Analysis Of Business Financial Management in Small and Medium Enterprises

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Abstract. Financial management is important for MSME owners to implement in good bussines performance. MSME enterprises that have well-managed and precisely reported finances will benefit the MSME business itself [1]. Financial technology, financial literacy, financial understanding, and financial management behavior are some of the indicators of firm financial management that this research looks at. **Purpose:** Based on the entrepreneurship and finance theories, this study aims to analyze of business financial management in small and medium enterprises. **Methodology:** Two different data types were employed in this study: primary and secondary data. The proprietors of the Semarang-based culinary SME comprised the study population. Using a purposive approach to saturation sampling, or 98 sampling, non-probability sampling was used as the sample technique. This study described a current symptom and incident using a quantitative descriptive method. and determining the connection between financial management and company performance through regression analysis. **Principal results**: The results showed that financial knowledge had best result, and financial literacy had the worsh result. And the results showed that financial literacy, financial knowledge, financial management behavior, and financial technology dimension had a positive effect on the business performance of culinary SMEs. **Major conclusions**: The improvement in the performance of Culinary SMEs is influenced by the Financial Management, with indicator such as financial literacy, financial knowledge, financial management behavior, and financial technology. **Contributions to the field:** This study contributes to the field of research by examining financial management variable and company performance indicator indicators. Key elements of the research: This research differs from other studies in that it uses a different and broader research object, as well as different independent factors.

Keywords: Financial Management, Business Performance, SMEs.

1 Introduction

Micro, small, and medium enterprises (SMEs) are a cornerstone of economic development, especially in Indonesia. Despite the significant role SMEs play in Indonesia's development, it cannot be denied that they are highly vulnerable to economic changes. This vulnerability and susceptibility to failure arise because many SMEs do not have well-organized financial management. This issue occurs because

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many SME owners need more financial management knowledge. The lack of financial planning impacts business sustainability. Effective financial management requires knowledge about finance [2].

This research highlights that not all SME entrepreneurs grasp the significance of financial management in business performance. Small business owners often need more skills and knowledge in management, especially in finance. Many have not mastered accurate financial reporting. Typically, SME entrepreneurs only track cash inflows and outflows, with some not keeping any records.

Business performance is the accomplishment of a program, activity, or policy in achieving the objectives, vision, and mission of an organization as stated in its strategic planning [3]. Meanwhile, financial management involves the planning, managing, storing, and controlling funds or assets. Financial management is a crucial driver in meeting needs and achieving financial satisfaction.

Several previous studies highlight the importance of financial management for business performance. Financial management is one of the issues threatening the sustainability of SMEs [4]. Research examining the impact of financial management behavior on performance found that such behavior affects financial performance [5]. Therefore, SME entrepreneurs must understand financial literacy and how to manage their finances. Financial management behavior is defined by [6] and [8] as obtaining, allocating, and determining. This conduct is related to a person's financial responsibility in managing financial operations [9].

This research aims to understand the financial management systems of SMEs and their impact on business performance. Financial management indicators include financial literacy, financial knowledge, financial management behavior, and financial technology.

2 THEORETICAL REVIEW

SMEs with good financial management will see improved business performance. They can maintain and even enhance their business performance.

2.1 Business Performance

Business performance refers to evaluating a business or organization's effectiveness in achieving its strategic objectives. It encompasses various aspects that illustrate how effectively and efficiently an organization operates and meets its desired outcomes. One of the main elements that shape business performance is finance. Financial aspects in business include evaluating financial performance, such as revenue, net profit, profit margins, and operational expenses. This also includes analysis of cash flow, liquidity, and asset management. Analyzing business performance helps management make better decisions, identify improvement areas, and maximize the company's growth potential.

2.2 Management finance

Management is the process of planning, organizing, executing, and controlling organizational resources to achieve organizational goals effectively and efficiently [10]. Finance can be defined as the art and science of managing money [11]. Financial management involves planning, organizing, executing, and controlling an organization's funds. It encompasses various activities such as budgeting, liquidity, financing, risk management, investment analysis, and financial reporting. This is important not only for large companies or organizations but also for individuals managing their finances. With adequate financial management, entities or individuals can organize their income and expenses more systematically, identify suitable investment opportunities, and avoid financial issues that could threaten long-term financial stability.

