THE EFFECT OF FINANCIAL AND PERSONAL LITERACY ON RISK TOLERANCE AND RISK FINANCIAL DECISIONS IN SMALL MEDIUM MICRO BUSINESSES IN BALI

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ABSTRACT

Risky financial decisions are very important in the world of management and business because their essence shows the ability to take risks is needed but the process of taking risks without calculation can trigger failure. This study aims to analyze the effect of financial literacy and personality on risky financial decisions mediated by risk tolerance. The research population is all MSMEs in the province of Bali, amounting to 326,009. The research sample in this study amounted to 206 MSMEs taken proportionally in each district or city based on the percentage of the number of each MSME in the district or city to the total MSMEs in the province of Bali. Data analysis in this study using the SEM-PLS analysis method with the help ofsoftwarewarpPLS 7.0. The study found that financial literacy had no effect on risk tolerance but financial literacy had no effect on risky financial decisions, the personality factor of neurocitism had a negative effect on risk tolerance, while extraversion, agreeableness, conscientiousness and openness had no effect on risk tolerance. Personality factors: conscientiousness and openness have a positive effect on risky financial decisions, while extraversion, agreeableness and neurocitism have no effect on risky financial decisions. Risk tolerance has a positive effect on risky financial decisions.

Keywords: Financial Literacy, Risk Tolerance, Risky Financial Decisions, Personality Factors

INTRODUCTION

Courage to take risks is something that distinguishes employees from management and entrepreneurs (Guo & Jiang, 2019). In a company, employees can find out about various things within the company including business results and risks, but the company can still run and the company still has workers or employees because employees do not have the courage to take risks. Companies need to know which individuals do not have high courage to take risks and which ones cannot be placed in a position within the company for the sake of smooth management of a company. Together-sama or the owner of a large company is required to have more than one person so that to get a business partner, knowledge of risk behavior is required. The form of business that is still relatively small and needs to be developed to become large is MSMEs.

Problems that often occur in small businesses at the beginning of the establishment of MSMEs are financial problems and business continuity (Gilmore et al., 2004; Welsh & White, 1981; Carson, 1990). Some failures occur because many business managers override potential risks in their business so that business failures often occur, especially in asset and financial management. This condition raises the importance of risk management especially related to financial problems, investment decisions and risk tolerance measures, especially in the MSME sector. Bali Province is one of the provinces that has the greatest potential in developing MSMEs

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on a national scale. This is motivated by the role of the province of Bali as the largest tourist destination in Indonesia so that this condition strongly supports the development of the MSME sector.

Prospect Theory developed by Kahneman & Tversky (1979) describes a person's behavior in taking risks. Risk as one of the considerations in investment decisions with beneficial or adverse consequences is referred to as investment risk (Lucarelli & Brighetti, 2011). Consideration of risk taking in a business is very important in mitigating business failure (Gilmore et al., 2004). Risky financial decisions consist of business risk, operating risk and financial risk (Brigham & Houston, 2017). Business risk is the level of risk faced by the company if the level of results obtained is volatile or uncertain. Operational risk is the risk arising from the use of the company's fixed costs. Financial risk is the risk that arises from the use of debt by the company.

Risky financial decisions are influenced by financial literacy (Bannier & Neubert, 2016). Financial literacy is the level of knowledge, skills and public confidence regarding financial institutions and their products and services as outlined in the index size parameter (Sabri & Juen, 2014). Financial literacy helps investors in providing an understanding of managing finances and opportunities to achieve a more prosperous lifein Centurywhich will come. Disney & Gathergood (2013), have conducted research on the effect of financial literacy on consumer credit portfolios and found results where people who have low financial literacy are less interested in taking actions that can improve their welfare. Hsiao & Tsai (2018) examined the effect of financial literacy on the level of participation in the derivatives market and found that financial literacy had a positive effect on participation in the derivatives market. The same thing was also found by Mouna & Jarboui (2015), where financial literacy was found to have a significant impact on the diversity of assets included in their portfolio.

