

THE ROLE OF FINANCIAL KNOWLEDGE IN MODERATING THE EFFECT OF ENTREPRENEURIAL LEADERSHIP ON FINANCIAL PERFORMANCE IN THE CREATIVE INDUSTRY IN GIANYAR REGENCY

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Abstract:

The creative industry is one form of business that plays a role in supporting the tourism sector. However, the creative industry faces challenges in maintaining its financial performance. Strategies are needed to encourage improved financial performance in the creative industry, utilizing the concepts of entrepreneurial leadership and financial knowledge. The integration of entrepreneurial leadership and financial knowledge provides new insights into improving the financial performance of the creative industry. The purpose of this study is to analyze the influence of entrepreneurial leadership on financial performance and examine the moderating role of financial knowledge in this relationship. This research employs quantitative methods, and the research procedure employed a questionnaire. The sample in this study was the creative industry (wood craft and craft industries) in Gianyar Regency. The sample size was 35. The collected data were processed using structural equation modeling (SEM) based on partial least squares (PLS).

Keywords: Entrepreneurial Leadership, Financial Knowledge, Financial Performance, Creative Industry, Gianyar Regency

INTRODUCTION

The background of this research is that the creative industry is a form of business that plays a role in the national economy and supports the tourism sector. The creative industry not only provides services to support tourism but also creates jobs for rural communities. A common problem faced by the creative industry is the difficulty of maintaining financial performance due to the lack of capital and resources compared to larger creative industries. Reflecting on this, it is crucial for creative industry owners to create breakthroughs and strategies to survive and lead to improved financial performance. Financial performance in the creative industry is not limited by capital structure but focuses on the utilization of creativity and innovation (Aulia, Rahayu, & Bahari, 2023). Financial performance reflects an industry's financial condition, measured using financial analysis tools to determine its financial condition. This is crucial to determine how optimally its resources are utilized. Financial performance reflects the activity within the industry, and progress within the industry is highly dependent on financial performance.

Based on the RBV perspective, the utilization of internal strengths becomes a resource that can be utilized by the creative industry to improve financial performance. According to the RBV, an industry's resources can be tangible and intangible. Intangible resources are a concept of intellectual capital. Intellectual capital is a component of individual or human capital. Intangible resources, which are part of this type of human capital, according to Agyapong and Attram (2019), can be identified by the existence of principles related to knowledge, consisting of qualifications, experience, skills, and individual abilities. Diptyana, Rokhmania, and Herlina (2022), Taleb, Hashim, and Zakaria (2023), and Maharani and Purba (2024) explain that the term entrepreneurial leadership



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is a component of intangible resources because entrepreneurial leadership plays a role in advancing a business, supported by abilities, experience, and skills, which are unique, difficult to imitate, and irreplaceable advantages.

Improving financial performance in the creative industry can be achieved through the role of the owner, who is also a creative industry player. The progress of the creative industry, from a business perspective, is determined by the characteristics of the owner as a creative industry player. Therefore, creative industry players must have an orientation to advance and develop their businesses. Entrepreneurial leadership is a spirit within a person, driven by a desire to achieve prosperity through good means (Maharani & Purba, 2022). Entrepreneurial leadership applied to the creative industry aligns with the view of Maharani and Soraya (2024), which states that entrepreneurial leadership has a positive impact on achieving industry goals more quickly. Maharani and Soraya (2024) also explain that the entrepreneurial orientation that emerges from entrepreneurial leadership can be determined based on three dimensions: proactive, innovative, and risk-taking.

Research conducted by Abu-Rumman, Al Shraah, Al-Madi, and Alfalah (2021) found that entrepreneurial leadership influences performance because entrepreneurial leadership traits in business actors should accompany business development. These traits become talents, and if someone possesses entrepreneurial leadership traits, it is not difficult for them to achieve improved financial performance. The results of this study align with those expressed by Sendawula, Kisubi, Najjinda, Nantale, and Kabbera (2023), who stated that the creative industry can succeed if supported by human resources, namely business actors who possess strong entrepreneurial leadership, who work hard, are persistent, always want to progress, never give up, and are willing to take risks. This is supported by research by Agyapong and Attram (2019) that an entrepreneurial spirit is a crucial factor leading to successful new product development and increased revenue.

There is an inconsistency in the results between entrepreneurial leadership and financial performance conducted by Chavali, Raj, and Ahmed (2021). The research results show that entrepreneurial leadership is unable to drive improved performance in the creative industry because it lacks sound financial management. This is due to the lack of financial planning, as well as the tendency to be easily satisfied with performance and not improve financial knowledge, as entrepreneurs perceive their performance as sufficient and their businesses continue to run smoothly even if they lack financial management. These findings prompted this study to add financial knowledge as a moderating variable.

The utilization of financial knowledge is explained from the perspective of the Creative Economy Review (RBV). Utilizing financial knowledge in the creative industry, based on the RBV, is a strategy that can be utilized to improve the industry's financial performance, ultimately leading the industry to achieve a competitive advantage. The success of the creative industry, based on the RBV, is determined by the availability of knowledge not possessed by competitors. Knowledge reflects intellectual capital, which the industry can utilize to improve financial performance (Sendawula et al., 2023).

