MSME's Financing Decisions and the Roles of Financial Literacy and Microbusiness Demographics

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ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the Indonesian economy, contributing 60.5% to the GDP, employing 96.9% of the workforce, and accounting for 15.69% of exports. However, MSMEs still face capital problems. Many of them struggle to access financial institutions due to their limited financial literacy. This research aims to identify the level of financial literacy among microbusinesses. The survey involved 60 respondents in the Cibinong District of Bogor Regency and analyzed how financial literacy levels and demographic factors influence microbusinesses' decisions regarding the use of financing products from micro financial institutions (MFIs). The analytical method employed in this study is logistic regression. The research results indicate that financial attitudes, education, and income have a significant positive impact on financing decision from micro financial institutions, while financial knowledge and behavior have a significant negative impact.

Keywords*: MSME, MFI, financial literacy, demography, micro businesses*

ABSTRAK

Usaha Mikro, Kecil dan Menengah (UMKM) memiliki peran penting dalam perekonomian Indonesia dengan kontribusi terhadap PDB 60,5%, penyerapan tenaga kerja 96,9%, dan ekspor 15,69%. Namun, UMKM masih menghadapi masalah permodalan. Banyak UMKM masih belum mampu mengakses lembaga keuangan karena literasi keuangannya yang rendah. Penelitian ini bertujuan mengidentifikasi tingkat literasi keuangan usaha mikro, dengan menyebarkan kuesioner kepada 60 responden di Kecamatan Cibinong, Kabupaten Bogor dan menganalisis pengaruh tingkat literasi serta faktor demografi terhadap keputusan usaha mikro dalam menggunakan produk pembiayaan di lembaga keuangan mikro (LKM). Metode analisis yang digunakan adalah regresi logistik. Hasil penelitian menunjukkan bahwa sikap keuangan, pendidikan, dan pendapatan berpengaruh signifikan positif terhadap pengambilan keputusan menggunakan produk pembiayaan lembaga keuangan mikro, sementara pengetahuan dan perilaku keuangan berpengaruh signifikan negatif.

Kata kunci*: UMKM, LKM, literasi keuangan, demografi, bisnis mikro*

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INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a pivotal role in Indonesia's economy. With approximately 65.47 million MSMEs, they account for nearly 99.99% of all business units in the country (Kemenkopukm, 2019). Data from the Ministry of Coordinating Economic Affairs of the Republic of Indonesia (2022) also reveals that Small and Medium Enterprises (SMEs) contribute 60.5% to the GDP, employ 96.9% of the workforce, and make up 15.69% of total exports.

However, the proportion of MSME businesses has remained largely unchanged over the past 15 years. Between 2005 and 2009, microbusinesses comprised 98.4% of all business units in Indonesia, while large businesses made up just 0.01%. From 2015 to 2019, microbusinesses still dominated, with a proportion of 98.7%. This indicates a lack of significant growth in business scale within the MSME sector in Indonesia, with many remaining at the micro level. To enhance the role of MSMEs in bolstering the national economy, the government continues to promote MSME development, including facilitating access to financing.

A survey conducted by Bank Indonesia and LPPI (2015) revealed that around 26 million Indonesians have yet to access formal financial services, instead opting for non-formal financial options such as borrowing from family, relying on loan sharks, and resorting to high-interest-rate illegal online loans as sources of business capital. MSMEs still encounter various challenges and barriers in accessing financing from formal financial institutions. These obstacles stem from both MSMEs themselves and financial institutions. Financial administration within MSMEs often falls short of the standards set by financial institutions, and issues related to legal and business administration documentation remain unresolved. Additionally, awareness of financial products and services among MSMEs, particularly regarding financing, remains limited.

On the other hand, financial institutions face numerous challenges, including staff members who may not fully comprehend the characteristics and needs of MSMEs. Additionally, these institutions have limited databases for identifying potential customers, which hampers their ability to provide credit to MSMEs (Santoso et al., 2020). MSMEs need to be empowered through collaborations between banks and microfinance institutions (MFIs). According to OJK (2022) data from 2014-2020, most of the banking credit is still dominated by non-MSME credit, comprising 82% of total credit. This situation is because many MSMEs are considered high-risk by banks and the high interest rates charged by banks (Hartarto, 2021).

Results from the national financial literacy and inclusion survey conducted by OJK in 2022 indicate that the financial literacy rate among the Indonesian population stands at only 49.68%, with a financial inclusion index of 85.10%. This marks an improvement compared to 2019 when the financial literacy index was at 38%, and the financial inclusion index was at 76.19%. Figure 1 below presents the percentage of Financial Literacy and Inclusion among respondents by the Financial Services Sector.