Based on the above background and the existing research gap, a study was conducted on the Effect of Financial Literacy and Personality on Risk Tolerance and Risky Financial Decisions in Micro, Small and Medium Enterprises in Bali.

LITERATURE REVIEW

Prospect Theory (prospect theory) was first developed by Daniel Kahneman and Amos Tversky in the early 1980s where basically this theory includes two disciplines, namely psychology and economics (psycho-economics) which is an analysis of a person's behavior in making economic decisions between two options. Prospect theory focuses on how real decisions are made (descriptive approach).

This theory is also used to measure (measurement perspective) the behavior of people or organizations in making decisions (Mahastanti & Wiharjo, 2012). The prospect theory is in line with the financial mindset that focuses on making financial decisions that are right on target, so that with this theory it can help practice related to decision making and can mitigate risks that can be detrimental as a result of making a decision (Wakker, 2008; Barberis, 2012).

Risk tolerance is the level of variability of investment returns that investors are willing to bear. Risk tolerance is an important factor in investing. If we want to invest, then we must also have a realistic understanding of the capabilities and expectations of driving a large leap in the value of our investment (Gable, 2016).

According to OJK (Financial Services Authority), financial literacy (*financial literacy*) is a series of processes or activities to increase the knowledge, confidence, and skills of consumers and the wider community so that they are able to manage finances well. In short, financial literacy can also be interpreted as knowledge or ability to manage finances. With good financial literacy, we can be helped to achieve financial prosperity. Lucarelli & Brighetti (2011) confirm the relationship between financial literacy and risky financial decisions where they state that there is a high correlation between financial knowledge, the financial profession and the

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organization of the decision-making process both independently and with advice from financial advisors.

Research Hypothesis

H1 : Financial literacy has a positive effect on risk tolerance.
H2 : Financial literacy has a positive effect on risky financial decisions.
H3 : Extraversion positive effect on risk tolerance.
H4 : Agreeableness positive effect on risk tolerance.
H5 : Conscientiousness positive effect on risk tolerance.
H6 : Neurocitism positive effect on risk tolerance.
H7 : Openness positive effect on risk tolerance.
H8 : Extraversion positive effect on risky financial decisions.
H9 : Agreeableness positive effect on risky financial decisions.
H10: Conscientiousness positive effect on risky financial decisions.
H11: Neurocitism positive effect on risky financial decisions.
H12: Openness positive effect on risky financial decisions.
H13: Risk tolerance has a positive effect on risky financial decisions.

RESEARCH METHODS

The research locations in this study were all regencies/cities in the province of Bali. namely in 9 (nine) Regencies/Cities. The reason for choosing locations in all regions in the Province of Bali is because Bali is one of the areas with tourism dynamics with great potential and support for the growth of the MSME sector spread across various regions. The population in this study were all MSMEs in the province of Bali, totaling 326,009 (according to data from the Bali Province 2018 Cooperatives and Micro, Small and Medium Enterprises/MSMEs) spread across all regencies or cities in Bali in 2020.

According to Cohen, et al., (2007) the larger the sample from the existing population, the better, but there is a minimum number that must be taken by researchers, which is as many as 30 samples. As stated by Bailey (1994) which states that for research using statistical data analysis, the minimum sample size is 30. Roscoe (1975) and also quoted by Sekaran & Bougie (2013) states several guidelines for determining sample size, namely in multivariate research. (including multiple regression analysis and SEM) where the sample size should be 10 times larger than the number of variables in the study.

The sampling technique used in this research is purposive sampling method. According to Cooper & Schindler (2014). The sample in the purposive sampling technique is determined based on predetermined criteria or limits. The purpose of the purposive sampling technique is to obtain a sample based on certain considerations with predetermined criteria with the aim of obtaining a representative sample that can represent the nature of the population.