The Theory of Planned Behavior (TPB) assumes that humans behave by considering available information and explicitly considering the consequences of their actions. The Theory of Planned Behavior is a psychological theory that explains human behavior in decision-making contexts. It can be applied in various contexts, including financial management. Traditional financial theory treats financial markets and their participants as rational subjects [1]. Financial management means an individual's belief in their ability to manage a budget, make proper investments, or avoid unnecessary debt. These beliefs influence their level of independence in making financial decisions.

2.3 Financial Literacy and Business Performance

Financial management in business requires a high level of financial literacy. To lower the possibility of financial management mistakes, SMEs must increase their level of financial literacy. The term "financial literacy" describes the ability people have to make sound financial decisions that will benefit their future economies. It includes the capacity to comprehend financial ideas and situations and to appropriately apply that understanding to action. Financial literacy is the awareness, information, skills, attitudes, and behaviors needed to make wise financial decisions, stick with them through time, and eventually reach personal financial well-being [1].

In his research on financial literacy and financial management behavior among students in Sri Lanka, found that, besides financial literacy related to money management, other dimensions, such as literacy in savings, investments, credit, and insurance, significantly and positively affect financial management behavior [13]. [14] also mentioned in their research that financial literacy significantly impacts business performance. Good financial literacy helps entrepreneurs understand the current value of money and its future impact. [15] demonstrated that financial literacy substantially influences financial management behavior. [16] stated that a significant relationship exists between financial literacy and students' financial management behavior, indicating that students with adequate knowledge of financial concepts will have a more prudent attitude toward managing their finances. [17] explained that the financial literacy level of entrepreneurial students at UNNES is moderate, and financial literacy influences business performance.

H_1: The impact of financial Literacy is significant on business performance of the SMEs.

2.4 Financial Knowledge and Business Performance

One's level of financial responsibility is directly correlated with their level of financial knowledge [18]. When someone practices responsible financial conduct, they typically budget, save, invest, and make on-time payments on all of their debts.

[19] researched the impact of financial knowledge, financial attitudes, and personality on financial management behavior among batik SME entrepreneurs in Bantul Regency. The results showed that the variables of financial knowledge, financial attitudes, and personality significantly influenced financial management behavior. In their study on factors affecting financial management behavior, [20] found that financial knowledge and secondary agents influence financial management behavior. [21] researched the impact of financial knowledge, financial attitudes, and personality on financial management behavior among culinary sub-sector SMEs in Malang Regency. The results indicated that financial knowledge affects financial management behavior, while financial attitudes and personality do not influence financial management behavior.

H_2: The impact of financial knowledge is significant on business performance of the SMEs.

2.5 Financial Management Behavior and Business Performance

One of the key ideas in the financial discipline is financial management behavior. Planning, budgeting, auditing, managing, regulating, locating, and storing daily financial funds are all included in the term "financial management" [22]. Financial behavior is a financial theory that disregard the role of individuals in the real world in making decisions and creating differences. Financial management behavior encompasses an individual's ability to manage (budgeting, planning, auditing, managing, controlling, searching for, and storing) funds or finances in everyday [22]. Financial behavior focuses on an individual's irrationality in making decisions, which can occur due to inappropriate management of information and the determination of decisions that are neither consistent nor optimal [23]. [24] explained that one of the challenges faced by SMEs in Indonesia is financial management behavior. An individual’s financial management behavior describes how someone's situation can influence their financial decision-making behavior [25].

The existence of financial management behavior is a result of someone’s desire to fulfill their daily needs according to their income level [26]. [27] found that financial management behavior (including habits, field, and gender) simultaneously affects financial performance. Meanwhile, habits alone have a significant positive effect on financial performance. Positive financial management behavior is an important goal that can be achieved by someone to make a decision [28]. Excellent financial management behavior is supported by the ability to effectively use financial tools to manage one's money well, which can increase economic benefits for the surrounding area [22].

H_3: The impact of financial management behavior is significant on business performance of the SMEs.

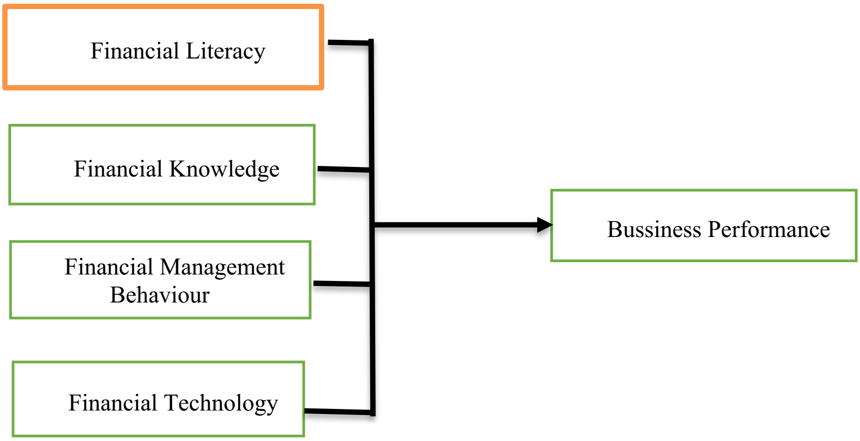
2.6 Financial Technology and Business Performance

