FINANCIAL BEHAVIOR ON FINANCIAL SATISFACTION AND PERFORMANCE OF THE INDONESIAN BATIK INDUSTRY

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Abstract: The urgency of the research is that many business people understand financial literacy but seem to have less impact on financial performance. It is probably because some business people have not followed up with changes in good financial behavior. This study aims to determine the effect of financial literacy on financial behavior, financial satisfaction, and financial performance. In addition, it also knows the effect of financial behavior on financial satisfaction and financial performance and the effect of financial satisfaction on financial performance. The population in this study is the entire batik industry in Indonesia with large and medium scale, as many as 208 batik business actors. The sampling technique is a saturated sample or census, where all members of the population become members of the sample. The data analysis technique used SMART PLS 03 software. According to the study's findings, financial literacy has a significant effect on financial behavior and financial performance, and financial behavior significantly affects financial satisfaction. Financial satisfaction furthermore has a significant effect on financial performance. However, financial literacy has no effect on financial satisfaction, and financial behavior has also been found to have no effect on financial performance. This research implies that the financial performance of batik industry players will increase if they have financial behavior that can create added value and the importance of financial literacy.

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Batik is one of the pride of Indonesian culture. This pride increased after UNESCO established batik as a human heritage for oral and intangible culture or Masterpieces of the Oral and Intangible Heritage of Humanity on October 2, 2009. October 2 was designated as National Batik Day on October 17. November 2009 (UNESCO, 2022). Batik is a pictorial cloth explicitly made by writing or applying wax to the fabric. The whole unique technique, technology, and the development of related motifs and culture are uniquely processed

(Badan Pengembangan dan Pembinaan Bahasa, 2016). Many Indonesian people run businesses in the batik industry sector, as many as 2951, but of those who enter the large and medium-scale batik industry group, as many as 208 batik industries (Balai Besar Kerajinan dan Batik Kementerian Perindustrian RI, 2021).

The batik industry in Indonesia can be included in the large and medium-scale group; it cannot be separated from financial literacy and good financial behavior. It is because the good economic basis of business owners is a significant benchmark and is an excellent financial foundation for the company's success and growth in a competitive environment (Lusardi and Mitchell, 2007, 2014). Financial literacy is the ability of an individual to make informed decisions regarding the effective use and management of finances (Mendari and Soejono, 2020; Nkumndabanyanga et al., 2014; Suryaningsih and Sumani, 2019). Aribawa (2016) stated that good financial literacy among MSMEs can help business actors achieve business goals, survive in dynamic economic conditions, and always have an orientation to develop their businesses.

In addition to financial literacy, financial behavior is also an essential part of improving financial performance. Ricciardi and Simon (2020) stated that financial behavior is a subject in which the interplay of several domains is intrinsic and constant. Thus the debate cannot be done independently. The interaction of emotions, traits, preferences and other elements inherent in people as intellectual and social beings underpins the emergence of decisions to take action (Baker and Nofsinger, 2010). Financial behavior studies how humans behave in a financial determination. It focuses on how psychology affects a company's financial decisions and financial markets. Shefrin (2009) stated that behavioral finance is a study that studies a phenomenon where psychological factors can influence behavior in managing finances, examining how humans intentionally act in financial decisions.

It confirms financial behavior as one of the important things in the success or failure of one's financial aspects. Financial behavior is measured using indicators from Falahati et al. (2012) and Hasibuan et al. (2018), namely timely payment of bills, allowance for savings, unexpected expenses, monitoring of financial management, and evaluation of financial management. The description above showed that financial literacy is correlated with financial behavior. It is confirmed by research results (Edirisinghe et al., 2017; Farell, 2016; Grohmann, 2018; Henager and Cude, 2016). However, there are also studies with different results (Ajzen, 2005; Borden et al., 2008; Reswari et al., 2018).

