

The Role of Gender, Financial Literacy, and Love of Money in the Motivation and Personal Financial Management of Micro, Small, and Medium Enterprises (MSME) Actors

Mutmainna Mustafa¹, Rahmad Solling Hamid², Sofyan Syamsuddin³, Muhammad Ikbali⁴
^{1,2,3,4}Faculty of Economics, Universitas Muhammadiyah Palopo, Indonesia

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ABSTRACT

Background: Gender, financial literacy, and the love of money are pivotal factors influencing the motivation and personal financial management strategies of individuals engaged in micro, small, and medium enterprises (MSMEs). Understanding how these variables interplay can provide valuable insights into enhancing financial decision-making within this crucial economic sector. This study aims to examine the relationship of gender, financial literacy, love of money, motivation and personal financial management of MSME Actors. Method: The empirical analysis was conducted using a sample of 150 MSME actors. This study used online survey for the data collection. After passing reliability and validity tests, the data were analyzed with partial least squares structural equation modeling. Results: The research results indicate that gender has a significant positive direct influence on motivation. Financial literacy also has a significant direct positive influence on motivation. Furthermore, the love of money has a significant positive influence on financial management. Conclusion: In conclusion, this study highlights the intricate relationship between gender, financial literacy, the love of money, motivation, and personal financial management among MSME actors. The findings underscore the importance of addressing gender-specific factors and promoting financial literacy to enhance motivation and improve financial decision-making within the MSME sector. Moreover, recognizing the nuanced influence of attitudes towards money can further inform strategies to empower and support individuals engaged in these enterprises, ultimately contributing to their long-term financial success.

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Corresponding Author:

Mutmainna Mustafa

Faculty of Economics, Universitas Muhammadiyah Palopo,
Jenderal Sudirman Street KM. 03, Binturu, Palopo, Indonesia
Email: mutmainnamustafa11@student.umpalopo.ac.id

1. INTRODUCTION

Micro, small, and medium enterprises (MSMEs) are the backbone of many economies worldwide, playing a crucial role in economic growth, job creation, and poverty reduction [1]. The success and sustainability of these enterprises depend not only on external market conditions but also on the intrinsic motivations and financial acumen of the individuals who drive them. This study delves into the multifaceted dynamics influencing the

motivation and personal financial management of MSME actors, with a particular focus on three pivotal factors: gender, financial literacy, and the love of money.

According to [2], the essence of entrepreneurial capacity lies in an individual's need for the skills and capabilities to initiate and conduct entrepreneurial endeavors effectively in an unpredictable environment and transform opportunities into potential hidden economic benefits. In the context of entrepreneurship, gender has become a determining factor in economic behavior and has received attention in recent years. Gender disparities in access to resources, opportunities, and societal expectations can significantly impact the motivation and financial decision-making of individuals within the MSME sector. According to [3], there is a strong gender effect on some motivational entrepreneurship factors. Furthermore, financial literacy has emerged as a critical determinant and motivation of an individual's ability to manage personal finances effectively [4]. It equips individuals with the knowledge and skills necessary for making informed financial choices, and its role in the context of MSMEs remains a topic of considerable interest. Additionally, the love of money, characterized by varying attitudes towards wealth and financial success, has been shown to influence financial behaviors and motivation. According to [5], a love of money can increase a person's motivation to work.

Entrepreneurial motivation and personal financial management in SMEs (small and medium-sized enterprises) have a close relationship. High motivation can drive SME owners to manage their finances more diligently and responsibly because they are enthusiastic about achieving success in their businesses. Highly motivated entrepreneurs have the capacity to overcome challenges, as motivation is considered a crucial element in entrepreneurship, driving individuals to work diligently and pursue optimal outcomes, such as business expansion, by prompting, channeling, and supporting their behavior. According to [6], motivation in entrepreneurship are necessary because they affect business success.

This study contributes in some areas. First, it provides a more comprehensive model of the relationship among gender, financial literacy, love of money, motivation, and personal financial management strategies. Second, this study incorporates the motivation construct into the conceptual framework. Motivation in personal financial management for MSME actors is crucial and has a significant impact on the sustainability and growth of their businesses. Based on the latest edition of the study, it was found that entrepreneurship is incomplete without studying entrepreneurial motivation to venture into entrepreneurial endeavors [7].

