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EFFECT OF SOCIAL ECONOMIC CHARACTERISTICS ON FINANCIAL LITERACY AND FINANCIAL MANAGEMENT OF SMALL AND MEDIUM ENTERPRISES

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Abstract

This study aims to reveal the relationship of socioeconomic characteristics to financial management, through the financial literacy of SMEs in East Flores Regency. Primary data were collected directly from a sample of 172 SME respondents using a questionnaire and interview technique. Data were analyzed using the Path Analysis model based on Multiple Linear Regression. The results showed that the level of education, age, business experience, and income level cumulatively had a significant effect on financial literacy, as well as on financial management. Partially, all socioeconomic characteristics variables significantly influence financial literacy and financial management. The socioeconomic characteristics of SMEs do directly influence financial management, as well as indirectly affect financial literacy. Financial literacy factors significantly influence financial management

Keywords: Social-economic characteristics, SMEs, financial literacy, financial management.

I. INTRODUCTION

Development of SMEs by the government through institutional strengthening policies through legal status, strengthening SME financial access to bank and non-bank financial institutions, strengthening enhancing business management knowledge (production, finance, and marketing). Financial and business capital problems faced by SMEs are difficulties in accessing sources of capital, financial management problems due to lack of financial knowledge. Generally SMEs have limited financial knowledge resulting in less professional business financial management. Fatmawati research (2015) shows that "the low level of public financial literacy causes many people to suffer losses, as a result of a decline in economic conditions, inflation or the development of consumptive behavior that tends to be wasteful". For this reason, SMEs are enriched with financial knowledge so that business financial management can develop properly. Enriching and strengthening financial understanding through inclusive financial programs and financial literacy (through banking programs): lending, branchless banking and savings, and financial education are the focus of policies that strengthen SME institutions; so that SMEs can increase their financial knowledge and be able to take advantage of bank and non-bank financial institution products; the impact is that SMEs can manage their finances professionally.

The level of literacy and financial management of SMEs is related to the socio-economic characteristics of SMEs. Socio-economic factors such as age, gender, education level, length of

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business, income, and place of business have a relationship with financial literacy (Amalia and Witiastuti, 2015; Wijaya et al., 2017; Bonita and Setiawina, 2018; and Ramadhan, 2018), which generally has a direct and positive relationship; therefore the higher the level of education, the more mature the business actor and the longer the business actor is involved in the business, and the higher the level of income will affect the level of financial literacy of SMEs, and will have an impact on business financial management.

The knowledge of financial literacy and financial management will help businesses in managing personal and business financial planning, so as to maximize the time value of money and the benefits obtained will be even greater and will improve their standard of living (Margaretha and Pambudhi, 2015). SMEs who have a high level of financial literacy will be able to use it to manage business finances efficiently, correctly and properly. This means that the higher the level of financial literacy of SMEs, the more professional they will manage their business finances. The high level of financial literacy is related to the utilization of financial knowledge (basic knowledge of financial and credit management, savings and investment management, and knowledge about risk management). The level of knowledge of financial literacy and management is obtained through the level of education, learning while working in managing the business, and there is motivation at the time of the increase in the level of income of the business actor. Utilization of high financial literacy knowledge can affect the efforts of business actors to improve professionalism in managing business finances efficiently, correctly, and well. Management of SME businesses in a professional manner is directly related to knowledge about business, knowledge about finance and its management, as well as access to financial institutions and their use to obtain business credit. Professional business financial management is done by managing business income that is used to save, invest, can reduce the consumptive lifestyle. Financial literacy factors (indicators: savings and credit, insurance and investment) have a close relationship with business financial management (Siregar, 2018; Saputri, 2019; and Rumbianingrum, 2018). The business financial management of SMEs is related to aspects of how to obtain and manage sources of business funds, the ability to make financial reports, how to practice cash management, and how to make and implement SME budgeting. SMEs have a high understanding of financial literacy, as well as how to manage and take advantage of professional finance is a key factor for businesses in managing their business.

The condition of SMEs in East Flores district has a low level of financial literacy that is closely related to the socio-economic characteristics of SMEs, and has an impact on overall business financial management. This study focuses on changing the socioeconomic characteristics of SMEs in various business sectors and their impact on financial literacy and financial management of SMEs. The problem of this study is whether the socioeconomic characteristics of SMEs do have an effect on financial management, both directly and indirectly through the financial literacy of SMEs in East Flores Regency?

