

4.2.2 Inner Model Analysis

The inner model or structural model can provide identification regarding the relationship between variable constructs, and there are two processes that follow.

The structural model should be examined first, which can be done by utilizing the path coefficients to measure how strong the relationships between constructs are.

The sign of the route coefficient must agree with the theory under consideration, and its significance can be determined using the t-test or the CR (critical ratio) generated by resampling.

Meanwhile, calculating R², as the second step, provides an explanation regarding how large the variance of endogenous factors can be explained by exogenous variables, this is similar to linear regression (Purwanto et al., 2021). The inner model was tested in this study using the Path Coefficient and the Determinant Coefficient (R²).

The table below displays the results of direct effect via bootstrapping in Smart PLS4.0.

4.2.2.1 Path Coefficient

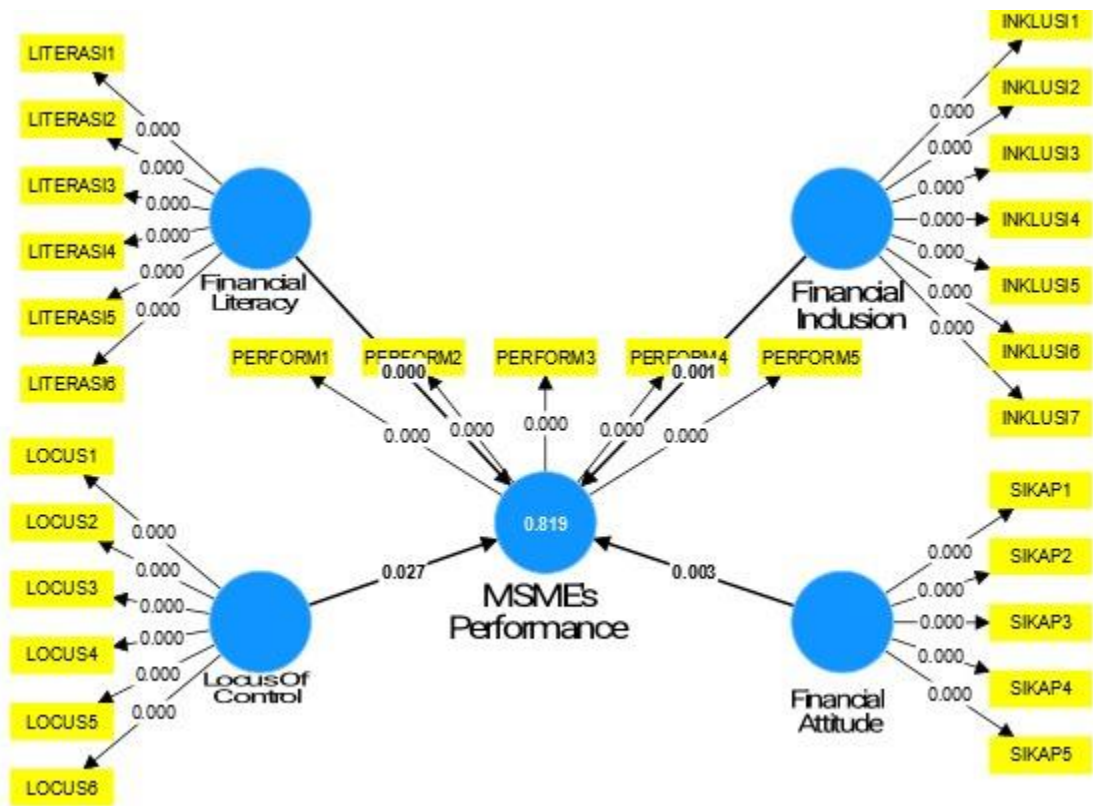


Figure 4.7 Result of Inner Model

The table below displays the results of direct effect via bootstrapping in Smart PLS4.0.

Table 4.5 The result of Direct Effect

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Financial Literacy -> Financial Performance	0.559	0.543	0.130	4.315	0.000
Financial Attitude -> Financial Performance	0.322	0.309	0.107	3.009	0.003
Financial Inclusion -> Financial Performance	0.415	0.414	0.130	3.193	0.001

Locus -> Financial Performance	0.214	0.225	0.097	2.213	0.027
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Only five of the correlations between the 4 independent variables that comprised the dependent variable (Behavioural Intention) were found to be valid (less than 0.05), as shown in Table 4.6. Because the P value is more than 0.05 (threshold), it may be assumed that the remaining three, namely financial literacy, financial attitude, and financial inclusion, have no significant influence on the dependent variable.

