Financial Behavior and Performance on Small and Medium Enterprises in Coastal Area of Medan City

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Abstract. This research was conducted to search the financial performance of local small and medium enterprises (SMEs) of coastal area of Belawan in Medan city. This study used 60 respondents to see the effect of the behavior of financial management such as habits, field and capital on financial performance. This research used dummy variable-gender to find the level of financial performance between men and women. This test used descriptive and regression analysis as the research methods and SPSS as the analysis tools. The result showed that simultaneously habits, field, capital and gender have significant effect on financial performance. While partially, habits have significantly positive effect on financial performance. Field has no significant effect on the financial performance. Capital has no significant effect on financial performance and dummy variable explains that men have smaller financial performance than women do. The implication of the research explains that the owner of SMEs can manage their financial behaviour which consists of habits, field and capital.

1. Introduction
Small and Medium Enterprises (SMEs) are one aspect which is highly considered at present time. If SMEs are managed and directed properly, they will possibly increase the revenue and attract more manpower so that the unemployment will reduce and ultimately the country's economy will improve. Surely this must be the primary concern of the current government, particularly in coastal areas where most SMEs still require further development.

The coastal area is one of the high potential areas currently in which a lot of economic activities are developing, ranging from trade, warehousing, farming, fishing, to the port. Each of these activities will generate money and boost the economy. Coastal area of Belawan is one of them. This coastal area is located in the suburb of Medan city and has pretty high economic activities. This coastal area is a great port in North Sumatra and almost all industries distribute goods from this port.

The higher the income received by the communities indicates that their performance increases. However, the revenue should be higher than the expenses so they can make a profit. Profitability is the best indicator to identify whether the company has done something correctly [1].

Good financial performance is certainly influenced by certain factors. In this case the researchers took Bourdieu's theory about the behavior of financial practicers. Bourdieu mentions that habits, fields and capital are as factors in the behavior of financial practicers. According to him, someone’s habitus is formed by their personal history and experiences or life events that affect how they act and put themselves. The term “field”, which is meant by Bourdieu, is not a static field or without a struggle, but rather a dynamic field. The field or domain has a 'struggle' in it, the struggle to 'win' and occupy a position in order to obtain a recognition from public. Bourdieu defines capital into four categories: (1) material/economy, (2) cultural, (3) social, and (4) symbolic [5].

Financial performance is different between men and women. Men and women are different, not only sexually but also behaviorally and mentally. However, their roles in society can be equated with certain limitations. Women more likely to report the use of sound financial practices [6], but they also tended to score lower on measures of financial knowledge [7].
Based on the description above, researchers decided to examine the influence of habits, fields and the capital on the financial performance of SMEs in coastal area of Belawan and observe the differences in the levels of financial performance between men and women.

2. Literature review

2.1. Small, and medium enterprises

In Australia SMEs are defined as firms with less than 200 employees [8]. As Welsh and White wrote in their famous article “A small business is not a little big business”, large firms tend to operate in relatively benign environments where rates of growth are small and an “approximate equilibrium” exists where “cash flow equals net profit plus depreciation and amortization”. The success or failure of micro, small and medium enterprises (SMEs) is contingent on their financial viability and one of the most common problems facing such firms is their ability to secure sufficient cash flow and working capital to remain profitable [9].

Financial management in SMEs is often different from that found in large firms due to the more dynamic nature of their cash flow cycle, general paucity of working capital, and their ability to raise finance through debt or equity [10].

SMEs are required to produce a products that have high competitiveness with criteria, among others: (1) the product is available on a regular basis and continuously, (2) the product must have good quality and uniform, (3) the product can be provided massively [11].

2.2. Financial Management Behaviour

One key to a successful business strategy that is run by a small business in order to improve its performance is in conjunction with the bank, related to the capital factor (credit facility) [12]. Specifically, financial behavior tries to explain about what, why and how of financial and investment are from the standpoint of human [13]. Financial behavior is a paradigm in which the financial markets are studied by using different models of Von Neumann-Morgenstern that is the expected utility theory and assumptions of arbitrage. In particular, the financial behavior has two perspectives: cognitive psychology and the limits of arbitrage. Cognitive refers to how people [14]. The financial management behavior of an individual is associated with their financial knowledge [15].