II. RIVEW OF THEORY AND HYPOTHESES DEVELOPMENT

Socio-Economic Characteristics of Business Actors

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The level of financial literacy and financial management is very determined by the socio-economic characteristics of business actors such as age, gender, level of education, residence, salary group, length of business, actors business experience, income level, etc. (Muat, et al, 2014; Wiharno, 2015; Nidar and Bestari, 2012; and Margaretha and Sari, 2015; Amaliah and Witiastuti, 2015; and Ramadhan, 2018). Age according to Huclok (1998) that "age is the age of an individual that is calculated from birth to birthday". The more age, the maturity level and strength of a person will be more mature in thinking and working. In relation to business financial knowledge, Atkinson and Messy (2012) from the OECD show that in most countries, middle ages (30-60 years) have high levels of financial literacy while younger and older ages have low literacy rates.

Education is all learning experiences that take place in all environments and throughout life. "Education is programmed learning experiences in the form of formal, non-formal and informal education in school and outside school, which lasts a lifetime that aims to optimize the consideration of individual abilities, so that later on can play a role in life appropriately" (Mudyahardjo, 2006: 03). Business experience is how long a person is involved in trying or working in his field, so the longer a person is involved in a business, the higher the level of financial literacy knowledge, and the more mature in managing the business and business finance. Experience trying to be positively related to financial literacy and financial management, because the longer an entrepreneur runs his business, the higher his understanding of financial literacy and financial management. Foster and Karen. (2001) explained that "there are some things that determine a person has experience or not working, namely the length of time - working period, the level of knowledge and skills possessed, mastery of work and equipment". Business experience is the length of time a business actor has traveled that can influence a person's knowledge of his line of business including financial literacy and financial management.

Operating income is crucial for the survival of a company; the greater the operating income, the greater the company's ability to finance all company activities. Income according to Dwi Suwiknyo (Suwiknyo, 2009: 199) income as money received by a person and company in the form of salaries, wages, rent, profits, and so forth. Revenues are income streams in a period of time that come from the provision of factors of production of natural resources, labor and capital, respectively in the form of rent, wages and profits. BPS (Central Bureau of Statistics) which states that income is the total amount of income received by someone as compensation in the form of money from all work or business results from both the formal and informal sectors which are counted in a certain period of time. Therefore, income is defined as the amount of income received by a business actor for a certain period of time as a remuneration or factors of production that have been donated.

Financial Literacy

Understanding Financial literacy (Chen and Volpe, 1998) says financial literacy can be defined as an individual's ability to obtain, understand and evaluate the relevant information necessary to

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make decisions with an awareness of the likely financial consequences. Financial literacy can be interpreted as financial knowledge that has a goal to achieve prosperity (Lusardi & Mitchaell, 2007). Khrisna (2010) explains that: "Financial literacy occurs when an individual has a set of skills and abilities that make the person able to utilize existing resources to achieve goals". According to the President’s Advisory Council in Monticone's research (2011), "financial literacy is the ability to use knowledge and skills to manage financial resources effectively for welfare".

Chen and Volpe (1998) and Mendari & Kewal (2014) state that financial literacy is divided into 4 aspects, namely: "general personal finance knowledge, saving and borrowing, insurance, and investment". Whereas Chen and Volpe (1998) measure financial literacy using 4 (four) indicators, namely: (1). Basic Knowledge of Financial Management. Financial management is a process that is intended to manage the functions of finance effectively and efficiently. Mulyasa (2002) states that financial management is divided into three phases, namely financial planning (or budgeting), implementation (implementation), and evaluation (evaluation). (2). Credit Management. Credit management is also known as credit management. The process is a process whereby the credit owner or debtor arranges for the credit to be used effectively and efficiently in accordance with the original purpose of conducting credit starting from the time the credit is submitted until the credit is declared paid (Sevim, Temizel and Sayilir: 2012). (3). Savings and Investment Management. Savings management is a process that helps the placement of surplus funds owned by someone with the aim of easy access to liquidity, financial planning and security. Whereas investment management is a process that helps in the formulation of policy and objectives as well as supervision in investment to obtain profits (www.ojk.go.id; 2015). (4). Risk management. Risk is a possibility of an event or event that is detrimental to the company or business, where the event cannot be predicted. Bramantyo Djohanputro (2008), states that risk management is a structured and systematic process in identifying, measuring, mapping, developing alternative risk management and monitoring and controlling risk management.

Benchmarks used to calculate financial literacy are a combination of OJK calculation benchmarks and research by Chen and Volpe (1998), to see the average correct answers and then grouped into 4 categories, namely not literate (<30%), less literate (30 % <60%), Sufficient literate (60% <80%), well literate (> 80%) to facilitate observation.