Financial behavior and financial literacy will form financial satisfaction, where financial satisfaction is a financially healthy financial condition so that you feel happy and free from worrying about your financial condition (Candra and Memarista, 2015). Joo and Grable (2004) stated that financial stressors, risk tolerance, financial solvency, financial knowledge, and financial behavior could all impact an individual's financial pleasure. Parrotta and Johnson's (1998) research showed that financial literacy could not predict financial satisfaction. In addition, financial behavior has an impact on financial performance. It is evidenced in several research results, such as Dai et al. (2019) and Kristofik and Novotna (2018), financial behavior contributes to SMEs' financial performance.

Novelty research, that is, researchers have not found a correlation between financial satisfaction and financial performance, so with the similarity of the concept between customer satisfaction and financial satisfaction, in developing the hypothesis using the concept of customer satisfaction about financial performance (Ismanto, 2018; Suchánek et al., 2015). Based on this phenomenon, the research objectives include: (1) testing and analyzing the effect of financial literacy on financial behavior and financial satisfaction as well as the financial performance of the batik industry; (2) examining the effect of financial behavior on financial satisfaction and financial performance of the batik industry; (3) examine and analyze the effect of financial satisfaction on the financial performance of the batik industry.

LITERATURE REVIEW

Financial Literacy

Financial management in everyday life cannot be separated from financial literacy in making the right financial decisions (Orton, 2007). According to Lusardi and Mitchell (2014), financial literacy is defined as financial knowledge and the ability to apply it in daily life to create prosperity. Financial literacy was also defined by Kozina and Ponikvar (2015) as a component of human capital employed in financial activities to increase individual financial well-being. To determine financial products and services that meet their needs, the general public must grasp the benefits and hazards, be aware of their rights and obligations, and feel that the chosen financial products and services would improve people's well-being (Otoritas Jasa Keuangan/OJK, 2017).

Financial Behavior

Neoclassical economics influences financial behavior. If perfect self-interest, rationality, and information control individual financial actions, Homo economicus is a simple model of human economic activity (Pompian, 2006). Furthermore, Dew and Xiao (2011) defined financial behavior as "human behavior in financial management." The Financial Behavior Scale (FBS) relates to five categories, notably consumption management, cash flow management, credit management, saving and investment, and insurance, with the idea of providing a comprehensive measure of financial behavior. According to Chinen and Endo (2012), individuals who can make the appropriate financial judgments will not have financial problems in the future, will exhibit healthy financial behavior and will be able to determine priority needs. Good financial behavior is described as having effective behaviors such as preparing financial records, documentation on cash flow, planning costs, paying electricity bills, controlling credit card use, and planning savings (Suffari and Tahir, 2021).

Financial Satisfaction

Kalra Sahi (2013) explains that financial satisfaction is a subjective measure of financial well-being that reflects individuals' level of satisfaction with various aspects of their financial situation. The more satisfied someone is with their financial situation, the happier they will be. Ali et al. (2013) and Thabet et al. (2019), financial satisfaction can describe a person's level of welfare; the more satisfied a person is with his financial condition, the more it can be said that a person already has prosperity in his life. Financial Satisfaction describes the difference between one's desires and financial situation (Coºkuner, 2016). A person with sufficient income to meet the needs of life will be satisfied with their financial condition (Tsaur et al., 2007). Financial satisfaction can be measured using several indicators (Falahati et al., 2012; Hasibuan et al., 2018). Financial happiness comprises financial management skills, present financial condition, emergency savings, budgeted expenditure, handling financial challenges, and ensuring the availability of money for the future. Based on this definition, financial satisfaction is almost the same as customer satisfaction. Kotler and Keller (2016) stated that customer satisfaction is a person's feeling of pleasure. In other words, disappointment arises after comparing his perception or impression of the performance below expectations, and customers are unsatisfied.

Financial performance

Wiratna (2017) stated that financial performance is the result of the work evaluation that has been completed; the work results are compared with the criteria that have been set together. Every job that has been achieved needs to be assessed/measured periodically. Pengeran (2011) estimated the financial performance of SMEs by entrepreneurial orientation, including innovation, risk-taking, and proactive.

