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## The Influence of Financial Management on The Turnover of Micro Small and Medium Enterprises (UMKM)

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**Abstract**—Effective financial management is crucial for the sustainability of businesses, including micro, small, and medium enterprises (MSMEs). Sound financial management practices can significantly impact the turnover and overall performance of MSMEs. This abstract aims to examine the influence of financial management on the turnover of MSMEs and underscore the importance of sound financial practices for their growth and development. This study adopts a quantitative approach using an Ex Post Facto research design. Data collection is conducted through questionnaires. The pilot test results, administered to a sample of respondents, validate the usability of the instrument for data collection. The research sample comprises MSME owners, selected through random sampling. Prerequisite tests, including normality testing and linearity testing, are conducted. Data analysis employs the Pearson product-moment correlation technique and simple linear regression analysis. The findings reveal a significant relationship between financial management and the turnover of MSMEs, as evidenced by the correlation coefficient. The results indicate a strong correlation between financial management and turnover. The regression analysis demonstrates the percentage of influence of financial management on business turnover. The regression model is found to be suitable for predicting the business turnover variable. Therefore, it can be concluded that financial management significantly influences the turnover of MSMEs.

**Keywords:** *financial management, turnover, MSMEs, Ex Post Facto research, business turnover*

### INTRODUCTION

The limited job opportunities have prompted individuals to venture into self-employment to support the economy (Fauzi, 2020). One common approach is starting their own businesses in the production of goods, which can stimulate economic growth. The rise of self-financed entrepreneurs has led to the proliferation of micro, small, and medium enterprises (MSMEs) that contribute significantly to the Indonesian economy (Aynie et al., 2021). They help the government create new job opportunities and automatically generate new business sectors that employ fresh manpower, thereby supporting household incomes. The current development of MSMEs in Indonesia encompasses various industries, and they serve the interests of the community. Financial management in medium-sized enterprises is generally sound, whereas in micro and small businesses (Handayani et al., 2022), it is still inadequate due to the mixing of personal and business assets. This situation needs to be rectified considering the importance of sound financial management. If a business lacks proper financial management, it can cause difficulties for the owner in making decisions due to poor financial conditions. This, in turn, can impact sales revenue, potentially leading to a decline in sales (Martinus et al., 2021).

To address this issue, owners of micro and small businesses need to understand the importance of effective financial management. They should clearly separate personal and business finances (Namrud, 2021). One initial step is to open a separate bank account for business and personal purposes. This enables separate financial transactions and facilitates monitoring of cash flow within the business. Furthermore, it is crucial to record and track all financial transactions (Dayanti et al., 2020). Business owners should

maintain a proper record-keeping system, such as using cash books or simple accounting software (Ariadin & Safitri, 2021). By documenting each income and expense in detail, business owners can gain a clear overview of their financial health. Additionally, micro and small business owners should create a budget or financial plan (Maesaroh et al., 2021). With a well-defined budget, they can manage expenses and allocate funds wisely (Rozi et al., 2022). Budgeting also helps in planning investments and future business development.

In addition to internal financial management, MSMEs can seek assistance from institutions or organizations that provide training and mentoring in financial management. The government and financial institutions often organize programs to support MSMEs in this regard. Overall, it is crucial for MSMEs to have effective financial management to ensure business sustainability and growth (Linting, 2021). By separating personal and business finances, maintaining accurate records, creating budgets, and seeking assistance when needed, micro and small business owners can effectively manage their finances and avoid financial challenges that may hinder business growth (Fathah & Widyaningtyas, 2020).