Sustaining a company's financial management operations requires adequate technology. By giving consumers simple access to information on money management, including real-time management of income and expenses, fintech promotes financial health. Financial technology refers to technological innovations applied to financial services. It involves using information and communication technology to develop new solutions, enhance efficiency, and improve accessibility to financial services. Fintech encompasses various areas, including digital banking, electronic payments, robo-advisors, blockchain technology, peer-to-peer lending, online insurance, and more. The primary goal of fintech is to provide more efficient, affordable, and accessible financial services for individuals, businesses, and society at large. Fintech often disrupts traditional financial industries by offering faster, more flexible, and cost-effective digital alternatives compared to traditional methods. As technology evolves, fintech remains at the forefront of global financial industry transformation, enabling innovations and providing better solutions for financial service users worldwide.

[26] found that fintech payments positively influence financial management behavior among students in the Bandung Raya region. [29] conducted research showing that adopting mobile money services positively impacts SME performance due to the benefits of mobile money, such as versatility, cost savings, reduced time consumption, and user-friendliness. [30] found that SMEs often need more well-administered financial management practices before using and implementing financial management applications.

H_4: The impact of financial technology is significant on business performance of the SMEs.

Conceptual Framework



3 Methodology

Two different data types were employed in this study: primary and secondary data. The proprietors of the Semarang-based culinary SME comprised the study population. Non-probability sampling using a purposive sampling strategy of saturation sampling (98 sampling) was the method used for the sample. This study described a current symptom and incident using a quantitative descriptive method. This study described a current symptom and incident using a quantitative descriptive method. Regression analysis was used to examine the data and determine the connection between financial management and company performance.

3.1 Validity and Reliability

The researcher verified the validity and looked into the reliability of the test tool, which was a 5-point Likert Scale questionnaire, in order to conduct inferential testing. Through an expert evaluation, the validity of the questionnaire is evaluated. Furthermore, the validity of the innovativeness construct is guaranteed through the incorporation of elements from earlier research. The Cronbach's alpha statistic is used to assess the test items' internal consistency reliability. The results show that each of the four constructs : financial literacy, financial knowledge, financial management behavior, and financial technology, has a comparatively high degree of internal consistency (higher than 0.7).

Table 1. Validity testing

Variabel	Intrumen	R hitung	R tabel	Keterangan
X1	1	0.643	0.312	Valid
	2	0.545	0.312	Valid
	3	0.676	0.312	Valid
X2	1	0.667	0.312	Valid
	2	0.786	0.312	Valid
	3	0.768	0.312	Valid
X3	1	0.667	0.312	Valid
	2	0.768	0.312	Valid
	3	0.754	0.312	Valid
X4	1	0.766	0.312	Valid
	2	0.657	0.312	Valid
	3	0.876	0.312	Valid
Y	1	0.789	0.312	Valid
	2	0.887	0.312	Valid
	3	0.788	0.312	Valid

A questionnaire's validity is evaluated using the validity test. The SPSS 20 program was employed in this study's validity test. In order to make decisions for this test, the calculated r value > r table (0.3120) with a significance level of 0.05 was compared. The computed r results are derived from X1 based on the findings of the conducted analysis.

The reliability test is used to consistently measure each research variable. In this study, to test reliability using the Cronbach's Alpha test > 0.06, it can be said to be reliable.

Table 2. reliability testing

No	Discription	Cronbach's Alpha	reliable
1	Financial literacy	0.65	reliable
2	Financial knowledge	0.77	reliable
3	Financial Management Behavior	0.77	reliable
4	Financial Technology	0.68	reliable

The results show that the Cronbach's Alpha value is > 0.06, it can be concluded that all the variables used are reliable.