Financial literacy, Financial Behavior, and Financial Satisfaction

An empirical study by Lusardi and Tufano (2015) showed that people with insufficient financial literacy are more likely to suffer from financial problems. Financial Literacy significantly influences financial behavior (Edirisinghe et al., 2017; Farell, 2016; Grohmann, 2018; Henager and Cude, 2016).

Coºkuner (2016) showed that financial knowledge contributes to financial satisfaction. Furthermore, Škreblin Kirbiš et al. (2017) also confirm that financial literacy is related to financial satisfaction. H1: Financial literacy has a significant effect on financial behavior; H2: Financial literacy has a significant effect on financial satisfaction.

Financial Behavior and Financial Satisfaction

Theories and empirical investigations have consistently found a positive link between responsible financial behavior and financial satisfaction (Coºkuner, 2016; Eklof et al., 2020; Xiao et al., 2014). The research results of Li et al. (2021) confirmed that financial behavior affects financial satisfaction. The formulation of the hypothesis that:
H3: Financial behavior has a significant effect on financial satisfaction

Financial Literacy, Financial Behavior, Financial Satisfaction, and Financial Performance

Kimunduu et al. (2016) highlighted that personal saving abilities are crucial for boosting the profitability of medium-sized businesses. Jemal (2019) revealed that budgeting, debt management, accounting, and saving literacy all positively and significantly impact financial performance. Hidayati et al. (2014) stated that financial behavior positively affects SME performance. Nababan and Sadalia (2013) and Sadalia et al. (2017) also explained that financial behavior is correlated with financial performance. Kristofik and Novotna (2018) and Dai et al. (2019), financial behavior contributes to SMEs' financial performance. The research results by Chi and Gursoy (2009) showed that customer satisfaction has a significant and positive correlation direction on financial performance. It follows Eklof et al. (2020); customer satisfaction affects financial performance.
H4: Financial literacy has a significant effect on financial performance
H5: Financial behavior has a significant effect on financial performance
H6: Financial satisfaction has a significant effect on financial performance.

Furthermore, the conceptual framework can be built as follows:

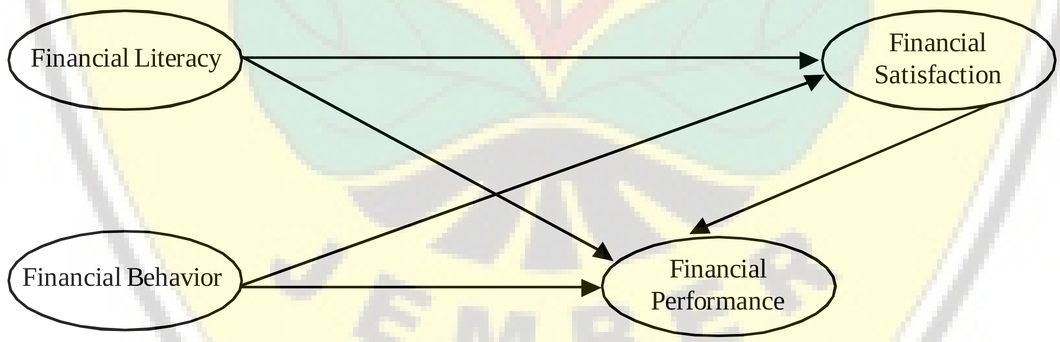

Figure 1. Research Conceptual Framework

METHOD

A modified Likert-type measured financial performance with a scale of 5 (1 = strongly disagree, 2 = disagree, 3 = quite agree, 4 = agree, 5 = strongly agree). Financial literacy using the Guttman measurement scale. This measurement scale provides answers "true = score 1," and "wrong = score 0". A modified Likert-type measured financial satisfaction with a scale of 5 (1 = very dissatisfied, 2 = dissatisfied, 3 = quite satisfied, 4 = satisfied, 5 = very satisfied). Financial behavior was measured using a modified Likert-type scale with a 5 (1 = very rarely, 2 = rarely, 3 = neutral, 4 = often, 5 = very often). Data collection using google forms.

