

Financial and Marketing Behaviour to Improve MSMEs Performance

Beby Kendida Hasibuan¹, Prihatin Lumbanraja¹, Arlina Nurbaity Lubis¹, and Fekri Ali Shawtari²

¹ Faculty of Economic and Business, Universitas Sumatera Utara, Medan, Indonesia

² Community College of Qatar, Doha, Qatar

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Abstract: Micro, small and medium enterprises have become the main development wheels of a country. Unfortunately many of these businesses do not last long with relatively low performance. Low performance makes the business's attractiveness decrease. The main problems that often occur are problems in the scope of marketing and financial behavior. This study aims to evaluate the influence of financial and marketing behavior in driving the performance of MSMEs. A total of 300 SMEs participated in this study. Data were collected using a research questionnaire. Data were evaluated using multiple linear regression analysis. This research shows that currently the performance of MSMEs is only influenced by marketing activities. Financial behavior cannot yet reflect improvements in MSME performance.

1 INTRODUCTION

Indonesia is a developing country that is promoting the growth of Micro, Small and Medium Enterprises (MSMEs). At present, the UMKM sector is 60.34 percent of Indonesia's GDP. As we know, MSME is one of the important sectors that can encourage a country's economy and reduce poverty. The existence of MSMEs is believed to be able to contribute to poverty alleviation efforts through job creation (Adomoko, Danso, and Damoah, 2016).

In general, performance can be used as a benchmark for the health of an MSME activity and is the key to success of an MSME. To be able to realize the strategic improvement of its performance, MSMEs are asked to be able to prepare target markets, adapt to the environment, have certain managerial factors, create product innovation, have creativity and productivity, be sensitive to changes in technology and networks. In addition, performance can include a variety of meanings including company growth, survival, success and competitiveness. Performance can also be described as a company's ability to create acceptable results and actions (Eniola & Etenbang, 2015a)

In fact, it is often found that MSMEs have difficulty in developing their businesses due to low HR problems, business ownership, access to finance,

marketing problems, and business management issues. The main problems faced by SMEs in improving their business performance are problems in managing human resources and problems in terms of product marketing (Puwaningsih and kesuma, 2015)

At present there are still many MSME activities where management is still very simple. And not supported by reliable human resources. This is due to the MSME actors view that the activities of MSMEs as side activities only. Where the mindset of Indonesian people is still limited to a decent career is working in an office. Up until now, business people are still dominated by housewives and young people who fill their spare time. Even though HR aspects play an important role in business progress.

Besides the HR aspect, another problem faced by the UMKM is the problem of marketing their products. As is well known marketing of MSME products is still limited to traditional marketing by relying on the power of promotion from the users of these products. In addition, the SMEs do not take advantage of the use of digital promotional media in marketing their products.

One of the problems most often faced by SMEs is the problem of the difficulty of getting access to funding to develop a business. This is as a result of the lack of financial literacy that is owned by SMEs so they are difficult to get access to bank financing

and it is difficult to manage their personal finances. A national survey conducted by OJK in 2016 showed that the level of MSME financial literacy was very low. Where micro entrepreneurs have the lowest literacy rate of 23.8%.

UMKM is one of the important sectors in running the economy of a country. To be able to support the development of MSMEs, it is very necessary to support all parties to get MSME performance. This study aims to evaluate the relationship between aspects of financial and marketing behavior that are rarely applied by business actors. In an effort to achieve these objectives a model of MSME performance improvement is needed in order to find out what components are needed to be able to improve the performance of MSMEs.

2 LITERATURE REVIEW

2.1 Measuring MSMEs Performance

At present the company must be able to provide added value to the products produced. However, this is difficult for MSMEs to do, due to lack of ability and limited working capital management. This has an impact on MSME performance that is not optimal. Ali in Aribawa (2016) suggested MSME performance was analyzed using an approach based on the following three assumptions, namely:

- (1) Measuring MSME performance is often difficult to do quantitatively, due to limited resources (financial and labor understanding).
- (2) Performance measurement generally looks at complex financial indicators, so this does not fully show the actual conditions that occur in the business.
- (3) Performance measurements that are often used are relatively only appropriate when used for large companies that are structured in company management.

