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FINANCIAL MANAGEMENT BEHAVIOR AND FINANCIAL DISTRESS ON SMALL MEDIUM ENTERPRISE IN INDONESIA

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Abstract: *This study used indicators of use of money. Indicators taken were evaluation, anxiety and non-generous. This three indicators were used to measure financial distress of Medan seaboard communities. This study is an explanatory research study to test hypotheses about the influence of behavior in using money for each different gender and financial distress experience. This study was conducted to obtain the answers to the existing hypothesis of research problems, so that the cause of problems and the problem-solving can be clear.This study used 60 respondents by using questionnaires to obtain data. SPSS application was used as testing tool. The results of this study show that partially evaluation has insignificant positive effect on financial distress. Anxiety has significant positive effect on financial distress. Non-generous has significant negative effect on financial distress. While dummy variable i.e gender explains that men experienced less financial distress than women. Partially, independent variable has significantly effect on financial distress.Meanwhile, partially, Evaluation has insignificant positive effect on financial distress. Anxiety has significant positive effect on financial distress. And non-generous has significant negative effect on financial distress. While from dummy variable i.e gender, it can be explained that men experience less financial distress than women.The further studies or researches should use more indicators than this study. Thus, the results will vary and improve knowledge on indicators that affect financial distress.*

Keywords: *financial management, evaluation, anxiety, non-generous and financial distress.*

1. INTRODUCTION

Seaboard communities usually live from fishing, farming and trading. However, today's changes in harbor cause the increase in seaboard activities. It gives good effects to seaboard community economy, because of giving job opportunities for the unemployed. It also happens to the seaboard communities of Medan. The seaboard of Medan i.e Belawan is located in the outskirts of Medan. Here, harbor activities, fishing, farming and trading are the main livelihood of local communities.

Money is a medium of exchange used to purchase the desired goods. Money is important thing that people seek to meet their needs. When people want to meet

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their needs and they have insufficient money, this is what is called as financial distress. Almost every individual has been or is experiencing financial distress. It also happens to the seaboard communities living in Medan especially those living in Belawan. Many people have not known how to manage their finances causing them experiencing financial distress. The importance of knowledge on finance, more or less, will help them to manage their finance in minimizing the likelihood of financial distress to be experienced.

The result of study by Lim and Teo (1997) shows that men and women have different perspective on money. Men definitely have different ways in using their money compared to women. Koonce *et al.* (2008) observed that gender factor inherent to oneself will lead to different behavior in the use of money between one another. Koonce also found that women prefer to save their money as assets when compared to men. Lim and Teo also show that indicators having affect on financial distress are obsession, power, budget, achievement, evaluation, anxiety, retention and non-generous. However, this study only used three indicators, they are Evaluation, Anxiety and Non-Generous to see their effects on financial distress experienced by seaboard communities of Medan in Belawan.

Evaluation, this dimension comprises items which reflect the extent to which one uses money as a standard of evaluation or comparison with others. Such comparison can often bring about feelings of envy of those who can afford to buy things at their whim and fancy. Anxiety reflects the extent to which individuals think and worry about money. Non-Generous. This dimension reflects the extent to which one is non-generous in terms of contribution to charity, giving money to beggars, and lending money to others (Lim dan Teo, 1997).Based on the description above, the researcher decided to identify the effect of evaluation, anxiety and non-generous indicators on financial distress. And gender dummy variable was added to identify the differences of financial distress experienced by women and men.

2. LITERATURE REVIEW

2.1. Small Medium Enterprise

There are three primary sources of financing for SMEs: equity, debt and retained profits (OECD, 2004). The first of these is typically provided by the owner-manager who invests their private savings into the firm in order to launch it and/or leaves any accumulated earnings in the business to help fund future growth rather than drawing it out as dividends. Equity from third parties can take the form of informal investors (e.g. family, friends), semi-formal investors such as business angels, or formal venture capital funds managers (ABS, 2010; OECD, 2006). The second is comprised of loans (both secured and unsecured) that are typically provided by banks or other financial services firms. This debt can be short (e.g. credit card debt, accounts payable), or long term (e.g. mortgages) in nature (OECD, 2012).

Banks are the most common provider of debt financing for SMEs, although this usually requires the owner-manager to supply collateral such as the family home their access to short-term debt became more difficult and expensive in periode following the Global Financial Crisis (GFC) of 2008/2009 when compared to large firms (OECD, 2012).