Financial Literacy (X_4) Measurement of financial literacy is carried out by giving questionnaires containing several questions to respondents with the contents of the questions asking or testing respondents' financial abilities using the measurement developed by Lusardi & Mitchell (2007), known as the big three. Financial literacy indicators according to Lusardi & Mitchell (2007) are: 1) interest rate calculation, 2) inflation rate calculation and 3) stock risk calculation, Measurement of risky financial decisions is carried out by taking into account the indicators of Brigham & Houston (2017). : 1) business risk, 2) financial risk, 3) operating risk.

The analytical technique used to answer the hypothesis in this study is SEM (Structural Equation Modeling. Partial Least Square (PLS) is a powerful analytical method and is also referred to as soft modeling because it eliminates the assumption of Ordinary Least Square (OLS) such as normal data distribution and the absence of multicollinearity problem between exogenous variables (Ghozali & Latan, 2015).

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RESULTS AND DISCUSSION

Data Analysis Results

Table 1
STATISTICAL TEST RESULTS DIRECT RELATIONSHIP BETWEEN VARIABLES
PATH COEFFICIENTS

	X1 (LK)	X2 (EXT)	X3 (AGR)	X4 (CONS)	X5 (NEU)	X6 (OPN)	Y1 (TR)	Y2 (KKB)
Y1 (TR)	-0.068	-0.102	-0.076	0.085	-0.137	0.071		
Y2 (KKB)	-0.277	-0.107	-0.105	0.114	0.067	0.153	0.174	

Source: Analysis Results, 2020

Table 2
STATISTICAL TEST RESULTS DIRECT RELATIONSHIP BETWEEN VARIABLES P VALUE

	X1 (LK)	X2 (EXT)	X3 (AGR)	X4 (CONS)	X5 (NEU)	X6 (OPN)	Y1 (TR)	Y2 (KKB)
Y1 (TR)	0.162	0.168	0.133	0.107	0.022	0.150		
Y2 (KKB)	<0.001	0.059	0.063	0.047	0.167	0.012	0.005	

Source: Analysis Results, 2020

Table 3
STATISTICAL TEST RESULTS INDIRECT RELATIONSHIP BETWEEN VARIABLES PATH COEFFICIENTS

	P values of indirect effects for paths with 2 segments							
	X1 (LK)	X2 (EXT)	X3 (AGR)	X4 (CONS)	X5 (NEU)	X6 (OPN)	Y1 (TR)	Y2 (KKB)
Y2	0.405	0.359	0.393	0.381	0.314	0.400		

Source: Analysis Results, 2020

Hypothesis Testing Results

Hypothesis 1: Financial Literacy has a Positive Effect on Risk Tolerance

The first hypothesis analyzed in this study is the effect of financial literacy (X1) on risk tolerance (Y2). Based on the results of the statistical test of the direct relationship between variables, it can be explained that the estimated coefficient of the relationship between financial literacy and risk tolerance is -0.068 in a negative direction. This means that the relationship between financial literacy and risk tolerance has the opposite effect, namely increasing financial literacy can reduce risk tolerance. This relationship is indicated by a P Value of 0.162 which is greater than 0.05. This condition indicates that financial literacy has a negative and insignificant effect on risk tolerance.

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Hypothesis 2: Financial Literacy has a Positive Effect on Risky Financial Decisions

The second hypothesis analyzed in this study is the effect of financial literacy (X1) on risky financial decisions (Y2). Based on the results of the statistical test of the direct relationship between variables, it can be explained that the estimated coefficient of the relationship between financial literacy and risky financial decisions is -0.277 in a negative direction. This means that the relationship between financial literacy and risky financial decisions has the opposite effect, namely increasing financial literacy can reduce risky financial decisions. This relationship is indicated by P Value<0.001 which is smaller than 0.05. This condition indicates that financial literacy has a negative and significant effect on risky financial decisions.