Simply put, Liang, You and Liu (2010) and Santos and Brito (2012) identify performance into two types namely financial performance and strategy performance which can be described as follows:

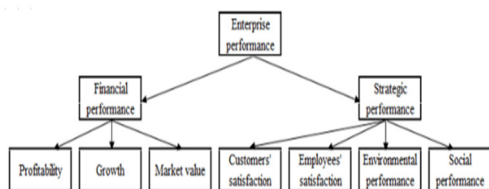


Figure 1. Measuring MSMEs Performance

2.2 Marketing Behaviour

Marketing behaviour related to how the owner of MSMEs applied the concept of marketing mix in firm operational at daily basis. The marketing mix consist of 4P; Price, Product, Promotion, and Place.

The first mix were product. This aspect is related to the development of products to be marketed. The product is a very important aspect in the marketing mix that can influence the steps in the other marketing mix. Product development needs to be done to maintain market demand for the products offered. Innovation in this case plays an important role in influencing the market.

The second one related to price. Price in the narrow sense is the amount of money paid for goods or services, in the broader sense the price is the sum of all values that consumers exchange in order to benefit from owning or using goods or services (Kotler and Keller, 2012). In the research of Peres-Cabanero et al. (2011) concluded that price fixing can have a positive impact on sales and profits in micro, small and medium businesses, this is because small, micro and medium entrepreneurs can see opportunities to gain profits and prices that can set effective prices that can be accepted by the market

The third one related to promotion. According to Kotler and Keller (2012) promotion is an effort by marketers to influence other parties to participate in the exchange of goods or services. Promotion is also an attempt to communicate useful information about a business or product and service to influence potential buyers. Promotion not only discusses the product, the price of the product and the distribution of the product but also communicates the product to the consumer so that the product is famous and the edges are bought

The last one related to places or distribution channel. Kotler and Keller (2012) state that distribution channels or market channels aim to move goods from producers to consumers. So it can be said that the distribution channel helps facilitate the transfer of property rights of goods or services so that consumers can buy. Distribution channels overcome the time, place and ownership gap that separates goods and services from those who need them. To distribute goods through several alternative channels that can be selected by the producer, depending on which channel contributes to the effectiveness and cost efficiency

2.3 Financial Behaviour

Financial literacy is one of the main driving factors of business success that requires major attention. As is known, the business environment changes very quickly, so financial literacy is needed to oversee business financial resources during the business life cycle and connect effectively to financial products and services (Eniola and Etenbang, 2015). Financial literacy for MSME owners can be defined as someone who knows about financial financing and financial management for businesses for business development, knows how to obtain the right products and services for their business, and interacts with potential buyers of the products and services they offer (Mabula 2016).

Hilgert et al (2003) in Ida and Dwinta (2010) found that consumers who have financial knowledge are more likely to behave in financially responsible ways (financial management behavior). Personal financial knowledge is an element of personal financial health within a conceptual framework consisting of financial satisfaction, financial behavior, and financial attitude and objective measurement (Joo 2008).

3 RESEARCH METHOD

3.1 Research Time and Characteristics

This research was conducted by conducting a study of SMEs in the city of Medan. The research location is focused on several locations in the city of Medan such as around campuses in the city of Medan, in the business area (downtown) and other strategic locations.

3.2 Participant

The unit of analysis in this study is the SMEs in Medan. This is done to find out how the performance of the MSME actors. It is planned that the research will involve 300 MSME actors. Because there is no real record of the number of MSMEs in the city of Medan, this study uses the assumption that 50% of the community are business operators. With an error rate of 5% and a degree of confidence of 95%, the minimum number of samples based on the Lemesow formula for an unknown population is at least 100 business operators. To avoid errors in data collection and better estimation, a number of 300 MSMEs owners were participated in this study. The participants were taken with non-probability

sampling. Their consent were taken to participate in this study.

3.3 Data Collection Method

Self-administered questionnaires were employed during our research. The questionnaire in this study was prepared based on a theoretical study and adjusted to the MSME's condition that was the object of research. Therefore, the research questionnaire requires a validity and reliability test before it is applied as an instrument for research data collection. The validity and reliability testing of this instrument was carried out on 30 MSMEs owners outside the research sample later. Evaluation of the validity of the questionnaire is done by face validity by adjusting the list of questions raised with existing theories, as well as the Pearson correlation which shows the correlation value of the total score on each variable. The instrument reliability test was conducted by evaluating the Cronbach's alpha value on each variable proposed in this study

3.4 Data Analysis Method

We employed multiple linear regression to evaluate the impact of each behaviour on its dependent variable, MSMEs Performance.

4 RESULT AND DISCUSSION

4.1 Participants' Characteristics

Characteristics of respondents by sex were carried out to obtain the distribution of characteristics of business operators in Medan City based on gender. In general, Indonesia adheres to segregation where generally men make a living and women take care of the household. The results of tabulation of respondents by sex are summarized in Table 1.

