Financial Literacy and Financial Behavior Encouraging Business Sustainability by Mediation of Financial Performance

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Abstract

Village financial institutions based on local wisdom have benefits for various community activities and developing businesses in the village, so that they become the main indicator in advancing village economic growth. Many village financial institutions do not operate due to competition with formal financial institutions. This study aims to analyze the effect of financial literacy on financial performance, sustainability and financial behavior; the influence of financial behavior on financial performance and sustainability as well as the influence of financial performance on sustainability. The sample of this research is Village Credit Institutions totaling 100 units in districts/cities in Bali which are determined by the slovin formula. The analysis technique using SEM-PLS, it was found that increasing financial literacy was able to improve financial performance and sustainability, as well as reduce behavioral financial bias; increasing behavioral financial bias can reduce financial performance and sustainability, and improving financial performance can improve sustainability easing financial literacy was able to improve financial performance and sustainability, as well as reduce behavioral financial bias; increasing behavioral finance can reduce financial performance and sustainability, and increasing financial performance can increase sustainability

Keywords: Financial Literacy, Behavioral Finance, Financial Performance, Sustainability

1. Introduction

Said by (Suyadnya et al., 2022) the presence of town monetary organizations in Bali called Village Credit Institutions is perceived as one of the funders for different local area exercises and creating organizations in Balinese customary towns. The Village Credit Institutions service mechanism based on the value of local wisdom is the main indicator in advancing economic growth (Kurniasari, 2007). The data shows that Village Credit Institutions in Bali have disbursed loans of Rp. 15,865,894.133, third party funds that have been collected are Rp. 20,455,382.615, with details of savings funds of Rp. 9,805,918.159 and time deposits of Rp. 10,649,464.456. A total of 424,443 credit customers, 193,868 deposit customers, and 2,090,025 savings customers (PLPDK, 2020). On the other hand, Village Credit Institutions currently face quite a lot of competition from similar financial institutions operating in Bali, such as Savings and Loans Cooperatives and Rural Banks, Village Financial Technology, as well as commercial banks that channel government assistance in the form of People’s Business Credit to micro small and Medium Enterprises. Until 2019 the number of Village Credit Institutions in Bali was recorded at 1,441 units that were not operating as many as 177 units (13%), the problem of this research is the importance of sustainability of Village Credit Institutions that are still operating in Bali.

Sustainability theory (Elkington, 1997), reveals that companies must be oriented to the Triple Bottom Line (TBL) which recommends that companies be oriented to the 3Ps, namely profit, people, planet. Corporate sustainability will only occur if the company is concerned with economic growth, environmental development and social development (Sudiana et al., 2022). Village Credit Institutions, which are community financial institutions based on local Balinese wisdom, implement the concept of business sustainability referring to the local teachings of Catur Purusa Artha in relation to Sarasamuscaya Slok 262 allocating its annual profit based on Provincial Regulation No. 3 of 2017, which is very much in line with or triple bottom line theory. The business activities of Village Credit Institutions are in accordance with Hindu religious law or Hindu religious teachings sourced from the Vedic scriptures. Catur Purusa Artha which consists of elements of Dharma, Artha, Kama and Moksa is the basis of business activities, where dharma or goodness must underlie all LPD activities, then seek profit or artha. The profits obtained will only be able to fulfill the wishes or wishes of the community. All of that, if done, will lead to happiness called moksha (Trarintya et al., 2021).

