means that financial inclusion is a good trend towards better performance, which is driven by financial behavior, even though it usually doesn't do much to improve the performance of MSMEs in Cirebon City. As a link between financial inclusion and better success for MSMEs in Cirebon city, financial behavior isn't thought to have much of an effect.

The presence of sound financial practices among MSME actors in Cirebon does not incentivize these players to possess strong financial services knowledge, which would enhance MSMEs' performance in the city. Therefore, financial inclusion cannot serve as a foundation for financial reflecting behavior in order to improve MSMEs' performance. The majority of MSME players in Cirebon City still save and spend personal money for their business capital using traditional means because there is still a low level of knowledge about financial services. The analysis's findings support the theory of planned behavior (TBP), which holds that people make rational decisions after applying knowledge in a methodical manner and taking the effects of their actions into account. This is consistent with the findings of Hirschey & Nofsinger (2018), who contend that psychological variables play a larger influence in financial decision-making than other aspects, leading to people's tendency to act irrationally.

CONCLUSION

The growth of MSMEs in the city of Cirebon is linked to how well people understand money, and this study looks into that relationship. In order to do this, the Structural Equation Modeling (SEM) study of Partial Least Squares (PLS) is used. The results of the study we just talked about show that knowing about money has a small and bad effect on the success of MSMEs. This implies that although business actors' ignorance of financial literacy can have an effect, it is not very significant. Furthermore, there is a small but positive association between MSME performance and financial inclusion, indicating that better MSMEs perform when financial inclusion levels are greater. Still, it is essentially meaningless. Meanwhile, financial conduct has a favorable and significant influence on MSME performance; the better the financial behavior, the higher the performance.

Better financial behavior is correlated with greater financial management proficiency. Financial behavior is significantly and favorably impacted by financial literacy. Furthermore, a weakly positive association has been shown between Financial Behavior and Financial Inclusion. Better financial behavior will result from financial inclusion, not without standing the weak correlation between the two. Financial behavior can therefore regulate the association between financial literacy and performance because it has a positive and significant impact on MSME performance. Better financial understanding is linked to better financial behavior and outcomes. Conversely, financial behavior has a favorable but marginally significant mediating role in the association between MSME performance in Cirebon City and financial inclusion. This means that performance is positively correlated with access to financial products and services and with sound financial behavior, but it lacks essential significance because there are still many other financial services, such as financial technology, that are more easily accessed. This study proves that the performance of MSMEs in Cirebon City will increase if they have good Financial Behavior.

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