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Financial Management Behavior with Locus of Control as an Intervening Variable: Impact of of Financial Knowledge and Income Level

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ABSTRACT
Micro, Small, and Medium-Sized Enterprises (MSMEs) are business sectors that offer a range of goods and services and play a significant role in developing new industries as a solution to the unemployment issue. MSMEs have a huge potential to boost local economic activity and provide the majority of people with a source of income, which would improve welfare. MSMEs are still growing, but it is not slow and stagnant growth because of issues including capital constraints, a lack of utilization of information and technology, and poor financial literacy in managing company finances. The primary data for this study came from questionnaire surveys that were conducted directly. The results of the study allow for several inferences: The degree of income and financial literacy has a significant impact on where control is placed. The way people handle their money has a huge bearing on their financial knowledge. The majority of the time, people's financial management is unrelated to their degree of income. The behavior of financial management is significantly influenced by the locus of control. Financial knowledge has a significant impact on financial management behavior through the locus of control. The placement of control is substantially influenced by income and financial literacy levels. The way people handle their money has a huge bearing on their financial knowledge. The way people manage their finances is mostly independent of their income level. The behavior of financial management is significantly influenced by the locus of control. Financial knowledge has a significant impact on financial management behavior through the locus of control.

Keywords**:** *financial management behavior; locus of control; financial knowledge; income level.*

INTRODUCTION

As a human being who is inseparable from unlimited needs and desires, this is sometimes one of the reasons cause a person lives a consumptive lifestyle. Yet, a lot of people still do not understand the significance of good money management in their daily lives. This is evident from the community's poor understanding of financial management (Herlindawati, 2017). Because of their propensity for consumption, Indonesians frequently manage their money carelessly. Examples include their failure to invest, save money, set aside money for emergencies, or create a budget for future spending (Herdjiono & Damanik, 2016). This results from a lack of knowledge about financial management. Only 28% of Indonesians, compared to 66% in Malaysia, 73% in Thailand, and 98% in Singapore, who are well-versed in financial matters, according to the OJK Questionnaire and Consumer Protection Board Kusumaningtuti Soetiono. One of the reasons for Indonesia's low level of financial literacy is its geographic location, with 60% of its people residing in rural areas.

According to Xiao's research, a person with a high income can engage in high consumption levels, whereas a person with a low income can engage in low consumption levels. The best method to change bad behavior now is to change good behavior from early on, including proper money management. The way people handle their finances has a direct impact on how they or their community behave when it comes to consuming. One of the core ideas in the study of financial science is the behavior of financial administration. In addition to having solid financial management, it will also have good management of how money is used, which can assign careful planning to be able to put together revenue and spending plans and additional activities. Its role as one of the forces behind efforts to accomplish the fulfillment of financial demands and attain financial contentment in personal lives suggests the significance of financial management. The effectiveness of fund management, however, is correlated with behavior in financial management, Mien and Thao

(Herdjiono & Damanik, 2016). The act of managing resources, including money and other assets, responsibly falls under the umbrella of finance. The process of perfecting the use of financial resources is related to this. Budget arrangements, pension debt, and determining the requirement for purchases to be made promptly are just a few examples of the many components that make up efficient financial management.

Numerous earlier research on financial behavior with a variety of intervening variables, including Financial literacy, economic level, and sphere of influence A person's money management behavior is known to be positively and significantly influenced by financial literacy. Financial literacy is required to make lucrative decisions. Conversely, a lack of grasp of basic financial concepts is linked to bad financial or investment planning since it affects future financial planning.

A person with sound financial understanding may effectively manage their finances and will be taken into account when making decisions (Kholilah & Iramani, 2013). Conversely, poor financial management skills will lead to mistakes in money management. The results of this study contradict those (Kurniawati, 2017) and (Herdjiono & Damanik, 2016), which discovered that financial knowledge had little effect on financial management behavior. The degree of income, commonly known as income, is a factor that influences financial management behavior in addition to financial education. Income level is the sum of a person's gross earnings from all sources, including salaries, wages, businesses, and investment returns. A person with a less likely income can likely manage his expenses well and exhibit more responsible financial behavior which tends to make short-term thinking and synods with immersive spending practices with a large enough income, they still but experience financial problems. In general, with a high income or increase, then the expenditure also increases, sometimes exceeding the increase in income (Kholilah & Iramani, 2013). According Andrew and Linawati (Herdjiono & Damanik, 2016) revealed that the higher the level of income obtained, the understanding of how to make the best use of finances through financial knowledge will be obtained.