Financial management behavior is considered one of the key concepts on the financial discipline. Many definitions are given regarding to this concept. Propose financial management behavior as the determination, acquisition, allocation, and utilization of financial resources, usually with an overall goal in mind [16]. There is to describe financial management behavior as an area of financial decision-making, harmonizing individual motives and enterprise goals [17].

Pierre Bourdieu, an intellectual and sociologist from France (1930-2000), tried to build a general theory of practice. According to him, social practices (practice, behavior) can be defined as follows:

\[
\text{PRACTICE} = (\text{Habitus} \times \text{Capital}) + \text{Field} \quad (1)
\]

The formula implies that a person's social behavior is determined by their habitus, which is then amplified by capital he has in accordance with the field occupied. According to him, someone’s habits is formed by their personal history and experiences or events in their lives that affect how they act and put themselves.

Habitus in Bourdieu's work refers to a system of embodied dispositions which generates practice in accordance with the structural principles of the social world. The term “field”, which is meant by Bourdieu, is not a static field and without a struggle, but rather a dynamic field. The field or domain has a 'struggle' in it, the struggle to 'win' and occupy a position in order to obtain a recognition from public. Bourdieu defines capital into four categories: (1) material/economy, (2) cultural, (3) social, and (4) symbolic [5].

2.3. Gender

The understanding of gender is defined as the rules or norm behaviors associated with sex in a public system. That’s why gender and sex are often considered identical. As a matter of fact, both types of these words “sex and gender” have a different concept. 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 it was mostly women who suffered, what was referred to as buying mania [6]. Women were less confident and were less interested in learning about personal finance topics when
compared with men. Males tend to have better ability in making financial decision because of their wider financial knowledge.

2.4. Financial performance
The company's performance indicates the size of the achievements obtained by a company after the company has conducted various activities comprehensively. From various literature reviews on the company's performance it can be seen that the discussion about the company's performance in general emphasizes on profitability and customer growth. Profitability is the best indicator to identify whether the company has done something correctly.

2.5. Previous Study
The research are field has negative effect on financial performance, habits has negative effect financial performance and capital positive effect on financial performance [5].

2.6. Hypothesis
Someone’s habitus is formed by their personal history and experiences or events in their life that affect how they act and put themselves. The more experience they have in life, the higher their ability is to produce financial performance. The field has struggle in it, a struggle to win and occupy a position and gain recognition. The larger the field is faced by people, the higher the effect is on the financial performance. Capital is important in the business, the greater the capital the person has, the higher financial performance they have. The behavior of a man can be different from that of a woman, including in terms of the views of the money they have.

The hypothesis of this study is that "Habits, Field, Capital and Gender affect the financial performance."

3. Research Method

3.1. Type of Research
This research is an explanatory research to test the hypothesis on how Habits, Field and Capital affect Financial Performance. This research was conducted to obtain answers to the hypothesis of the research problems that exist, so the problem becomes clear and how to resolve problems that occur.

3.2. Population and Sample
In this study, researchers spread out 100 questionnaires to the population, people living in the coastal area of Belawan, but it turned out that only 60 questionnaires were returned. So these 60 respondents became the research sample.

3.3. Data analysis technique
In this study, the obtained data were analyzed by using descriptive analysis and linear regression. Descriptive analysis was used to present a description of a phenomenon observed. Regression analysis was used to determine the effect of the independent variable on the dependent variable. SPSS application was used to analyze the data.

4. Result and Discussions

4.1. Characteristics of Respondents
Of 200 questionnaires distributed to respondents, only 60 questionnaires were returned. All 60 respondents are explained as follows. The demographic characteristics of the respondents are summarized in Table 1. There are about 61.7% respondents composed of men and 38.3% of women. It means that the majority of respondents are male. The average age of respondents is 40 years. The majority of respondents had education only until primary school, junior high and senior high school (85%) and the rest (15%) S1 degree. The majority of respondents have an income below the Rp5,000,000 was 51.7% and the rest having an income above Rp5,000,000 are 48.3%. The explanation above is summarized in Table 1.
Table 1. Characteristics of Respondent

| No. | Characteristics | Percentage |
|-----|-----------------|------------|
| 1.  | Gender          |            |
|     | - Male          | 61.7%      |
|     | - Female        | 38.3%      |
|     | Total           | 100%       |
| 2.  | Age             |            |
|     | - Average       | 40.9 years |
|     | - Deviation Standard | 11,215     |
| 3.  | Education       |            |
|     | - Primary School, Junior High, Senior High | 85.0% |
|     | - S1 degree     | 15.0%      |
|     | Total           | 100%       |
| 4.  | Income per month|            |
|     | - Rp0 – Rp5,000,000 | 51.7% |
|     | - > Rp5,000,000 | 48.3%      |
|     | Total           | 100%       |

Source: Research Findings, 2016 (data processing)

4.2. Independent Variables Influence on Financial Performance

From the results of tests performed it can be seen that simultaneously, independent variables: habits, field, capital and gender had a significant impact on financial performance.