The triple primary concern at Village Credit Institutions Bali is the execution of Catur Purusa Artha on benefit sharing, which uncovers that the business results are basically separated into three. One section is to accomplish dharma, the subsequent part is to satisfy kamma, and the third part is utilized to put forth attempts in the artha to grow once more. Then, at that point, the pay procured by its utilization is partitioned by three by individuals who need to get bliss (Moksartham)) (Trarintya et al., 2021). Great organization execution in the monetary aspect brings about great future execution in the ecological aspect (Aras and Crowther, 2013). Great monetary execution of microfinance organizations can keep up with manageability, which is upheld by institutional both formal and casual
monetary execution of microfinance foundations was found to emphatically affect their maintainability (Trarintya et al., 2021). Asset Based View (RBV) Theory, uncovers that the organization's interior capacities as a significant element in dealing with the organization's novel assets so the organization can acquire upper hand (Barney, 1991); (Barney, 2000); and (Schiensstock, 2013); (Barney, 2015), then Knowledge Based View (KBV) Theory anticipate that organizations should focus harder on the capacity to oversee information which is comparable to overseeing other hierarchical assets (Grant, 1996). Monetary Literacy is a novel asset claimed by information based organizations which is an element in business execution (Usama et al., 2018).

Financial literacy is a skill that everyone needs to have in order to improve their standard of living and survive the environment’s complex economic. An important source of knowledge for financial decision making that can improve the sustainability of SMEs in Sri Lanka is the meaning of Financial Literacy defined by Ye and Kulathunga (2019). Financial literacy can also affect firm performance of SMEs (Eniola & Entebang, 2015) and (Usama et al., 2018). OECD (2011), knowledge and understanding of financial concepts and risks, skills, motivations and beliefs aims to apply this knowledge and understanding to make effective financial decisions, improve the financial well-being of individuals and society. Better long-term financial attitudes than short-term financial attitudes (Vargovae et al., 2020). Behavioral finance as behavioral economics combines two disciplines namely psychology and economics to explain why and how people make seemingly irrational or illogical decisions when someone invests, saves and borrows money Frydman & Camere (2016). Behavioral is behavior in financial decision making that can harm financial performance and sustainability (Luan Phan et al, 2002).

The existence of Village Credit Institutions in Bali which has the noble goal of encouraging economic development and creating business opportunities for rural communities and participating in supporting government programs in terms of poverty alleviation in Bali. This study aims to analyze the influence of financial literacy on financial performance, sustainability and behavioral finance; the influence of financial literacy can also affect firm performance of SMEs (Eniola & Entebang, 2015) and (Usama et al., 2018). OECD (2011), knowledge and understanding of financial concepts and risks, skills, motivations and beliefs aims to apply this knowledge and understanding to make effective financial decisions, improve the financial well-being of individuals and society. Better long-term financial attitudes than short-term financial attitudes (Vargovae et al., 2020). Behavioral finance as behavioral economics combines two disciplines namely psychology and economics to explain why and how people make seemingly irrational or illogical decisions when someone invests, saves and borrows money Frydman & Camere (2016). Behavioral is behavior in financial decision making that can harm financial performance and sustainability (Luan Phan et al, 2002).

2. Literature Review
2.1 Sustainability
Sustainability is the company's ability to increase its income. Sustainability has developed into an issue that has attracted the attention of various parties, including researchers and academics (Aras & Crowther, 2013); (Glechner et al., 2022). The definition of sustainability still does not have a standard, especially in business. Measurement and interpretation of the sustainability construct depends on the goals and interests of researchers (Salimath & Jones, 2011).

Business supportability considers the assessment of business execution which has become known as the "Triple Bottom Line", which alludes to the reconciliation of natural execution and social execution corresponding to monetary execution. Salimath and Jones (2011 the triple primary concern is additionally frequently alluded to as the three mainstays of social, natural and monetary interest. The blend of individuals, planet and benefit really and just makes sense of the motivation behind maintainability. Business maintainability can be deciphered as business techniques and exercises that address the issues of Companies and partners while securing, keeping up with and further developing human and normal assets that will be required from now on (Sayangbati & Riyadi, 2021).

