

## DECISION ANALYSIS OF MSMEs INVESTMENT IN CILACAP REGENCY

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### ABSTRACT

The background of this research is as an effort to restore the economy of Cilacap Regency after the Covid-19 pandemic. Apart from having to try to increase the income of MSMEs, they must also continue to learn to keep up with the times so they can compete with others. One of the skills that MSMEs need to master today is financial literacy. This study used a convenience sampling method with a sample of 21 MSMEs in Cilacap Regency. Testing the hypothesis using multiple linear regression analysis in the form of F test (simultaneous test), T test (partial test), and the coefficient of determination. The test results show that the income variable has no effect on investment decisions. Meanwhile, the financial literacy variable influences investment decisions. Simultaneously the income and financial literacy variables have no effect on MSMEs investment decisions in Cilacap Regency.

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## 1. INTRODUCTION

The government continues to make efforts to accelerate the recovery of the national economy after the Covid-19 pandemic. One of the efforts made by the government is to optimize the potential of micro, small and medium enterprises. The contribution of micro, small and medium enterprises is proven to be able to absorb 97 percent of the national workforce and can contribute 57.24 percent to the National Gross Domestic Product[1]. The Cilacap Regency Government through the Micro Small and Medium Enterprises Cooperative Trade Office has also made efforts to restore the Cilacap Regency economy after the Covid-19 pandemic, including by holding the MSMEs Cilacap Festival 15-17 September 2022 at the Cilacap Integrated Service Center.

Deputy Regent of Cilacap Syamsul Auliya Rachman in delivering his remarks at the opening of the MSMEs Cilacap Festival 2022 event also hoped for support from all parties to help solve the problems of Cilacap's MSMEs. One of the problems of Cilacap MSMEs is the ability problem[2]. Business actors must have the ability to maintain business continuity to win the increasingly fierce competition.

MSMEs actors who do not continue to learn to keep up with the times will be left behind, they may even go out of business. One of the skills that MSMEs need to master today is financial literacy. Financial literacy is the ability to understand and manage funds for business growth and sustainability including investment decisions[3]. MSMEs need to receive financial and investment literacy training to improve their welfare [4] and develop their business in the future. Several things can influence someone in making investment decisions, namely financial literacy. Allgood and Walstad [5]in their research proved that financial literacy influences investment decisions. Investment decisions are also influenced by financial literacy in Putri and Hamidi's research [5]. However, it is contrary to the results of research by R. A. Putri and Isbanah [6]who concluded that financial literacy does not affect investment decisions. Yulianto, A [7] also concluded that a person's financial decisions do not depend on financial literacy.

In addition to financial literacy [3], income factors can also influence the investment decisions of MSMEs actors. In line with Arianti's research [8], the income also influences one's investment decisions. On the other hand, according to Atmaningrum et al. [9] and N. M. D. R. Putri and Rahyuda [10]investment decisions are not influenced by income. The size of the income in research and W. W. Putri and Hamidi [11] does not affect investment decisions. Based on the background mentioned above, this study aims to analyze the effect of financial literacy and income on the investment decisions of MSMEs in the Cilacap Regency.

## 2. LITERATURE REVIEW

### Income

Income is one of the factors that influence investment decisions, the size of one's income determines the direction in making investment decisions that have been planned. Someone who has a higher income

has a greater opportunity to invest [9]. According to Christoper et al., [12] income is a source of income that a person earns in a certain period from various types of business carried out. Income is one of the dominant factors that influence a person or family in making decisions.

### Financial Literacy

The initial stage for someone before investing must know about finance. Someone who has good financial literacy can plan and manage their finances to avoid risks and maximize their profits well too. No matter how high your income is, it is difficult to improve your standard of living if you cannot manage your finances properly [9]. Financial literacy is a tool for making financial decisions that cannot be separated from life. A rational person will make financial decisions based on financial literacy [13].

Based on the opinion of Mandagie et al., [14] low knowledge of financial literacy can be the reason people are deceived by various investment offers that only promise big profits in a short time. The financial literacy indicators used to consist of basic finance, investment, financing, insurance, and savings [6] which are converted into an Islamic financial perspective. Sharia financial literacy is an obligation for every Muslim because it has implications for the life of the world and the hereafter.

### Investation Decision

There are still many people who think investment decisions only need to be made by people who already have high incomes, but there are also those who already have high incomes but don't have investment decision planning. Everyone needs to have investment decision planning from an early age regardless of their current income [8]. Investment decisions are important decisions in placing funds owned by investors into certain investment assets. Investment decisions are made based on considerations and experience owned by investors within a certain time, with the hope of getting profits [15] in the future [14] The investment decision indicators used in this study consist of the rate of return on investment, risk, and timeframe [11].

