

Financial Literacy, Financial Behavior and Financial Attitudes Towards Investment Decisions and Firm Bankruptcy

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Received: January 08, 2021

Revised: February 05, 2021

Accepted: March 24, 2021

Abstract

The research objective was to analyze financial literacy, financial attitudes, and financial behavior on investment decisions and MSME bankruptcy. The partial influence of financial literacy, financial attitudes, and financial behavior on MSMEs' bankruptcy through investment decisions. The sampling method used was purposive sampling. The population was 149 MSMEs and a sample of 108 MSMEs. The analysis method used SEM-PLS. The results prove that financial literacy, financial attitudes, and financial behavior partially positively and significantly affect investment decisions and MSME bankruptcy in Makassar City. Financial decisions cannot partially intervene in the influence of financial literacy, financial attitudes, and financial behavior on the potential for bankruptcy of MSMEs in Makassar City.

Keywords: Financial Literacy; Financial Attitudes; Financial Behavior; Investment Decisions; Bankruptcy

1. Introduction¹

The Covid-19 outbreak has hit the economy and business sector in Indonesia hard (Pelu et al., 2020). Many micro, small and medium enterprises (MSMEs) are overwhelmed by having their businesses hampered and may not even survive. Globally, the impact of Covid-19 has damaged supply chains, dropped commodity prices, and increased the risk of global economic collapse. Domestically, the impact of Covid-19 on MSMEs is very significant, where as many as 84.7 percent of MSMEs in Indonesia have the potential to go bankrupt because the income of MSMEs has dropped by an average of 53 percent. Meanwhile, 13 percent are neutral, and only 2.3 percent are still positive. Various efforts that MSMEs must make in order to survive are focus on consumer needs, continue to innovate and be creative, both at the product and service level according to changes in consumer preferences and behavior, developing research and development to increase resilience when a crisis hits, not being complacent self because competition will get more challenging, preparing the next generation to become more resilient future MSME leaders, maintaining good reciprocal relationships with vendors, suppliers and distributors, assembling in MSME organizations as a means of developing networks and business, and collaborating with banks as strategic partners for sources of financing, information, and business development assistance.

The Covid-19 pandemic makes investors and creditors worry that MSMEs experience financial distress, leading to bankruptcy. So that bankruptcy becomes a fundamental problem that policymakers need to be aware of and anticipate. Bankruptcy is very synonymous and closely related to failure. The failures that resulted in the bankruptcy of MSMEs were related to mismanagement in financial management (Schaeck & Cihák, 2014). Financial literacy is an alternative that MSMEs can take in financial management to minimize the potential for bankruptcy (Astuti & Trinugroho, 2016). However, in reality, the percentage of Indonesia's financial literacy is reasonably low compared to several other ASEAN countries, which is 29%. Meanwhile, financial literacy in Malaysia is 66%, in Thailand, it is 73%, and in Singapore, it is 98% (OJK 2016). MSMEs with good financial literacy will be more appropriate in making investment decisions than MSMEs with low financial literacy. Investment decisions are a matter of how MSMEs must allocate funds into investment forms that will benefit the future (Sutrisno, 2009). Financial literacy will help MSMEs to be wiser in making investment decisions (Putri, Rasuma & Rahyuda, 2017)

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H1 : Financial literacy has a positive and significant effect on micro, small, and medium investment decisions.

Financial literacy that only relies on a knowledge approach alone cannot change a person's behavior if they do not have the appropriate attitude and motivation (World Bank, 2016). Research by (Huston, 2010; Putri et al., 2017; Dewi & Purbawangsa 2018; Arianti, 2018; Kumala, 2019; Samuel et al., 2019) prove financial literacy has a positive and significant effect on investment decisions. However, these findings do not support the findings (Fitriarianti, 2018), proving that financial literacy is positive and insignificant towards investment decisions. Financial attitudes are a concept of information and emotions about the learning process and the results of the tendency to act positively (Yuningsih et al., 2017). MSME players who have an excellent financial attitude can apply financial principles to create and maintain value through making investment decisions (Rajna et al., 2011). MSME actors in investing not only use estimates on the prospects for investment instruments but psychological factors have also determined the investment.