3.2 Normalitas testing

Table 3. One sample kolmogorof smrnov test.

		unstandardized residual
N		40
normal parmeter	mean	0
	std devition	0.254
	absolute	0.115
	positive	0.71
	negative	-0.113
kolmogorof smrnov test		0.744
asym, sig (2tail)		0.655
test distribution normal		

The results of the normality test yielded an Asymp.Sig value of 0.744 > 0.05, as shown in the above table. Thus, it can be said that the distribution of the data is normal.

Multikolinearitas test

Table 4. Multikolinearitas testing

No	Discription	Tolerance	VIF
1	Financial literacy	0.54	1.76
2	Financial knowledge	0.46	1.77
3	Financial Management Behavior	0.57	1.76
4	Financial Technology	0.65	1.55

Based on the results in the table above, it shows that all independent variables used in the research are free from symptoms of multicollinearity. Proven by the Tolerance value X1 0.54> 0.10, the VIF value 1.76< 10, the tolerance value VIF 1.55< 10

3.3 Descriptive statistics

Table 5. Descriptive statistics

. . No	Discription	Total	Average
1	Financial literacy	2159.00	7.34
2	Financial knowledge	2505.00	8.52
3	Financial Management Behavior	2352.00	8.00
4	Financial Technology	2415.00	8.21

The results of financial literacy show the total value 2159 and the average is 7.34. The results of financial knowledge show the total value 2505 and the average is 8.52. The results of financial management behavior show the total value 2352 and the average is 8.00. The results of financial technology show the total value 2415 and the average is 8.21. And financial knowledge had best result, and financial literacy had the worst result.

Table 3. Multiple Regression Analysis

Dependent Variable: Bussiness performance	β	t	sig
(Constant)	0.035	0.097	0.923
Financial Literacy	0.401	4.444	0.000
Financial knowledge	0.645	3.678	0.000
Financial Management Behavior	0.564	8.778	0.000
Financial Technology	0.455	8.887	0.000
F Statistic			72.780
P Value			0.000
R Square			0.788
Adjusted R Square			0.712

The Table 3 reveals that the overall multiple regression model is statistically significant at 0.01 level, which suggests that financial literacy, financial knowledge, financial management behavior, and financial technology significantly affects Bussiness Performance of the Indonesia SMEs. financial literacy, financial knowledge, financial management behavior, and financial technology are all statistically significant at 1%, with positive beta values. It means that financial literacy, financial knowledge, financial management behavior, and financial technology with respect to business performance of the Indonesia SMEs operating in diverse business sectors. Following model is established on the basis of the above results:

$$BP = 0.401(FL) + 0.645\ (FK) + 0.564\ (FMB) + 0.445\ (FT) + e \text{ .... (2)}$$

4 Discussion and Recommendations

The purpose of the study article is to assess how Indonesian SMEs' company performance is affected by financial technology, financial management practices, financial literacy, and financial understanding. The study indicates a considerable impact of financial technology, financial management practices, financial literacy, and financial understanding on the business performance of Indonesian SMEs based on quantitative analysis (regression analysis). Each component's analysis is predicated on the corresponding research hypothesis.:

H1 : The performance of Indonesian SMEs' businesses is significantly impacted by financial literacy. H1 is verified, indicating that improved digital literacy, budget management, and banking skills boost SMEs' company success.

H2 : Financial literacy has a big impact on Indonesian SMEs' company performance. The second hypothesis, according to which SMEs' company performance is enhanced by knowledge of financial products, basic financial concepts, and financial analysis, is confirmed.

H3 : The way that financial managers behave has a big influence on how well Indonesian SMEs do in business. The third hypothesis, which shows that improved financial management behavior, prudent budgeting, investments, and debt management boost SMEs' business performance, is verified.

H4 : Financial technology has a big influence on how well Indonesian SMEs succeed commercially. The fourth hypothesis is validated, indicating that SMEs' business performance is enhanced by greater financial technology, adequate financial access, technology adoption, and data security.

In light of the aforementioned findings, it is recommended that Indoensia SMEs concentrate more on the fourth Business Financial Management components in order to enhance their Business performance. In order to obtain more representative and trustworthy results, future research on the issue might think about increasing the sample size of respondents. Other variations that are anticipated to improve business success have also been proposed for addition based on future study.

5 Conclusions

Business performance as a whole is greatly influenced by financial management. This essay evaluates the importance of firm finance management in relation to operational success. The research indicates a strong impact of business finance management components on the business performance of SMEs based on the primary data of 98 respondents. Financial technology, financial management practices, financial literacy, and financial expertise all individually have a statistically significant impact on how well businesses function. It implies that in order to improve business performance, Indonesia SMRs must concentrate on these financial constructs..

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