Hypothesis 3: Extraversion Positive Effect on Risk Tolerance

The third hypothesis analyzed in this study is the effect of extraversion (X2) on risk tolerance (Y1). Based on the results of the statistical test of the direct relationship between variables, it can be explained that the estimated value of the coefficient on the relationship between extraversion and risk tolerance is -0.102 in a negative direction. This means that the relationship between extraversion and risk tolerance has the opposite effect, namely increasing extraversion can reduce risk tolerance. This relationship is indicated by a P Value of 0.068 which is greater than 0.05. This condition indicates that extraversion has a negative and insignificant effect on risk tolerance.

Hypothesis 4: Agreeableness Positive Effect on Risk Tolerance

The fourth hypothesis analyzed in this study is the effect of agreeableness (X3) on risk tolerance (Y1). Based on the results of the statistical test of a direct relationship between variables, it can be explained that the estimated coefficient of the relationship between agreeableness and risk tolerance is -0.076 in a negative direction. This means that the relationship between agreeableness and risk tolerance has the opposite effect, namely increasing agreeableness can reduce risk tolerance. This relationship is indicated by a P Value of 0.133 which is greater than 0.05. This condition indicates that agreeableness has a negative and insignificant effect on risk tolerance.

Hypothesis 5: Conscientiousness Positive Effect on Risk Tolerance

The fifth hypothesis analyzed in this study is the effect of conscientiousness (X4) on risk tolerance (Y1). Based on the results of the statistical test of the direct relationship between variables, it can be explained that the estimated coefficient of the relationship between conscientiousness and risk tolerance is 0.085 in a positive direction. This means that the relationship between conscientiousness and risk tolerance has a unidirectional effect, namely increasing conscientiousness can increase risk tolerance. This relationship is indicated by a P Value of 0.107 which is greater than 0.05. This condition indicates that conscientiousness has a positive and insignificant effect on risk tolerance.

Hypothesis 6: Neurocitism Positive Effect on Risk Tolerance

The sixth hypothesis analyzed in this study is the effect of neurocitism (X5) on risk tolerance (Y1). Based on the results of the statistical test of a direct relationship between variables, it can be explained that the estimated coefficient of the correlation between neurocitism and risk tolerance is -0.137 in a negative direction. This means that the relationship between neurocitism and risk tolerance has the opposite effect, namely increasing neurocitism

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can reduce risk tolerance. This relationship is indicated by a P Value of 0.022 which is smaller than 0.05. This condition indicates that neurocitism has a negative and significant effect on risk tolerance.

Hypothesis 7: Openness Positive Effect on Risk Tolerance

The seventh hypothesis analyzed in this study is the effect of openness (X6) on risk tolerance (Y1). Based on the results of the statistical test of the direct relationship between variables, it can be explained that the estimated coefficient of the relationship between openness and risk tolerance is 0.071 in a positive direction. This means that the relationship between openness and risk tolerance has a unidirectional effect, namely increasing openness can increase risk tolerance. This relationship is indicated by a P Value of 0.150 which is greater than 0.05. This condition indicates that openness has a positive and insignificant effect on risk tolerance.

Hypothesis 8: Extraversion Positive Effect on Risky Financial Decisions

The eighth hypothesis analyzed in this study is the effect of extraversion (X2) on risky financial decisions (Y2). Based on the results of the statistical test of the direct relationship between variables, it can be explained that the estimated coefficient of the relationship between extraversion and risky financial decisions is -0.107 in a negative direction. This means that the relationship between extraversion and tolerance for risky financial decisions has the opposite effect, namely increasing extraversion can increase risky financial decisions. This relationship is indicated by a P Value of 0.059 which is greater than 0.05. This condition indicates that extraversion has a negative and insignificant effect on risky financial decisions.

Hypothesis 9: Agreeableness Positive Effect on Risky Financial Decisions

The ninth hypothesis analyzed in this study is the effect of agreeableness (X3) on risky financial decisions (Y2). Based on the results of the statistical test of the direct relationship between variables, it can be explained that the estimated coefficient of the relationship between agreeableness and risky financial decisions is -0.105 in a negative direction. This means that the relationship between agreeableness and risky financial decisions has the opposite effect, namely increasing agreeableness can increase risky financial decisions. This relationship is indicated by a P Value of 0.063 which is greater than 0.05. This condition indicates that agreeableness has a negative and insignificant effect on risky financial decisions.

