| RESEARCH ARTICLE

The Effect of Education Levels of Micro, Small and Medium Enterprises (SME) On Financing Preferences in the Banyumas Regency

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| ABSTRACT

The aim of this study was to determine the influence of the owner's characteristics towards a financing preference of MSMEs in the Banyumas Regency. The design/Methodology/Approach used included the Owner's characteristics proxied through the level of education. Financing Preference is proxied in the funding of internal business entity assets, short term expenses, long term expenses, other types of expenses, and the financial wealth of external business entities. Analysis was carried out on 100 MSMEs in Banyumas that met the research criteria. The data collection method used in this research was giving out the questionnaire directly to 100 MSMEs players in Banyumas Regency. The result shows that education has an effect on financing preference, although, in the case of education, the level does not affect the other form of finance (OFF).

| KEYWORDS

Education level, financing preference

1. Introduction

Banking in Law No. 10 of 1998 is everything related to banks which includes institutions, business activity, methods and processes in carrying out their business activity. A banking institution is one of the financial institutions that contribute to the economy of a country in accordance with the function of banking as the intermediary owner of capital (suppliers of funds) with users of fund (users of funds).

Banking has a very important position because it plays a role in the community to obtain loans for the business capital/business development so that it can develop; it is clear that banks have a major contribution in helping businesses (MSMEs) in the capital so the potential to develop business / expand its business can be done, considering that from the capital itself will increase business capital. MSMEs are now under the spotlight from the government in an effort to sustain the Indonesian economy because the MSME actors contribute to growing the fast economy in a country, which can contribute to the country's economic stability. MSMEs development in Banyumas is quite fast, where MSMEs are the driving force of the people's economy, of which 1.7 million Banyumas residents, 50% of whom are engaged in MSMEs sector, including in the reduction effort poverty, unemployment, and reduce crime rates. MSMEs in Banyumas is quite large in terms of numbers, with great hopes that the development of time will continue to experience continued growth. The following are MSME data in Banyumas in 2015.

Table 1. Data on Micro, Small, and Medium Enterprises (MSME) in Banyumas Regency in 2015

No	Indicator	2015
		Total
1	Micro business	65.009
2	Small business	1.552
3	Medium business	24

Sudaryanto and Hanim (2002) stated that there is no doubt that the existence of MSMEs in Indonesia has proven to be able to survive the crisis and become the engine of the Indonesian economy. However, SMEs also confront several problems, including limited capital and human resources with low abilities and skills, especially in the use of technology. In developing their businesses, MSME players need funds to increase their growth, so they need funding from banks or from other parties. Financing through banking often clashes with valuation, which includes Collateral, Charterer, Conditions, Credit, Capacity, Currency, and Country, but this problem is often found to be an obstacle due to the feasibility assessment through the 7C assessment so that this will close the access of MSME actors to get credit loans.

An owner / MSME actor is required to make the right funding decisions for his business; for this reason considering the preferences in choosing access to finance is necessary. UMKM funding comes from several sources, including internal sources, which can come from savings, retained earnings, and gifts from family and friends, while external sources, such as loans from family and friends, financial institutions such as ventures, cooperatives, banks, and looking for new partners (Fachrudin, 2013). In micro and small businesses, in addition to company characteristics, owner characteristics can also influence this financing preference (Coleman and Cohn, 2000). Gebru (2009) shows the results that the characteristics of the owner influence financing preferences and follow the pecking order hypothesis theory. Fachrudin (2013), in his study of determinants of the preference for MSME capital structure, also found that the characteristics of the owners influence the financing preferences. Baker (2017), in researching the finance tastes and practices of Indian SMEs, found that the characteristics of owners influence financing preferences. The difference between this research and the previous one, this study analyzes the effect characteristics of the owner in terms of education, while preference in spending is seen from the funding of internal business entity assets, short term expenses, long term expenses, other types of expenses, and financial wealth of external business entities. Based on the background of the problem, the research questions can be made as follows:

1. Does education affect the MSME internal equity financing (IEF) in Banyumas Regency?
2. Does education affect the short-term financing (STF) of MSMEs in Banyumas Regency?
3. Does education have an effect on the UMKM long term financing (LTF) in Banyumas Regency?
4. Does education have an effect on other UMKM forms of financing (OFF) in Banyumas Regency?
5. Does education affect the external equity finance (EEF) of MSMEs in Banyumas Regency?