Business Financial Management

Management or financial management is an action to achieve financial goals in the future. Financial management includes personal financial management, family financial management, and corporate financial management. Business financial management is very important for every business actor that can be applied in good business management so as to facilitate the company's activities. Husnan (2000) defines "management or financial management is the regulation of financial activities in an organization. Financial management involves business planning, cash management and financial activity control. "Financial management is an activity carried out by a leader in moving officials in charge of finance to use management functions, including planning and budgeting, recording, expenditure and accountability" (Syarifudin, 2005: 89). In another sense "financial management is all activities related to the acquisition, funding, and management of assets with some overall objectives" (Horne in Kasmir, 2010). Financial management is done to manage finance in small businesses, ranging from funding, cash management, and the need for business development. So the definition of financial management is an administrative action related to the activities of budget planning, storage, use, recording, and supervision, as well as reporting and accountability for the entry and exit of organizational fund.

Financial management activities related to four matters: (1). financial planning, is an activity to determine what you want to achieve, how to achieve, how long, how many people are needed, and how much it costs, so that this plan is made before an action is carried out. (2). The use of funds, including activities in the form of income and expenditure, both routine and development budgets. (3). Recording or bookkeeping, is the recording of various transactions that occur as an implementation of budgeting. (4). Reporting and accountability, serves to examine especially those aimed at a variety of financial problems including various transactions that have been carried out, whether these transactions are in accordance with recording and budget planning. The four indicators of financial management can be applied by actors in SMEs expected to eliminate business risks.

Hypothesis Development

The level of business financial knowledge (financial literacy, financial inclusion, and financial management) is related and highly determined by the socio-economic characteristics of business actors such as age, gender, education level, residence, salary group, length of business/work, income level, and others (Suchuachi, 2013; Load, et al, 2014; Amalia and Witiastuti, 2015; Wiharno, 2015; Nidar and Bestari, 2012; and Margaretha & Sari, 2015; Wijaya, et al 2017; Cole and Haryono, 2017; Bonita and Best Setiawina, 2018; Suryanto and Rasmini, 2018; and Ramadhan, 2018). The relationship between socio-economic characteristics and financial literacy is explained by Amalia and Witiastuti (2015), that "the factors that influence literacy levels consist of gender, education level and income level". Research Wijaya, et al (2017) results show that "age, gender, and education level have a positive and significant effect on the level of financial literacy, while the income level factor does not significantly influence financial literacy". Adam Ghifari Ramadhan's research (Ramadhan, 2018) results show that "there is a joint influence of education level, length of business, age of cultivator, level of income, and gender on the financial literacy of SMEs in Yogyakarta City; partially the age of the cultivator has no effect, while the other four variables affect the financial literacy of SMEs in the City of Yogyakarta ". The research of Ayu Putu Arantza Bonita and Nyoman Djinar Setiawina (Bonita and Setiawina, 2018) succeeded in proving that "the variable level of education, length of business, and gender had a significant influence on the level of financial literacy of traders in traditional markets in Denpasar City. Partially the education level and length of business variables have a positive and significant effect on the level of financial literacy of traders in traditional markets in Denpasar City. Similar research conducted by Suryanto and Rasmini (2018), the results showed that "age, formal education level, and business income simultaneously had a positive and significant effect on the financial literacy of SMEs in Bandung. Partially, only

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formal education level variables, and business income have a significant effect on financial literacy.

Research by Chen and Volpe (1998), revealed that age has a positive effect on financial literacy. Suchuachi research results (2013) revealed that the level of education has a positive effect on the level of financial literacy in SMEs. The higher the level of education, the greater the opportunity for the community to understand various information (financial literacy and financial management), so as to improve the professionalism of business management and business financial management. The age factor of business actors is closely related to financial literacy and financial management (Wijaya, et al., 2017; Cole and Haryono, 2017; Ramadan, 2018; and Suryanto and Rasmini, 2018). The factor of business duration is related to financial literacy and financial management (Ramadhan, 2018; Bonita and Setiawina, 2018). The longer a business actor runs his business, the higher the level of financial literacy, and the more orderly / better business financial management.

The level of income becomes one of the things that is highly considered in determining the eligibility of a person to be able to access financial institutions, especially taking credit. The level of financial literacy and financial management of a person is in line with the level of income. The level of financial literacy in an area is influenced by the level of community income, the better the level of community income, the more likely the community is to access financial services (Fungacova and Weill, 2015). Prayogi and Haryono's research (2017) shows that "age, education level and income have a significant effect on financial literacy."

The relationship between socio-economic characteristics and financial management explained by Herma Wiharno (Wiharno, 2015), the results of his study showed that "socioeconomic characteristics variables (gender, age, residence, education level, salary space class, and income level) together influence significant to personal financial management. Education level is a variable that greatly influences the level of personal financial management ". Socioeconomic factors of concern for analysis such as age, level of education, length of business, and level of income also have a relationship to financial management. Research by Gine and Yang (2009) shows that 'there is a positive correlation between the level of education and community access to credit taken by it'. So the level of someone's financial literacy and the ability to manage business finances is influenced by the level of education and income, the higher the level of education and income of a person, the higher the person's ability to access financial services such as access to financial institutions in taking loans or credit and manage them in an orderly - good manner. The first and second hypotheses are proposed:

The first and second hypotheses are proposed:

H_1: There is an influence simultaneously on the level of education, age, business experience, and income level on the financial literacy of SMEs in East Flores district.