This concept is in line with the TBL (3P) concept which describes that it is not only profit (single P) that must be pursued by the company, but three economic prosperity, environmental quality and social justice According to Elkington (1997). 3P is defined as Profit, People and Planet which explains that companies must demonstrate balanced responsibilities that are oriented not only to profit alone, but also to take into account all components of human and environmental costs in running their business (Elkington, 1997). Village Credit Institutions, which are community financial institutions, based on local Balinese wisdom, base their business activities on Hindu religious law or Hindu religious teachings sourced from the Vedica.

The implementation of the concept of business sustainability or triple bottom line refers to the local teachings of Catur Purusa Artha in relation to Sarasamuccaya Sloka 262. Catur Purusa Artha which consists of elements of Dharma, Artha, Karma and Moksa is the basis of business activities, where dharma or goodness must underlie every activity of the Village Credit Institution, seeking profit or artha. The profits obtained will only be able to fulfill the wishes or wishes of the community. All of that, when done, will lead to happiness which is called moksha. Sarasamuccaya 262 revealed that the business results are essentially divided into three parts. The first part is how to obtain goodness (dharma) to fulfill human needs (karma) where it is necessary to earn income (artha). So that all must be interconnected and related that the whole runs on the basis of honesty.

2.2 Financial Literacy, Financial Performance and Sustainability
Village Credit Institutions allocate their annual profit based on Bali Provincial Regulation No. 3 of 2017 which is very much in tune with TBL theory. The use of the implementation of the Catur Purusa Artha as the embodiment of business sustainability through the triple bottom line in providing profit. Capital Reserve 60% is Artha which is used to find Artha. As much as 20% deposit to the Traditional Village and 5% for social funds is Artha for Dharma. While 10% services. Production is an Artha for Kama. Das and Teng (2000) said that competitive advantage and company performance depend on tangible and intangible resources, this is the Resource Based View (RBV) theory, to maintain the company's competitive advantage, requires a variety of resources and a broad knowledge base (Ali, 2021). Financial literacy is an intangible source of knowledge, which is financial knowledge, with the aim of achieving prosperity (Lusardi & Mitchell, 2007); (Hieu & Nwachukwu, 2020). Financial Literacy is a skill possessed by individuals with the ability to manage their income in order to achieve increased financial well-being (Huston, 2010). Financial literacy as a path to sustainability (Krechovská, 2015), thereby helping to increase the sustainability of SMEs (Lusardi & Mitchell, 2014).

Research on the influence of financial literacy found that financial literacy had a positive impact on the performance of SMEs. It was also found that financial literacy is a significant determinant of the financial performance of SMEs.
found in Kampala Uganda (Kizza, 2019); SMEs in the urban areas of Jakarta, Bogor, Depok, Tangerang, Bekasi, Puncak, and Cianjur Indonesia (Kaban & Safitry, 2020). Financial literacy has a positive impact on the sustainability of SMEs (Dahmen & Rodriguez, 2014) as well as SMEs in Sri Lanka (Ye & Kulathunga, 2019) in Padang Indonesia (Fitria et al., 2018). Good company performance in the financial dimension results in good future performance in the environmental dimension this statement when associated with the triple bottom line theory of course also means that good company performance in the financial dimension will result in good future performance in the financial, environmental and social dimensions (profit, people, planet) (Aras & Crowther, 2007; 2013). Performance was found positive on the sustainability of SMEs (Kaban & Safitry, 2020). Based on the theory and empirical that has been described; the following hypotheses can be formulated.

H1: Financial literacy has a positive effect on financial performance

H2: Financial literacy has a positive effect on sustainability

H3: Financial Performance has a positive effect on sustainability

2.3 Behavioral Finance, Financial Performance and Sustainability

Frydman & Camere (2016) say that behavioral economics combines two disciplines namely psychology and economics to explain why and how people make seemingly irrational or illogical decisions when someone spends, invests, saves and borrows money. Attitudes related to overconfidence, namely the belief that the information held is more accurate than the actual situation and overconfidence can arise through experiences that have been experienced as stated by Pompiian (2007); Representativeness, an attitude that tends to associate new events with known events and make decisions, the consequences of making decisions are errors in determining the buying price which can be too expensive and the selling price too cheap (Tversky & Kahneman, 1981). Welch (2000) said that the attitude of lack of confidence in making decisions, the existence of a lot of information causes information bias to occur which in the end financial decision information becomes inaccurate.