The objectives of this study are:

1. To prove whether education has an effect on MSME's internal equity financing (IEF) in Banyumas Regency
2. To prove whether education affects the short-term financing (STF) of MSMEs in Banyumas Regency.
3. To prove whether education has an effect on the UMKM long term financing (LTF) in Banyumas Regency
4. To prove whether education has an effect on other UMKM forms of financing (OFF) in Banyumas Regency
5. To prove whether education affects the external equity finance (EEF) of MSMEs in Banyumas Regency

The benefit of research is as follow:

1. Theoretically, to prove that education has an influence on funding of internal business entity assets (IEF), short term expenses (STF), long term expenses (LTF), other types of expenses (OFF), and financial wealth of external business entities (EEF).
2. Practically, it can be taken into consideration by MSME actors in managing their business to increase their business growth through selected financing preferences.

2. Theoretical Overview
2.1 Funding Preferences
Financing is defined as an action based on the agreement where in the agreement itself, there are services and remuneration, both of which are separated by elements of time, while financing preferences are financing choices that can be preferred choices/interests by MSME actors. Financing options have a variety of choices, including, in general, the source of business

financing can be internal or external. External financing can be obtained from loans from banks, relations or others originating outside the business owner's personal funds.

Ega Yusraningsih Yunus (2016), in his research "the type and preference of financing beef cattle farms in Bontonompo District, Gowa Regency," states that the financing preferences of business owners are preferred choices or treatments for certain financing sources that will be used in connection with the availability of several financing sources. He and Baker (2007) found that the higher the education, the higher the use of external capital; it was mentioning owners with a higher level of education will tend to have larger or more able businesses to do more better financial planning.

2.2 Internal Equity Financing (IEF)
IEF is capital obtained from business owners. The capital includes savings, donations, and grants. Internal Equity Finance consists of capital itself, retained earnings and joint venture funds (Baker, 2017). The advantages of internal funding include the absence of costs such as interest fees or administrative fees so that it does not become a burden on the company, and does not depend on other parties, meaning that the funds are obtained from the capital owner's deposit, do not require complicated and time-consuming requirements return on capital, meaning that the capital invested by the owner will be embedded long and there is no problem if the owner of the capital will transfer to another party.

On the other hand, there is a disadvantage of self-capital, including the limited amount, meaning that to obtain a certain amount depends on the owner, and the number is relatively limited; the gain of self-capital in a certain amount from prospective new owners is difficult because they will consider the performance and prospects of the business, lack of motivation of the owner, meaning that business owners who use their own capital are less motivated than using foreign capital.

2.3 Short Term Financing (STF)
Short Term Financing (STF) is a source of short-term financing obtained from short-term loans ≤ 1 year. Corporate funding from short-term funding sources is generally used for company working capital. Funds obtained with this scheme must be paid/returned within a year of accounting books or less, not more than one accounting period.

2.4 Long Term Financing (LTF)
LTF is a source of long-term finance obtained from long-term loans ≥ 1 year. In general, financial managers will prefer to use long-term funding, with the consideration that the company can carry out a large-scale business expansion. For example, companies can be expanded their business with similar acquired companies or supply companies, buying or building fixed assets such as land, factories, and machinery. Long term finance consists of long term loans, loans to other financial institutions, and long-term government assistance (Baker, 2017).

2.5 Other Forms of Financing
OFF are other forms of financing beyond those mentioned. The other Form of Financing consists of trade debt, giving funding from friends and family, and funds from other companies (Baker, 2017).

2.6 External Equity Finance (EEF)
External Equity Finance (EEF) is a financing source obtained from outside businesses such as venture capital, bonds and shares.