The Structural Equation of the Research Model can be found in Table 4.6.

$$\mathbf{MSME's PERFORMANCE = 0.559 * Financial Literacy + 0.322 * Financial Attitude + 0.415 * Financial Inclusion + 0.214 * Locus of Control} \quad (4-1)$$

Hypothetical tests for the dependent and independent variables yield specific findings.

- 1) H1: There is an influence of Financial Literature (FL) to the Performance of MSME in Dily City.

The statistical t value is 4.315, which is greater than 1.96, and the p value of Financial Literature is 0.0000, which is lower than 0.050. Thus, this hypothesis H1 is accepted.

- 2) H2: There is an influence of Financial Attitude (FA) to the performance of MSME in Dili city.

The statistical t value is 3.009, which is greater than 1.96, and the p value of Financial Literature is 0.003, which is lower than 0.050. Thus, this hypothesis H2 is accepted.

- 3) H3: There is an influence of Financial Inclusion (FI) to the performance of MSME in Dili city.

The statistical t value is 3.193, which is greater than 1.96, and the p value of

Financial Literature is 0.001, which is lower than 0.050. Thus, this hypothesis H3 is accepted.

- 4) H4: There is an influence of Locus of control (LC) to the Performance of MSME in Dily City.

The statistical t value is 2.213, which is greater than 1.96, and the p value of Financial Literature is 0.027, which is lower than 0.050. Thus, this hypothesis H4 is accepted.

4.2.2.2 R-Square (R²)

Table 4.6 R-Square

	R-square	R-square adjusted
MSME's Performance	0.808	0.805

The research object will be predicted with increased accuracy as R square increases. The one exogenous factors in this study was MSME's Performance , as indicated in Table 4.7 below, with R² values of 0.808 and 0.805, respectively. MSME's Performance can only account for 80,5%, while the remaining 19,5% is implied to be influenced by variable excluded from the study.

The R-square value of 0.75 indicates a strong model, a value of 0.50 indicates a moderate model, while a value of 0.25 indicates a weak model Hair et al. (2014) Because R-square of 0.805 is bigger than 0.75, the model is strong model and there are strong influences of independent variables to MMSE's financial performances.

4.2.2.3 Stone Giesser Value (Q²)

The value of Q2 shows the model's structural importance, which has predictive relevance.If the Q2 is greater than 0, the model is extremely relevant for prediction.When the Q2 is less than zero, the model is no longer predictive.Equation (4-1) can be used to compute Q2.

$$Q^2 = 1 - (1 - R_1^2)(1 - R_2^2) \quad (4-3)$$

The model has strong predictive significance if the Q-Square is bigger than 0 (Q² > 0).

The model is not predictive if the Q-Square is smaller than 0 (Q² < 0).

Table 4.8 Stone Giesser Value

	SSO	SSE	Q² (=1-SSE/SSO)
Financial Literacy	1245.000	1245.000	
Financial Attitude	1245.000	1245.000	
Financial Inclusion	1743.000	1743.000	
Locus Of Control	996.000	996.000	
MSME's Performance	1245.000	599.286	0.519

Because the outcome for Q2 is positive, it indicates that the model has excellent predictive relevance. The model is said to have a good predictive value, because the resulting Q2 value is positive (0.519).

4.2.2.4 GoF (Goodness of Fit) Index

GoF describes the overall model fit for both the outer and inner models.

The difference that arises between the acquisition of the observed value and the expected value can be assessed for the level of suitability of the model using GoF.

The equation to calculate GoF is as follows.

$$GoF = \sqrt{\text{Average of AVE} \times \text{Average of } R^2}. \quad (4-4)$$

From the AVE data in Table 4.3, the average AVE is 0.673, and the average R2 from the R-square data in Table 4.7 is 0.805.

A GoF of 0.00 to 0.24 denotes an small fit, a GoF of 0.25 to 0.37 denotes a medium fit, and a GoF of 0.38 to 1.00 denotes a good fit.

Here,

$$GoF = \sqrt{\text{Average of AVE} \times \text{Average of } R^2} = \sqrt{0.673 \times 0.805} = 0.551$$

(4-5)

The level of model fit is Good Fit as indicated by the GoF value of 0.551.

4.2.2.5 F-Square

Table 4.9 F-Square

	F-square	The Influence
Financial Literacy -> MSME's Performance	0.307	Strong Influence
Financial Attitude -> MSME's Performance	0.215	Moderate Influence
Financial Inclusion -> MSME's Performance	0.180	Moderate Influence
Locus Of Control -> MSME's Performance	0.063	Weak Influence

F-square is equal to or more than 0.02, it can be concluded that the predictive latent variable has a mild effect on the endogenous latent variable, if it is equal to or greater than 0.15 then it has a moderate effect, and if it is equal to or greater than 0.35 then it has a strong effect (Chin 1988).