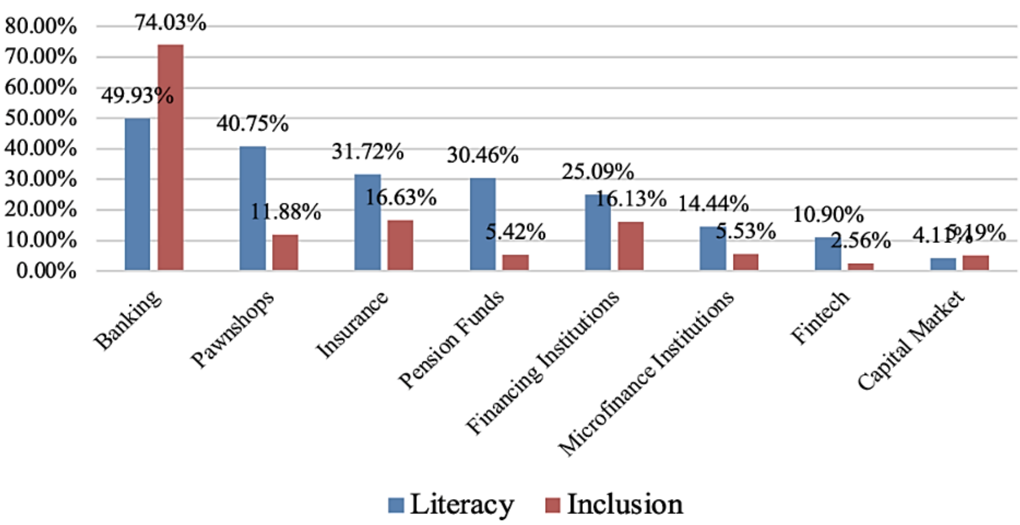

Figure 1. Percentage of Financial Literacy and Inclusion in Indonesia

Figure 1 displays the financial literacy levels within the Indonesian population based on the financial services sector. Microfinance Institutions (MFIs) exhibit a financial literacy rate of 14.44% and a financial inclusion rate of 5.53%, significantly lower when compared to the Banking sector, which boasts a financial literacy rate of 49.93% and a financial inclusion rate of 74.03%.

As defined by Law No. 1 of 2013, MFIs are financial entities specifically established to provide business development services and community empowerment. They achieve this by offering loans or financing for micro-businesses to their members and the wider community, managing savings, and providing business development services and non-profit consulting. However, the public's understanding of the financial services industry remains limited, and many are unaware of the existence and role of MFIs. Thus, strategic efforts are imperative to enhance financial literacy and inclusion among the public, including microbusiness stakeholders, enabling them to optimize their financial performance.

MFIs play a pivotal role in supporting the financial needs of small and micro industries, largely due to the inability of these enterprises to access formal banking services. MFIs offer the flexibility that small and micro industries require to access financial services (Nugroho et al., 2017). According to a report from the Financial Services Authority (OJK), the amount of financing disbursed by microfinance institutions (MFIs) to the public in 2020 reached 749.42 billion rupiahs, marking a significant 21.68% increase from the previous year when it amounted to 615.92 billion rupiahs. MFIs can take various forms, including formal institutions like village banks and cooperatives, semi-formal institutions such as non-governmental organizations, and informal sources of funds like moneylenders.

Based on the census results, in 2021, Bogor Regency is the region with the highest number of MSMEs in West Java. Every year, the number of MSMEs in Bogor Regency continues to increase, as shown in Figure 2.

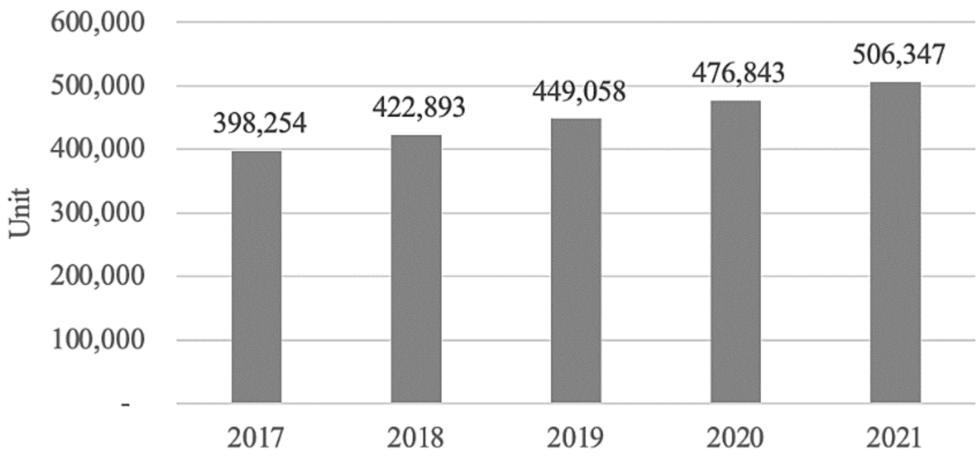

Figure 2. Number of MSMEs in Bogor between 2017 and 2021

Figure 2 depicts the number of MSMEs in Bogor Regency in 2017, which amounted to 398,254, and this number continued to rise, reaching 506,347 business units by 2021. One of the contributing factors to this growth is the Covid-19 pandemic, during which individuals who were economically impacted, such as those who lost their jobs, transitioned into MSME entrepreneurship to make ends meet.

Among the 40 districts in Bogor Regency, Cibinong District stands out as the one with the highest concentration of micro, small, and medium-sized businesses dominating its economic activities. The local government of Bogor Regency designated Cibinong District as the regional administrative center. Geographically, the district, comprising 13 villages and a densely populated population of over 6,000 people per square kilometer, is strategically located. Most Cibinong District's residents rely on their livelihoods through the establishment of MSMEs, both in agriculture and non-agricultural sectors.