The population in this study were all large and medium-scale batik industries in Indonesia, with as many as 208 batik industries. The sampling technique is a saturated sample or census; that is, all members of the large-scale batik industry population are currently members of the sample. The research focuses on the large and medium-scale batik industry in Indonesia. Assuming that the batik industry of that scale is relatively homogeneous, i.e., on average, it has undergone a reasonably long business process (sufficiently understanding financial literacy), the market is rather large, and the working capital is also large. And use funding from various sources. The following are operational definitions and variable indicators, shown in Table 1 below.

Table 1. Definitions and Indicators of Research Variables

Variables	Definition	Indicators	Scale	References
Financial Performance (FPr)	The financial performance of the batik industry is the process carried out and the results achieved by an organization in providing services or products to customers.	1. company's growth 2. company's total revenue (sales) 3. total orders4. cash position	Ordinal	Jubaedah and Destiana (2016) Aribawa (2016)
Financial Satisfaction (FSat)	Financial satisfaction is the satisfaction of the batik industry owner with his financial condition for the results of his business	1. current financial condition 2. income earned by fixed assets 3. cash 4. current assets 5. financial management skills 6. saving for emergency needs 7. ensuring the availability of money for his future	Ordinal	Falahati et al. (2012) Kalra Sahi (2013); (Škreblin Kirbiš et al., 2017); (Sugiarti et al., 2020);Sari and Septyarini (2018); Hasibuan et al. (2018)
Financial Literacy (FLi)	The intensity of batik industry business actors in carrying out financial planning, budgeting, and financial control	1. Financial planning, budgeting, and control 2. Bookkeeping 3. Funding Source 4. Business understanding 5. Risk management	Ordinal	Fatoki (2014)
Financial Behavior (FBh)	Behavior provides a behavioral financial perspective of the decision-making process	1. Tendency to consider income and expenses 2. Financial decision-making 3. The nature of the decision and the environment influence the type of process used 4. Neurological financial decision-making tends to affect (emotional) 5. Behavioral finance pays attention to the principles of perfect self-interest, perfect rationality, and perfect information governing individual economic decisions	Ordinal	Olson (2006))

In this study, a Structural Equation Model (SEM) is employed to rectify measurement errors by integrating the effect of interactions in the model utilizing the SMART PLS 03 program. Since this method leverages bootstrapping, the data in SMART PLS analysis does not have to have a normal distribution. As a result, the assumption of normality will not be a problem for PLS, and no minimum number of samples is required. SEM-PLS is also used to predict the relationships between variables and indicators via the inner model, specifically the relationship between latent variables, and the outer model, specifically the relationship between indicators and their latent variables (Ghozali, 2017). The hypothesis test uses the value of = 5%; if the p-value < α, then Ha is accepted, but if the p-value > α, then H0 is accepted.

RESULTS

The goodness of fit is established by assessing the outer and inner models. The results of the assessment will be explained below.

Table 2. Convergent Validity

Variables	Indicators	*Loading Factor*	Α	Explanation
Financial Literacy (FLi)	FLi_1	0.913	0,50	Valid
	FLi_2	0.868	0,50	Valid
	FLi_3	0.894	0,50	Valid
	FLi_4	0.952	0,50	Valid
	FLi_5	0.861	0.50	Valid
Financial Behavior (FBh)	FBh_1	0.744	0.50	Valid
	FBh_2	0.876	0.50	Valid
	FBh_3	0.830	0.50	Valid
	FBh_4	0.901	0.50	Valid
	FBh_5	0.893	0.50	Valid
Financial Satisfaction (FSat)	$FSat_1$	0.885	0,50	Valid
	$FSat_2$	0.857	0,50	Valid
	$FSat_3$	0.862	0,50	Valid
	$FSat_4$	0.918	0,50	Valid
Financial Performance (FPr)	FPr_1	0.855	0,50	Valid
	FPr_2	0.914	0,50	Valid
	FPr_3	0.874	0,50	Valid
	FPr_4	0.866	0,50	Valid

Outer model

Convergent validity is the indicator's level of validity based on the value of the loading factor. One of the criteria used is the loading factor value of 0.50 to 0.60. hese results have shown that the results are valid or significant.