While partially, habits had significant positive effect on financial performance. It means that the higher the habits become, the higher the financial performance will be. Someone’s habits is shaped by the personal history of the person and experiences or events in his life that affect how they act and put themselves. In this study the habits were measured by age, way of thinking, the habit of saving and others. These results may explain that if the person has more mature age, the person will show his maturity in doing business in SMEs, so that it will have a positive impact on his performance. The more often someone performs saving, it would improve his financial performance and have significantly positive impact towards his business management. Thus, it can be concluded that good habitus will produce a good financial performance in the end anyway. These results contrasted with the research done by Purboyo et al., which stated that the habits negatively affect financial performance.

Field has insignificantly negative effect on the financial performance, which means that the larger the field faced by the respondent, the smaller his financial performance becomes. In this research, field is measured by work duration, education and so on. The duration of work and higher education of individuals might not necessarily produce good financial performance. Their knowledge of how to manage finance may still be minimal so the resulting financial performance is not optimal. However, this is not for certain yet because the high level of significance illustrates that the field has no significant effect on financial performance. This result supports the study of Purboyo et al, which stated that field has negative effect on financial performance because the inflexibility of SMEs owner in dealing with variable of habits and field. Hence the expectation to reach the performance has not been achieved yet [18].

Capital has insignificant positive effect on financial performance. This can be explained logically that if the capital owned by a person / company is greater, it will generate high financial performance as well. Substantial capital would certainly facilitate the company in developing its business, so the business will be even greater [18]. If the effort he has is greater, the expected profit will certainly increase. Profitability resulted by the company would indicate that the company's performance is good.

In the variable gender it can be seen that women have higher financial performance than men. It can happen because women are usually more able to manage finance than men. This is contrary to the Chen and Volve’s opinion [18] which said that women were less confident and were less interested in learning about personal finance topics when compared with males.

The explanation above is summarized in Table 2 below in which the test results data using SPSS application had been prepared in advance by researchers.
Table 2. Regression Results of Independent Variables on Financial Performance

| Model  | Coefficient | Significance |
|--------|-------------|--------------|
| (Constanta) | 2.949 | 0.000 |
| Habits | 0.116 | 0.011 |
| Field | -0.033 | 0.257 |
| Capital | 0.047 | 0.374 |
| Gender | -0.124 | 0.127 |

Source: Testing Results, 2016 (data processing)

It provides a picture of a small business community in which most firms are making do with largely informal and ad hoc financial management practices.

As the firm grows in size and complexity is required to adopt more sophisticated and systematic approaches to financial management.

Different patterns of managing financial data were found between those SMEs with financial literacy and those with limited financial knowledge or skills. Monitoring of financial data and performance appeared to be more comprehensive for financially literate SMEs.

5. Conclusions
From the above results it can be concluded that simultaneously, financial management behaviors (habits, field and capital and gender) have a significant effect on financial performance. While partially, habits have significantly positive effect on financial performance. Field has insignificantly negative effect on the financial performance. Capital has insignificantly positive effect on financial performance and variable dummy explains that men have a smaller financial performance than women do.

Suggestions that can be given by researchers are that the coastal communities in Belawan should pay more attention to habits, understand the field and utilize the capital well so that they will produced a good financial performance in the future. Having a lot of capital should be in balance with the habit of financial management so it will result in optimal performance. Therefore, more attention by the government is required to guide and nurture the SMEs. For the next researchers it is recommended that they should be able to use more indicators to see the financial performance of the public, especially those in coastal areas that require more attention in order to improve their quality of life.

Acknowledgments
The authors gratefully acknowledge that the present research is supported by Ministry of Research and Technology and Higher Education of Republic of Indonesia. The support is under the research grant BP-PTN of Year 2016.

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