In the post-Covid-19 era, the economic recovery efforts of the Cibinong community include organizing monthly MSME bazaars throughout the years 2021 to 2023. The Chairman of the MSME forum in Cibinong District has been focusing on the "Cibinong City of MSMEs" program, which aims to boost the local economy, particularly within Cibinong District (Rahma, 2022). Below is a graph illustrating the growth of the number of MSMEs in Cibinong District for the period of 2015-2019.

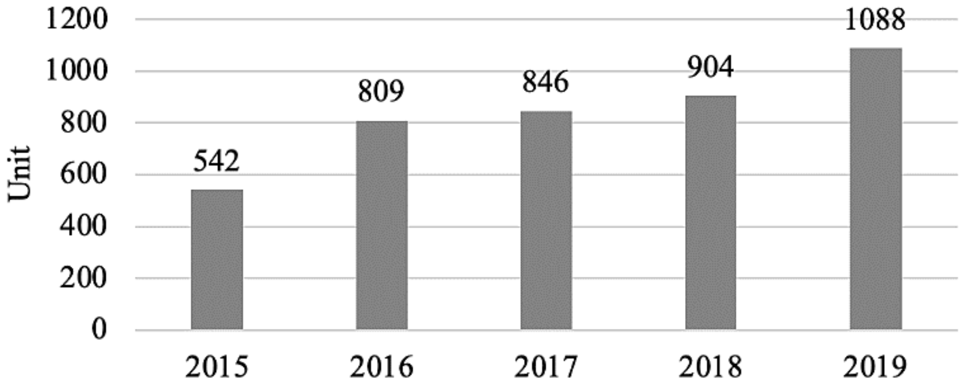

Figure 3. Number of MSMEs in Cibinong District between 2017 and 2021

Based on Figure 3, it is evident that in 2015, there were 542 MSMEs in Cibinong District, and this number steadily increased, reaching 1,088 business units by 2019. Concurrently, the number of MFIs registered with the Department of Cooperatives and MSMEs in Cibinong District in 2022 reached 140 MFIs. The diversity of financial institutions and the range of financial services they offer present challenges for MSME stakeholders when determining which financial institution to choose for obtaining credit or loans.

According to the OECD (2020), financial literacy is a combination of skills, awareness, knowledge, attitudes, and behaviors required to make sound financial decisions and ultimately achieve individual financial well-being. Muat et al. (2014) define financial literacy as the ability to balance bank accounts, create budgets, save for the future, and develop strategies for managing loans (credit). Individuals who can effectively manage their personal finances are considered to have good financial literacy. Several studies have indicated a positive and significant relationship between financial literacy and credit decision-making, as demonstrated by Tsalitsa and Rachmansyah (2016), Nur'Aini et al. (2017), and Darmawan and Fatiharani (2019).

Another factor influencing credit decisions is demographic characteristics, including gender, age, income, and education. Nitawati et al. (2020) suggest that gender and income are among the demographic factors that influence an individual's financial decision-making. Indirectly, the perceptions and attitudes of individuals tend to differ based on these demographic factors. Age is a defining factor that affects an individual's physical condition, and as individuals mature, their decision-making tends to become more prudent. Education reflects an individual's level of knowledge and their ability to understand certain matters effectively. Highly educated individuals tend to be more meticulous in their decision-making, including loan decisions.

Research on the impact of demographic factors on credit decisions has produced varying results. For instance, Tsalitsa and Rachmansyah's (2016) research shows that income has a positive influence on credit decisions, while age, profession, and education have a negative impact. Nur'Aini et al. (2017) demonstrate that age and income positively and significantly influence credit decision-making, whereas gender and education negatively and significantly impact credit decisions. Meanwhile, Darmawan and

Fatiharani (2019) indicate that occupation and access to capital positively and significantly affect credit decisions, while age has a negative and significant effect, income has a negative and non-significant impact, and education has a positive and non-significant impact on credit decisions.

There is a relationship between financial literacy and demographic characteristics in credit decision-making. According to Gathoni et al. (2021), MSMEs need to improve their understanding of financial literacy for the sustainability of their businesses. Without a basic understanding of financial literacy theory, MSMEs cannot make better financial management decisions, such as investments and loans. Given this background and the observed phenomena, along with existing research gaps, the researcher is interested in conducting a study on the 'Influence of Financial Literacy and Demographic Factors on Micro Enterprises in Choosing Microfinance Institutions as a Source of Financing.

In addition to describing the characteristics and financial literacy of micro-enterprises in Cibinong District, Bogor Regency, this research also seeks to examine the impact of financial literacy levels and the demographics of MSME stakeholders on their decisions to use financing products from Microfinance Institutions.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

The influence of an individual's financial literacy can impact their decisions regarding credit or financing from financial institutions. Margaretha and Pambudhi (2015) assert that a strong understanding of financial concepts is crucial for individuals to make informed financial decisions. Additionally, Yushita (2017), discovered a significant relationship between financial knowledge and financial behavior. These research findings indicate that individuals with higher financial knowledge tend to exhibit wiser financial behavior when managing their financial aspects. According to Puspasari et al. (2023), having a high level of financial knowledge allows individuals to make more accurate decisions about financial products, especially credit systems, and helps them avoid financial risks.