Table 2 shows that the loading factor value of all research indicators is more significant than 0.5. Thus, it can be concluded that all indicators of research variables are valid.

Discriminant validity is determined by comparing each construct's Square Root of Average Variance Extracted (AVE) value to the correlation between other constructs in the model. The measurement value is recommended to be more than 0.50 (Solimun, 2011). Likewise, composite reliability is an index that indicates the degree to which a measuring instrument can be relied on, such that a latent variable has strong composite reliability if it has composite reliability with a cut-off value of 0.7.

Table 3 shows that the Average Variance Extracted (AVE) score of all variables in the study is > 0.50, so it is stated that all variables are valid. In addition, all variables in this study have a Composite Reliability score > 0.70, meaning that all research instruments are reliable and reliable so that they can be used to test hypotheses. The Cronbach Alpha value > 0.70 in all variables indicates that the consistency of the respondents' responses in one latent variable is consistent.

Table 3. Discriminant Validity and Composite Reliability

Variables	Discriminant Validity		Composite Reliability		
	AVE	Explanation	Cronbach - α	CR	Explanation
Financial Literacy (FLi)	0.851	Valid	0.903	0.929	Reliable
Financial Behavior (FBh)	0.964	Valid	0.940	0.954	Reliable
Financial Satisfaction (FSat)	0.890	Valid	0.900	0.931	Reliable
Financial Performance (FPr)	0.819	Valid	0.904	0.933	Reliable

Inner Model

Testing the inner or structural model is carried out to see the relationship between the research model's construct, significance value, and R-square. The evaluation of the inner model can be done in three ways. The three ways are looking at the R-square, Q-square, and Goodness of Fit.

Table 4. R-square Result

Description	R-Square
Financial Behavior (FBh)	0.829
Financial Satisfaction (FSat)	0.675
Financial Performance (FPr)	0.584

The next test of the inner model is by looking at the Q-square value (predictive relevance); the Q-square value has a value with a range of 0 < 2 < 1, where the closer to 1 means the better the model. Q-Square can be done using the formula:

$Q2 = 1 – (1 – R_1{}^2) (1 – R_2{}^2) …. (1 – Rp^2)$
$Q2 = 1 – (1 – 0.829) (1 – 0, 675) (1 – 0.584); Q2 = 0.9768$

The predictive relevance value obtained is 2 = 0.9768 or 97.7%. It implies that the model can explain the research phenomena 97.7%. It is concluded that the research model is good or has a high predictive value for hypothesis testing. Structural model equations are developed to discover the relationship between the latent variables analyzed.

Financial Behavior = $0.964_{FLi} + \zeta$ p-value = $(0.000)^{s}$
Financial Satisfaction = $-0.195_{FLi} + 1.008_{FBh} + \zeta ß$ p-value = $(0.417)^{ns}\ (0.000)^{s}$
Financial Performance = $0.397_{FLi} + 0.208_{FBh} + 0.367_{FSat} + \zeta$ p-value = $(0.016)^{s}(0.\ 256)^{ns}(0.001)^{s}$

The results of hypothesis testing proved that: (a) financial literacy has a significant effect on financial behavior, (b) financial literacy has no effect on financial satisfaction, but financial behavior does, and (c) financial literacy has a significant effect on financial performance, but financial behavior has no effect on financial performance. Other results have also shown that financial satisfaction has a substantial impact on financial performance. The path diagram is created by combining the inner and outer models with the SMART PLS program, as illustrated in Figure 2.