2. RESEARCH METHOD

In this research, a quantitative research approach is used. The population is the entirety of objects or subjects within a defined area that meet the established criteria related to the research problem. Then, conclusions are drawn from all individuals within the scope of the research [8]. The population in this study is all MSME actors in North Luwu Regency, Indonesia. Considering that the overall sampling frame in this study is unknown, with the total number of respondents being challenging to identify, it is not possible to apply probability samples to this study to obtain a random and representative sample. With these considerations, in this study, we used non-probability sampling to collect data. [9] suggest the use of non-probability samples when the number of respondents is extensive and not counted. The sample size is determined based on the minimum sample size, which is ten times the number of measurement items specified in the research [10]. This study has 13 measurement indicators, so the minimum sample required is $10 \times 13 = 130$. Thus, the minimum sample size needed for this study is 130 samples. The total number of questionnaires returned in this study is 150 samples, which exceeds the minimum sample size requirement. Quantitative research has a core component that can impact research results, namely measurement items and scales. This study adopts measurement items from previous empirical studies (Table 1). In data collection, this research uses online questionnaires distributed to respondents through social media using the snowball sampling technique. The thirteen items related to gender, financial literacy, motivation, and personal financial management use a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

Table 1. Measurement Items

Construct	Loadings
Gender (G). Adapted from [11]; alpha = 0.864; CR = 0.849; AVE = 0.738.	
Behaviour (G1)	0.886
Emotional (G2)	0.832
Financial literacy (FL). Adapted from [12]; alpha = 0.820; CR = 0.792; AVE = 0.658.	
Knowledge (FL1)	0.879
Rational financial attitude (FL2)	0.737
Love of money (LM). Adapted from [13]; alpha = 0.812; CR = 0.783; AVE = 0.546.	

Construct	Loadings
Namely money is a measure of success (LM1)	0.724
Money as motivation (LM2)	0.723
Money as a symbol of wealth (LM3)	0.769
Motivation (M). Adapted from [14]; alpha = 0.835; CR = 0.823; AVE = 0.608.	
Opportunity to increase income (M1)	0.776
Flexibility (M2)	0.806
Interest (M3)	0.758
Personal financial management (PFM). Adapted from [15]; alpha = 0.802; CR = 0.748; AVE = 0.513.	
Consumption (PFM)	0.849
Cash flow management (PFM2)	0.833
Saving and investment (PFM3)	0.714

3. RESULT AND DISCUSSIONS

3.1 Respondent Characteristics

Based on the characteristics of the research sample information (Table 2), for the type of business, culinary (32%) is more dominant compared to other types of businesses such as basic trading (31%), manufacture (clothing) (25%), and services (12%). The senior high school education level (58.67%) is more dominant compared to a bachelor of science degree (32.67%), junior high school (5.33%), and elementary school (3.33%). Furthermore, based on the sample, females (59%) are more dominant compared to males (41%). Finally, in terms of business turnover, the range of 1,000,000 – 5,000,000 million (35%) is the most dominant, comprising 52 micro, small, and medium enterprise (MSME) participants.

Table 2. Description of respondents

Variable	Cases (%)	Variable	Cases (%)
Type of a business		Education	
Culinary	48 (32%)	Elementary School	5 (3.33%)
Manufacture (clothing)	38 (25%)	Junior High School	8 (5.33%)
Services	18 (12%)	Senior High School	88 (58.67%)
Basic trading	46 (31%)	Bachelor of Science	49 (32.67%)
Business Turnover		Gender of business owner	
< 500,000 thousand	48 (32%)	Male	62 (41%)
1,000,000 – 5,000,000 million	52 (35%)	Female	88 (59%)
6,000,000 – 10,000,000 million	24 (16%)		
> 11,000,000 thousand	26 (17%)		

3.2 Outer Model

The criteria for assessing the structural model (outer model) using SEM-PLS are as follows: (i) convergent validity, which can be observed from factor loading values and average variance extracted (AVE); (ii) discriminant validity, which can be observed from the square root of AVE and correlations among latent constructs; and (iii) reliability testing, which can be assessed through composite reliability and Cronbach's alpha values.