2.7 Characteristics of the owner
Every company has different characteristics, as well as the characteristics of the owner. A successful entrepreneur must have entrepreneurial characteristics that include demographics such as age and sex, as well as education and previous work experience is the background of the influence on entrepreneurial intentions and efforts (Kolvereid, 1996).

Education level is one of the characteristics of the owner. Education reflects the ability of the owner to face opportunities to develop abilities. The funding decisions will always be based on their trust and expectations of the project's cash flow (He and Baker, 2007). The education of an owner also shows the ability to make decisions and an understanding of the risks of the choices he makes (Ang et al., 2010).

Gebru (2009) found that financing preferences are influenced by education level. In a study conducted by Coleman and Cohn (2000), the education of small business owners had a positive and significant influence on external funding, but He and Baker (2007) found that the higher the education, the higher the use of external capital. In this case, found the owner is more highly educated and would tend to have larger businesses and be better able to do better financial planning. Education level (Baker, 2017):

a. No formal certificate (c.1)
b. Primary School (c.2)
c. Secondary School (c.3)
d. Senior High School (c.4)
e. Diploma (c.5)
f. Bachelor (c.6)

2.8 Micro, Small and Medium Enterprise

MSMEs in Law no. 20 of 2008 are divided into 3 classifications, including:

Table 2. Criteria for MSMEs

No	Business	Criteria	
		Asset	Turnover
1.	Micro	Max. 50 Mil.	Max. 300 Mil.
2.	Small	> 50 Mil. – 500 Mil.	> 300 Mil. – 2,5 Bil.
3.	Medium	> 500 Mil. – 10 Bil.	> 2,5 Bil. – 50 Bil.

The characteristics of micro businesses:

a. Types of business goods/commodities are not always fixed; they can change at any time.
b. A place of business that doesn't always stay because, in certain circumstances, it can be moved.
c. Instead of doing simple financial administration, and does not differentiate between family finance and business finance.
d. The entrepreneur or human resources has an average education that is very low, generally at the elementary school level and does not have sufficient entrepreneurship.
e. Generally, their familiarity is not in banking but with individual loans.
f. Most MSMEs do not have business licenses or other legality requirements, including the taxpayer's number (NPWP).
g. Workers or employees owned are less than 4 people.

The characteristics of Small Business:

a. The human resources are more advanced; the average education is high school and already has business experience.
b. In general, the bookkeeping / financial management ever done even in a simple way; company finances began to be separated from family finances and made business development.
c. In general, they already have business licenses, such as NPWP.
d. Have been in contact with banks but cannot make a business plan or feasibility study and apply for credit to the Bank, so a consulting service is needed in the framework of mentoring.
e. Workers consist of 5-19.

Medium Business Characteristics:

a. In general, have better management and organization, more organized, to more modern, through a clear jobdesk, covering: finance, production to marketing.
b. Has carried out financial management by implementing an accounting system on a regular basis, making it easier to check and assess or check.
c. Already implementing rules of labor management and organization, there is already worker insurance (Jamsostek), healthcare assurance etc.

Rahmana (2008), in his article, revealed that MSMEs could also be classified from the development perspective; the criteria for MSMEs according to their development are livelihood activities, micro enterprise, small dynamic enterprise, and fast-moving enterprise.

Strategies in the form of creation and provision of program credit schemes, in the long run, are not effective. This is caused by several factors, including:

a. First, there is a huge amount of government funding needed to provide these rolling grants so that each year it will burden state finances through the APBN (both from pure rupiah funds and from foreign debt).
b. Second, the experience of implementing various program credit schemes was not very successful, especially in regard to the level of credit congestion and the depletion of the rolling grant as a result of the low level of accountability at the community level due to the mistaken perception that the funds belonged to the community.
c. Third, the program's credit scheme tends not to encourage the application and development of a correct and proportional financing system and mechanism, namely through banking or various other systems and financing mechanisms developed by non-bank financial institutions.