Hypothesis 10: Conscientiousness Positive Effect on Risky Financial Decisions

The tenth hypothesis analyzed in this study is the effect of conscientiousness (X4) on risky financial decisions (Y2). Based on the results of the statistical test of the direct relationship between variables, it can be explained that the estimated coefficient of the relationship between conscientiousness and risky financial decisions is 0.114 in a positive direction. This means that the relationship between conscientiousness and risky financial decisions has a unidirectional effect, namely increasing conscientiousness can increase risky financial decisions. This relationship is indicated by a P Value of 0.047 which is smaller than 0.05. This condition shows that conscientiousness has a positive and significant effect on risky financial decisions.

Hypothesis 11: Neurocitism Positive Effect on Risky Financial Decisions

The eleventh hypothesis analyzed in this study is the effect of neurocitism (X5) on risky financial decisions (Y2). Based on the results of the statistical test of the direct relationship between variables, it can be described that the estimated coefficient of the relationship between neurocitism and risky financial decisions is 0.067 in a positive direction. This means that the

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relationship between neurocitism and risky financial decisions has a unidirectional effect, namely increased neurocitism can increase risky financial decisions. This relationship is indicated by a P Value of 0.167 which is greater than 0.05. This condition indicates that neurocitism has a positive and insignificant effect on risky financial decisions.

Hypothesis 12: Openness Positive Effect on Risky Financial Decisions

The twelfth hypothesis analyzed in this study is the effect of openness (X6) on risky financial decisions (Y2). Based on the results of the statistical test of the direct relationship between variables, it can be explained that the estimated coefficient of the relationship between openness and risky financial decisions is 0.153 in a positive direction. This means that the relationship between openness and risky financial decisions has a unidirectional effect, namely increasing openness can increase risky financial decisions. This relationship is indicated by a P Value of 0.012 which is smaller than 0.05. This condition shows that openness has a positive and significant effect on risky financial decisions.

Hypothesis 13: Risk Tolerance has a Positive Effect on Risky Financial Decisions

The thirteenth hypothesis analyzed in this study is the effect of risk tolerance (Y1) on risky financial decisions (Y2). Based on the results of the statistical test of the direct relationship between variables, it can be explained that the estimated coefficient of the risk tolerance relationship with risky financial decisions is 0.174 in a positive direction. This means that the relationship between risk tolerance and risky financial decisions has a unidirectional effect, namely increasing risk tolerance can increase risky financial decisions. This relationship is indicated by a P Value of 0.005 which is smaller than 0.05. This condition indicates that risk tolerance has a positive and significant effect on risky financial decisions.

DISCUSSION

Based on the results of data processing, it was found that the interest rate calculation indicator (X1.1) with the largest loading value was 0.778. The owners and managers of MSMEs perceive that the calculation of the interest rate is the highest in shaping financial literacy even though it has an average value of 2.02 (the lowest average value among other indicators). However, the average value of the indicator for calculating the inflation rate (X1.2) with the calculation of stock risk (X1.3) is not much different, namely with a value of 2.97 and 2.39. This means that MSME owners and managers have correctly perceived financial literacy through calculating interest rates, calculating inflation rates and calculating stock risk.

Based on Table 3 the Business risk indicator (Y2.1) with the highest loading value of 0.780. MSME owners and managers perceive that Business risk is the highest in forming risky financial decisions even though with an average value of 3.24 (the lowest average value among other indicators). However, the average value of the Financial risk indicator with Operating risk is not much different, namely with a value of 3.58 and 3.31. This means that the owners and managers of MSMEs correctly perceive risky financial decisions through Business risk, Financial risk and Operating risk.