2.2. Gender

Gender is a social phenomenon, a dichotomy that exists in all societies. As a social dimension affecting consumer behavior, gender has been understudied and sometimes misunderstood. Early literature shows that is was mostly women who suffered what was referred to as buying mania (Faber, 1992).

The available evidence indicates that women are less knowledgeable than men in areas of personal finance, and these findings appear to hold true for a variety of populations (Borden *et al.,* 2009). Gender differences in financial behavior have been identified in previous studies. Women more likely to report the use of sound financial practices (Hayhoe *et al.,* 2000), but they also tended to score lower on measures of financial knowledge (Chen & Volpe, 2002).

2.3. Financial Behavior

Money is an important factor in the lives of all of us (Wernimont and Fitzpatrick, 1972). A dominant theme which has often been discussed in the field of industrial and organizational psychology is the effect of monetary rewards on human behavior. People's perceptions of work-related tasks, the reward system, their extrinsic and intrinsic motivational patterns on a task may be influenced by their attitudes toward money (Furnham *et al.,* 1994).

This study used indicators to classify the behaviors in using money that were developed by Lim and Teo (1997). It is because the study conducted Lim and Teo has included indicators for measuring behavior in using money by gender and financial distress. Indicators for measuring behavior in using money developed by Lim and Teo include: Obsession, Power, Budget, Achivement, Evaluation, Anxiety, Retention and Non-Generous (Handi and Mahastanti, 2012). However, indicators used in this study are only Evaluation, Anxiety and Non-Generous to identify their effect on financial distress.

Evaluation, this dimension comprises items which reflect the extent to which one uses money as a standard of evaluation or comparison with others. Such comparison can often bring about feelings of envy of those who can afford to buy things at their whim and fancy. Anxiety reflects the extent to which individuals think and worry about money. Individuals who have score high on this dimension tend to feel anxious or defensive when asked about personal finances, and they often feel inferior to those who have more money than them. And then, Non-

Generous. This dimension reflects the extent to which one is non-generous in terms of contribution to charity, giving money to beggars, and lending money to others (Lim and Teo, 1997).

2.4. Financial Distress

Financial distress is a situation where a person is not able to meet its financial obligations. Persons who have experienced financial distress will be more careful in using their money because it is related to their financial distress experience and emotion, thus, someone who had experienced financial distress would better in managing finances in order to avoid recurrence of financial distress (Joe and Grable in Dowling and Corney, 2009). Walker (1996) used samples which only consisted of one hundred respondents to study the key factors affecting individuals' perceptions of their financial situation following a significant life event with financial implications-the birth of new baby. She interviewed new mothers in the UK and constructed a measure of 'financial coping' using responses to question about whether or not respondents believed they had enough money to cope with life (before and after the birth of new baby). She found that time-preferences, financial distress level, after controlling for demographics and income (Yvonne McCarthy, 2011).

2.5. Hypothesis

The hypothesis in this study can be explained as follows:

Financial distress experience makes someone become more careful and make correction to anythings related to financial matters.

H_1 : Evaluation has effect on financial distress.

Financial distress experience makes a person more prudent in taking decision related to financial matters. Financial distress experience also can make a person more anxiety when performing works or certain matters related to their financial condition. Financial distress also make a person tend to close financial information they have.

H_2 : Anxiety has effect on financial distress

A person who has experienced or is experiencing financial distress will be much more difficult to give assistance to others than someone who has or is not experiencing financial distress. It is because they don't want to experience in financial distress as a result of giving assistance or lend money to other people.

H_3 : Non-Generous has effect on financial distress.

Each individual must have different levels of financial distress. In this case, individuals are grouped into demographic factor namely gender. Men and women definitely have different ways in using their money. Koonce (2008) also found that women prefer to save their money as assets when compared to men. Men tend to use money they have as power to influence others.

H4: men have smaller level of financial distress than women.

3. METHODOLOGY

3.1. Research Design

This study is an explanatory research study to test hypotheses about the influence of behavior in using money for each different gender and financial distress experience. This study was conducted to obtain the answers to the existing hypothesis of research problems, so that the cause of problems and the problem-solving can be clear.

3.2. Sampling

In this test, the initial data was a sample of 60 respondents collected from the population who have small or medium enterprise in the seaboard of Medan city. The survey via questionnaire is completed.