2.9 Framework
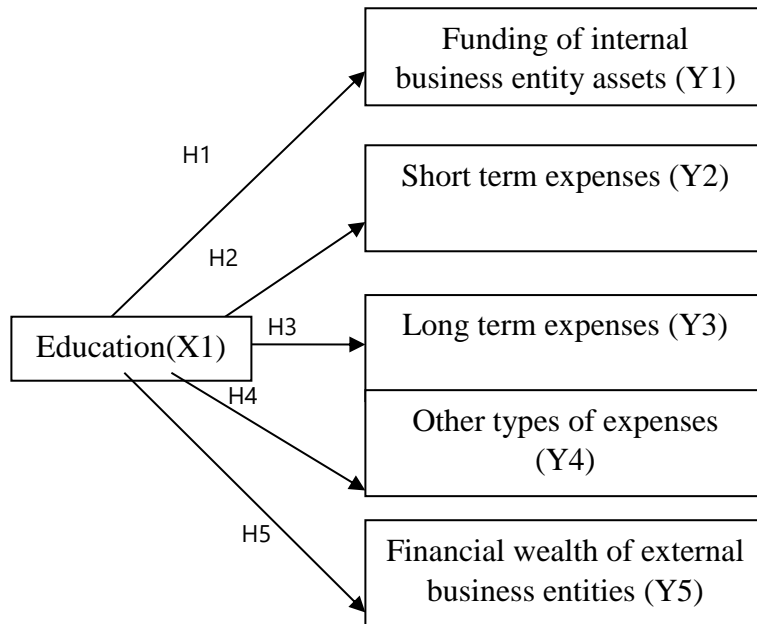
Based on the illustration above, it is assumed that:

H1 : Education has an influence on internal equity financing
H2 : Education has an influence on short term financing
H3 : Education has an influence on long term financing
H4 : Education has an influence on other forms of financing
H5 : Education has an influence on external equity finance.

3. Methodology
3.1 Data and Sample
This research is quantitative research; the source of data was obtained through questionnaires given to 100 MSME actors in Banyumas Regency that meets the criteria:

a. Minimum turnover of 300 million per year.
b. Located in the Banyumas Regency Area.

The population of this study is MSMEs in Banyumas Regency. Calculate as follows:

$$N = (0,25)\left(\frac{1,96}{0,1}\right)^2 = 96,04 \text{ rounded to } 97.$$

Given the sample is 97, it is rounded up to 100 samples used in this study; In answering the trend of the answers given by participants to each variable based on the average score with the following categories:

a. Maximum index value = 100 x 7 = 700 then 700/7 = 100
b. Minimum index value = 100 x 1 = 100 then 100/7 = 14.28 = 14.2

Interval value can be calculated = the maximum value - the minimum value then divided by seven (100 −14, 2 = 85/7 = 12.25). Using a framework of seven boxes (seven box-method), the interval value can be calculated by: the maximum value minus the minimum value, then divided by seven will produce an interval of 12.25 which can be used as a reference list of interpretations index values, that is:

a. 14.2 - 26.45 (Very Low)
b. 26.46 - 38.71 (Low)
c. 38.72 - 50.97 (Rather Low)
d. 50.98 - 63.23 (Moderate)
e. 63.24 - 75.49 (Rather High)
f. 75.50 - 87.75 (High)
g. 87.76 - 100.01 (Very High)

4. Results and Discussion

For testing validity, that is:

Table 3. Validity Test Results

No.	Indicator	r count	r table	notes
1	*Internal Equity Finance*			
	Question 1	0.587	0.062868	Valid
	Question 2	0.633	0.062868	Valid
	Question 3	0.864	0.062868	Valid
2	*Short Term Finance*			
	Question 1	0.833	0.062868	Valid
	Question 2	0.844	0.062868	Valid
	Question 3	0.815	0.062868	Valid
3	*Long Term Finance*			
	Question 1	0.862	0.062868	Valid
	Question 2	0.917	0.062868	Valid
	Question 3	0.806	0.062868	Valid
4	*Other Form of Finance*			
	Question 1	0.874	0.062868	Valid
	Question 2	0.868	0.062868	Valid
	Question 3	0.844	0.062868	Valid
5	*External Equity Finance*			
	Question 1	0.967	0.062868	Valid
	Question 2	0.983	0.062868	Valid
	Question 3	0.960	0.062868	Valid

Source: Primary data processed

The table above illustrates that all the indicators on the questionnaire statements are declared valid and can be used in this study because all indicators have a positive value where r count ≥ r table (0,062868) with the value of Sig. <0.05.