3.2.1 Assessing the Outer Model with Convergent Validity and Discriminant Validity

Convergent validity is related to the principle that measures (manifest variables) of a construct should have high correlations. Convergent validity is tested by examining the factor loading values and comparing them to the rule of thumb (> 0.60). Additionally, the average variance extracted (AVE) values are considered, and they should surpass the rule of thumb (> 0.50). To test discriminant validity, one looks at the square root of AVE and compares it to the correlations among latent constructs, following the rule of thumb that the square root of AVE should be greater than the correlations among latent constructs [16]; [17]. Based on the results of the convergent validity test (Table 1), the factor loading values for each construct are as follows: gender, consisting of two measurement indicators with values of (G1 = 0.886 and G2 = 0.832); financial literacy (FL1 = 0.879 and FL2 = 0.737); love of money (LM11 = 0.724; LM22 = 0.723; and LM3 = 0.769); motivation construct (M1 = 0.776; M2 = 0.806; and M3 = 0.758); and financial management construct (FM1 = 0.849; FM2 = 0.833; and FM3 = 0.714), all of which have values greater than the rule of thumb (> 0.60). The average variance extracted (AVE) values for each construct, gender = 0.738; financial literacy = 0.658; love of money

= 0.546; motivation = 0.608; and financial management = 0.513, are also greater than the rule of thumb (> 0.50).

We employed two criteria to evaluate discriminant validity. First, we applied the [18] criterion, where the square root of the AVE (average variance extracted) for a variable should be higher than its correlation with other variables. Second, we assessed the heterotrait-monotrait ratio (HTMT) of correlations. According to [19], HTMT is more sensitive to the lack of discriminant validity compared to other criteria. To demonstrate discriminant validity, the HTMT between two constructs should be less than 0.90. Both of these criteria support discriminant validity for all our variables (Table 3).

Table 3. Reliability, Convergent and Discriminant Validity

Constructs	1	2	3	4	5
Gender (1)	0.859	0.116	0.216	0.144	0.421
Financial literacy (2)	0.106	0.811	0.092	0.426	0.486
Love of moneys (3)	0.218	0.068	0.739	0.082	0.264
Motivation (4)	0.023	0.364	0.008	0.780	0.480
Personal financial management (5)	0.342	0.382	0.223	0.374	0.716

Note: The values on the diagonal in bold are the square root of the Average Variance Extracted (AVE) of each factor. The values below the diagonal are correlations between the factors, and the values above the diagonal are the HTMT ratios

1 Heterotrait-Monotrait; the criteria confidence interval does not include 1; HTMT90 – [19].

3.2.2 Assessing the Outer Model with Reliability

Furthermore, the outer model is evaluated through reliability testing with the aim of demonstrating the accuracy, consistency, and precision of the instruments in measuring constructs. Reliability testing is conducted by examining the values of composite reliability (Table 1) and then comparing them to the rule of thumb (> 0.70) [16]. The results of the reliability testing for the composite reliability values of each construct are as follows: gender = 0.849; financial literacy = 0.792; love of money = 0.783; motivation = 0.823; and financial management = 0.748. These values are found to be greater than the rule of thumb (> 0.70), indicating the ability of the measures to produce reliable results.

3.3 Structural Model (Inner Model)

The criteria for evaluating the structural model (inner model) using SEM-PLS include (i) R-square for dependent constructs and (ii) assessing significance values through the bootstrapping procedure (t-value 1.96, significance level = 5%). The results of the evaluation of the structural model (inner model) through the bootstrapping procedure for testing the hypotheses proposed in this study are presented in Table 4.

3.3.1 Evaluation of R Square and Q2 Values

The structural or inner model is evaluated by examining the percentage of variance explained, specifically by looking at the R Square and Q2 values for the latent dependent constructs. According to [16], the rule of thumb values for R square are categorized as follows: 0.75 is considered strong, 0.50 is considered moderate, and 0.25 is considered weak. As for the rule of thumb values for Q2, a value greater than 0 indicates that the model has predictive relevance, while a value less than 0 suggests that the model lacks predictive relevance. From the analysis results (Table 4), the R square value for the motivation construct is 0.351, indicating that 35.1% of the variability in motivation can be explained by the variables gender, financial literacy, and love of money in the model, placing it in the weak model category. Furthermore, the R square value for the personal financial management construct is 0.389, meaning that 38.9% of the variability in personal financial management can be explained by the motivation variable in the model, also falling into the weak model category. The Q2 values for the motivation construct ($0.210 > 0$) and the personal financial management construct ($0.246 > 0$) indicate that the model possesses predictive relevance.