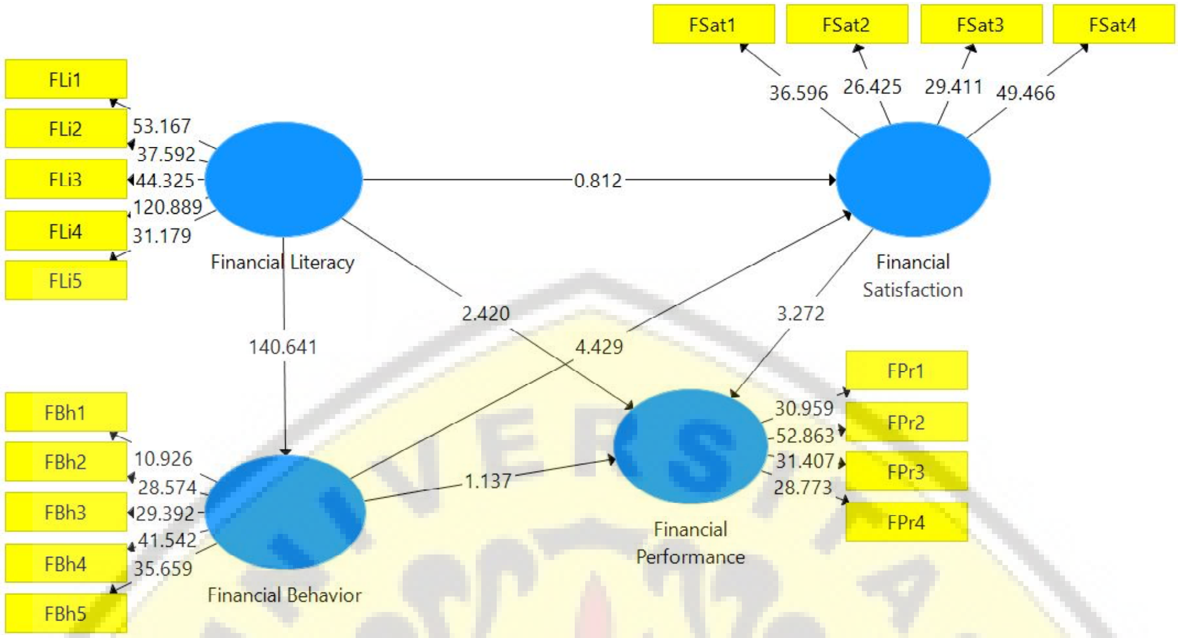

Figure 2. Path Diagram Construction

DISCUSSION

Financial Literacy on Financial Behavior

According to the findings of this study, financial literacy has a significant impact on financial behavior. It means that batik industry businesspeople with good financial understanding and attitudes will engage in financial management behavior and make proper and appropriate financial decisions. Financial skills enable a person to make rational and effective decisions regarding finances and economic resources (Kurihara, 2013). Someone will be able to behave financially well to manage their finances when armed with good financial knowledge. Previous studies have shown a significant relationship between financial knowledge and financial behavior (Andrew and Linawati, 2014; Ida and Dwinta, 2010; Lusardi and Scheresberg, 2013). The study results are linear with several previous research results (Jorgensen, 2007; Mandell and Klein, 2009); financial literacy significantly impacts financial behavior, with a positive correlation direction. Furthermore, Sumani and Roziq (2020) confirmed that financial knowledge significantly affects financial behavior.

Financial Literacy on Financial Satisfaction

The study's results showed that financial literacy does not affect financial satisfaction. It means that batik business actors in Indonesia, even though they already have financial knowledge, good financial attitudes, and have carried out planning, management, and control, have not given satisfactory results. It is because several financial problems will be faced in the future, for example, inflation, exchange rates, and several funding sources. This condition confirms that understanding financial literacy will indirectly impact healthier financial conditions. However, the fact is that the batik business actors do not feel safe or are psychologically still worried, partly due to unpredictable/fluctuating economic conditions and the existence of funding regulations. Felt not in favor of the batik industry. In addition, macro conditions have not been stable due to the COVID-19 pandemic. This study's results align with the research of Yap et al. (2016), and financial attitudes do not influence individual financial satisfaction. Research by Hidayah and Agustin (2021) also showed no causal relationship between financial literacy and financial satisfaction.