Financial behavior can be explained as the application of psychological principles in the field of finance to understand and analyze decision-making, whether in household contexts, financial markets, or organizations (Hidayati et al. 2016). Augustin et al. (2020) suggest that individuals with good financial behavior tend to make more directed decisions in managing their businesses. Moreover, Atkinson and Messy (2012) propose that an individual's financial behavior significantly and positively impacts their financial performance and the selection of financial services and products.

Research by Danes et al. (2007) shows that having a confident attitude about one's personal financial condition can influence how individuals manage their finances in the future, thus increasing self-assurance in financial decision-making. This research aligns with Hidayati et al. (2021), suggesting that a positive financial attitude significantly influences the financial decision-making of SME managers and owners.

Handi and Mahastanti (2012), there are gender-related differences in financial behavior. Research by Nur'Aini et al. (2017) found that loan applicants are predominantly male. This is because the primary household income often comes from males, who typically serve as the heads of their families and bear significant financial responsibilities. This finding suggests that men tend to be more focused on managing their finances than women.

Age plays an important role in the decision-making process, especially in choosing the right financial products and services. As individuals grow older, they tend to make more prudent decisions due to their cautious nature and the desire to avoid excessive expenses. This cautiousness extends to the decision to take loans, potentially reducing the use of financing products. This explanation is supported by Saqib et al. (2017), which demonstrate that age has a negative and significant impact on credit decisions.

Education has a significant influence on an individual's decision-making. Higher levels of education broaden an individual's knowledge, making them more meticulous in their decision-making, including the consideration of procedures and interest rates when taking credit. Research by Chandio et al. (2017) reveals that education has a positive and significant impact on farmers' decisions to take credit from financial institutions in Pakistan. This aligns with the findings of Nikaido et al. (2015), indicating that higher education levels among small business operators have a positive and significant influence on decisions to take formal credit in India.

Income plays a central role in an individual's allocation of funds and decision to apply for credit. Individuals with both high and low incomes consider credit options to maintain or enhance their lifestyles. Research by Chrisanti and Saryadi (2017) demonstrates that income has a positive and significant influence on customers' decisions to take credit at BNI KCU Undip. This research is supported by Chandio et al. (2017), and Tsalitsa and Rachmansyah (2016), all of which suggest that income has a positive and significant influence on credit decisions.

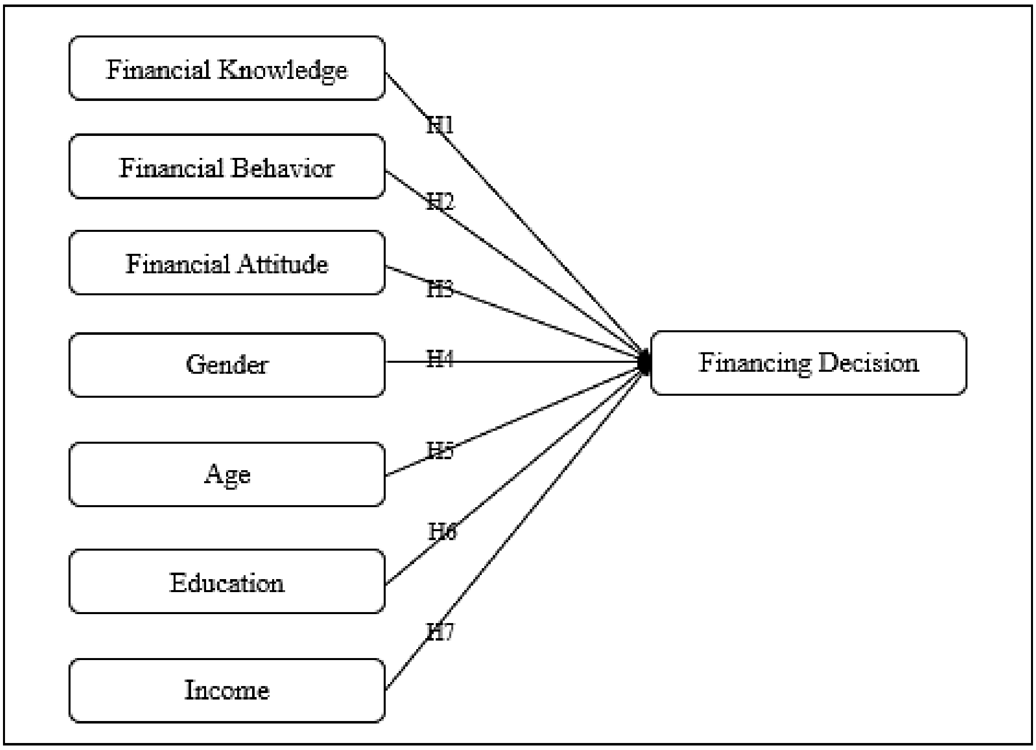

Figure 4. Research Framework

H1: Financial literacy has a positive and significant influence on financing decision.
H2: Financial behavior has a positive and significant influence on financing decision.
H3: Financial attitude has a positive and significant influence on financing decision.
H4: Gender has a positive and significant influence on financing decision.
H5: Age has a negative and significant influence on financing decision.
H6: Education has a positive and significant influence on financing decision.
H7: Income has a positive and significant influence on financing decision

RESULTS AND DISCUSSION

The questions in the questionnaire are considered valid if they meet the criteria where the calculated R-value is greater than the table R-value (Ghozali 2018). This study adapted core questions from the OECD questionnaire (2020), covering financial knowledge, behavior, and attitudes. The significance level used is 5%, with a sample size of 30 respondents in each group, resulting in a table R-value of 0.361. Subsequently, a reliability test is conducted to ensure that an individual's responses to the questions remain consistent and stable over time. Reliability is measured using the Cronbach Alpha (α) statistical test. A construct or variable is considered reliable if it obtains a Cronbach Alpha value greater than 0.06 (Ghozali, 2018). The results of the validity and reliability testing in the questionnaire can be found in Table 1.