The locus of control factor as the mediator plaque a significant impact on how financial management behavior as the factors of Financial Knowledge and Income Level. a condition that results in him considering taking a certain action or refraining from it to have a favorable or bad impact on his life both now and in the future is viewed through the lens of self-control. The more effective the locus of control, the more probable it is to exhibit sensible and prudent financial behavior, (Kholilah & Iramani, 2013). A good locus of self-control must also be the foundation of sound financial behavior. He will carefully consider how to manage his finances with the locus of control to get ready for his future.

A 2019 poll by the Financial Services Authority (OJK) revealed that just 38.03% of MSME actors in Indonesia were financially literate. Given that there are 64 million MSMEs in Indonesia, this means that only about 38 million of them have used banking products. According to this statistic, MSME players still have a relatively low degree of financial literacy, which means that their ability to utilize the financial goods and services provided by the banking industry is still low and constrained. Knowing about finances can help you make better decisions and manage your money better so you can succeed. The combination of information, abilities, and beliefs can have an impact on your attitudes and behaviors (OJK, 2016). Those MSME actors who are knowledgeable about financial literacy have the potential to be more productive, resulting in MSMEs that are more competitive in managing and growing their enterprises.

Theory Of Planned Behavior

The Theory of Reasoned Action, commonly known as the Theory of Planned Behavior (TPB), was first developed in 1980 to predict a person's intentions and conduct. This idea seeks to explain every act that has an impact on one's ability to exercise self-control. The concept of behavioral intention, which is a component of this theory, describes how beliefs about the likelihood that a behavior will produce the desired results and a subjective evaluation of the risks and benefits of those outcomes affect behavioral intentions

Financial Management Behavior

In the 1990s, behavior finance became popular and was initially established in the corporate and academic worlds. The way a person makes financial decisions is the driving force behind developments in this area. The main reason for this, according to Shiller, is the growing importance of behavior in econometric time series analysis as a factor influencing prices, dividends, profits, and the creation of human psychology models concerning financial markets. One of the most significant financial ideas in a person's life is money management behavior. According to specialists, financial management behavior is a discipline that explains why people make irrational financial decisions and how they behave when managing their money, both psychologically and in terms of personal routines. Finance-related human behaviors, such as those involving income, loans, expenses, and insurance, are referred to as financial management behaviors. The way someone manages their finances is correlated with how they handle managing their money and other possessions. Making ensuring people can responsibly manage their resources and commitments is the primary goal of financial management (Dwinta, 2010).

Financial administration prevents discussions from being isolated, and the interplay of different scientific disciplines is continuously integrated into the science of behavior. Anyone interested in understanding financial behavior should be knowledgeable about related areas of psychology, sociology, and finance. Financial conduct is the actual behavior that people learn to exhibit in a financial context in proactively managing their finances. examining the influence of psychology on the economy, corporations, and financial markets in particular. Planning, budgeting, checking, managing, regulating, finding, and keeping daily financial funds are all examples of financial management activity (Herdjiono & Damanik, 2016). The desire to meet one's demands in accordancebycome earned has an impact on the establishment of financial management behavior.

Financial Knowledge

Financial knowledge is a person's decision-making that uses a combination of several resources, skills, and consequential knowledge to manage information and make financial or investment decisions. Financial knowledge is the understanding of a person's relationship to money that can affect their financial thoughts and judgments. It encompasses topics like fundamental personal finance knowledge, money management, saves and invasive, and managing credit and debt. The capacity to plan and make judgments when managing funds is referred to as having financial knowledge. It also includes having a basic comprehension of financial principles.

Financial Knowledge is defined as the study of how the psychological phenomena of an individual affect his financial behavior. What someone knows about their financial issues and how well-versed they are in various financial ideas is referred to as their level of financial knowledge. To be financially literate, one must acquire financial literacy. such as recording money in and money out. Where financial expertise is a technique for making financial management decisions in managing finances (Silvy & Yulianti, 2013).

Thus, having good financial knowledge necessitates developing financial abilities and mastering the use of financial tools. A person with a high level of financial knowledge typically has a financial perception that recognizes his financial status more precisely. Therefore, Financial Knowledge is important for a person in managing his finances to make a decision wisely. This can be explained by the way a person manages his finances which contributes to a person's financial satisfaction or financial dissatisfaction. If someone has good financial knowledge, their capacity to make prudent financial decisions will enhance their financial status (Falahati et al., 2012). The better and more organized a person's financial behavior, such as keeping a monthly spending log, paying bills on time, and setting aside money for emergencies, the more knowledgeable and content they will be. Therefore, after weighing the opinions of several experts that have been stated above, the author can conclude that Financial knowledge comprises numerous facets, including fundamental information about personal finance, money management, savings, and investing. Financial knowledge is an individual's understanding connected to financial management to make good financial decisions.