### Framework

The following is the conceptual framework for the variables in this study:

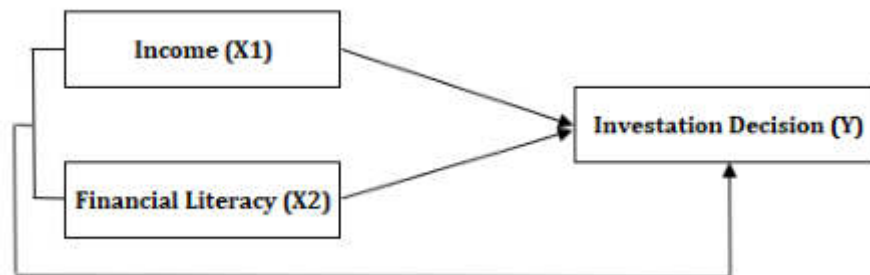


Figure 1. Conceptual Framework

### 3. METHOD

The population in this study is MSMEs in Cilacap Regency. The sample used in this study used the convenience sampling method [13]. The sample in this study was 21 MSMEs in Cilacap Regency. This research is a quantitative research with a descriptive format. The source of data obtained is primary data obtained through questionnaires filled out by respondents from MSME actors in Cilacap Regency.

The data analysis method in this study used the classic assumption test in the form of normality, multicollinearity, and heteroscedasticity tests. Hypothesis testing uses multiple linear regression analysis in the form of the F-test (simultaneous test), the T-test (partial test), and the coefficient of determination.

### 4. RESULTS AND DISCUSSION

#### Multicollinearity Test

Based on the results of the multicollinearity test, the standard error value is less than 1,  $X1 = 0.000$ , and  $X2 = 0.477$ . The variance inflation factor is also less than 10 and the tolerance value is more than 0.01, namely 1.013 and 0.987. So it can be concluded that the test results are reliable, and there are no multicollinearity problems.

### Hypothesis testing

Based on the results of the F-test, the Sig. 0.710 is more than 0.05 meaning that income and financial literacy simultaneously do not affect investment decisions. Based on the results of the t-test, the results obtained were  $t \text{ count } X1 = 0.164 < t \text{ table } 0.4329$  and  $t \text{ count } X2 = 0.832 > t \text{ table } 0.4329$ . This means that income does not affect investment decisions. Meanwhile, financial literacy influences investment decisions.

### Coefficient of Determination

Based on the test results of the coefficient of determination, it was found that the Adjusted R Square result was 0.070. This means that there are only 7% of investment decision variables can be explained by income and financial literacy variables. Investment decisions are influenced by other variables outside this research model by 93%.

### Discussion

#### The Effect of Income on MSMEs Investment Decisions in Cilacap Regency

Based on the results of the research that analyzed the t-test, it showed that the income variable partially did not affect the investment decisions of MSMEs in Cilacap Regency. So it can be concluded that H1 in this study was rejected. The size of MSME income in Cilacap Regency does not affect investment decisions. The results are in line with research conducted by W. W. Putri and Hamidi [11], Atmaningrum et al., [9], and N. M. D. R. Putri and Rahyuda [10] which stated that income does not affect investment decisions.

#### The Effect of Financial Literacy on MSMEs Investment Decisions in Cilacap Regency

Based on the results of the research that analyzed the t-test, showed that the financial literacy variable partially influenced the investment decisions of MSMEs in Cilacap Regency. So it can be concluded that H2 in this study is accepted. Good financial literacy is proven to influence investment decisions. This is following the results of research from Allgood and Walstad [5] and Putri and Hamidi [11].

#### The Influence of Income and Financial Literacy on MSMEs Investment Decisions in Cilacap Regency

Based on the results of the research that analyzed the F test, it showed that simultaneously the income and financial literacy variables did not affect the investment decisions of MSMEs in Cilacap Regency. So it can be concluded that H3 in this study was rejected. The results are in line with research conducted by W. W. Putri and Hamidi [11] Atmaningrum et al., [9], and N. M. D. R. Putri and Rahyuda [10] which stated that income does not affect investment decisions.

## 5. CONCLUSION

Based on the analysis carried out, it can be concluded that income does not affect investment decisions. Although simultaneously income and financial literacy do not affect investment decisions, partially financial literacy influences the investment decisions of MSMEs in the Cilacap district. Therefore, the financial literacy program, especially Islamic financial literacy, needs to be improved again to reach more MSMEs in Cilacap Regency, so that more MSMEs understand Islamic financial literacy well.

The limitations of this study only used income and financial literacy variables with 21 samples of MSMEs in Cilacap Regency. It is hoped that further research can use other variables and use even more samples. So that it can expand research results for the future according to the needs of MSMEs in Cilacap Regency. Suggestions for the government should be to hold more shari'ah financial literacy activities for MSMEs in Cilacap Regency. MSMEs in Cilacap Regency are expected to support them in filling out research questionnaires, so they can get better and more useful research results for MSMEs in Cilacap Regency..

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