Table 1. Validity Test Results

Variable	Question	Pearson Correlation	Sig. (2-tailed)	N
Financial Knowledge	X1.1	0.761**	0.000	30
	X1.2	0.694**	0.006	30
	X1.3	0.776**	0.000	30
	X1.4	0.664**	0.000	30
	X1.5	0.767**	0.000	30
	X1.6	0.636**	0.000	30
	X1.7	0.709**	0.000	30
Financial Behavior	X2.1	0.607**	0.000	30
	X2.2	0.686**	0.000	30
	X2.3	0.529**	0.003	30
	X2.4	0.692**	0.000	30
	X2.5	0.587**	0.001	30
	X2.6	0.796**	0.000	30
	X2.7	**0.359**	**0.051**	**30**
	X2.8	0.457*	0.011	30
	X2.9	0.597**	0.000	30
	X2.10	0.678**	0.000	30
Financial Attitude	X3.1	0.774**	0.000	30
	X3.2	**0.325**	**0.080**	**30**
	X3.3	0.576**	0.001	30
	X3.4	0.663**	0.000	30
	X3.5	0.836**	0.000	30
	X3.6	0.782**	0.000	30
	X3.7	0.712**	0.000	30
	X3.8	0.910**	0.000	30
	X3.9	0.766**	0.000	30
	X3.10	0.635**	0.000	30

In Table 1, it is observed that 2 questions are invalid due to having an R-value lower than the critical r-table value of 0.361 (at a 5% significance level with n=30). Consequently, there are 25 valid items in the research instrument, indicating that the data can be used to measure this research precisely and accurately.

Table 2. Reliability Test Results

Variable	*Cronbach's Alpha*	N of Items
Financial Knowledge	0.837	7
Financial Behavior	0.782	9
Financial Attitude	0.890	9

Based on Table 2, the results of calculations using SPSS for the financial knowledge variable are 0.837, the financial behavior variable is 0.782 and the financial attitude variable is 0.890, which shows that the instrument for each research variable is reliable because it has a Cronbach's Alpha value of >0.6.

The research respondents consist of micro business actors who have either used or are currently using financing products from Microfinance Institutions, as well as micro businesses that have never used such products. They are in Cibinong District, Bogor Regency. The total number of micro business respondents was 60. The study encompasses various characteristics of the respondents, including individual characteristics of micro business actors and business-related attributes such as gender, age, highest level of education, business tenure, and monthly net income. These respondent characteristics are presented in Table 3.

Table 3. Characteristics of Respondents Based on Demographics

Category	Characteristics	Using Financing Product		No Using Financing Product	
		Number of respondents (people)	*Percentage (%)*	*Number of respondents (people)*	*Percentage (%)*
Gender	Man	13	43.3	10	33.3
	Woman	17	56.7	20	66.7
Age	17-25 years old	3	10.0	3	10.0
	26-35 years old	4	13.3	9	30.0
	36-45 years old	18	60.0	11	36.7
	46-55 years old	3	10.0	5	16.7
	>55 years old	2	6.7	2	6.7
Level of education	Finished elementary school	2	6.7	6	20
	Finished middle school	6	20	5	16.7
	Finished high school	18	60	18	60
	Diploma	3	10	0	0
	Bachelor	1	3.3	1	3.3
Type of Business	Trading	3	10.0	6	20.0
	Food & Drink	25	83.3	17	56.7
	Industry	0	0	0	0
	Service	0	0	2	6.7
	Others	2	6.7	5	16.7
Length of Business	≤ 3 years old	2	6.7	2	6.7
	> 3-5 years old	15	50.0	11	36.7
	> 5-10 years old	9	30.0	13	43.3
	> 10 years old	4	13.3	4	13.3
Net income/month	≤ 1.500.000	0	0	1	3.3
	>1.500.000-2.500.000	1	23.3	4	13.3
	>2.500.000-3.500.000	13	43.3	19	63.3
	>3.500.000	16	53.3	6	20.0

Table 3 provides insights into the characteristics of the respondents. Based on gender, it's evident that females dominate in both categories—micro-businesses using Microfinance Institution (MFI) financing products and those not using them, with 17 and 20 individuals, respectively. In the age category, micro-businesses using MFI financing products and those not using them are most found in the 36-45 age range, with 18 and 11 individuals, respectively. In the last education category, high school graduates make up most respondents who use MFI financing products and those who do not, each with 18 individuals.

The survey results also shed light on the characteristics of micro-businesses in Cibinong District, Bogor Regency. These characteristics include the type of business, the duration of the business, and monthly net income. Food and beverage businesses predominate, with 25 using MFI financing products and 17 not using them. Regarding the duration of business, respondents using MFI financing products mostly fall within the >3-5 years range, with 15 businesses. On the other hand, those not using MFI financing products are mostly in the >5-10 years range, with 13 businesses. In terms of income, respondents using MFI financing products primarily report incomes in the >3,500,000 range, with 16 businesses, while those not using MFI financing products mostly fall within the >2,500,000-3,500,000 range, with 19 businesses.