Attribution theory explains that the financial behavior of MSME actors is influenced by the nature, character, attitude as internal factors and situation pressure as external factors. MSMEs who have good character and attitude can face financial problems that can potentially lead to bankruptcy. Research from Aminatuzzahra, (2014) proves a significant favorable influence between financial attitudes and investment decision making. The psychological factors of MSME actors are related to financial behavior and become the basis for investment analysis (Fitriarianti, 2018). MSME actors who have financial behavior tend to be effective in using their money, such as investing (Susanti et al., 2018). The Theory of Planned Behavior explains that its intention towards this particular behavior influences behavior. The intention to behave is influenced by attitudes, subjective norms, and perceptions of behavioral control. MSME actors who have good financial behavior can think about the implications of their actions before deciding whether or not to make an investment decision. Research from (Fitriarianti, 2018; Arianti, 2018) proved that financial behavior has a positive and significant effect on investment decisions.

H2 : Financial attitudes positively and significantly affect investment decisions in micro, small and medium enterprises.

H3 : Financial behavior has a positive and significant effect on micro, small, and medium investment decisions.

The Organization for Economic Co-operation and Development or OECD (2016) defines financial literacy as knowledge and understanding of financial concepts and risks, skills, motivation, and confidence. To apply the knowledge and understanding, they have to make effective financial decisions, improve the financial welfare (financial wellbeing) of individuals and society, and participate in the economic field. Financial literacy is the basic knowledge that people need to survive in modern society (Sabri, 2011). This basic knowledge involves knowing and understanding the complex principles of spending, saving, and investing. Furthermore, Bhushan & Medury, (2013) stated that financial literacy could make informed judgments and make effective decisions about using and managing money. Some of the factors that cause financial literacy to develop are low savings interest rates, increased bankruptcy, debt levels, and increased individual responsibility to make decisions that will affect their future economy (Servon & Kaestner, 2008). Financial literacy includes aspects such as a) General Personal Finance Knowledge (knowledge of personal finance in general) which includes understanding several things related to basic knowledge of personal finance. b) Savings and Borrowing. It includes knowledge related to savings and loans such as bank interest, types of savings, and credit. c) Insurance. Insurance is a willingness to determine small losses that are certain to compensate for significant losses that are not certain. d) Investment. Covers an understanding of market interest rates, mutual funds, and investment risk.

Financial behavior is a discipline in which the interaction of various disciplines is attached and continuously integrates so that the discussion is not carried out in isolation (Arianti, 2018). Financial behavior is a pattern of habits and behavior when managing his finances (Sugyanto et al., 2017). The psychological aspect greatly influences the investment decision to what extent that person can maximize his investment return (Prawirasasra & Maulani, 2020). Financial attitudes can be interpreted as psychological tendencies expressed when evaluating, agreeing, or disagreeing with financial management practices (Taneja, 2012). Financial attitude is applying financial principles to create and maintain value through appropriate decision making and resource management (Rajna et al., 2011). The factors that influence the formation of attitudes are 1) Direct Experience, 2) Family influence, 3) Peers, 4) Direct marketing, 5) Mass media impressions (Suryani & Ramadhan, 2017).

H4 : Financial literacy has a positive and significant effect on the potential for bankruptcy of micro, small and medium enterprises.

H5 : Financial attitudes have a positive and significant effect on the potential for bankruptcy of micro, small and medium enterprises.