Financial Behavior on Financial Satisfaction

The results of the study, financial behavior has a significant effect on financial satisfaction. Sound financial planning, management, and control activities indicate healthy financial behavior. Chinen and Endo (2012) stated that individuals who can make sound financial judgments would avoid financial problems in the future, exhibit good financial conduct, and can identify priority needs. Good financial behavior leads to the fulfillment of desires and goals by completing the previously defined goals one by one, resulting in financial satisfaction (Yap et al., 2016). A couple of research conducted (Arifin, 2017; Armilia and Isbanah, 2020; Coºkuner, 2016; Dew and Xiao, 2011; Sumani and Roziq, 2020; Wardani and Darmawan, 2020; Woodyard and Robb, 2016; Yap et al., 2016) indicated that financial behavior has a substantial impact on financial satisfaction. When individuals engage in positive financial conduct, their financial satisfaction tends to rise somewhat. Individuals who exhibit good financial behavior are more satisfied because good financial behavior encourages someone to be able to control improved financial conditions (Hasibuan et al., 2018).

Financial Literacy on Financial Performance

The results of the study confirm that financial literacy has a significant effect on financial performance. This condition ensures that batik business actors in Indonesia, who have financial literacy, especially from the aspect of good financial knowledge, will plan, manage, and control finances well. In the end, their financial performance will also be good. Knowledge, skills, and beliefs influence attitudes and behavior to improve the quality of financial management decision-making to achieve prosperity. Companies with good financial literacy will utilize financial knowledge to make the right decisions in increasing their business (Kimani and Ntoiti, 2015). This study's results align with research (Aribawa, 2016; Dahmen and Rodríguez, 2014; Idawati and Pratama, 2020; Lusardi and Scheresberg, 2013) that financial literacy can show a positive influence on business performance. Companies with strong financial literacy will be able to identify and respond to changes in the business, economic, and financial climates strategically, resulting in innovative and well-directed solutions to improve business performance and sustainability (Aribawa, 2016).

Financial Behavior on Financial Performance

Litner (1998) stated that behavioral finance is the study of how humans respond to and react to existing information to make decisions that maximize returns while taking into consideration the risks involved (the elements of attitude and action are the determining factors in investing). The findings of this study demonstrate that financial behavior has no effect on financial performance. Although it started with good planning and control, if it is still limited and sources of funding are expensive, then the company certainly cannot operate efficiently, so in the end, it will not impact financial performance. The results of this study support the results of Fitria et al. (2021) that financial behavior does not affect the performance of MSMEs in the city of Palembang. The results of the research by Esiebugie et al. (2018) also explained that financial behavior does not affect the performance of SMEs.

Financial Satisfaction on Financial Performance

The study's findings revealed that financial satisfaction substantially impacts financial performance. It suggests that batik business actors who are content with their financial condition will enhance their financial performance because the company's financial success cannot be isolated from the manager's emotional aspect. Subjective Well-Being (SWB) theory is a positive and good life assessment. A person is said to have high subjective well-being if he experiences life satisfaction, is frequently joyful, and rarely experiences unpleasant feelings such as despair and rage (Diener, 2009). The study's results (Ismanto, 2018; Suchánek et al., 2015) show that customer satisfaction has a significant effect with a positive correlation direction on the financial performance of Small to Medium-sized Enterprises (SMEs). Another valuable model for understanding the expected relationship between satisfaction and financial performance is the satisfaction-profit chain. (Anderson and Mittal, 2000).

CONCLUSIONS

Financial satisfaction has a significant impact on financial performance. Financial literacy significantly influences financial behavior, and financial performance and behavior have a considerable influence on financial satisfaction. Nonetheless, financial literacy has been found to have no impact on financial satisfaction or financial behavior on financial performance.

IMPLICATIONS

This research implies that the financial performance of batik industry players will increase if they have financial behavior that can create added value and the importance of financial literacy.

LIMITATIONS

Respondents do not fill out the questionnaire simultaneously, so that will cause a different phenomenon. The batik industry comes from other provinces, so the local and provincial governments may have different regulations and concerns. In addition, at the time of the research, the covid-19 pandemic had not ended, so data collection using the Google Form course, this data collection method had several limitations.

RECOMMENDATIONS

It is hoped that batik industry players in maintaining and developing financial performance are recommended to pay attention to financial behavior that fosters a satisfying attitude towards financial management. In addition, the government must consistently improve the financial literacy of batik SMEs in Indonesia.

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