The results of reliability test are as follows:

Table 4. Result of Realibility Test

Variable	Cronbach Alpha	notes
Internal Equity Finance	0.770	Reliable
Short Term Finance	0.839	Reliable
Long Term Finance	0.850	Reliable

Other Form of Finance	0.849	Reliable
External Equity Finance	0.878	Reliable

Source: Elementary data activity

The table illustrates that the variable has a Cronbach Alpha value> 0,60, which means that all variables are declared reliable and can be used in research.

Table 5. Participants by the level of education

No	Level of Education	n	%
1	No formal certificate	0	0%
2	Elementary School	19	19%
3	Middle School	18	18%
4	High School	37	37%
5	Diploma	6	6%
6	Bachelor	27	27%

Source: Primary data processed

Table 6. The direction of Preference Based on Education Level

Education	IEF	STF	LTF	OFF	EEF
No formal certificate	0	0	0	0	0
Primary School	9,157895	8,157895	6,684211	5,526316	1,421053
Secondary School	17,88889	15,33333	13,22222	12,22222	4,166667
Senior High School	23,72973	20,05405	16	13,62162	5,756757
Diploma	18,16667	15,16667	13,33333	14,33333	7,333333
Bachelor	17	12,85	12,75	14,2	9,85

Source: Primary data processed

From the data above, it can be explained that IEF has the highest preference at the level of high school education and the lowest at the level of elementary education. This also applies to STF and LTF; for OFF, the preference increases at the Diploma and Bachelor levels of education. EEF itself has the highest preference at the level of Bachelor education.

Table 7. Respondents by Business Type

No	Business Type	Frequency	Percentage
1	Transportation	4	4.0
2	Pharmacy	1	1.0
3	Building	4	4.0
4	Home Industry	13	13.0
5	Service	15	15.0
6	Culinary	11	11.0
7	Furniture	4	4.0
8	Auto parts	1	1.0
9	Stone processing	3	3.0
10	Lumber processing	7	7.0
11	Trade	35	35.0
12	Building material shop	2	2.0
	Total	100	100.0

Source: Elementary data activity

The distribution of business sectors in MSMEs in the Banyumas District is quite diverse. For the business sector, most of the MSMEs in the Banyumas Regency are in the trade sector.

Table 8. The direction of Preferences by Business Type

Sektor	IEF	STF	LTF	OFF	EEF
Furniture	18,25	13,75	12	12,5	6
Auto parts	19	16	19	19	14
Lumber processing	18,14286	14,71429	13,85714	13	4,714286
Building material shop	17,5	15	13,5	12,5	7,5
Service	17,73333	13,6	11,8	10,4	6,8
Culinary	17,72727	14,27273	11,81818	10,81818	5
Stone processing	19,33333	18,33333	17,33333	10,33333	5,333333
Transportation	18,25	16,75	14	13,75	3,75
Pharmacy	18	16	15	17	14
Building	17,75	14,75	14,75	12	13
Home Industry	18,69231	15,76923	14,46154	12,84615	3,846154

Source: Primary data processed

The highest preference direction for IEF is in the stone processing sector; the lowest is in the building material shop sector. The highest STF is in stone processing; the lowest is in furniture. The highest preference for LTF funding is owned by auto parts, and the lowest is in the furniture sector. The direction of OFF preference in the auto parts sector has the highest value; the stone processing sector has the lowest preference value; last, the highest EEF in the auto parts and pharmacy sector, and the lowest EEF is in the transport sector.