Based on the above discussion, it can be concluded that the most prominent indicator of financial literacy is the calculation of interest rates and the most prominent indicator of risky financial decisions is business risk. This study found that financial literacy had no effect on risk tolerance. These results indicate that the increasing financial literacy of MSME owners and managers in Bali as reflected by calculating interest rates, calculating inflation rates and calculating stock risk cannot increase risk tolerance as measured by lottery. The respondent's knowledge of the interest rate has no effect on the gambling choices presented in the questionnaire, respondents who understand the interest rate are not encouraged to take risky

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choices that are not in accordance with the results of previous studies because with an understanding of interest rates, respondents become more picky in investing. The findings of this study reinforce the findings of Jonsson, et al., (2017) who found that Financial Technical Knowledge in this case indicated by the ability to calculate interest rates had no effect on reducing disposition bias and risk attitude.

The effect of extraversion on risk tolerance In this study it was found that extraversion had no effect on risk tolerance. These results indicate that the increase in extraversion among MSME owners and managers in Bali as measured by the big five personality test cannot increase risk tolerance. Extraversion personality type is a personality type that likes to get along, easy to socialize and lives in groups, where individuals who like to get along do not tend to choose risky choices because they are busy with socializing so they don't have the attention to pursue risks.

The effect of neurocitism on risk tolerance In this study it was found that neurocitism had a negative effect on risk tolerance. These results indicate that increasing neurocitism in MSME owners and managers in Bali as measured by the big five personality test can reduce risk tolerance. This personality type is a personality type that tends to be nervous, easy to complain and has fear. This personality type has a negative effect on risk tolerance because according to logic, people who tend to be nervous and complain tend to avoid risk. The research findings that personality affects risk tolerance are in accordance with the findings of Shabgou & Mousavi (2016).

The effect of openness on risk tolerance in this study found that openness has no effect on risk tolerance. These results indicate that the increased openness of MSME owners and managers in Bali as measured by the big five personality test cannot increase risk tolerance. This personality type is a personality type that is creative, imaginative and has a high curiosity. This personality type also does not tend to choose risky choices because their attention is on novelty and not on actual risky choices.

The research finding that personality has no effect on risk tolerance is in accordance with the findings of Bakar & Yi (2016) where it is found that the psychological factor of herding does not have a significant impact on investor decision making. in the marketMalaysian stock. Aren & Zengin (2016) also found contradictory results where the personality trait mentioned was not an important factor in determining investment choices.

The effect of financial literacy on risky financial decisions in this study found that financial literacy has a negative effect on risky financial decisions. These results indicate that increasing financial literacy of MSME owners and managers in Bali can reduce risky financial decisions. The results of this study are contradictory to the theory which can be caused because someone understands interest rates and financial calculations so that people are afraid to invest.

The effect of extraversion on risky financial decisions in this study found that extraversion has no effect on risky financial decisions. These results indicate that the increased extraversion of MSME owners and managers in Bali cannot increase risky financial decisions. Extraversion is an extroverted personality type that is the most social personality type. Individuals with this personality type tend to judge that they will not take high risks. The research findings that personality has no effect on risky financial decisions are in accordance with the findings of Bakar & Yi (2016) where it is found that the psychological factor of herding does not have a significant impact on investor decision making in the Malaysian stock market.

The effect of agreeableness on risky financial decisions in this study found that agreeableness has no effect on risky financial decisions. Agreeableness is a personality type that tends to follow most other people where this personality type perceives itself not to take risks because this personality type is only comfortable with following other people and is reluctant to take risks. The research findings that personality has no effect on risky financial decisions are in accordance with the findings of Bakar & Yi (2016) where it is found that the psychological factor of herding does not have a significant impact on investor decision making in the Malaysian stock market.

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The effect of conscientiousness on risky financial decisions in this study found that conscientiousness has a positive effect on risky financial decisions. These results indicate that the increased conscientiousness of MSME owners and managers in Bali can increase risky financial decisions. Conscientiousness personality type is a personality type that tends to be careful and calculating, this personality type perceives itself to be taking financial risks which can be caused because it is logically calculated that people need to take risks to get higher returns. The research findings that personality influences risky financial decisions are in accordance with the findings of Shabgou & Mousavi (2016).