The component of human capital that can be used in financial activities or financial behavior to improve the welfare of life is part of financial literacy (Bialowolski et al., 2022). Other influences such as behavioral or cognitive biases, self-control problems, family, peers, economy, society and institutions can influence financial behavior and financial well-being (). Someone who is financially literate does not show behavior that is influenced by other factors, said Huston (2010). Education about finance is an input used to improve the quality of one's human resources, especially financial knowledge and applications (Telagawathi et al., 2022). An indicator of how good financial education is in increasing the human resources needed to behave appropriately to improve welfare which is a financial literacy instrument citing Huston (2010), Henager and Cude (2016) lack of financial knowledge has been associated with behaviors that lead to financial errors such as excessive borrowing, high interest rates, and limited savings and investments.

This link is logically used in companies with good financial literacy conditions so that they are able to respond strategically to changes in the business, economic and financial climate so that the decisions taken will create innovative and targeted solutions to improve business performance and sustainability. To avoid behavioral finance bias, namely overconfidence, representativeness and herding in the decision-making process, one must have the knowledge and ability to apply knowledge by Huston (2010).

Based on the theory and empirical studies, if it is associated with Village Credit Institutions which are financial institutions, the behavioral finance bias will have a negative on financial performance. Impacts negative are high operational costs and potential losses; errors in determining the interest rate for third party funds which can be too high and credit interest rates are too low, resulting in low financial performance which in turn has an impact on the sustainability of Village Credit Institutions, which are financial institutions not awake.

H4: Financial Literacy has a negative effect on behavioral finance

H5: Behavioral finance has a negative effect on financial Performance

H6: Behavioral finance has a negative effect on sustainability

Figure 1. Conceptual Framework

Source: Author's processed results 2022
Research methods

The population of this research is all Village Credit Institutions operating in 2020 as many as 1,299 units spread over 9 districts/cities in Bali. The number of samples is 100 units with the slovin formula, the sampling technique in this study is stratified proportional random sampling based on the district/city so that every Village Credit Institutions in each district has the same opportunity to be selected. The poll was arranged utilizing a five-point differential semantic scale containing articulations about factors research.

Supportability variable with markers embracing research (Trarintya et al., 2021), estimated in light of Bali Regional Regulation No. 3 of 2017 which controls Village Credit Institutions benefits are assigned (1) Profit: 60% for held income on Tri Warga called Artha for Artha (Y21), (2) Planet: 20% for customary town and 5% for social asset in Tri Warga called Artha for Dharma (Y22), (3) People: 10% for impetuses for managers, directors, representatives and 5% for store advancement in Tri Warga called Artha for Kama(Y23).

Variable financial performance (Y1) by modifying research indicators (Ferrouhi, 2014) and (Trarintya et al., 2021), which include (1) Capital (Y11) as measured by the capital adequacy ratio; (2) Assets (Y12) as measured by the ratio of the quality of earning assets; (3) Earning (Y13) as measured by return on assets (ROA).

The financial literacy variable (X1) is reflected by four measurement dimensions developed from research (Lusardi & Mitchell, 2014) and (Bongomin et al., 2017) which include (1) Financial attitude (X11): believe the future is influenced by how to manage finances (X11), always arranges business cash flow (X12), has a profit target to be achieved (X13); Financial behavior (X12): being careful in distributing credit, taking into account the customer's ability to pay (X121), continuously having adequate money to pay every functional expense and the chance of pulling out outsider assets (X122) and continuously analyzing how much outsider assets contrasted with dispensed credit (X123); (3) Financial expertise (X13): comprehension of the possible profit from investment funds in a single year (X131), comprehension of the likely profit from reserve funds in multi years (X132), comprehension of ascertaining advance revenue each year (X133); (4) Financial information (X14): information about credit ensures (X141), information about the time worth of cash (X142), information about the impact of expansion on the worth of cash (X143).