Table 1. Responden Based on Gender

Gender	N of Sample	%
Male	140	46,67
Female	160	53,33
Total	300	100,00

Table 1 provide information that the involvement of women in the business environment (MSME) is greater than the involvement of men as entrepreneurs. This labor force participation indicates that the role of

women in the work environment has increased. Women prefer entrepreneurship where they can balance their time between household duties and duties as an entrepreneur.

Majority of business owners in Medan City are in the age range of 20 to 29 years (39%) followed by ages 30 to 39 years (30.33%). This indicates that the spirit of young entrepreneurs in the city of Medan has begun to grow and increase the participation of young people in the business environment. Some start this business by continuing the family business, but many also start a business from scratch.

Majority of business operators are married (55.67%). Changing the phase of a person's life from being single to being married can be one of the motivating motivations for one's entrepreneurship. Previously it was informed that in terms of age range, the majority of business operators were already at the age of marriage so that many of the business actors were married. Even so, as many as 40.67% are still not married. Other statuses in this characteristic include divorce and death from business actors.

Majority of business owners have the last education level achieved is high school, followed by the level of Bachelor education (S1). This shows that one of the factors that drives business actors is the problem of education where the last education they have is generally difficult to find work that can meet family needs. At present it is very rare for companies to accept employees with a high school education or below. Nevertheless, participation of bachelor graduates (S1) in the business environment itself has improved.

Majority of business owners run businesses based on the status of private ownership. Even so, there are still many business actors who choose to run their business as a joint venture where there are various limitations when choosing to run their own business, especially with regard to capital.

4.2 Regression Model Evaluation

This research model uses two independent variables and one dependent variable. The independent variables used in this study are financial behavior and marketing behavior of MSMEs in Medan City. The dependent variable of this study is the business performance of the MSMEs. A total of 300 businesses participated in this study.

4.2.1 Residual Normality Test

The normality test aims to find out whether the intruder or residual variable regression model has a

normal distribution. Good data is data that has a pattern like the shape of a bell on the histogram diagram. The data normality test used in this study is the Kolmogorov-Smirnov test. Criteria for testing one sample using a one-sided test that is by comparing the probability with a certain level of significance that is if a significant value or probability < 0.05 , then the distribution of data is not normal and if a significant value or probability > 0.05 , then the data is normally distributed. Evaluation using graphs is used to support statistical evaluation results.

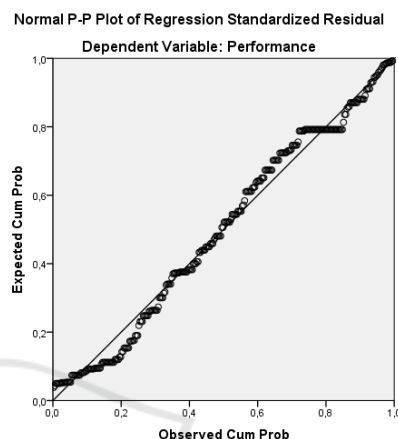


Figure 2. PP Plot Evaluation

Figure 2 shows that data residuals are spread evenly along diagonal lines. Nevertheless there are some points that move away from the diagonal lines that lead to abnormal distribution. The data histogram in Figure 3 shows the blanks on the left side of the residual data distribution that indicate the data are not normally distributed. Statistical evaluations were carried out to confirm this.

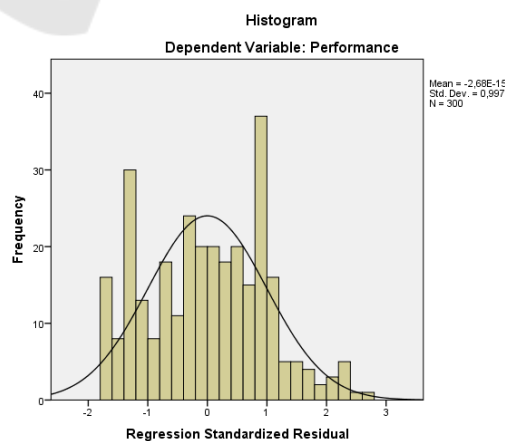


Figure 3. Residual Histogram

Kolmogorov Smirnov Test were used to evaluate the normality based on statistics. The test result were summarized in Table 2 as follow:

Table 2. Normality Test

Tests of Normality			
	Kolmogorov-Smirnov ^a		
	Statistic	Df	Sig.
Unstandardized Residual	,037	300	,200

a. Lilliefors Significance Correction

Table 2 provides information that statistically, the Kolmogorov-Smirnov test, gives a significance value > 0.05 which indicates that the residual data is normally distributed. Thus, the assumption of normality in residual data has been fulfilled.