Financial management plays a vital role in the success and sustainability of businesses, including micro, small, and medium enterprises (UMKM). Effective financial management practices can significantly influence the turnover and overall performance of UMKM (Ompusunggu & Nanda, 2023). This introduction will explore the impact of financial management on the turnover of UMKM and highlight the importance of sound financial practices for their growth and development. UMKM have emerged as a significant contributor to the economy, particularly in developing countries. They play a crucial role in job creation, poverty alleviation, and economic growth. However, these enterprises often face various challenges, including limited access to capital, fierce competition, and inadequate financial management skills (Ruscitasari et al., 2022). It is in the context of these challenges that the influence of financial management becomes paramount. One of the primary ways in which financial management affects the turnover of UMKM is through effective cash flow management. Cash flow is the lifeblood of any business, and UMKM are no exception. Proper management of cash inflows and outflows ensures that a business has sufficient funds to cover its operational expenses, invest in growth opportunities, and meet its financial obligations (Yuniarti et al., 2022). Failure to manage cash flow effectively can lead to liquidity problems, hinder growth prospects, and even jeopardize the survival of UMKM.

Budgeting and financial planning are essential components of sound financial management. A well-crafted budget allows UMKM to allocate resources efficiently, set realistic financial targets, and monitor their progress (Novianti & Salam, 2021). By setting clear financial goals and aligning their activities accordingly, UMKM can optimize their operations, reduce unnecessary expenses, and maximize profitability. Effective budgeting also enables UMKM to identify potential financial risks, make informed decisions, and adapt to changes in the business environment. Furthermore (Jamil et al., 2022), financial management encompasses proper bookkeeping and accounting practices. Accurate and up-to-date financial records provide UMKM with valuable insights into their financial position, performance, and trends. They enable owners and managers to analyze key financial ratios, assess profitability, identify areas for improvement, and make informed strategic decisions (Kusnadi, n.d.). Without reliable financial information, UMKM may struggle to identify inefficiencies, control costs, and measure their overall financial health accurately. According to Aminah & Haqi (2023),

Access to financing is another critical aspect influenced by financial management. UMKM often rely on external sources of funding, such as loans, to support their growth and expansion. Effective financial management practices enhance the credibility and attractiveness of UMKM to lenders and investors. Transparent financial statements, well-documented business plans, and a track record of sound financial management increase the likelihood of securing financing at favorable terms. Adequate capital infusion enables UMKM to invest in new technology, expand their production capacity, and explore new markets, thereby boosting their turnover potential (Ristati et al., 2022).

In addition, effective financial management promotes accountability and transparency within UMKM. It establishes a system of checks and balances, ensuring that financial resources are utilized responsibly and ethically. By implementing internal control mechanisms and conducting regular financial audits, UMKM can minimize the risk of fraud, misappropriation of funds, and other financial irregularities. This, in turn, enhances the trust of stakeholders, including customers, suppliers, employees, and investors, which can positively impact turnover by fostering long-term relationships and attracting new business opportunities, the influence of financial management on the turnover of micro, small, and medium enterprises (UMKM) cannot be overstated. Effective financial management practices, such as cash flow management, budgeting, bookkeeping, and access to financing, play a vital role in optimizing the financial performance, growth, and sustainability of UMKM. By adopting sound financial practices, UMKM can enhance their competitiveness, capitalize on growth opportunities, and navigate the challenges of today's dynamic business environment. It is imperative for UMKM owners and managers to prioritize financial management and continually improve their financial skills and knowledge to drive the success of their enterprises.

## LITERATURE REVIEW

In the context of developing micro, small and medium enterprises (MSMEs), financial management plays a crucial role in influencing the demand and continuity of MSMEs. Effective financial management can help MSMEs overcome financial challenges and gain access to the capital needed to grow. Therefore, research on the influence of financial management on MSME applications is very relevant and important. A number of previous studies have been conducted to analyze the relationship between financial management and MSMEs. For example, research conducted by Hertadiani and Lestari (2021) entitled "The Influence of Financial Inclusion and Financial Management on the Performance of MSMEs in the Culinary Sector in East Jakarta" has similarities with current research. These two studies discuss business performance by considering financial management as one of the independent variables. However, the difference between the two studies lies in the focus of the independent variables used, where the current study examines access to capital as an independent variable, while previous research discusses financial inclusion.