Income Level

In the economic dictionary, Income is the money that a person receives in a company in the form of wages, salaries, rent, interest, profit, and so on, along with other benefits such as pension benefits and unemployment benefits. Income is the income that a person receives in the form of cash and non-cash in a certain period that can be directly used to spend on desired needs. Income is a person's net income from their primary work, dividends, savings interest, royalties, and pension funds during a specific period, which they can use to pay for basic needs and other items they want (Falahati et al., 2012). A person's consumption pattern can typically be anticipated only by his or her income level; a high income allows for a high spending pattern. According to (Kurniawati, 2017), a person's level of consumption to satisfy his or her desires increases with income level.

Locus of Control

A theorist of social learning in social psychology introduced the fundamental idea of self-control, which refers to the degree to which a person is convinced and feels that they can control the events that impact him. A person's perception of his or her ability to govern themself about an event or phenomenon is known as the locus of control (Dwinta, 2010). According to the Islamic perspective, exercising self-discipline (locus of control) in matters of money management involves a severe battle against one's selfishness and lust (property). This struggle is carried out because lust tends to seek various pleasures and neglect obligations. A person's perception of the relationship between his acts (Action) and the results or consequences is referred to as their outcomes. Therefore, locus of control can be seen as a person's view of the factors that lead to job success or failure.

So related to this, it can be concluded that the Locus of control is a person's way of looking at a phenomenon or event that occurs in himself that can be controlled or cannot be controlled, where the results achieved come from his activities are said to be the Locus of internal control, while the individual who considers that the success achieved is influenced or controlled from the environment or surrounding circumstances is said to be the Locus of external control.

METHOD

The total population of MSMEs in Salatiga city included in this survey is 25,404 based on data from the Salatiga Cooperatives and MSMEs Office. The population may be used to determine how many samples were used in this investigation, which was determined using the Slovin formula. Purposive Sampling is the sampling approach that was utilized to determine the responders. Using the locus of control for MSMEs in Salatiga City, this study seeks to determine the influence of financial management behavior, which is a bound variable, and income levels on free financial knowledge elements. The data is then processed using SEM PLS.

To measure observed natural and social phenomena, one uses a research instrument. The following are the variable indicators of financial knowledge, knowledge

1. Anything about finances that is learned or comes up in daily life is referred to as financial knowledge. Making sound financial decisions in life requires having a solid understanding of finances. Financial knowledge (X1) indicators include: Finance basics, financial planning, saving, investing, spending, buying with cash, buying with gold, buying with property, borrowing money, and insurance 2017 (Kurniawati, 2017).
2. Income level is a unit of level derived from the income of profits such as wages, salaries, business, and returns from investments within a certain period. The indicators of Income Level (X2) include income below 1 million, 1-2 million, 2-4 million, and 4-6 million (Dwinta, 2010)
3. Financial management behavior is a science that explains irrational decision-making towards one's finances and behavior in managing finances, both from the point of view of psychology and individual habits. The indicators of Financial Management Behavior (Y) include: Payment of bills on time, Self-control, Savings, and Preparation of financial drafts (Kurniawati, 2017)
4. Locus of control is a person's perspective on a phenomenon that makes him think about doing an action or avoiding the action, to have a positive or negative impact on his life in the present and the future. The indicators of the Locus of control (Z) include the ability to make financial decisions, the role in daily financial control, the ability to solve financial problems, and the level of confidence in the future (Kholilah & Iramani, 2013).

Analysis Techniques

In this work, the PLS method was used with the SEM analysis technique. The quantitative study's data analysis methods are intended to provide answers to any problems or hypotheses that have been put forth. Given that the data in this study are quantitative, they were analyzed using the following statistical techniques (Sugiyono, 2016) :

1. Structural Equation Modeling (SEM). When solving multilevel models simultaneously using linear regression is not possible, SEM is a statistical technique utilized. Regression analysis and factor analysis are both used in SEM. Equation models with several connected variables and mutual influences are also solved using SEM.
2. Partial Least Square (PLS). Due to its independence from factors including sample size, residual distribution, and measurement scale (such as those that require interval or ratio scales), PLS is a potent analytical technique. With this PLS, indicators can be created.
3. Hypothesis Testing. The analytical method is called Structural Equation Modeling (SEM) utilizing the Partial Least Square (PLS) approach employed in this study to examine assumptions 1 through 7. In PLS, simulations were used to test each relationship hypothesis statistically. It will initially be calculated by bootstrapping the sample, followed by significance tests and hypothesis tests on PLS applications.