There are multiple regression equations:

1. **Model 1 Y_1 = 20.625 + (-0.617)X + e**

Table 9. Data Model Results 1

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	20.625	.427		48.279	.000
	EDUCATION	-.617	.104	-.514	-5.930	.000

20,625 = if the education variable is zero (0), then the internal equity finance is 20.625%
-0,617 = if the education variable increases by 1 unit, then the internal equity finance decreases by 61.7%

2. **Model 2 Y_2= 19.216 + (-1.079)X + e**

Table 10. Data Model Results 2

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	19.216	.753		25.522	.000
	EDUCATION	-1.079	.183	-.511	-5.880	.000
a. Dependent Variable: STF						

19.216 = if the education variable is zero (0), then the short-term finance is 19.216%
-1.079 = if the education variable rises by 1 unit, the short-term finance decreases by 107.9%.

3. **Model 3 Y_3= 15.707 + (-0.602)X + e**

Table 11. Data Model Result 3

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	15.707	.984		15.960	.000
	EDUCATION	-.602	.240	-.246	-2.512	.014

a. Dependent Variable: LTF

15.707 = if the education variable is zero (0), then the long-term finance is 15.707%
-0.602 = if the education variable increases by 1 unit, then the long term finance decreases by 60.2%.

4. **Model 4 Y_4= 10.906 + (0.279)X + e**

Table 12.Data Model Result 4

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	10.906	1.002		10.886	.000
	EDUCATION	.279	.244	.115	1.144	.255

a. Dependent Variable: OFF

10.906 = if the education variable is zero (0), then the other form of finance is 10.906%
0.279 = if the education variable rises by 1 unit, the other form of finance increases by 27.9%

5. **Model 5 Y_5= -1.061+ 1.707 X + e**

Table 13. Data Model Result 5

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1.061	.893		-1.189	.237
	EDUCATION	1.707	.218	.621	7.842	.000

a. Dependent Variable: EEF

-1.061 = if the education variable is zero (0), then the external equity finance is -1.601%
1,707 = if the education variable increases by 1 unit, then the external equity finance increase by 170.1%.

Table 14. T Test Results

Model	T Count	T Table	Sig	notes
1	-5.930	1.984	0.000	Take effect
2	-5.880	1.984	0.000	Take effect
3	-2.512	1.984	0.014	Take effect
4	1.144	1.984	0.255	Not Take effect
5	7.842	1.948	0.000	Take effect

Source: Primary data processed

1. The statistical results of the t-test for hypothesis 1 state that education has an effect on internal equity finance, which can be seen through calculated t value (-5,930) <t table 1,948 with a significance value of 0,000 <0.05. Because it does not meet the criteria t count> t table but meets the criteria sig <0.05, then H1 is accepted

2. For hypothesis 2 states that education has an effect on short term finance, which can be seen through calculated t value (-5,880) <t table 1,948 with a significance value of 0,000 <0.05. Because it does not meet the criteria t count> t table but meets the sig criteria <0.05, then H2 is accepted

3. For hypothesis 3 states that education has an effect on long term finance, which can be seen through calculated t value (-2,512) <t table 1,948 with a significance value of 0.014 <0.05. Because it does not meet the criteria t count> t table but meets the criteria sig <0.05, then H3 is accepted

4. For hypothesis 4 states that education affects other forms of finance, which can be seen through calculated t value (1.144)> t table 1948 with a significance value of 0.255> 0.05 because it meets the criteria of t count> t table, but does not meet the criteria sig <0.05 then H4 is rejected

5. For hypothesis 5 states that education has an effect on external equity finance, which can be seen through the calculated t value (7.842)> t table 1948 with a significance value of 0.000 <0.05. Because it meets the criteria t count> t table and meets the criteria sig <0.05, then H5 is accepted.

Table 15. F Test Results

Model	F Count	Sig	Notes
1	35.170	0.000	Take effect
2	34.575	0.000	Take effect
3	6.308	0.014	Take effect
4	1.309	0.255	Not Take effect
5	61.309	0.000	Take effect

Source: Primary data processed

Model 1, referring to the table, shows the significance value for model 1 is 0.000 <alpha 0.05, so the regression equation model found in this study is included in the criteria of the good of fit.