H_2: There is an influence simultaneously on the level of education, age, business experience, and income level on the financial management of SMEs in East Flores district.

Research on the relationship between financial literacy and financial management was carried out by Birawani Dwi Anggraeni (Anggraeni, 2015), the results showed that "the level of financial literacy of business owners is low so that it affects the ability to manage finances". Ita Yustian Free Diyana's research (Diyana, 2017) results show that "SMEs have implemented financial management; where financial management that is often applied by SMEs is recording, and the use of budgets ". Melfa Anggun Saputri's research (Saputri 2019) examines the effect of the level of financial literacy on financial management; the results show that "financial literacy variables have a positive influence on the financial management of SME businesses. The higher the financial literacy of SMEs, the better the financial management of businesses will be. Research by Ihelsa Rumondang Siregar (Siregar, 2018) who examined "The Effect of Financial Literacy on SMEs Financial Management in Bogor City". The results show that "financial literacy variables (indicators: knowledge of personal finances in general, savings and credit, insurance and investment) cumulatively, affect the management of business finances (indicators: sources of business funds, financial reports, cash management, and budgeting). Partially all variables have positive effects. The third hypothesis is proposed:

H_3: There is an influence of financial literacy on the financial management of SMEs in East Flores district.

III RESEARCH METHOD

This study locus of SMEs in the East Flores district as many as 5,796 business units in 2018. Purposive sampling was 3% so that 172 people were respondents. Data were collected through questionnaire techniques, interviews, observations, and recording documents obtained directly from the sample SMEs; as well as other institutions related to this research. The questionnaire technique was carried out by distributing a list of questions addressed to all sample SMEs. Data collection is also carried out through reports, books, magazines, journals and other documents about the socioeconomic characteristics of SMEs, financial literacy, and financial management of SMEs.

The socioeconomic characteristics of SMEs are measured by four indicators: (1) education level, (2) age, (3) business experience, and (4) income level; Endogenous variables: financial literacy of SMEs (Y1) is measured by four indicators, (1). Basic Knowledge of Financial Management. (2). Credit Management. (3). Savings and Investment Management. (4). Risk management. The Financial Management Variable of SMEs (Y2) is measured by four indicators, (1) sources of business funds, (2) financial statements, (3) cash management, and (4). budgeting management.

After the data collected, coding, editing, categorized and tabulated are carried out; then performed an analysis. Quantitative analysis uses path analysis based on multiple linear regression (SPSS application ver.19). Data analysis was performed to test the effect and relationship between social economic and social variables (X) on financial management dependent variables (Y) through variables between financial literacy (Y1), such as influences simultaneously by conducting the F test; and partial influence by conducting t test; and see relationships together (R^2) partial relationships (r^2). In addition, an analysis of direct and indirect relationships and influences is carried out, as well as total relationships and influences.

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Multiple Regression Model the relationship between independent variables with the dependent variable: Y11 = β0 + β1 X1 + β2 X2 + β3 X3 + β4 X4 + E Multiple Regression Model the relationship between free variables and moderation with the dependent variable:

Y21 = β0 + β1 X1 + β2 X2 + β3 X3 + β4 X4 + Y1 + E

β0 = constant β1-4 = Regression coefficient; X1 = Education Level of UKM Actors ; X2 = Age of SMEs ; X3 = Business Experience of SMEs; X4 = Income Level of SMEs ; and E = Standard Error.

Validity and Reliability Test

Test of validity (test of validity) and test of reliability (test of reliability) of 30 respondents questionnaire; Testing the validity of the data used the product moment correlation method, with the correlation coefficient limit value> 0.30 (p <0.05) declared valid. Reliability testing used the Alpha Cronbac's coefficient, the benchmark value of the degree of reliability greater than 0.70 was declared reliable. The reliability test results showed that each variable and indicator had a reliability coefficient (Cronbach's Alpha)> 0.70; it was concluded that all data items for the four variables declared to be feasible could be used and further analyzed. The validity test results indicate that each indicator has a correlation coefficient> 0.3 with probability (P <0.05); it is concluded that all data is valid and can be used as a measurement tool in this study.

IV. RESULT AND DISCUSSION

4.1 **Effect of Socio-Economic Characteristics on Financial Literacy**

Data analysis used the Model Path Analysis (two path equation) at a significant level of 5%. The two-path equation model uses the basis of correlation analysis and multiple linear regression.