Behavioral finance variables are reflected by three indicators modified from research (Laksmana et al., 2020) including (1) Overconfidence (X21), attitudes related to excessive self-confidence in making decisions, (2) Representativeness (X22), an attitude that tends to associate new events with events that have been known in making decisions, which have the consequences of making mistakes in making decisions regarding the interest rate of Third Party Funds that are too high and the interest rate too low, (3) Herding (X23), lack of attitude confident in making decisions, because there is too much information from the "herd" which results in bubble information so that financial decisions are inaccurate.

Questionnaires were distributed directly via google form to each targeted Village Credit Institution in the form of a list of questions. After four weeks of checking, 100 completed questionnaires were collected. The subsequent stage in the wake of arranging the information, 100 surveys were announced substantial and fit to be dissected utilizing SEM-PLS.

4. Result

Test Validity and Reliability

The first stage was to test the validity and reliability of the questionnaire measuring instrument against 30 respondents. Validity test aims to determine the measuring instrument used is really appropriate to measure object being measured. The reliability is intended to determine the reliability of the measuring instrument if it is used to measure object. The results of the validity test show that the correlation of each statement item score to the total score of each variable has a significant r value (rx) at the 5% level (0.05), which means all variables are valid. All questionnaire items have a Cronbach alpha value greater than 0.60, which means that the questionnaire items can be said to be reliable as a means of collecting data in research so that the research process can be continued (Table 1).

<table>
<thead>
<tr>
<th>Item</th>
<th>rxy</th>
<th>α</th>
<th>Item</th>
<th>rxy</th>
<th>α</th>
</tr>
</thead>
<tbody>
<tr>
<td>X111</td>
<td>1.000</td>
<td></td>
<td>X21</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>X112</td>
<td>0.607**</td>
<td>0.848</td>
<td>X22</td>
<td>0.578**</td>
<td></td>
</tr>
<tr>
<td>X113</td>
<td>0.701**</td>
<td></td>
<td>X23</td>
<td>0.598**</td>
<td></td>
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<tr>
<td>X12</td>
<td>0.964**</td>
<td></td>
<td>X24</td>
<td>0.485**</td>
<td></td>
</tr>
<tr>
<td>X12</td>
<td>0.701**</td>
<td>0.874</td>
<td>X25</td>
<td>0.441**</td>
<td>0.810</td>
</tr>
<tr>
<td>X13</td>
<td>0.697**</td>
<td></td>
<td>X26</td>
<td>0.378**</td>
<td></td>
</tr>
<tr>
<td>X131</td>
<td>0.684**</td>
<td></td>
<td>X27</td>
<td>0.329**</td>
<td></td>
</tr>
<tr>
<td>X132</td>
<td>0.817**</td>
<td>0.938</td>
<td>X28</td>
<td>0.307**</td>
<td></td>
</tr>
<tr>
<td>X133</td>
<td>0.500**</td>
<td></td>
<td>X29</td>
<td>0.321**</td>
<td></td>
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<tr>
<td>X141</td>
<td>0.769**</td>
<td></td>
<td>X21</td>
<td>1.000</td>
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<tr>
<td>X142</td>
<td>0.964**</td>
<td>0.868</td>
<td>X22</td>
<td>0.602**</td>
<td>0.877</td>
</tr>
<tr>
<td>X143</td>
<td>0.684**</td>
<td></td>
<td>X23</td>
<td>0.711**</td>
<td></td>
</tr>
</tbody>
</table>