3.3. Research Method

In this study, data that has been obtained was analyzed using descriptive analysis and linear regression. To analyze data, SPSS application was used.

4. RESULTS

4.1. Respondents Characteristics

The demographic characteristics of respondents are summarized in Tabel 1. About 61.7% of the respondents are male and 38.3% are female. The average age is 41 years. In terms of ethnic group distribution, majority of the respondents are Java (28.3%), Batak (18.3%), Melayu (15%), Chinese (11.7%), Padang (8.3%), Aceh (5%), Karo (5%), Mandailing (5%), Banjar (1.7%) and Nias (1.7%). 8.3% of respondents had lived there for one year or less. 20% of respondents have lived there for more than 1 year to 5 years and 71.7% of respondents have lived in Belawan area for more than 5 years.

4.2. Results on the Relationship between Factors

From the research, the result indicates that financial behavior indicator simultaneously has significant effect on financial distress. It means that all independent variables have simultaneous affect on financial distress.

While, partially, without seeing independent variable, financial distress has value of 2.042. It describes that in the seaboard city of Medan, the level of financial

Table 1
Characteristics Respondents

1. Gender	
- Male	61.7%
- Female	38.3%
2. Age	
- Mean	40.9 years
- Std Deviation	11.2 years
3. Ethnicity	
- Java	28.3%
- Batak	18.3%
- Melayu	15%
- Chinese	11.7%
- Padang	8.3%
- Aceh	5%
- Karo	5%
- Mandailing	5%
- Banjar	1.7%
- Nias	1.7%
4. Duration of Stay	
< 1 year – 1 year	8.3%
< 1 year – 5 years	20%
> 5 years	71.7%

Source: Processed data (2016).

distress is high. Many individuals feel that they have experienced or are experiencing financial problems.

Dummy variable in this study is gender. It explains that men have lower level of financial distress than women. It happens because women are more often thinking about financial condition than men. Koonce (2008) also found that women prefer to save their money as assets when compared to men. A woman who has had a family tends to be less free in using her money compared to men. It is because woman must think of the family expenses, children education, bills and future plans. Thus, it is not surprised if more women feel financial distress than men.

Table 2
Effect on Financial Distress

Model	*Coefficients*	*Significant*
(Constant)	2.042	.000
Evaluation	087	356
Anxiety	508	000
Non-Generous	-.430	.000
Gender	-.126	.308

Source: Processed data (2016).

5. DISCUSSION

Evaluation indicator has insignificant positive effect on financial distress. It means that the more people think that money is standard for comparing something, the higher financial distress they experience. It can happen because people will think that money they have is less sufficient than others have. This thought will finally make them feel that they are experiencing in financial distress. This result has different significant value from the previous studies. Handi and Mahastanti (2012) study mentions that Evaluation has significant positive effect on financial distress. Lim and Teo (1997) state that a person who has experienced in financial distress does not want to re-experience in financial distress so that he would evaluates financial actions he has done.

Anxiety indicator has positive and significant effect on financial distress. It can be interpreted that the higher anxiety of individuals when being asked about their financial condition, the higher financial distress they experience. Anxiety experienced by individuals when being asked about their financial condition will make them feel inferior when seeing other people having more money. It is similar to Evaluation, this condition will result in people think that their money is less than others. Thus, finally, they will say that they are experiencing in financial distress. This result has significant value that is different from previous study by Handi and Mahastanti (2012) which states that anxiety has insignificant positive effect on financial distress.

Non-Generous indicator has negative and significant effect on financial distress. It means that the more money are not given to others, the lower financial distress is. This of course can happen, because people who do not share or give their money to others must have more money. People may not share their money because they chose to meet their needs or to save it for the sake of future needs. Thus, they will not experience in financial distress.

6. CONCLUSIONS

Based on the above results of study, it can be concluded that the level of financial distress in seaboard city of Medan is high. Simultaneously, Evaluation, Anxiety, Generous and Gender has significant effect on Financial Distress. Meanwhile, partially, Evaluation has insignificant positive effect on financial distress. Anxiety has significant positive effect on financial distress. And non-generous has significant negative effect on financial distress. While from dummy variable i.e gender, it can be explained that men experience less financial distress than women.The further studies or researches should use more indicators than this study. Thus, the results will vary and improve knowledge on indicators that affect financial distress.

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