Investment is the activity of placing capital into a particular business to obtain additional income and profits (Wulandari & Iramani, 2014). Investment decisions are related to how individuals allocate funds into investment instruments (Virlics,

2013). Investment is a commitment to several funds or other resources that are carried out at this time to obtain a return in the future. The investment decision process can run well if an individual has financial goals and plans and financial management skills (Perwito et al., 2020). Law No.4 of 1998 defines bankruptcy as a condition of an entity that is stated by a court decision that the entity concerned has two or more creditors and cannot pay off its obligations at least one debt that is due and can be collected. A company can be said to fail economically when the company's income cannot cover all costs that must be incurred, including the cost of capital. A company can be said to experience a business failure when the company closes or stops its operations. Failure to meet these obligations or conditions of technical insolvency are the most common causes of corporate bankruptcy. Failure to pay off obligations in total or a condition of total insolvency can occur if the book value of the company's total liabilities is greater than the market value of the company's total assets. The company has failed legally when there is a formal claim or lawsuit against the company to court by applicable regulations. Three main factors can generally result in bankruptcy in a company 1) Management error, 2) Economic Conditions, 3) The life cycle of the company.

Financial literacy is related to MSME actors' ability to assess financial information that correlates with financial decisions. Management knowledge theory explains that MSME actors with good financial literacy adapt to various financial problems that have the potential for bankruptcy. This theory confirms the success of MSMEs achieved through financial literacy. Good financial literacy can be used to help solve problems related to investment decisions.

H6 : Financial behavior has a positive and significant effect on the potential for bankruptcy of micro, small and medium enterprises.

H7 : The investment decision has a positive and significant effect on the potential bankruptcy of micro, small and medium enterprises.

MSME actors who have good financial literacy have the responsibility for investment decisions. However, the lower the financial literacy, the more investment decision can cause losses and eventually lead to bankruptcy. Research by (Putri, Rasuma & Rahyuda, 2017; Dewi & Purbawangsa 2018; Arianti, 2018; Kumala, 2019; Samuel et al., 2019) prove that financial literacy has a positive and significant effect on investment decisions. However, these findings do not support Fitriarianti (2018), which prove that financial literacy is positive and insignificant for investment decisions. MSME actors with good financial attitudes will commit to making effective financial decisions to obtain returns in the future. Attribution theory explains that the financial behavior of MSME actors is influenced by nature, character, attitude (internal factors), and situation pressure (external factors). MSME actors who have good character and attitude can face financial problems that can potentially lead to bankruptcy (quote). An excellent financial attitude can help MSME players be able to manage finances. Good financial management can optimize investment decisions and minimize the potential for bankruptcy. An excellent financial attitude can help MSME players apply financial principles for investment decisions. Research from Aminatuzzahra, (2014) proves a significant favorable influence between financial attitudes and investment decision making.

H8 : Financial literacy has a positive and significant effect on the potential for bankruptcy through investment decisions in micro, small and medium enterprises.

H9 : Financial attitudes positively and significantly affect the potential for bankruptcy through investment decisions in micro, small and medium enterprises.

H10 : Financial behavior has a positive and significant effect on the potential for bankruptcy through investment decisions in micro, small and medium enterprises.

Financial behavior is related to the way MSME actors manage finances as a tool as an investment decision. Planned Behavior Theory explains that behavior is influenced by the individual's intention towards this particular behavior. The intention to behave is influenced by attitudes, subjective norms, and perceptions of behavioral control. MSME actors who have good financial behavior can think about the implications of their actions before deciding whether or not to make an investment decision. Research from (Fitriarianti, 2018; Arianti, 2018) proved that financial behavior has a positive and significant effect on investment decisions.

2. Research Design and Method

The research approach used is quantitative. A quantitative approach is a form of scientific research that examines a problem from a phenomenon and looks at the link or relationship between the variables in the specified problem. The quantitative approach uses a combination of social science and statistical science in its data analysis. The goal of using a quantitative approach is to manage the amount of meaning in the hypothesized model as an answer to the problem that has been formulated. The research location is in Makassar and the research site for Micro, Small, and Medium Enterprises (UMKM). The data