Table 1 Results: Validity and Reliability Test of Research Instruments

Source: Author's processed results 2022
Evaluation of Outer Measurement Model

The Presentation of the results of the PLS SEM analysis can be used as a basis for evaluation including convergent validity, discriminant validity and composite reliability. The measurement convergent validity is done by looking at the outer loading coefficient of each indicator on the reflective variable. An indicator is declared valid if the outer loading coefficient is above 0.70 and has a P value less than 0.05 (Ghozali, 2020). The measurement results of the outer model in variable are shown in (Table 2), which means the model has met the criteria for convergent.

| Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (|O/STDEV|) | P Values |
|---------------------|-----------------|----------------------------|--------------------------|----------|
| X12 ← X1           | 0.829           | 0.823                      | 0.045                    | 18,522   | 0.000    |
| X13 ← X1           | 0.778           | 0.774                      | 0.057                    | 13,648   | 0.000    |
| X14 ← X1           | 0.839           | 0.844                      | 0.017                    | 49,290   | 0.000    |
| X21 ← X2           | 0.807           | 0.802                      | 0.043                    | 18,710   | 0.000    |
| X22 ← X2           | 0.895           | 0.895                      | 0.025                    | 35,825   | 0.000    |
| X23 ← X2           | 0.914           | 0.916                      | 0.013                    | 70,854   | 0.000    |
| Y11 ← Y1           | 0.750           | 0.733                      | 0.107                    | 7,000    | 0.000    |
| Y12 ← Y1           | 0.714           | 0.721                      | 0.046                    | 15,624   | 0.000    |
| Y13 ← Y1           | 0.798           | 0.803                      | 0.040                    | 20,177   | 0.000    |
| Y21 ← Y2           | 0.883           | 0.882                      | 0.027                    | 33,308   | 0.000    |
| Y22 ← Y2           | 0.871           | 0.870                      | 0.026                    | 34,056   | 0.000    |
| Y23 ← Y2           | 0.942           | 0.943                      | 0.008                    | 117,021  | 0.000    |

Table 2. Converging Validity Indicator
Source: Author's processed results 2022

Fornell and Larcker (1981) the correlation of variables with measurement items is greater than the size of other variables, and can predict block size better than other block sizes. The recommended measurement value must be greater than 0.50. The results of the calculation of discriminant validity in this study are in Table 3.

<table>
<thead>
<tr>
<th>AVE</th>
<th>√AVE</th>
<th>Correlation value between variables</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>X1</td>
</tr>
<tr>
<td>X1</td>
<td>0.763</td>
<td>0.873</td>
</tr>
<tr>
<td>X2</td>
<td>0.685</td>
<td>0.816</td>
</tr>
<tr>
<td>Y1</td>
<td>0.570</td>
<td>0.755</td>
</tr>
<tr>
<td>Y2</td>
<td>0.809</td>
<td>0.899</td>
</tr>
</tbody>
</table>

Table 3: Discriminant Validity Calculation Results
Source: Author's processed results 2022

Sarstedt et al. (2020) where an AVE value of at least 0.50 (> 0.50) represents adequate convergent validity. Table 3 also informs that the value of the research variables is greater than the correlation value (R-square/r²) between variables in the model so that the model has met the criteria of discriminant validity.

Composite reliability and Cronbach's alpha is greater than 0.60 then the variable is declared reliable. Table 4 which shows that all constructs have high reliability values, all constructs have composite reliability values and Cronbach alpha above 0.60, the description shows that based on the validity and reliability calculations carried out through several criteria such as convergent validity, discriminant validity, composite reliability and cronbach's alpha, all reflective indicators that make up the variables and variables that make up the model in this study are valid and reliable. The observed values have been reconstructed correctly having predictive relevance in the structural model test (inner model).