RESULT

Table 1
Outer Loading (Measurement Model)

Financial Behavior	
X1.1	0.622
X1.2	0.633
X1.3	0.740
X1.5	0.776
X1.6	0.671
X1.8	0.746
Financial Knowledge	
X2.1	0.896
X2.3	0.807
X2.4	0.732
Income Level	
Y1	0.709
Y2	0.731
Y4	0.803
Y6	0.782
Locus of Control	
Z1	0.793
Z2	0.751
Z3	0.723
Z4	0.807
Z5	0.616

Source: data processed

Since all loading factors have values more than 0.60, as shown in table 1, constructs for all variables are no longer excluded from the model. All constructs are therefore considered to be valid and meet validity when their loading factors are greater than 0.60.

Table 2
Average Variance Extracted

	***Average Variance Extracted* (AVE)**
X1	0.583
X2	0.511
Y	0.578
Z	0.563

Source: data processed

It can be inferred from the table above that the AVE value of each construct in the model is more than 0.5. The findings demonstrate that the second prerequisite of convergent validity was satisfied by these research data. This research is qualified to move on to the next stage, the discriminant validity test, based on the combination of the assessment of outer loading and the AVE (Average Variance Extracted) test.

To determine whether the variables or indicators in the research we conduct have unique values and are only associated with the variables or indicators themselves and not from variables or indicators beyond those expected or represented, a stage called the Discriminant Validity Test is performed. Two stages must be completed, namely the cross-loading findings and the Fornell-Larcker criteria results, to cross-loading that the study model has good discriminant validity. The following table shows the results of the Fornell-Larcker criterion used in this study:

Table 3
Fornell Larcker Criterion

	Financial Behavior	Financial Knowledge	Income Level	Locus of Control
X1	0.742			
X2	0.711	0.673		
Y	0.509	0.568	0.771	
Z	0.687	0.631	0.642	0.731

Source: data processed

According to the table, all variables have greater values when describing the variable itself than other variables in the same column. Financial behavior has a value of 0.742 when seen in the table above, which is greater than other variables in the same column. As is the case with financial knowledge (financial knowledge) has a value of 0.673 which is higher than the income level and locus of control contained in the same column. As a result, it is possible to infer from the table that the data model tested in this study satisfies the requirements or criteria that demonstrate evidence that the model's construct has good discriminant validity. The score obtained by measuring it also serves as an initial step before testing the hypothesis after passing through various series of tests.

An estimation of reliability based on the intercorrelation of an indicator of the observed or researched variables is known as composite reliability, which is also sometimes referred to as internal consistency reliability. In an exploratory study, a specific Composite Reliability value between 0.60 and 0.70 can be approved (Hair, 2014). If the number is 0.70, the construct is reliability have good reliability. The values for Composite Reliability are listed in the following table:

Table 4
Cronbach Alpha and Composite Reliability

	Cronbach's Alpha	Composite Reliability
X1	0.752	0.841
X2	0.793	0.845
Y	0.716	0.802
Z	0.708	0.857

Source: data processed

According to the aforementioned table, it can be inferred that all reliability constructs, whether they be Cronbach’s alpha or composite reliability, have a level above 0,70. As a result, the internal consistency and reliability of the in-model empirical analysis are present for every variable. Inner Model testing is done to determine the relationship between the study model's R-square, significant values, and constructs. It starts by examining the R-square for each dependent latent variable while evaluating the research model with PLS. The outcome of an R-square estimate using SmartPLS is shown in the table below.

Table 5
Nilai R-*Square*

Variable	R Square
X1	
X2	
Y	0.720
Z	0.463

Source: data processed

The R-Square value for the financial behavior variable was 0.720, as can be seen in Table 5 above. According to these findings, 72% of the variables affecting financial behavior can be impacted by factors affecting financial knowledge and income level, while 37% can be influenced by factors not included in the study. In the meantime, the locus of the control variable's R-Square value was calculated to be 0.463. These findings indicate that financial literacy and income level variables can have an impact on 46.3% of locus of control variables. While other factors not included in the study had an impact on 53.7% of the population.