collection methods used in this study were questionnaires and documentation. The questionnaire material was derived from the operationalization of the variables. The statement given is a closed and open statement. The questionnaire was arranged based on items related to the variables to be studied, using the Likert's Summated Rating (LSR) method. The measurement scale used is ordinal (variable financial literacy, financial behavior, financial attitudes), where the numbers are given to indicate the level of very satisfied = 5, satisfied = 4, neutral / quite satisfied = 3, dissatisfied = 2, very dissatisfied. = 1. Documentation material related to EMKM's financial statements and ratio measurement scale. The population is 149 MSMEs (Source: Makassar City Cooperatives and SME Service, 2019). The sample is part of the population or a subset of the population unit. The minimum sample size is 108 MSMEs. The sample collection method uses purpose sampling. The criteria used as the basis for sampling are: MSME actors who have micro, small, and medium equity reports (EMKM).

This study is using SEM-PLS as an analytical method to answer the hypothesis. The test model using SEM-PLS is divided into testing the measurement model and testing the structural model. They were testing the Measurement Model (Outer Model). The measurement model is part of a structural equation model that describes latent variables' relationship with their indicators. There are three criteria in using data analysis techniques using Smart PLS software to assess the outer model. Convergent Validity aims to determine the validity of each relationship between indicators and their latent constructs or variables. Convergent Validity, a construct with a reflective indicator, is evaluated based on Average Variance Extracted (AVE). AVE value ≥ 0.5 means that the construct can explain more than 50% of the items. Likewise, with the AVE value ≥ 0.5 and the loading factor value ≥ 0.5 , the instrument is declared valid (Sarstedt et al, 2017). Internal Consistency Reliability aims to measure how well an indicator can measure its latent constructs. Assessment of Internal Consistency Reliability based on the value of Composite Reliability (0.6-0.7 = good reliability) and Cronbach Alpha (> 0.90 = perfect reliability; $0.7 - 0.9$ = high reliability; $0.50 - 0.70$ = moderate reliability; < 0.50 = low reliability) (Sarstedt et al., 2017). Discriminant Validity aims to determine whether a reflective indicator is a good measure of its construct based on the principle that each indicator must be highly correlated with its construct. Discriminant validity can be determined by comparing the correlation between constructs and the AVE root. Discriminant Validity is good if the AVE root value for each construct is greater than the correlation value between constructs and other constructs in the model. Testing the Structure Model (Inner Model). Inner model testing is to see the relationship between endogenous variables and exogenous variables by looking at the path parameter coefficients' results and their level of significance.

The conceptual framework can be described as follows:

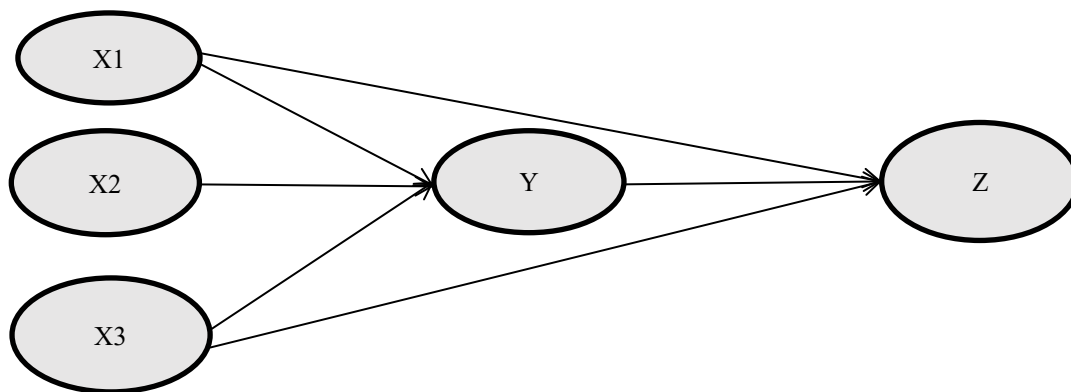


Figure 1. Research Model

3. Results and Discussion

Result Analysis

The average types of investment decisions made by MSME players were 72.4% for real investments (land, houses, jewelry, cars and others) and 28.6% for financial investments (stocks, bonds, deposits, warrants, BI certificates. and others). On average, MSMEs experiencing potential financial difficulties that lead to business bankruptcy in the future were 64.2% (cut-off value > 0) and 36.8% did not experience financial difficulties (cut off value ≤ 0). In general, respondents' perceptions agree on the importance of financial literacy, financial attitudes, financial behavior, and investment decisions. Financial literacy (knowledge of financial concepts: $\mu = 3.87$, ability to communicate financial concepts: $\mu = 4.02$, ability to manage finances: $\mu = 4.07$, ability to make financial decisions: $\mu = 3.96$, confidence in financial planning: $\mu = 4.17$). Financial attitude (obsession: $\mu = 4.12$, power, $\mu = 4.03$, effort: $\mu = 4.06$, inadequacy: $\mu = 4.01$). Financial behavior (financial planning: $\mu = 4.11$, financial budgeting: $\mu = 3.91$, (X3.2), financial management $\mu = 4.14$, (X3.3), financial control $\mu = 4.07$, financial search $\mu = 4.19$, financial storage: $\mu = 4.22$). Investment decision (return: $\mu = 4.13$, risk: $\mu = 4.14$, the time factor: $\mu = 4.02$).

Table 1. Convergent Validity

Information	Loading Factor (λ)	AVE	Info
X1.1←----- Financial Literacy	0,769	0,659	Valid
X1.2←----- Financial Literacy	0,841		
X1.3←----- Financial Literacy	0,799		
X1.4←----- Financial Literacy	0,832		
X1.5←----- Financial Literacy	0,847		
X2.1←----- Financial Attitude	0,811	0,809	Valid
X2.2←----- Financial Attitude	0,819		
X2.3←----- Financial Attitude	0,843		
X2.3←----- Financial Attitude	0,801		
X3.1←----- Financial Behavior	0,758	0,691	Valid
X3.2←----- Financial Behavior	0,733		
X3.3←----- Financial Behavior	0,727		
X3.4←----- Financial Behavior	0,779		
X3.5←----- Financial Behavior	0,781		
X3.6←----- Financial Behavior	0,796		
Y1.1←----- Investation decision	0,797	0,683	Valid
Y1.2←----- Investation decision	0,724		
Y1.3←----- Investation decision	0,754		

Table 2. Composite Reliability dan Cronbach Alpha

Variables	CR	Info	Alpha	Info
Financial Literacy	0,819	High Reliability	0,814	High Reliability
Financial Attitude	0,811	High Reliability	0,817	High Reliability
Financial Behavior	0,791	High Reliability	0,823	High Reliability
Investation Decision	0,814	High Reliability	0,819	High Reliability

Table 3. Latent Variable Correlations, AVE Root dan Discriminant Validity

Variables	Capital Structure	Good Corporate Governance	Intellectual Capital	Performance Finance	Firm Value	AVE Root	Discriminant Validity
Financial Literacy	1,000	0	0	0	0	0,8543	Fulfill
Financial Attitude	0,836	1	0	0	0	0,8726	Fulfill
Financial Behavior	0,818	0,720	1	0	0	0,7981	Fulfill
Investation decision	0,840	0,823	0,649	1	0	0,7335	Fulfill

Testing the Measurement Model (Outer Model). The measurement model is part of a structural equation model that describes latent variables' relationship with their indicators. There are three criteria in using data analysis techniques using Smart PLS software to assess the outer model, namely: (a) Convergent Validity aims to determine the validity of any relationship between indicators and constructs or latent variables. Convergent Validity, a construct with a reflective indicator, is evaluated based on Average Variance Extracted (AVE). AVE value ≥ 0.5 means that the construct can explain more than 50% of the items. Likewise, with the AVE value ≥ 0.5 and the loading factor value ≥ 0.5 , the instrument is declared valid. (b) Internal Consistency Reliability aims to measure how well the indicators can measure their latent constructs. Assessment of Internal Consistency Reliability based on the value of Composite Reliability (0.6-0.7 = good reliability) and Cronbach Alpha (> 0.90 = perfect reliability; 0.7 - 0.9 = high reliability; 0.50 - 0.70 = moderate reliability; < 0.50 = low reliability). (c) Discriminant Validity aims to determine whether a reflective indicator is a good measure of its construct based on the principle that each indicator must be highly correlated to its construct. Discriminant validity can be determined by comparing the correlation between constructs and the AVE root. Discriminant validity is good if the AVE root value for each construct is greater than the correlation value between constructs and other constructs in the model.