Financial knowledge is a source of sound financial decision-making (Mabenge, Ngorora-Madzimure, & Makanyeza, 2022). Previous research has similarly demonstrated that financial knowledge influences financial performance based on the RBV (Sendawula et al., 2023). Financial knowledge applied in the creative industry is an understanding of money and financial products that can be applied by business actors to make informed decisions about how to manage finances to maximize profits (Taleb et al., 2023). Research on the relationship between financial knowledge and financial performance shows mixed results, as found by Sendawula et al. (2023), Taleb et al. (2023),



Purwati, Budiyo, Suhermin, and Hamzah (2020), and Safii and Anom (2021), who found that there were positive and significant results from financial knowledge on financial performance.

This research is novel in that it integrates financial knowledge as a moderating variable, which can strengthen or weaken the influence of entrepreneurial leadership on financial performance. The focus on the creative industry is a novel aspect of this research, as it provides a perspective on improving financial performance through intangible resources that creative industries can leverage to improve financial performance. This research employs a quantitative problem-solving approach. By focusing on the creative industry, this study aims to understand how entrepreneurial leadership practices can improve financial performance and is expected to provide academic and practical contributions to developing financial management strategies for the creative industry.

METHODS

This research procedure was conducted by distributing a research questionnaire to the creative industry (wood and stone crafts) in Gianyar Regency. The author collected data using a questionnaire. The questionnaire included questions about entrepreneurial leadership, financial knowledge, and financial performance. Respondents were leaders or business owners of creative industry units in Gianyar Regency. This study measures the perceptions of leaders or business owners as parties with comprehensive knowledge regarding the research variables. The sample determination in this study was done by purposive sampling in the form of criteria, namely running a business for more than 5 years, being part of a creative industry association (wood crafts/stone crafts), having clear financial records, and actively producing and selling products in the local market. The sampling method used was purposive sampling with criteria, resulting in 35 samples.

RESULT AND DISCUSSION

The Influence of Entrepreneurial Leadership on Financial Performance. The analysis found that entrepreneurial leadership has a positive and significant impact on financial performance. This finding indicates that the stronger the entrepreneurial leadership skills of creative industry leaders or owners, the higher the financial performance. Entrepreneurial leadership is demonstrated by the courage to take risks through innovation and proactivity, as well as the ability to identify opportunities amid market uncertainty. These characteristics enable leaders or owners to make strategic decisions that directly impact operational efficiency, increase revenue, and manage costs more adaptively. This aligns with the RBV theory, which states that leaders with an entrepreneurial leadership style tend to be able to drive the creative industry towards more competitive and financially sustainable growth. From a practical perspective, leaders or owners with an entrepreneurial spirit are more responsive to market changes and able to create added value through product or service innovation. Furthermore, this leadership style also increases employee engagement in achieving organizational goals, ultimately impacting efficiency and profitability.

These results are consistent with previous research, such as that conducted by Abu-Rumman et al. (2021), Agyapong and Attram (2019), Diptyana et al. (2022), Maharani and Soraya (2024), and Sendawula et al. (2023), which found that entrepreneurial leadership plays an important role in driving financial performance.

The Effect of Financial Knowledge in Moderating the Effect of Entrepreneurial Leadership on Financial Performance. The results of this study indicate that financial knowledge significantly moderates the effect of entrepreneurial leadership on financial performance. This finding indicates that although entrepreneurial leadership has a positive influence on financial performance, this influence will be strengthened if entrepreneurs have an adequate level of financial knowledge.



Theoretically, entrepreneurial leadership involves the ability to create innovation, identify market opportunities, take calculated risks, and encourage business growth. However, without a strong understanding of finance, strategic decisions made by leaders will be financially inefficient and even risk disrupting cash flow or business profits. In the craft industry in Gianyar, where the majority of artisans also serve as business leaders, financial knowledge is a crucial foundation for the effective implementation of entrepreneurial leadership. Leaders with good financial knowledge are able to prepare budgets and plan production costs rationally, calculate the break-even point for marketed craft products, assess investment risks (such as purchasing carving tools or imported raw materials), read simple financial reports to determine the financial health of their business, and manage receivables and cash flow to avoid liquidity shortages that could hamper production.

The results of this study reinforce the opinion of Sendawula et al. (2023), who state that mastery of financial aspects is one form of entrepreneurial competency that is important in improving the performance of the creative industry. The results of this study indicate that financial knowledge strengthens, meaning that the higher the financial knowledge possessed, the more effective the application of entrepreneurial leadership in producing superior financial performance. This result is consistent with previous studies such as those conducted by Mabenge et al. (2022), Sendawula et al. (2023), Taleb et al. (2023), Purwati et al. (2020), and Safii and Anom (2021).

CONCLUSION

Based on the results of the analysis and discussion that have been carried out, it can be concluded that:

1. Entrepreneurial leadership has a positive and significant influence on financial performance, which means that the application of entrepreneurial leadership with a proactive, innovative and risk-taking attitude improves the financial performance of the creative industry.
2. Financial knowledge strengthens the influence of entrepreneurial leadership on financial performance, which means that financial knowledge will support entrepreneurial leadership in improving the financial performance of the creative industry.

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