<table>
<thead>
<tr>
<th></th>
<th>Composite Reliability</th>
<th>Cronbachs Alpha</th>
<th>R-square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Literation (X1)</td>
<td>0.906</td>
<td>0.844</td>
<td></td>
</tr>
<tr>
<td>Behavioral finance (X2)</td>
<td>0.856</td>
<td>0.762</td>
<td>0.686</td>
</tr>
<tr>
<td>Financial Performance (Y1)</td>
<td>0.799</td>
<td>0.630</td>
<td>0.586</td>
</tr>
<tr>
<td>Sustainability (Y2)</td>
<td>0.927</td>
<td>0.881</td>
<td>0.741</td>
</tr>
</tbody>
</table>

Table 4: Composite Reliability Value, Cronbach's Alpha and R-square
The predictive-relevance (Q)2 value is used by the structural model of Goodness of Fit in the inner model so that from the R-square of each endogenous variable in Table 4. The results of the calculation of the prediction of the relevance of Q-square (Q2) are as follows: Q2 = 1 – (1-R21) (1-R22) (1-R23)

Q2 = 1 – (1-0.686) (1-1-0.741)
Q2 = 1 – (0.314) (0.414) (0.259)

Q2 = 1 – 0.686
Q2 = 0.9663 or 96.63%

Predictive-relevance produces a value of 99.63%, has a relevant predictive value. These results inform that the model has a relative influence of 99.63 percent in observing the variable (sustainability). Furthermore, the results of the SEM – PLS analysis are shown to test the research hypotheses proposed in Figure 1 and Table 5 below.

### Results of research hypothesis testing

**Hypothesis**

Testing is based on the results of SEM – PLS analysis, which shows that all proposed hypotheses are acceptable. The influence of financial literacy on financial performance shows a path coefficient of 0.283, t-statistic 2.936, P Value 0.003, which means H1 which states that financial literacy has an effect positive on financial performance is acceptable. The effect of financial literacy on sustainability shows a path coefficient of 0.531, t-statistic 6.378, P Value 0.000, which means H1 which states that financial literacy has an effect positive on sustainability is acceptable. The effect of financial performance on sustainability shows the path coefficient of 0.248, t-statistic 2.936, P Value 0.005, which means H2 which states that financial performance effect positive on sustainability is acceptable. The influence of financial literacy on behavioral finance shows a path coefficient of -0.828, t-statistic 38.165 P Value 0.000 is smaller than 0.05, which means H4 which states that financial literacy has an effect negative impact on financial performance is acceptable. The influence of behavioral finance on financial performance shows a path coefficient of -0.514, t-statistic 5.444, P Value 0.000 is smaller than 0.05, which means H6 which states that financial literacy has an effect negative impact on financial performance is acceptable. The influence of behavioral finance on sustainability shows a path coefficient of -0.329, t-statistic 3.503, P Value 0.001.
This study found that financial literacy has a positive on financial performance and sustainability, which informs that increasing financial literacy in the management of Village Credit Institutions in Bali, which is seen from financial attitude, financial behavior, financial skills and financial knowledge can improve financial performance and sustainability. Financial literacy occurs when individuals have a set of skills and abilities that enable them to utilize existing resources to achieve the expected goals (Huston, 2010), involving not only knowledge and ability to deal with financial problems but also non-cognitive attributes (Remund, 2010). Financial literacy helps individuals avoid financial problems, especially those that occur due to financial mismanagement (Noor et al., 2020), which affects how much financial decisions will be made (Lusardi, 2012), so as to improve financial management practices in increasing the sustainability of SMEs (Lusardi, 2012; Lusardi & Mitchell, 2014).

This research strengthens the Resource Based View Theory (Barney, 1991); (Barney, 2000); (Barney, 2015) and Knowledge Based View (KBV) Theory (Grant, 1996), related to financial literacy, which is a knowledge-based unit resource that is expected to improve financial performance and sustainability. Financial literacy, one of the knowledge-based resources, is expected to be able to improve and maintain the company’s competitive advantage through financial performance and sustainability. Financial literacy was found to have a positive impact on SMEs performance (Eniola & Entebang, 2017), (Kizza, 2019) and (Kaban & Safitry, 2020). Financial literacy was also found to have a positive impact on the sustainability of SMEs (Dahmen & Rodríguez, 2014), (Ye & Kulathunga, 2019) and (Fitria et al., 2018) Ye & Kulathunga, (2019)