Inner model testing is to see the relationship between endogenous variables and exogenous variables by looking at the results of the path parameter coefficients and their level of significance (Ghozali & Latan, 2015).

Table 4. Inner Model

HIP	Eksogen	Variable Intervening	Endogen	P-Value	Direct Effect	Indirect Effect	Total Effect	Info
1	Financial Literacy	-	Investation decision	0.001	0.201	0.000	0,201	Positive and Significant
2	Financial Attitude	-	Investation decision	0.000	0.245	0.000	0.245	Positive and Significant
3	Financial Behavior	-	Investation decision	0.000	0.103	0.000	0.103	Positive and Significant
4	Financial Literacy		Bankruptcy	0,000	-0,142	0,000	-0,142	Negative and Significant
5	Financial Behavior		Bankruptcy	0,007	-0,133	0,000	-0,133	Negative and Significant
6	Financial Behavior		Bankruptcy	0,009	-0,222	0,000	-0,222	Negative and Significant
7	Investation decision	-	Bankruptcy	0.000	-0.124	0.000	-0.124	Negative and Significant
8	Financial Literacy	Investation decision	Bankruptcy	0.067	-0,142	-0,025	-0,167	Negative and Insignificant
9	Financial Literacy	Investation decision	Bankruptcy	0.062	-0,133	-0.030	-0.163	Negative and Insignificant
10	Financial Behavior	Investation decision	Bankruptcy	0.059	-0,222	0.013	-0.235	Negative and Insignificant

Discussion

The results of hypothesis testing prove that financial literacy has a positive and significant effect on investment decisions. Knowledge of financial management that will be allocated for investment decisions will provide a significant contribution to MSMEs. Good financial literacy can increase the return of investment decisions. MSME actors who have good financial literacy are more likely to behave financially in ways responsible for the investment decisions made. According to Hilgert and Hogarth (2003), the higher the knowledge of MSME actors, the wiser and better they will be in managing and solving investment decisions. The results of this study support the findings of (Putri, Rasuma & Rahyuda, 2017; Dewi & Purbawangsa 2018; Arianti, 2018; Kumala, 2019; Samuel et al., 2019) that proves financial literacy has a positive and significant effect on investment decisions. However, these findings do not support Arianti, (2018) proves that financial literacy is positive and insignificant for investment decisions.

The results of hypothesis testing prove that financial attitudes have a positive and significant effect on investment decisions. MSME actors with good financial attitudes have a good state of mind, opinion, and judgment in financial decisions. An excellent financial attitude helps MSME players allocate funds into the proper forms of investment instruments. MSME players with good financial attitudes are committed to making effective financial decisions to obtain future returns. Aminatuzzahra, (2014) can be concluded that there is a significant positive influence between financial attitudes and investment decision making.

The results of hypothesis testing prove that financial behavior has a positive and significant effect on investment decisions. MSME actors who have good financial behavior will be responsible and tend to be effective in investment decisions. Good financial behavior tends to be wiser and more intelligent in managing finances, such as investing. The psychology of MSME actors influences financial behavior in making investment decisions. According to Prawirasasra & Maulani, (2020) who found the role of financial behavior when a person makes investment decisions is significant. In his research, the psychological aspects of a person greatly influence the investment decision to what extent that person can maximize the return on his investment. Also, it is stated that it is tough for a person to behave consistently. It is because they will make different assumptions based on the financial information and investment obtained. The results of this study support the findings of (Fitriarianti, 2018; Aminatuzzahra, 2014; Sumtoto & Anastasia, 2015; Arianti, 2018), who found that there was a positive and significant influence on financial behavior on investment decisions.