Figure 4.9 shows the f square for financial attitude and financial inclusion ranges from 0.180 to 0.215, which shows these independent variables have a moderate influence to the dependent variable. In addition, the financial literacy variable has an f square of 0.307 which is explained that it has a strong influence and locus of control has 0.063 which means weak influence.

4.3 Findings and Discussion

In this study, the researcher evaluated the influence of Financial Literacy, Financial Attitude, Financial Inclusion and Locus of Control towards on the Financial Performance of MSMEs in Dili City, East Timor.

According to Rasyid, (2012) financial literacy is a fundamental prerequisite for everyone to avoid financial difficulties, and it can influence one's attitude and behavior while making decisions. Financial contentment is significantly and favorably affected by financial literacy.

Financial literacy is a good decision-making behaviour resulting from financial knowledge that can decide one's level of financial pleasure. Understanding when to apply the appropriate concepts and procedures while making financial decisions is a key component of financial literacy.

The Financial Literacy (FL) Factor has a pValue of 0.000 (<0.05) and a t Value of 4.315 (>1.96), and was evaluated to substantially influence the financial performance of MSMEs in Dili City.

This outcome is predictable with the assessment of Christianty et al. (2020) and Haq & Munir, (2022) which said that financial literacy factor had a significant and positive influence to the financial performance of the MSMEs.

Meanwhile this result is contrast to the result of Utami et al. (2021) which described the influence of financial literacy is significant but negatively.

The result in this study indicates that financial literacy can have an influence on

individual thinking styles regarding the importance of financial management which, if implemented, can make finances in a better condition.

According to Pankow, (2012) Financial Attitude is a gauge of the state of financial beliefs, views, and judgements. According to the theory of planned behaviour, attitudes can influence a person's behaviour. Results of the study by Fazli Sabri & Laily, (2012) explained how financial attitude affects financial contentment. When someone has the intention of effectively managing their finances in order to have financial contentment, there is a tendency towards satisfaction.

In this research, the Financial Attitude (FA) Factor has the pValue of 0.003 (<0.05), the t Value of 3.009 (>1.96) and original sample value is -0.322, and it concludes this factor significantly and negatively influence on the financial performance of the companies in Dili city.

This result is consistent with the evaluation of Surenggono & Djamilah, (2022) and Sinaga & Wibowo, (2023) which said that financial attitude factor had a significant and positive influence to the financial performance of the MSMEs.

Meanwhile this result is contrast to the result of Utami et al. (2021) which described the influence of financial attitude is not significant, and this also different result with Yap et al. (2016) that states the financial attitude has no effect on financial performance.

Activities carried out as a form of effort to remove any financial barriers so that it is easy to access financial services is called financial inclusion. With financial inclusion, it will make it easier for the poor to have access even though these people are without permanent jobs, without collateral, and are expected to be able to gain access to financial services in the form of credit, savings, and insurance.

In this research, the Financial Inclusion (FI) Factor has the pValue of 0.001 (<0.05),

the t Value of 3.193 (>1.96) and original sample value is 0.415, and it concludes this factor significantly and positively influence on the financial performance of the companies in Dili city.

This result is consistent with the evaluation of Christianty et al. (2020) and Keuangan et al. (2022) which said that financial inclusion factor had a significant and positive influence to the financial performance of the MSMEs.

Meanwhile this result is contrast to the result of Kusumaningrum et al. (2023) which shows that the influence of financial inclusion towards on financial performance of MSMEs is significant but negative.

Locus of control will influence the behavior of what the people have to do to make a decision.

A person with a solid locus of control will be able to weigh the risks involved and make decisions that will lead to self-satisfaction with ease. They frequently lack adequate self-discipline when managing their personal finances since they have a low locus of control.

In this research, the Locus of Control (LC) Factor has the pValue of 0.027 (<0.05), the t Value of 2.213 (>1.96) and original sample value is 0.214, and it concludes this factor significantly and positively influence on the financial performance of the companies in Dili city.

This result is consistent with the evaluation of Hidayat & Paramita, (2022) and Huda et al. (2022), which said that financial inclusion factor had a significant and positive influence to the financial performance of the MSMEs.

Meanwhile this result is contrast to the result of Putri et al. (2023) which shows that the influence of locus of control towards on financial performance of MSMEs is significant but negative.

The finding that Locus of Control has a significant and positive relationship with the financial performance of a company suggests that individual executives' or key

decision-makers' beliefs about their ability to influence outcomes play a crucial role in the overall success of the organization. Executives with an internal locus of control are more likely to take charge of their decisions, be accountable for their actions, and proactively respond to challenges, leading to improved financial outcomes for the company.