Table 01. Summary of Regression Analysis Results of the Effects of Socio-Economic Characteristics on Financial Literacy of SMEs.

No	**Variable**	**Unstandar-dized Beta**	**Beta**	**t-Count**	**Partial**	**Level of Signt.**
1.	Constant	26,418		19,304		0,000
2.	Education level (X_1)	1,052	0,112	2,107	0,161	0,037
3.	Age (X_2)	1,682	0,208	3,372	0,252	0,001
4.	Business Experince (X_3)	3,060	0,335	7,684	0,511	0,000
5.	Level of income (X_4)	2,848	0,393	6,157	0,430	0,000
	R Square = 0.773	F count = 142.401				
	R = 0.879	Level of Significant = 0.000				

Sources: Data Processed (2019)

Summary of the results of the regression analysis in table 01 shows that the Fcount value of 142,401 is greater than the F table value of 2.42 at $\alpha = 0.05$, then Ho's decision is rejected, Ha is accepted. The first hypothesis is accepted, meaning that the socioeconomic factors of SMEs such as the level of education, age, business experience, and income levels of SMEs simultaneously have a significant effect on the financial literacy of SMEs in East Flores Regency.

The overall coefficient of determination (R2) is 0.773 or 77.30%. This means that factors of education level, age, business experience, and income level simultaneously can explain the variation in changes in the financial literacy variable of SMEs by 77.30%; then the influence of other variables outside the model is 22.70%. A multiple R value of 0.879; it means that there is a close or strong relationship (by 87.90%) between the independent variable of the socioeconomic characteristics of SMEs and the dependent variable of the literacy of SMEs in East Flores Regency.

The results of the multiple linear regression analysis in table 01 can be made an equation model of the influence of socioeconomic characteristics on the financial literacy of SMEs as follows: Equation Model 01.

Y_1 = 26,418+ 1,052 X1 + 1,682 X2 + 3,060 X3 + 2,848 X4 + e_i

Model equation 01 of the multiple linear regression above shows that the value of the unstandardized beta coefficient of education level variable (X1) is 1.052 at alpha 0.037; it means the level of education has a significant effect on the financial literacy of SMEs. The beta coefficient value of 0.112 is the path value of P1 as a direct contribution of educational level factors to financial literacy of (0.112) 2 = 0.0125 or 1.25%. The value of the unstandardized beta coefficient for the age variable of SMEs (X2) is 1.682 at alpha 0.02; it means that age has a significant effect on the financial literacy of SMEs. Beta coefficient of 0.335 is the path value of P2 as a direct contribution of the age factor to financial literacy of (0.335) 2 = 0.1122 or 11.22%.

The value of the unstandardized beta coefficient of the business experience variable (X3) is 3.060 at alpha 0.00; it means that business experience has a significant effect on the financial literacy of SMEs. Beta coefficient value of 0.208 is the path value of P2 as a direct contribution of the age factor to financial literacy of (0.208) 2 = 0.0432 or 4.32%. The value of the unstandardized beta coefficient of the income level variable (X4) is 2.848 at alpha 0.00; it means that the level of income has a significant effect on the financial literacy of SMEs. Beta coefficient value of 0.393 is the path value of P2 as a direct contribution of the age factor to financial literacy of (0.393) 2 = 0.1544 or 15.44%.

The results of this study are able to prove that the socioeconomic characteristics factors of SMEs simultaneously significantly influence the financial literacy of SMEs in Eas Flores Regency. Partially, the four socioeconomic characteristics have a significant effect on the financial literacy of SMEs in East Flores Regency, this is evidenced by the partial correlation test (t test), it is known that the t count of the four independent variables is greater than the value of the table at a significant level (α) = 0.05. The results of this study are consistent with and supported the results of research by Chen and Volpe (1998); Amaliyah and Witiastuti (2015); Wijaya, et al (2017);

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Ramadan (2018); Bonita and Setiawina (2018); means that factors of education level, age, business experience, and income level can be used to describe the state of financial literacy with indicators of basic knowledge of business finance; credit management; savings and investment management; and risk management. The results of this study support Suryanto, and Mas Rasmini (2018) that education level and income level have a positive and significant effect on financial literacy; which differs from Amaliyah and Witiastuti's research that the level of income has no effect on financial literacy. The results of this study affect the age factor of the level of financial literacy of SMEs, in contrast to research Suryanto, and Mas Rasmini (2018) that partially age does not affect the level of financial literacy.

4.2 Effect of Socio-Economic Factors and Financial Literacy on Financial Management

The results of regression calculations regarding the effect of socioeconomic characteristics and financial literacy on financial management are summarized in table 02.

Table 02. Summary of Regression Results The Effect of Socio-Economic Characteristics and Financial Literacy on Financial Management of SMEs.

