The Influence of Financial Literacy and Income Level on UMKM Financial Management
(Case Study of Tanjung Pering Village, Nourth Indralaya Sub-District)

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A R T I C L E I N F O

ABSTRACT

Managing finances is managing wealth to generate profits and utilizing sources of capital to finance the business. Financial literacy is a person's knowledge or understanding of the basic concepts of finance in managing finances to make decisions. The level of income is a unit of level that comes from the income of profits generated from the sale of goods and services within a certain period of time. This study aims to determine the effect of financial literacy and income levels on MSME financial management in Tanjung Pering Village, North Indralaya District. This research uses a quantitative method with a descriptive research type. The sample of this study were 97 MSME actors. Data collection techniques in this study using a questionnaire. The proposed hypothesis was tested using multiple linear regression analysis, coefficient of determination, simultaneous, partial. Based on the results of the hypothesis, it shows that financial literacy and income levels have a positive and significant effect on MSME financial management. The results of the t test show a financial literacy value of 4.088 and an income level of 12.475, which has a positive and significant impact on MSME financial management in Tanjung Pering Village.

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1. INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs), are productive businesses owned by individuals or business entities that have met the criteria as micro enterprises. In accordance with Law No. 20/2008, it is explained that the law regulates micro, small and medium enterprises (BPK RI, 2008). MSMEs are one of the foundations of the country's economy and can contribute to increasing people's income from the lower and middle classes and even the Gross Domestic Product (GDP). Financial management is a discipline that studies financial management both in terms of finding sources of funds, allocating funds, and sharing profits (Nadri, 2022). MSME actors generally only make simple records in the form of income and expenses. Some even do not record the rent of the place as a business expense, so that the business appears to make a large profit because the expenses are not recorded properly (Fatwitawati, 2018). Limited access to capital, information

technology, markets, uncertainty of business legality are still problems currently faced by MSMEs, which generally occur in addition to limited quality human resources, weak business networks, market penetration capabilities, managerial skills, a less conducive climate, and low financial management knowledge or financial management. This problem is caused by the self-assessment ability of MSME managers in managing finances which is still very low. Most MSMEs are not legally incorporated, and have limited operational access, MSMEs that are not armed with entrepreneurial knowledge, and financial management will experience slow development. Strategic efforts are needed to improve the performance and sustainability of MSMEs. Therefore, so that MSME actors can survive and continue to increase, one of the ways that can be done is to enrich the knowledge of MSME actors about financial knowledge so that financial management and accountability can be better accounted for.

Financial literacy affects the way a person thinks about a financial condition and can affect making the right and strategic decisions in finance and good management for business people. Having financial literacy skills allows individuals to make informed decisions regarding financial management and minimize errors in financial matters (Bahiu et al., 2021). The more MSME players who are well literate, the greater the financial transactions that can be created. Based on the results of the third National Financial Literacy Survey (SNLIK) conducted by the Financial Services Authority (OJK) every three years, in 2022 the financial literacy index reached 49.68%, this figure increased compared to the 2019 survey results, namely the financial literacy index of 38.03% (Financial Services Authority, 2021).

Revenue is an increase or increase in assets and a decrease or reduction in the company's liabilities as a result of operating activities or the provision of goods and services to the public or consumers in particular (Suranto, Ricard., Hafied, Ibrahim., 2020). Income level is one of the criteria for whether a region is developed or not. Based on the Ogan Ilir Central Statistics Agency (BPS). In 2018 the economic growth of Ogan Ilir Regency reached 5.18%, in 2019 the economic growth of Ogan Ilir Regency reached 5.19%. While economic growth in 2020 amounted to 0.14 percent. With good mastery of financial literacy, business people can utilize their increased business income for more productive investments, rather than being used for consumptive things so that this will also move the economy. In addition, with the understanding possessed by MSME actors related to financial literacy, it is very helpful for business actors in the use of financial services products. Business actors in the use of financial service products such as making deposits in banks, loans or credit, making investments, and managing their finances related to managing business sources of funds, making budget plans, and making financial reports properly.

Based on interviews conducted with Mr. Bukhori, one of the MSME actors in Tanjung Pering village, many who run their businesses do not manage finances properly, resulting in losses that often occur in their businesses. Most of the problems that occur in MSME players in Tanjung Pering village cannot determine the selling price and only follow market trends in Tanjung Pering Village, so that the sales results do not generate maximum profit. In addition, MSME players in Tanjung Pering village have not recorded their finances in accordance with accounting standards. So that it causes difficulty in calculating the profit and loss that can be signaled by financial mergers. Financial literacy in financial management and income levels can be a problem in MSME activities because MSME owners ignore the importance of financial literacy that MSME actors or prospective MSME actors must have in managing their business finances, especially with regard to applying correct accounting to financial management. This problem usually arises because the knowledge and information of MSME actors regarding accounting is very limited, the educational background of MSME actors also affects the level of knowledge of MSME actors. Most of the MSME actors, when the owner gets income from customers, it is immediately used to buy routine raw materials every month. There is no separation of personal money and money from the business. So that MSME actors do not clearly know the financial condition of their business. This is an obstacle for MSMEs in Tanjung Pering Village, North Indralaya District to develop their business and increase their income.