The results of hypothesis testing prove that financial literacy has a negative and significant effect on bankruptcy. Understanding financial literacy minimizes the potential for MSME bankruptcy. Financial literacy helps MSME actors to manage finances more wisely. The skills, motivation, and confidence to apply the knowledge and understanding possessed by MSME actors can support effective and efficient financial management, minimizing the future's potential for bankruptcy.

MSME actors who have good financial literacy can minimize identical and closely related bankruptcies to the failure. The failures that arise are in the form of economic failures, business failures, failure to fulfill technical obligations, failure to pay off obligations in total, and failure legally. Research from (Setiawan et al., 2016; Lusardi & Mitchell, 2007; Damayanti & Fauzi, 2020) prove that knowledge encourages someone to do financial planning and minimize errors in decision making that have the potential to cause business failure.

The results of hypothesis testing prove that financial attitudes have a negative and significant effect on bankruptcy. An excellent financial attitude can minimize financial difficulties and have a financial surplus in the future. An excellent financial attitude is an essential contributor to MSMEs' financial success or failure (Klontz et al., 2011). The results of this study support the opinion of Chinnen & Endo, (2012) which states that MSME actors who have the ability and attitude to make correct financial decisions will not have financial problems in the future.

The results of hypothesis testing prove that financial behavior has a negative and significant effect on investment decisions. Errors in policymaking in financial management significantly affect bankruptcy. Good financial management is related to financial behavior. Financial behavior is a pattern of habits and behavior owned by MSME actors when managing finances. Mistakes in managing finances cause financial difficulties and, ultimately, the potential for bankruptcy. Good financial behavior can minimize investment risk because MSME actors are smarter and more careful in assessing an investment. Investment risk is closely related to the potential for bankruptcy. Financial behavior has the potential to assess the benefits derived from investment returns and risks. The return is lower than the risk of investment resulting in failure or bankruptcy.

The results of hypothesis testing prove that investment decisions have a negative and significant effect on bankruptcy. Investments in MSMEs are closely related to the risk of uncertainty in the future. Among the risks that can occur is that the funds that have been reinvested do not return as expected. Identification of the conditions of financial difficulties for MSMEs is essential to do in order to anticipate bankruptcies that can harm the parties concerned. Analysis of potential bankruptcies caused by investment decisions does not only need to be carried out by MSMEs but also includes other interested parties such as creditors, investors, and regulatory authorities. The impact caused by bankruptcy can harm not only MSMEs but also all parties concerned with the company. Bankruptcy itself is the final stage of distress or problematic financial condition due to the MSMEs' failed efforts in following up on financial problems that occur.

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The hypothesis testing results prove that financial literacy, financial attitudes, and financial behavior have a negative and insignificant effect on bankruptcy through investment decisions. It means that investment decisions do not significantly affect financial literacy, financial attitudes, and financial behavior on MSME bankruptcy.

4. Conclusions

Financial literacy, financial attitudes, and financial behavior partially positively and significantly affect MSMEs' investment decisions in Makassar City. Financial literacy, financial attitudes, and financial behavior partially positively and significantly affect MSMEs' bankruptcy in Makassar City. Financial decisions cannot partially intervene in the influence of financial literacy, financial attitudes, and financial behavior on the potential for bankruptcy of MSMEs in Makassar City. Financial literacy needs to be improved because it can improve financial decisions and minimize the potential for bankruptcy. The financial attitude needs to be improved because it can improve financial decisions and minimize bankruptcy potential. Financial behavior needs to be improved because it can improve financial decisions and minimize the potential for bankruptcy. Management errors, economic conditions, and MSMEs' life cycle require further study because they are essential factors for potential bankruptcy.

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