The Effect of Financial Knowledge on the Locus of Control

The results showed that financial information has a major impact on the locus of control. According to the study's findings, MSMEs in Salatiga City are knowledgeable about finances, including investments, emergency fund planning, insurance, savings, and loans, but their ability to own and manage these assets is still only marginal. This is because some people only have a basic understanding of finances or don't know how to allocate funds appropriately about them. When a person examines his character in distributing his income and is in charge of his finances, he should base his decisions on the locus of control. This is because his ability to manage his money depends heavily on his level of financial education. This is consistent with studies conducted by (Kholilah & Iramani, 2013) and (Kurniawati, 2017) that found that financial knowledge affects the locus of control.

Effect Of Income Level On Locus Of Control

The results of the income level study have a big effect on the locus of control. The results showed that the income level variable had a substantial impact on the locus of control. This explains why MSMEs in Salatiga City, despite having an average salary that is enough, tend to behave poorly when managing their finances because they lack self-control. No matter how much money someone makes, terrible financial conduct will result if it is not combined with self-control. Conversely, regardless of your income level, effective self-control will help you develop healthy financial management habits.

The Effect of Financial Knowledge on Financial Management Behavior

Financial management behavior is significantly influenced by financial knowledge. Critical elements in financial decision-making are based on financial understanding. MSMEs may still lack the information and insights required to make prudent financial decisions, even though many customers may have a high aptitude to plan impulsive purchases and care passionately about post-financial well-being. The ability to manage money is improved with more financial understanding. This implies that one of the elements that determine the excellent and bad in managing MSME finances in Salatiga City is financial expertise.

Effect of Income Level on Financial Management Behavior

Income level investigation had no bearing on how people handled their money. A high-income earner is likely to demonstrate more responsible financial management practices in his financial management. The size of the level of income obtained by MSMEs in Salatiga city does not affect their financial management behavior, according to data gathered from the study's findings, which explains that other factors are a more dominant indicator in this study and do not significantly affect financial behavior. This is in line with the research of (Dwinta, 2010) that income level does not affect financial behavior.

The Effect of Locus of Control on Financial Management Behavior

The locus of control has a big impact on how people handle their finances. According to the information gathered from the study's findings, the locus of control variable significantly affects financial management behavior. This explains why MSMEs in Salatiga City are capable of exercising self-control or self-control over their finances. As a result, people will try to act in a way that promotes good money management, such as creating financial budgets, keeping track of expenses, setting aside money for unforeseen needs, saving, and contributing to pension funds. It can also realize thoughts, control life, and face, and solve every daily financial problem. A person who has good self-control will be able to effectively handle his cash. This is in line with the research of (Kholilah & Iramani, 2013), revealing that the Behavior in financial management is positively and significantly impacted by locus of control.

The Effect of Financial Knowledge on Financial Management Behavior through Locus of Control

The results of the financial knowledge study have a significant influence on financial management behavior via the locus of control. This demonstrates that MSMEs in Salatiga City have high financial understanding when based on good self-control as well. As a result, they all understand the significance of financial planning if coupled with good self-control. MSMEs in Salatiga City that are well-versed in finances are insufficient without self-control in their financial management. Forms and charts used in personal financial management decisions are referred to as financial tools (such as checks, credit cards, and debit cards). Additionally, research by (Kurniawati, 2017), (Kholilah & Iramani, 2013), and others support this study by showing that the internal locus of control mediates the influence of financial knowledge on financial management behavior and has a sizable beneficial impact on it.

The Effect of Income Level Has a Significant Effect on Financial Management Behavior Through Locos of Control

By locus of control, income level research has a substantial impact on financial management behavior. The locus of control variable in this study has the potential to moderate the association between a person's income and money management techniques. Also, the behavior of financial managers might be directly impacted by income level. This clarified that MSMEs in Salatiga city must have high self-control to develop exemplary financial management practices and increased responsibility. No matter how much money someone makes, terrible financial conduct will result if it is not combined with self-control. A person's good locus of control must also be the foundation of good financial behavior. With locus of control, a person will carefully consider how to manage his resources to get ready for his future.

CONCLUSION

Based on the results of the study, the author might draw the following conclusions: Financial information has a big impact on the locus of control. Income level has a big impact on the locus of control. Financial understanding has a big impact on money management behavior. The level of income has little bearing on how people handle their finances. The locus of control has a big impact on how financial management behaves. Financial information significantly affects financial management behavior through the locus of control. Via locus of control, income level significantly influences financial management behavior. Regarding guidance for MSMEs in Salatiga City, it is suggested that they broaden their understanding of self-control-based financial management to be able to affect their finances and lead wealthy lives in the future.

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