The level of financial literacy among micro-business actors was determined through a questionnaire completed by 60 respondents, with each question being scored. The classification of financial literacy levels follows the categorization provided by the Financial Services Authority (2013), which includes ‘well literate’ with a score exceeding 75%, ‘sufficiently literate’ with a score between 50-75%, ‘less literate’ with a score ranging from 25-49%, and ‘not literate’ with a score below 25%. Data processing results reveal that the average financial literacy level among micro-business actors in Cibinong District, Bogor Regency, stands at 68.51%, falling into the ‘sufficiently literate’ category. The breakdown of financial literacy classification results is presented in Table 4.

Table 4. Respondents’ Level of Financial Literacy

Financial Literacy Indicators	Respondent Category (Using Financing Product?)	Financial literacy level category (people)				Average (%)
		Not Literate (<25%)	Less Literate (25%-49%)	Sufficient Literate (50%-74%)	Well Literate (>75%)	
Financial knowledge	Yes	3	9	14	4	61.90
	No	0	0	17	13	71.24
Financial behavior	Yes	0	11	17	2	58.22
	No	0	2	16	12	66.44
Financial attitude	Yes	0	1	16	13	74.81
	No	0	1	15	14	77.48
Financial Literacy	Yes	0	4	18	8	64.98
	No	0	1	13	16	72.08

Table 4 displays the average financial literacy values of respondents using Microfinance Institution financing products, which are 64.98 percent, categorizing them as ‘sufficiently literate.’ Similarly, respondents who do not use Microfinance Institution financing products achieved an average score of 72.08 percent, also placing them in the ‘sufficiently literate’ category. Notably, 40 percent of respondents fall into the ‘well-literate’ category. This percentage is calculated by dividing the total ‘well-literate’ respondents by the total number of respondents. In other words, out of every 100 people in the Cibinong District, 40 individuals are classified as ‘well literate.’

When examining financial knowledge indicators, 17 micro-entrepreneurs, or 28.33 percent, are classified as ‘well literate.’ This means that only 28.33 percent of micro-businesses in the Cibinong District possess knowledge, skills, and confidence in financial calculations, including credit, interest calculation principles, risk and profit, inflation definitions, and investment diversification. The average financial knowledge values for both respondents using and not using Microfinance Institution financing products are 61.90 percent and 71.24 percent, respectively, placing them in the ‘sufficiently literate’ category.

In terms of financial behavior indicators, many respondents using and not using Microfinance Institution financing products fall under the ‘sufficiently literate’ category, with 17 and 16 micro-entrepreneurs, respectively, or 55 percent of the total respondents. This implies that 55 out of every 100 micro-businesses in the Cibinong District exhibit good behavior related to budgeting, savings activities, the use of loans for needs, financial product decision-making, long-term financial goal planning, and timely bill payments. The average financial literacy values for financial behavior indicators are 58.22 percent for micro-businesses using Microfinance Institution financing products and 66.44 percent for those not using such products, classifying both as ‘sufficiently literate.’

Regarding financial attitude indicators, 43.33 percent of micro-entrepreneurs are categorized as ‘well literate,’ meaning that only 43 out of 100 micro-businesses in the Cibinong District exhibit a positive financial attitude. This includes indicators like living within financial means, spending, and saving money, money usage, budgeting, savings risk, and trust in banking. The average financial attitude values for both respondents using and not using Microfinance Institution financing products are 74.81 percent and 77.48 percent, classifying them as ‘sufficiently literate.

Table 5. Demographic-Based Financial Literacy Categories

Indicator	Respondent Category (Using Financing Product?)	Characteristics	Financial literacy level category (people) Not Literate	Less Literate	Sufficient Literate	Well Literate
Gender	Yes	Man	0	2	7	4
		Woman	0	2	11	4
	No	Man	0	0	7	3
		Woman	0	1	6	13
Age	Yes	17-25	0	0	2	1
		26-35	0	0	2	2
		36-45	0	3	10	5
		46-55	0	0	3	1
		>55	0	1	1	0
	No	17-25	0	0	0	3
		26-35	0	0	2	7
		36-45	0	1	7	3
		46-55	0	0	2	3
		>55	0	0	2	0
Education	Yes	Finished elementary school	0	2	0	0
		Finished middle school	0	2	4	0
		Finished high school	0	0	14	4
		Diploma	0	0	0	3
		Bachelor	0	0	0	1
	No	Finished elementary school	0	1	5	0
		Finished middle school	0	0	5	0
		Finished high school	0	0	3	15
		Diploma	0	0	0	0
		Bachelor	0	0	0	1
Type of business	Yes	Commerce	0	0	3	0
		Food and Beverage	0	4	13	8
		Industry	0	0	0	0
		Service	0	0	0	0
		Other businesses	0	1	1	0
	No	Commerce	0	0	2	4
		Food and Beverage	0	1	9	7
		Industry	0	0	0	0
		Service	0	0	1	1
		Other businesses	0	0	1	4
Length of business	Yes	< 3 Years	0	0	1	1
		> 3-5 Years	0	1	9	5