Furthermore, this study informal that financial performance has a positive effect on sustainability. Good company performance in the financial dimension produces good future performance on the environmental and social dimensions, when associated with the triple bottom line theory (Elkington, 1997) means that good company performance in the financial dimension will produce good future performance on the financial dimension financial, environmental and social dimensions (profit, people, planet) (Aras & Crowther, 2013). The findings of this study strengthen the findings of previous studies that performance has a positive effect on the sustainability of SMEs (Kaban & Safitry, 2020).

This study also finds that financial literacy has a negative effect on behavioral finance. Increasing financial literacy can reduce behavioral finance biases that have the potential to make systematic errors in thinking and making financial decisions. Someone who is financially literate: has the knowledge and ability to apply knowledge, does not show behavior that is influenced by other factors (Huston, 2010). Lack of financial knowledge has been linked to behaviors that lead to financial errors such as excessive borrowing, high interest rates, and limited savings and credit (Henager and Cude, 2016).

Financial behavior has a negative effect on financial performance and sustainability in the management of behavioral finance at credit institutions from: Overconfidence, attitudes related to excessive self-confidence in making decisions; Representativeness, an attitude that tends to associate new events with known events in decision making; and Herding, lack confidence in making decisions, because too much information from the “herd” can reduce performance and. The behavioral financial aspect contributes to eliminating negative deviations and errors in the financial decision-making process (Sedláčíková et al., 2020), having a negative impact on financial decisions so that it can reduce financial performance (Laksmana et al., 2020). Behavioral finance has a negative impact on the financial performance of SMEs (Raveendra et al., 2018). The potential negative impact of behavioral finance bias is high operating costs and potential losses, errors in determining the level of third party funds that are too high and lending rates that are too low, resulting in low performance. Other behaviors that can decrease the financial performance of SMEs are poor managerial skills, poor working capital decisions, inappropriate use of funds, lack of timely availability of funds, inability to find suitable business partners, inability to choose reliable ones, failure of product marketing, lack of government support, poor credit management, poor business decisions, lack of training on managerial skills, high competition, inappropriate company location, overconfidence and inadequate decision-making and lack of leadership skills (Raveendra et al., 2018), this condition will continue to decline in sustainability.

6. Conclusion

Financial literacy occurs when individuals have a set of skills and abilities that enable them to utilize existing resources to achieve the expected goals. How Microfinance Institutions increase financial and risk knowledge to generate financial performance and sustainability is a matter that is still open for debate. Barney (1991); (Barney, 2000); (Barney, 2015) with Resource Based View Theory (RBV) and Grant (1996) with Knowledge Based View (KBV) certainly expects companies to pay more attention to unique knowledge-based resources in managing organizational resources which are expected to increase and maintain the company's competitive advantage through financial performance and its sustainability. This study informal that financial literacy has a positive impact on improving financial performance which in turn increases its sustainability. Furthermore, the stronger financial performance has an impact on increasing sustainability. This study also provides an important role that financial literacy has a negative impact on behavioral finance. Increasing financial literacy can reduce behavioral finance biases that have the potential to make systematic errors in thinking and making financial decisions. Furthermore, this study informal that behavioral finance has a negative effect on financial performance and sustainability, which means that the increase in behavioral finance is reflected through the bias of overconfidence, representativeness and herding, reducing financial performance and sustainability. This study has limitations because it only examines the determinants of the sustainability of microfinance institutions, especially Village Credit Institutions in Bali through financial performance, financial literacy and behavioral finance. Meanwhile, Village Credit Institutions as rural microfinance institutions in Bali, their sustainability is strongly influenced by their social performance. Based on this, it is necessary to conduct further research on the social performance of Village Credit Institutions, which so far have not been studied.
References