No	Variabel	Unstandar-dized Beta	Beta	t-count	Partial	Level of Signt.
1.	Constant	26,872		17,339		0,000
2.	Level of Education (X_1)	1,596	0,190	5,006	0,362	0,000
3.	Age (X_2)	1,311	0,182	4,038	0,299	0,000
4.	Business Experince (X_3)	0,659	0,081	2,257	0,173	0,025
5.	Level of Income (X_4)	2,973	0,460	9,209	0,582	0,000
6.	Financial Literacy (Y_1)	0,140	0,157	2,869	0,217	0,005
	R Square = 0.887	F count = 261,896				
	R = 0.942	Level of Significant = 0.000				

Sources: Data Processed (2019)

Summary of the results of the regression analysis in table 02 shows the F count value of 261,896 is greater than the F table value of 2.42 at $\alpha = 0.05$, then H_o's decision is rejected, Ha is accepted. This means that the socioeconomic characteristics of SMEs such as education level, age, business experience, and income level, as well as financial literacy simultaneously have a significant effect on the financial management of SMEs in East Flores Regency.

The overall coefficient of determination (R^2) is 0.887 or 88.70%. This means that factors of education level, age, business experience, income level and financial literacy simultaneously are able to explain variations in the increase and / or decrease in the variable of financial management of SMEs by 88.70%; then the influence of other variables outside the model is

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11.30%. A multiple R value of 0.942; meaning that there is a close or strong relationship (of 94.20%) between the independent variables of socio-economic characteristics and financial literacy of SMEs and the dependent variable of financial management of SMEs in East Flores Regency.

The results of the multiple linear regression analysis in table 02 can be made an equation model of the influence of socioeconomic characteristics and financial literacy on the financial management of SMEs as follows: Equation Model 02.
$Y_2 = 26{,}872 + 1{,}596\ X_1 + 1{,}311\ X_2 + 0{,}659\ X_3 + 2{,}973\ X_4 + 0{,}140\ Y_1 + e_i$

The equation model 02 of multiple linear regression above shows that the value of the unstandardized beta coefficient of education level variable (X_1) is 1.596 at alpha 0.00; it means that the level of education has a significant effect on the financial management of SMEs. The beta coefficient value of 0.190 is the path value of P5 as a direct contribution of educational level factors to financial management of (0.190) 2 = 0.0331 or 3.31%. The value of the unstandardized beta coefficient for the age variable of SMEs (X_2) is 1.311 at alpha 0.02; it means that age has a significant effect on the financial management of SMEs. Beta coefficient value of 0.182 is the path value of P6 as a direct contribution of the age factor to financial management of $(0.182)^2$ = 0.0361 or 3.61%. The value of the unstandardized beta coefficient of the business experience variable (X_3) is 0.659 at alpha 0.025; it means that business experience has a significant effect on the financial management of SMEs. The beta coefficient value of 0.081 is the path value of P7 as a direct contribution of the age factor to financial management of $(0.081)^2$ = 0.0066 or 0.66%. The value of the unstandardized beta coefficient of the income level variable (X_4) is 2.973 at alpha 0.00; it means that the level of income has a significant effect on the financial management of SMEs. Beta coefficient value of 0.460 is the path value of P8 as a direct contribution of the age factor to financial management of $(0.460)^2$ = 0.2116 or 21.16%. The value of the unstandardized beta coefficient of the financial literacy variable (Y1) is 1.40 at alpha 0.005; it means that financial literacy has a significant effect on the financial management of SMEs. Beta coefficient value of 0.157 is the path value of P9 as a direct contribution of the age factor to financial management of (0.157) 2 = 0.0246 or 2.46%.

The results of this study are able to prove that the factors of socioeconomic characteristics and financial literacy of SMEs simultaneously have a significant effect on the financial management of SMEs in East Flores Regency. The fifth partially significant effect on the financial management of SMEs in East Flores Regency, this is evidenced by the partial correlation test (t test) it is known that the value of the five independent variables is greater than the value of the table at a significant level (α) = 0.05. The results of this study are consistent with Herman Wiharno's research (Wiharno, 2015) that the socioeconomic characteristics variables together have a significant effect on personal financial management. The level of education is a variable that greatly influences the level of personal financial management (personal financial management). While this research experience factors try as a variable that has a dominant influence on the financial management of SMEs.

4.3 Direct and Indirect Effects Between Socio-Economic Characteristics on Financial Literacy and Financial Management

The results of research on the direct effect of the independent variables on the dependent variable of the financial management of SMEs; and indirect effects through variables between financial literacy presented in table 03.