Executives who possess an internal locus of control are more likely to set ambitious financial goals, encourage a culture of accountability and innovation, and make data-driven decisions that positively impact the company's bottom line.

CHAPTER V

CONCLUSION

5.1 Conclusions

In this study, the researcher examined how Financial Literacy, Financial Attitude, Financial Inclusion, and Locus of Control impact the Financial Performance of MSMEs in Dili City, East Timor.

Based on analysis in Chapter 4, this research can be summarized as follows:

1. Financial Literacy has a positive and strong influence on the performance of MSMEs in Dili City, Timor Leste.
2. Financial Attitude has a positive and moderate influence on the performance of MSMEs in Dili City, Timor Leste.
3. Financial Inclusion has a positive and moderate influence on the performance of MSMEs in Dili City, Timor Leste.
4. Locus of Control has a positive and weak influence on the performance of MSMEs in Dili City, Timor Leste.
5. The R^2 value is 0.805, which is bigger than 0.75, the research model is strong model and there are strong influences of Financial Literacy, Financial Attitude, Financial Inclusion and Locus of Control to MMSE's financial performances.

5.2 Suggestions

The government and financial institutions in Dili City should enhance the financial literacy program for MSMEs by offering intensive training and practice of effective financial management, and also should enhance the financial inclusion initiatives for MSMEs by facilitating easier and more affordable access to financial services, including loans, savings, and insurance.

MSMEs operating in Dili City, Timor Leste, should focus on enhancing their financial management skills, which entails maintaining accurate financial records, creating budgets, and effectively managing cash flow.

Future research endeavors could employ more sophisticated methodologies, such as network analysis or multilevel analysis, to attain more comprehensive and intricate insights into the impact on MSME performance in Dili City, Timor Leste. Subsequent research could incorporate additional variables that influence MSME performance, such as social, cultural, and technological factors, to attain a more comprehensive and well-rounded understanding of the subject.

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APPENDIX

1) Questionnaire

Bagian 1 dari 9

IMPACT OF FINANCIAL LITERACY, FINANCIAL ATTITUDE, FINANCIAL INCLUSION AND LOCUS OF CONTROL TO THE PERFORMANCE OF MSMEs IN TIMOR-LESTE DILI.

Kepada Bapak / Ibu / Saudara sekalian

Perkenalkan nama saya Rocky Franslito Amaral, Mahasiswa Program Studi Manajemen tingkat akhir dengan konsentrasi Perbankan dan Keuangan di Universitas Presiden.

Saat ini saya sedang melakukan penelitian tentang "IMPACT OF FINANCIAL LITERACY, FINANCIAL ATTITUDE, FINANCIAL INCLUSION AND LOCUS OF CONTROL TO THE PERFORMANCE OF MSMEs IN TIMOR-LESTE DILI."

Sehubungan dengan hal tersebut, saya mohon bantuan dengan cara mengisi kuesioner di bawah ini.
*Data/Informasi dalam penelitian ini dijamin kerahasiaannya dan digunakan hanya untuk keperluan akademik semata.

Saya sangat berterima kasih atas kesediaan Anda untuk mengisi kuesioner ini.

Bagian 2 dari 9

Pertanyaan Saringan

Deskripsi (opsional)

Apakah Anda memiliki usaha/bisnis UMKM di Kota Dili ? *

1. Tidak
2. Ya

Profile Respondent's



Deskripsi (opsional)

Jenis Kelamin *

- Laki-laki (Male)
- Perempuan (Female)

Age *



- <20 tahun
- 20-29 tahun
- 30-39 tahun
- 40-49 tahun
- 50-59 tahun
- > 60 tahun

Domilisi *



- Metinaro
- Dom aleixo
- Cristo rei
- Nain-feto
- Vera cruz

Status pernikahan *

- Unmarried (Belum kawin)
- Married (Kawin)
- Divorse (cerai hidup/pisah)
- Janda/Duda

Pendidikan terakhir yang ditamatkan *

- Junior high school (SMP) atau di bawahnya
- High school (SMA)
- Diploma (D1, D2, D3)
- Undergraduate (Bachelor (Sarjana S1)
- Graduate (S2, S3)
- Lainnya...

Bidang usaha *

- Bengkel(mobil atau motor)
- Toko Mebel(Perabot)
- Toko Bangunan
- Restoran/Warung makan
- Dealer mobil/motor
- Salon kecantikan
- Pedagang makanan/ Jajanan pinggir jalan
- Toko peralatan listrik
- Toko elektronik
- Toko handphone/pulsa handphone
- Toko pakaian/fashion
- Toko tas/sepatu
- Toko kelontong