3.3.2 Evaluation of Significance Values (t-value 1.96, and significance level = 5%)

The evaluation of significance values involves observing the path coefficient values obtained from partial least squares (PLS) testing with bootstrapping calculations (Table 4). From the path coefficient results, it can be determined that for (H1), gender has a significant positive influence on motivation, with a significance value of $0.003 < \text{the } 5\% \text{ alpha level}$, as also indicated by a T statistic value of $3.025 > 1.96$. For (H2), financial literacy has a significant and direct positive influence on motivation, with significance values and T statistic values for each direct influence being $0.017 < \text{the } 5\% \text{ alpha level}$ and $2.383 > 1.96$, respectively. For (H3), love of money has a significant and positive influence on motivation, with a significance value of $0.001 < \text{the } 5\% \text{ alpha level}$, and it is also indicated by a T statistic value of $3.592 > 1.96$. Furthermore, for (H4), motivation has a significant and direct positive influence on personal financial management, with significance values and T statistic values for each direct influence being $0.001 < \text{the } 5\% \text{ alpha level}$ and $11.181 > 1.96$, respectively.

Table 4. Hypothesis testing

Hypotheses	Relationships	Path coefficients	t-Statistic	R2	Q2	p-Values	Decision
Direct effect							
H1	G - M	0.288	3.025			0.003	Supported
H2	FL - M	0.216	2.383			0.017	Supported
H3	LM - M	0.313	3.592			0.001	Supported
H4	M - PFM	0.624	11.181			0.001	Supported
M				0.351	0.210		
PFM				0.389	0.246		

This empirical discussion examines the intricate interplay between gender, financial literacy, and the love of money in influencing the motivation and personal financial management practices among MSME (Micro, Small, and Medium Enterprise) actors. Through a comprehensive survey and analysis of data collected from a diverse sample of MSME entrepreneurs, it was observed that gender significantly impacts both financial motivation and management. These findings suggest that male and female entrepreneurs show a strong love of money and a high level of financial literacy in managing personal finances for the continuity of their business activities. This study is consistent with the findings of previous studies [3]. Financial literacy emerged as a crucial determinant in the effective management of personal finances among MSME actors, contributing to better decision-making and resource allocation. The result of this finding is able to support the previous results [4]. Moreover, the study found that a stronger love for money was associated with higher motivation to achieve financial success, regardless of gender. This study is consistent with the findings of previous studies [6]. The research findings reveal that there is a strong and significant relationship between motivation and financial management among micro, small, and medium enterprises (MSME) actors. This means that the motivation possessed by MSME owners or actors has a tangible impact on how they handle the financial aspects of their businesses. This implies that the higher the level of motivation of individuals in the context of MSMEs, the better they tend to manage their business finances. This study is consistent with the findings of previous studies [6]. These findings underscore the need for targeted interventions to enhance financial literacy, promote gender equity, and harness the motivational power of money to empower MSME actors in their financial pursuits.

4. CONCLUSION AND RECOMMENDATION

The findings of this study highlight the intricate interplay between gender, financial literacy, love of money, motivation, and personal financial management among MSME actors. Gender-based disparities were evident, with women often facing greater challenges in financial management and motivation. Financial literacy emerged as a critical factor, positively influencing motivation and financial management practices. Additionally, the love of money was found to be a motivating factor, albeit with potential ethical implications.

Based on the study's findings on the pivotal role of gender, financial literacy, and love of money in motivating and shaping personal financial management practices among MSME actors, it is recommended that targeted financial literacy programs be developed and expanded, with a particular focus on addressing gender disparities. These programs should not only equip MSME actors, especially women, with essential financial skills but also emphasize ethical financial motivation and management practices. Additionally, policymakers and industry stakeholders should collaborate to create a supportive ecosystem that fosters gender equality and provides tailored financial services to enhance the overall sustainability and success of MSMEs. There are several weaknesses in this study. First, our research was only conducted in one country. So, it cannot be generalized to other countries. Further research suggests expanding this research to other developing countries such as Southeast Asian countries (e.g., Malaysia and Thailand). Second, the R Square and Q2 values are still in the weak category. Hence, an opportunity to study other influential factors, such as socio-cultural factor, is opened.

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