Table 03. Analysis of Direct and Indirect Effects Between Free Variables on Financial Management Through Financial Literacy

No	Variable	Direct Effect		Indirect Effect
		Financial Literacy SMMEs	Financial Management	Financial Management (Via Financial Literacy SMMEs Actor)
1.	Level of Education (X_1)	0,112	0,190	0,112 X 0,157 = 0,018
2.	Age (X_2)	0,208	0,182	0,208 X 0,157 = 0,033
3.	Busiess Experience (X_3)	0,335	0,081	0,335 X 0,157 = 0,053
4.	Income of Level (X_4)	0,393	0,460	0,393 X 0,157 = 0,062
5.	Financial Literacy (Y_1)	-	0,157	0,157

Sources: Data Processed (2019)

The direct influence of the socioeconomic characteristics of MSME actors on financial literacy (Y1) respectively: The effect of education level (X_1) on financial literacy of 0.112 or 11.20%; age of SMEs (X_2) of 0.208 or 20.80%; business experience (X_3) of 0.335 or 33.50%; and the effect of the level of income (X_4) on financial literacy of 0.393 or 39.30%.

The direct influence of the socioeconomic characteristics of MSME actors on the financial management of MSME actors (Y2) respectively: the influence of education level (X_1) of 0.190 or 19.00%; the age of the SMEs (X_2) of 0.182 or 18.20%; business experience (X_3) of 0.081 or 8.10; and the level of income (X_4) towards the financial management of SMEs (Y2) of 0.460 or 46.00%; and the direct influence of the financial literacy variable of MSME actors (Y1) on the financial management of MSME actors (Y2) of 0.157 or 15.70%.

While the indirect effect of the independent variable socioeconomic characteristics of SMEs to the financial management dependent variable (Y2) through the variable between financial literacy (Y1) respectively: the effect of education level (X_1) on the financial management dependent variable (Y2) through the variable between literacy financial (Y1) of 0.018 or 1.80%; age factor (X_2) of 0.033 or 3.30%; business experience (X_3) of 0.053 or 5.30%; and the effect of the level of income (X_4) on the dependent variable of financial management (Y2) through the variable between financial literacy (Y1) of 0.062 or 6.20%.

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The results of the study regarding the total effect of the independent variables on the dependent variable of management through variables between the financial literacy of SMEs are presented in table 04.

Table 04. Analysis of the Total Effect of Total Variables on Financial Management through Financial Literacy of SMEs

No	Variable	Direct Effect		Total Effect
		Financial Literacy MSME Actors	Financial Management	Financaial Management (Through Financial Literacy MSME Actors
1.	Level of Education (X_1)	0,112	0,190	0,112 + 0,157 = 0,269
2.	Age (X_2)	0,208	0,182	0,208 + 0,157 = 0,365
3.	Business Experience (X_3)	0,335	0,081	0,335 + 0,157 = 0,492
4.	Level of Income (X_4)	0,393	0,460	0,393 + 0,157 = 0,550
5.	Financial Literacy (Y_1)	-	0,157	0,157

Sources: Data Processed (2019)

The influence of the total independent variables on the socioeconomic characteristics of SMEs towards the financial management dependent variable (Y2) respectively: the effect of the total level of education (X_1) on the financial management dependent variable (Y2) of 0.269 or 26.90%; the influence of the total age of 0.365 or 36.50%; the influence of total business experience (X_3) of 0.492 or 49.20%; and the effect of the total level of income (X_4) on the dependent variable of financial management (Y2) of 0.550 or 55.00%; and the effect of total variables between financial literacy (Y1) on the dependent variable of financial management (Y2) of 0.157 or 15.70%.

Based on the results of the analysis of direct influence, indirect influence, and the total effect of independent variables on the socioeconomic characteristics of SMEs to the dependent variable of financial management of SMEs (Y2) through variables between financial literacy of SMEs (Y1), a path diagram of the results of this study can be made, as presented in figure 01.