Indicator	Respondent Category (Using Financing Product?)	Characteristics	Financial literacy level category (people)			
			Not Literate	Less Literate	Sufficient Literate	Well Literate
		> 5-10 Years	0	2	4	3
		>10 Years	0	1	3	0
	No	< 3 Years	0	0	0	2
		> 3-5 Years	0	0	4	7
		> 5-10 Years	0	1	8	4
		> 10 Years	0	0	2	2
Net income/month	Yes	< 1.500.000	0	0	0	0
		>1.500.000-2.500.000	0	0	1	1
		>2.500.000-3.500.000	0	3	6	4
		>3.500.000	0	1	11	4
	No	<1.500.000	0	1	0	
		>1.500.000-2.500.000	0	0	3	1
		>2.500.000-3.500.000	0	1	5	13
		>3.500.000	0	0	4	2

Table 5 illustrates that most women, both users and non-users of Microfinance Institution financing products, have ‘sufficiently literate’ or ‘well literate’ levels of financial literacy. In the 36-45 age group, both user categories also fall into the ‘sufficiently literate’ category. Those with a high school education level, whether they use these products or not, are mainly ‘sufficiently literate.’ Conversely, non-users with high school education are largely ‘well literate.

Among micro-businesses in the food and beverage sector, both user groups exhibit ‘sufficiently literate’ financial literacy. Additionally, those who use Microfinance Institution financing products and have been in business for 3-5 years, as well as non-users in business for 5-10 years, are ‘sufficiently literate.’ Regarding monthly net income, users with incomes above 3.5 million predominantly fall into the ‘sufficiently literate’ category. In contrast, non-users with incomes in the 2.5-3.5 million range are largely ‘well literate.

The factors thought to influence respondents’ decisions are the level of financial literacy, including financial knowledge, financial behavior, and financial attitudes, as well as demographic factors, including gender, age, education, and income. The dependent variable used is a dummy variable, namely respondents who use Microfinance Institution financing products (Y=1) and respondents who do not use Microfinance Institution financing products (Y=0). The results of the logistic regression analysis in this study are presented in Table 6.

Table 6. Omnibus Test Results

		Chi-square	Df	Sig.
***Step* 1**	Step	42.045	7	0.000
	Block	42.045	7	0.000
	Model	42.045	7	0.000

Table 7. Model summary

Step	-2 Log likelihood	Cox & Snell R Square	Negelkerke R Square
1	41.133	0.504	0.672

Omnibus tests provide simultaneous tests on all variable coefficients in logistic regression. Table 10 shows the model chi-squares value of 42.045 with a significance value of 0.000 which is smaller than the real level of 0.05, so accept H0. This shows that together the independent variables used have a significant effect or that there is at least one independent variable that influences the decisions of micro business actors regarding Microfinance Institution financing products.

Table 7 shows the test results on the Nagelkerke R Square of 0.672, which means that the independent variables used are able to explain 67.2 percent of the model and the remaining 32.8 percent is explained by other variables outside the model.

Table 8. Hosmer-Lemeshow Test Results

Step	Chi-square	Df	Sig.
1	1.186	8	0.997

Table 8 shows the results of the Hosmer-Lemeshow test that the significance value is 0.997, so the model used is fit. This value is greater than the real level used of 0.05 (α = 5%), meaning that the predicted probability is in accordance with the observed probability.

Table 9. Classification Table

Observed		Predicted		
		Decision		Percentage Correct
		Not Using LKM Products	Using LKM Products	
Decision	Not Using LKM Products	25	5	83.3
	Using LKM Products	5	25	83.3
Overall Percentage				83.3

Table 9 explains the classification table to show how well the model groups cases into two groups, both those who use and those who do not use Microfinance Institution financing products. The accuracy of the model's estimation in classifying micro business actors who do not use LKM products is 83.3 percent, and micro business actors who use LKM products are 83.3 percent. The overall model accuracy results were 83.3 percent.

Table 10. Wald Test Results

		B	S. E	Wald	df	Sig.	Exp(B)
Step 1	Financial Knowledge	-2.565	0.972	6.963	1	0.008*	0.077
	Financial Behavior	-2.169	0.995	4.784	1	0.029*	0.114
	Financial Attitude	4.029	1.300	9.603	1	.002*	56.190
	Gender	0.249	0.854	0.085	1	0.770	1.283
	Age	-0.256	0.492	0.271	1	0.603	0.774
	Education	1.084	0.618	3.078	1	0.079**	2.956
	Income	2.522	0.884	8.135	1	0.004*	12.454
	Constants	-10.189	5.311	3.680	1	0.055	0.000

*Notes: * significance at the 5 percent real level*
*** significance at the 10 percent real level*

Table 10 illustrates the significance values of the independent variables: financial knowledge, financial behavior, financial attitude, and income, all of which have values less than a significance level of 0.05. The significance value of the education variable is less than a significance level of 0.1. As a result, all five independent variables reject the null hypothesis (H0). This means that financial attitude, income, and education have a significant and positive impact on financing decision from Microfinance Institutions (MFI). In contrast, financial knowledge and financial behavior have a significant and negative impact on financing decision. The significance values for the independent variables gender and age are greater than 0.05 or 0.1, indicating that these variables do not have a significant influence on financing decision.