The grand theory used in this research is Theory of Planned Behavior that knowledge is one of the background factors for a person to take action in the control beliefs category. This behavior will form a habit that can improve one's welfare.

2. RESEARCH METHOD

This research uses a quantitative approach. The data used by the author in this study is primary data. Primary data was obtained by the author directly from the object of research, namely Micro, Small and Medium Enterprises (MSMEs) actors in Tanjung Pering Village, North Indralaya District, totaling 97 MSME actors. Primary data sources in this study were obtained from respondents through observation, interviews and questionnaire distribution techniques, the objects in this study were MSME actors in Tanjung Pering.

3. RESULTS AND DISCUSSIONS

3.1 The Effect of Financial Literacy and Income Level on Financial Management of MSMEs in Tanjung Pering Village

The results of data analysis with the F test show the calculated F value of 79.044 with a probability of 0.000 and a sig F value <0.05. Because 0.000 <0.05, Ho is rejected. So the financial literacy variable and income level have a significant influence on the financial management of MSMEs in Tanjung Pering Village. The results of this study also show that financial literacy and income levels both have an effect on financial management. By observing the t and sig columns, it can be seen from the significant financial literacy (X1) and income level (X2) of 0.000 <0.050 the t table value is 1.985. This means that the t value of financial literacy is greater than the t table 4,088> 1,985 and the income level is 12,475> 1,985. So that there is an effect of financial literacy and income level on the financial management of MSMEs partially accepted. The results of this study are in line with research conducted by (Bachtiar, 2022) Simultaneously there is a positive influence of financial literacy and specialist auditors on financial management behavior at the Malang City Social Service.

3.2 The Effect of Financial Literacy on Financial Management of MSMEs in Tanjung Pering Village

The results of hypothesis testing in this study state that financial literacy (X1) has a positive influence on the financial management of MSMEs, with a positive regression coefficient, which means that if financial literacy is higher, it will result in better financial management of MSMEs. The results of multiple linear regression analysis show that the regression coefficient value of financial literacy is 0.196, meaning that if there is an increase in the financial literacy variable (X1) by 1%, financial management will increase by 0.196. The regression coefficient is positive which indicates that the effect of the financial literacy variable (X1) on variable Y is in the same direction with a significance level of 0.000 or smaller than 0.05. The test results in table 4.13 by observing the t and sig columns, it can be seen from the significant financial literacy (X1) 0.000 <0.050 t table value of 1.98552. This means that the calculated t value of financial literacy is greater than the t table 4.088> 1.985. So that there is an effect of financial literacy on the financial management of MSMEs partially accepted and has a positive effect. The results of this study are in line with research conducted by (Ilham Nugraha, 2020) which states that positively and significantly the financial literacy variable regarding basic financial knowledge, savings and credit on MSME financial management is also increasing.

3.3 The Effect of Income Level on Financial Management of MSMEs in Tanjung Pering Village

The results of multiple linear analysis show that the regression coefficient value of income level is 0.699, meaning that if there is an increase in the income level variable (X2) by 1%, the financial management of MSMEs in Tanjung Pering Village will increase by 0.699. The test results of table 4.13 by observing the t and sig columns, it can be seen from the significant income level (X2) 0.000 <0.050 the t table value is 1.985. This means that the t value of the income level is 12.475> 1.985. So that there is an effect of financial literacy and income level on MSME financial management partially accepted and has a positive effect. Based on the collection of respondent data, this mindset about income levels will help MSME actors guide their actions and behavior in their business income.

The results of this study are the same as research conducted by (Adipati, 2018) that the income level of five MSMEs in Makassar City was influenced by 96.8% by KUR distribution. KUR distribution has a significant effect on increasing the income of five MSMEs in Makassar City. The five MSMEs are CV KMAS, Lakuttu Screen Printing and Convection, Kabaya Clothing, Madesneur Convection, and Abrar Moeslim Apparel. After receiving KUR assistance, their income increased significantly because the entrepreneurs used the funds obtained effectively.

4.   CONCLUSION

This study aims to determine the effect of financial literacy and income level on financial management of MSMEs in Tanjung Pering Village, North Indralaya District. The sample in this study were MSME actors in Tanjung Pering Village who were taken using the slovin method obtained 97 respondents. Based on the results of research and discussion that has been carried out in the previous chapter, namely on the effect of financial literacy and income levels on the financial management of MSMEs in Tanjung Pering Village, it can be concluded that: Based on the results of the hypothesis, it shows that the variables of financial literacy and income level have a positive and significant influence on the financial management of MSMEs in Tanjung Pering Village. financial management of MSMEs in Tanjung Pering Village. There is a positive and significant influence of financial literacy variables and income levels on the financial management of MSMEs in Tanjung Pering village. This means that the higher the financial literacy and knowledge of income levels, the financial management of MSMEs will also increase. The financial literacy variable has a positive and significant effect on the financial management of MSMEs in Tanjung Pering Village based on the results of the t test. The results of the analysis based on multiple linear regression tests have a positive and significant effect on the income level variable.

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