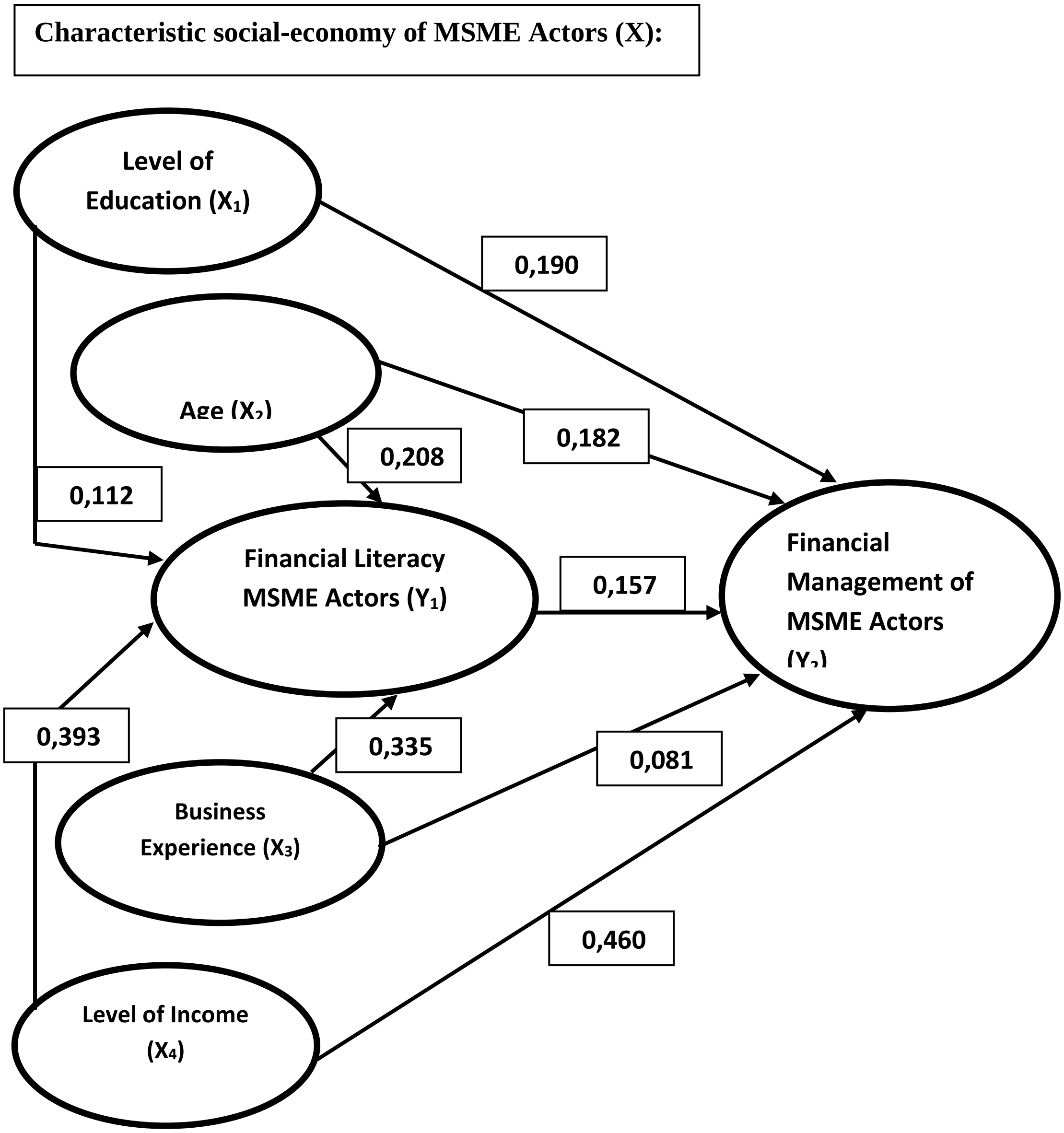

Figure 01. Results of Relationship Model Outcomes and the Effect of Socio-Economic Characteristics Variables on Endogenous Variables in Financial Management Through Variables Between Financial Literacy

The results of the statistical analysis prove in theory that the contribution or role is directly or indirectly important for each of the socioeconomic characteristics such as the level of education, age, business experience and income level of SMEs, and the 'financial literacy' of SMEs over efforts to manage business/business finances; where SMEs are able to understand and apply financial literacy well, and manage business finance effectively and efficiently. This means that

SMEs who have good socioeconomic characteristics such as having an average level of education from high school and above, have a productive age, have mature and professional business experience, and are able to obtain high incomes, which are supported by a fairly high understanding of financial literacy and can be applied in good financial management in a business/business professionally, then SMEs will achieve business performance in the form of optimal profit.

V. SUGGESTIONS

Based on the results of the analysis and discussion that have been described previously, then some conclusions can be drawn, as follows: (1.) Factors of the social characteristics of the SME economy: the level of education, age, business experience, and income level simultaneously have a significant effect on financial literacy. Factors on the level of education, age, business experience, and income level partially have a significant effect on the financial literacy of SMEs in East Flores Regency. (2). Factors of education level, age, business experience, income level, and financial literacy simultaneously have a significant influence on financial management. The five factors partially have a significant effect on the financial management of SMEs in East Flores Regency. (3). The socio-economic characteristics of SMEs actors in their educational level, age, business experience, and income level partially have a direct and significant influence on financial management, and have an indirect and significant influence on financial management. The financial literacy factor partially has a direct and significant effect on the financial management of SMEs in East Flores Regency. (4). SMEs in carrying out their business operations need to understand and apply financial literacy and financial management with due regard to the four socio-economic factors.

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