Financial literacy encompasses three indicators that serve as independent variables: knowledge, behavior, and financial attitude. Logistic regression analysis results show that the financial knowledge variable has a significance value of 0.008, which is smaller than 0.05. This implies that financial knowledge significantly influences the financing decision. The negative coefficient values indicate that the better the financial knowledge of micro-entrepreneurs, the more likely they are to negatively influence the financing decision.

The financial behavior variable, at a significance level of 5%, has a significance value of 0.029, which is smaller than 0.05. This means that the level of financial behavior significantly influences financing decisions. The negative coefficient values indicate that micro-business owners with higher levels of financial knowledge tend to negatively influence financing decision. This means that micro-business owners with good financial behavior, including budgeting, savings activities, loan decisions, choosing financial products, setting long-term financial goals, caution before making purchases, and timely bill payments, have a smaller chance of using MFI financing products.

Individuals with good financial knowledge and behavior are more likely to choose to take credit from other financial institutions rather than MFIs. The analysis data reveals that respondents' highest responses are related to the savings indicator, where they express that "I feel that saving in a bank is safer." Respondents also prefer to take loans from banks compared to other financial institutions.

The results of the logistic regression analysis indicate that the financial attitude variable has a significance value of 0.002, which is less than 0.05. This suggests that the higher the percentage of financial attitude, the greater the likelihood of making decisions to use MFI financing products. Therefore, the estimation results show that micro-business owners with a positive financial attitude, including disciplined financial patterns and prioritizing short-term desires over long-term ones or creating long-term financial plans, have a higher likelihood of making decisions to use MFI financing products. These estimations align with the research hypothesis. This is supported by the findings of Hidayati et al. (2021) that financial attitudes have a positive and significant impact on financial decision-making by managers and owners of SMEs in Lombok Island.

The demographic characteristics of the respondents studied include gender, age, education, and monthly income. Data processing results show that the variable gender has a significance value greater than 0.05 in logistic regression, indicating that it does not influence the dependent variable. This suggests that the gender of male or female does not affect the decision-making of micro-business owners to use financing products from MFIs. These estimation results do not align with the research hypothesis. This finding is consistent with the results of Andriani et al. (2017), which showed that gender does not affect the credit decision-making of Bess Finance Palembang customers. Gender serves as a classification to distinguish between women and men, but both have an equal chance of accessing credit because this decision is not dependent on gender but on the needs that must be fulfilled.

Data processing results for the age variable indicate a significance value of 0.603, which is greater than 0.05, implying that it does not influence financing decision. This result does not align with the research hypothesis. This finding is in line with the study by Nitawati et al. (2020), which found that age does not affect the credit decision of the East Surabaya community. Therefore, the assumption that increasing age reduces the likelihood of taking credit is not substantiated. Someone who is older but less careful in managing finances may not achieve financial freedom, so increasing age does not always affect the decision to take credit.

Based on logistic regression results, the education of respondents has a significance value of 0.079, which is less than 0.1, indicating that education influences financing decision. The odds ratio value in these results is 2.956, meaning that higher education levels provide a 2.956 times higher chance of making financing decision. This result aligns with the research hypothesis and is supported by Chandio et al. (2017), E. Saqib et al. (2018), and Nikaido et al. (2015), which showed that education has a positive and significant impact on credit decision-making. This is because higher education levels can influence people's ability to consider and decide on the credit taken from institutional sources.

The last characteristic in this study is the variable of monthly net income for micro-businesses, which obtains a significance value of less than 0.05, specifically 0.004. This indicates that income has a positive and significant impact on financing decision. The odds ratio value in these results is 12.454, meaning that a higher monthly income provides a 12.454 times higher chance of making financing decision. These estimation results align with the research hypothesis and are supported by Chrisanti and Saryadi (2017) and Tsalitsa and Rachmansyah (2016), which demonstrated that income has a positive and significant impact on credit utilization. This is because when income is higher, it is easier to fulfill one's desires and needs, and the tendency to increase expenditures also rises.

CONCLUSION

The characteristics of micro-business owners in Cibinong District, Bogor Regency, who receive financing from Financial Institutions, are dominated by females at 62 percent, while males make up 38 percent. In terms of age, the majority falls within the 36-45 years range, accounting for 48 percent. Regarding their highest education level, 60 percent of the respondents are high school graduates. When it comes to the type of business, the food and beverage sector is the dominant category, making up 70 percent, with a business duration of >3-5 years comprising 43 percent. In terms of income, most micro-business owners have a monthly net income ranging from 2,500,000 to 3,500,000 Indonesian Rupiahs, which accounts for 53 percent. Looking at their financial literacy level, micro-businesses receiving financing from Microfinance Institutions have an average score of 64.98 percent, categorizing them as "sufficiently literate," with only 26.67 percent falling into the "well literate" category.

Financial literacy and micro-business characteristics based on demographics collectively influence financing decision. However, logistic regression analysis reveals that only financial attitude, education, and income have a significant and positive impact on the likelihood of micro-business owners using financing products from Microfinance Institutions. Conversely, the variables of financial knowledge and financial behavior have a significant and negative impact on the likelihood of using financing products from Microfinance Institutions. Gender and age, on the other hand, do not significantly influence the decision of micro-businesses to choose Microfinance Institutions as a source of financing.

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