Model 2, based on the table, shows the significance value for model 2 is 0.000 <alpha 0.05, so the regression equation model found in this study is included in the criteria of the good of fit.

Model 3, referring to the table, shows the significance value for model 3 is 0.014 <alpha 0.05; it can be stated that the regression equation model used in this study is included in the criteria of the good of fit.

Model 4, referring to the table, shows the significance value for model 4 is 0.255> alpha 0.05; it can be stated that the regression equation model used in this study is included in the criteria not suitable.

Model 5, referring to the table, shows the significance value for model 5 is 0.000 <alpha 0.05; it can be stated that the regression equation model used in this study is included in the criteria of good of fit.

Table 16. R Square Results

Model	R square
1	0.264
2	0.261
3	0.060
4	0.013
5	0.386

Source: Primary data processed

Model 1 shows that 26.4% of the IEF UMKM variables in the Banyumas Regency are determined by the education variables, and the remaining refers to other variables besides education.

Model 2 shows that 26.1% of the STF UMKM variables in Banyumas Regency are determined by education variables, and the rest refers to other variables besides education.

Model 3 shows that the 6% IEF UMKM variable in Banyumas Regency is determined by the education variable, and the rest refers to other variables besides education.

Model 4 shows that 1.3% of the IEF UMKM variable in Banyumas Regency is determined by the education variable, and the rest refers to other variables besides education.

Model 5 shows that 38.6% of the IEF UMKM variables in Banyumas Regency are determined by education variables, and the rest refers to other variables besides education.

5. Conclusions and Recommendations

This study aims to determine the effect of owner characteristics through the level of education on the financing preferences of MSMEs in the Banyumas Regency. Based on the data that has been obtained and the tests that have been carried out, it can be concluded that the MSME owners in Banyumas in making funding decisions for their business following the Pecking Order Theory, evidenced by the very high selection of internal funding then decreased until external funding became the last choice in funding MSMEs in Banyumas Regency. In this study, it was found that the hypothesis proposed was accepted, and some were rejected. The results of the discussion from this study are:

1. Hypothesis 1, stating that education affects internal equity financing (IEF), is accepted; the direction is negative, where if the higher level of education of MSME players, it will reduce the use of internal equity financing (IEF), meaning that higher education of MSME players tends to seek funding outside the owner / private capital, this indicates that the MSME players dare to bear the risk of the loan, and this is part of the effort to expand the business if they want their business growth. This is in line with previous studies, which showed a decrease in the level of internal funding preferences in line with the increase in education levels (Baker, 2017).
2. Hypothesis 2, which states that education has an effect on short term financing (STF), is accepted; the direction is negative, where if the level of education of MSME players is higher, it will reduce the use of short term financing (STF), meaning that the higher education level of MSME players will tend to increase its business by reducing short-term financing because it focuses on the direction of better business growth. This is consistent with previous research, which shows that financing preferences are influenced by the level of education (Gebru, 2009)
3. Hypothesis 3, which states that education influences long term financing (LTF), is accepted; the direction is negative, where if the level of education of MSME actors is higher, it will reduce the use of long term financing (LTF) because long-term loans require feasibility assessment of the loans to be submitted are quite strict with the 7C assessment so to fulfilling the requirements for long-term loans is not an easy thing for MSME players. Nowadays, the level of education is not a reference for someone to obtain long-term funding.
4. Hypothesis 4, which states that education influences other forms of finance (OFF), is rejected; this is because the level of education does not affect an MSME actor to choose OFF, considering OFF itself is financing obtained from trade debt, giving funds from friends and family, as well as funds obtained from other companies, this depends on how existing business networks or existing interests are mutually beneficial to each other, so they are not directly related to the level of education of an MSME actor.
5. Hypothesis 5, which states that education has an influence on external equity finance (EEF), is accepted; this is because the higher the level of education of MSME players, the higher the tendency to obtain external financing, so the effort to develop the business remains open, besides the owner with a higher level of education will be more knowledgeable about the external funding process and able to manage funding risks properly.

Conflicts of Interest: The authors declare no conflict of interest.

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