The effect of risk tolerance on risky financial decisions in this study found that risk tolerance has a positive effect on risky financial decisions. These results indicate that increasing risk tolerance for MSME owners and managers in Bali can increase risky financial decisions. The highest score for risky financial decisions is financial risk where a person's gambling choice is correlated with the perceived risk they will take. This study finds that financial literacy has a negative effect on risk taking because the more people know about financial concepts and the concept of calculating profits, the more afraid and picky they are. choose someone for an investment. Conscientiousness has a positive effect on risk taking. Conscientiousness

CONCLUSIONS AND SUGGESTIONS

The findings of this study, especially the results of research on the influence of personality factors, can provide validation and confirmation of behavioral finance theories that can increase validity and can expand the repertoire of behavioral finance theories. The influence of conscientiousness on risky financial decisions, the effect of neurocitism on risk tolerance and the influence of openness on risky financial decisions can form a new theory where risky decisions are influenced by one's personality. The theoretical implication in this study is that it can strengthen previous empirical studies researched by Mahmood (2015); Lemaster & Strough (2013); Lin & Lu (2015); Shabgou & Mousavi (2016); Wong & Carducci (2016); Aren & Zengin (2016); Lingesiya & Navaneethakrishnan (2014).

This research is basic research considering that management science is a relatively young discipline. Applied research that has practical implications requires well-established basic research foundations. The practical implications of basic research are difficult to see instantly, but this research can provide guidance for MSME owners and managers to choose business partners as well as for prospective company founders to find where potential business partners are given the requirements to establish PT. must be founded by more than one person. This research also makes it easier for company leaders (including MSME leaders) to recruit managers and employees who are given broad delegation of authority to manage risk.

CONCLUSIONS AND SUGGESTIONS

Conclusion

Based on the research discussion, it can be concluded that:

1) Financial literacy has no effect on risk tolerance. This means that understanding the interest rate, inflation rate and risk cannot encourage people to have a risk tolerance of MSMEs in Bali
2) Financial literacy has a negative effect on risky financial decisions. This shows that understanding interest rates, inflation rates and risks cannot cause MSMEs in Bali to dare to take risky financial decisions.
3) Personality factor that directly influences risk tolerance is neurocitism. While conscientiousness and openness have a positive effect on risky financial decisions.
4) Risk tolerance has a positive effect on risky financial decisions. This means that increasing risk tolerance can cause MSMEs in Bali to dare to take risky financial decisions.
5) Risk tolerance cannot mediate the influence of financial literacy on risky financial decisions of MSMEs in Bali.

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6) Risk tolerance cannot mediate the influence of personality factors on risky financial decisions of SMEs in Bali.

Suggestion

Based on the research results obtained, the following suggestions can be given:

1) For future researchers to be able to use other variables not examined in this study, such as income variables, wealth level, age, education level, citizenship and ethnicity in relation to risky financial decisions.
2) For companies in general to pay attention to personality types *conscientiousness*and openness in finding business partners that contain high risks and avoiding other personality types, especially the neurocitism personality element. To be able to work together and start a business, it takes courage to bear the risks and conditions for the establishment of PT. must be established by more than one person so that the factors that influence risk taking need to be considered.
3) For MSMEs, to be able to increase *risk taking*So that companies can obtain higher profits and can expand their business more broadly, MSMEs should pay attention to the conscientiousness and openness personality factors in recruiting employees or in collaborating with business partners. The factor with the highest influence is financial literacy, which can be applied by taking into account the level of understanding of business partners and prospective managers who are recruited.
4) For the Government, the government in the interest and effort to improve and create entrepreneurs for the sake of economic progress needs to provide financial assistance for risk takers by taking into account conscientiousness and openness personality. The factor with the highest influence is financial literacy, which can be applied by taking into account the level of financial understanding of prospective grantees so that the program for creating new MSMEs can run smoothly.

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