4.2.2 Multicollinearity Test

Symptoms of multicollinearity can be seen from the value of tolerance and VIF (Variance Inflate Factor). Both measures indicate the variables which are strongly affecting other dependent variables. Tolerance is to measure the variable variables of the dependent variables which are not explained in terms of the other variables. The value that is used for Tolerance > 0.1 and VIF < 5, then there is no multicollinearity.

Table 3. Collinearity Analysis

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Financial Behaviour	,731	1,368
	Marketing Behaviour	,731	1,368

a. Dependent Variable: Performance

Table 3 showed evidence that there is no problem of multicollinearity of data on the independent variables of the study. Each element of marketing communication technology is independent so that the variables proposed in this model do not affect each other.

4.2.3 Heterokedasticity Test

Heterokedastity test data in this study were evaluated using Glesjer-test statistical method. The result is summarized as follow:

Table 4. Glesjer Test Analysis

Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta				Tolerance	VIF
		1	(Constant)	,897	,187				
	Financial Behaviour	-,082	,045	-,124	1,836	,067		,731	1,368
	Marketing Behaviour	,030	,051	,040	,587	,558		,731	1,368

a. Dependent Variable: ABSRES

Table 4 indicates that there are no statistically significant independent variables on the value of the residual data absout. Thus statistically there is no problem of heterocedasticity of data

4.2.4 Multiple Linear Regression Analysis

The research model has been evaluated qualitatively based on classical assumptions. The model has fulfilled the classical assumption criteria so that the prediction results from this research model are best linear unbiased estimators and can be used to evaluate the conditions that occur in the research sample. The results of the regression conducted in this study are summarized as follows:

Table 5. Regression Result

Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.
		B	Std. Error	Beta			
1	(Constant)	,941	,342			2,748	,006
	Financial Behaviour	-,030	,082	-,023		-,373	,709
	Marketing Behaviour	,679	,094	,443		7,239	,000

a. Dependent Variable: Performance
 F-Statistics = 34,033 (Sig < 0,05)
 Adjusted R-Square = 0,181

Table 5 provides information that financial behavior and marketing behavior explain 18.1% of the conditions of MSME performance. Thus, there are 81.9% influences from outside the model currently proposed. The significance level of the F-test on the proposed model < 0.05 (Table 5) which indicates that together, financial and marketing behaviors play a role in influencing the performance of MSMEs in Medan City.

Regression models that can be formulated based on the results of this study are:

$$Y = 0,941 - 0,03 \text{ Financial Behaviour} + 0,679 \text{ Marketing Behaviour} + e$$

Financial behavior has very little influence on the performance of MSMEs (B = -0.03) with a significance level of > 0.05. Thus, there is not enough evidence to state that financial behavior influences the performance of MSMEs. Financial behavior includes attitudes that are accompanied by actions against debt, financial records, bookkeeping, and options for investing from operating results. These

behaviors statistically have no effect on the performance of MSMEs in Medan at present. One of the main reasons is the low awareness of business actors to implement the financial behavior itself. However, based on research that has been carried out this behavior, for now, is not significant to the achievement of their performance.

Marketing behavior in this study had a positive influence ($B = 0.679$) and significant ($\text{sig} < 0.05$) on the performance of MSMEs. In the proposed model this influence is the dominant influence on the achievement of MSME performance. Thus, there is enough evidence to state that marketing behavior has a positive and significant effect on the achievement of MSME performance in Medan. Every one unit increase that occurs from marketing behavior, MSME performance will increase by 0.679 units. This marketing behavior includes activities in product development, evaluation and pricing, evaluation and determination of distribution channels, as well as promotional activities to increase demand for products. Thus, the better this marketing behavior is applied by business actors, the better performance it will achieve.

5 CONCLUSIONS AND SUGGESTIONS

This study shows that the current situation of business actors shows that current financial behavior does not affect the performance of MSMEs. The application of financial behavior is currently not effective, therefore it needs attention and development in financial behavior in order to create performance improvements based on the financial behavior of business actors. On the other hand, marketing plays a very important role in influencing this performance. Marketing in this case is closely related to the achievement of performance. Good marketing will bring customers and create performance, especially from a financial perspective.

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