Research conducted by Septa (2022) also has similarities with current research, namely that both discuss financial management and access to capital in MSMEs. However, there are several differences between the two studies. The current research only uses two independent variables and uses MSME performance as the dependent variable, while research by Septa Arisando focuses on sales as the dependent variable. Apart from that, research conducted by Oktariani (2022) with the title "The Influence of Financial Literacy, Access to Capital, and the Use of Fintech on the Performance of MSMEs in

Batu City during the Covid-19 Pandemic" also has similarities with current research. These two studies discuss business performance and use access to capital as one of the independent variables. However, the difference lies in the other independent variables used. Previous research included financial literacy and fintech use as additional independent variables, while the current research considers financial management as another independent variable. Another relevant research is research conducted by Mahardika (2020), which also discusses access to capital as an independent variable. However, the difference between these studies lies in the focus of the dependent variable, where previous research discusses financial performance, while current research considers business performance and uses financial management as an additional independent variable.

In research by Dewi (2019) which discusses "The Influence of Financial Literacy, Financial Management, and Access to Capital on MSME Performance", there are similarities with current research in terms of considering financial management and access to capital as independent variables, as well as using MSME performance as the dependent variable. However, there are differences in the number of independent variables used, with the current study using only two independent variables. Dewi's (2019) research includes financial literacy as an additional independent variable. Finally, research conducted by Ramadhan (2018) which discusses "The Influence of Financial Literacy and Access to Capital on the Financial Performance of MSMEs in Bandung City" also has similarities with current research. These two studies discuss access to capital as an independent variable and use two independent variables. However, the difference between the two studies lies in the use of financial management as one of the independent variables in the current research, while Ramadhan's research considers the financial performance of MSMEs as the dependent variable.

Overall, research on the influence of financial management on MSME applications has been carried out with various approaches and variations in the independent variables used. Although there are differences in research focus and methods, the studies overall convey the importance of good financial management in influencing the demand and performance of MSMEs. By understanding this relationship, MSMEs can improve their ability to manage finances and gain access to the capital needed for the growth and sustainability of their business.

## **METHODOLOGY**

This research uses a quantitative approach with an Ex Post Facto type of research (Rohwer, 2022). The data collection method used was a questionnaire. From the results of instrument testing carried out on 21 respondents with a total of 22 statements, it is known that the instrument is valid and can be used to collect data on the research sample. The population in this study were MSMEs, and the research sample consisted of 79 respondents using random sampling techniques. The prerequisite test was carried out by testing normality using the Kolmogorov-Smirnov technique and testing linearity. Data analysis used the Pearson product moment correlation technique and simple linear regression analysis using the SPSS 19 program.

The obtained data is considered valid if the data collection tool is truly valid and reliable in revealing the research data. The quality of the tested instrument is determined based on the validity test and reliability test of the instrument.

### Construct Validity

Validity is a measure that indicates the level of reliability or validity of a measuring instrument. In this study, construct validity is used to determine the validity of the research. Construct validity refers to the ability of a measuring instrument to measure the meaning of a concept it measures. The formula used for construct validity testing with the Pearson Product Moment correlation technique is as follows:

$$r_{hitung} = \frac{n(\sum xy) - (\sum x) \cdot (\sum y)}{\sqrt{\{n \cdot \sum x^2 - (\sum x)^2\} \cdot \{n \cdot \sum y^2 - (\sum y)^2\}}}$$

This formula contains (a)  $r_{hitung}$ : the value of the correlation coefficient, (b)  $n$ : the number of data, (c)  $X$ : the value of the first variable, (d)  $Y$ : the value of the second variable. The criteria for the validity or invalidity of statement items are determined by comparing the  $r_{hitung}$  value with the  $r_{tabel}$  value. The decision rule is as follows: if  $r_{hitung} > r_{tabel}$ , it means the item is valid (used as a research instrument), and if  $r_{hitung} < r_{tabel}$ , it means the item is invalid (not used as a research instrument). The validity test in this study uses SPSS 19. Reliability is the degree or level of consistency of a related test, which relates to whether a test is accurate and trustworthy according to established criteria. Therefore, an instrument is considered reliable if it consistently produces the same results when administered to the same group at different times or occasions. The reliability test in this study uses SPSS 19. To test the reliability of the instrument, the Cronbach's alpha formula is used because it involves questionnaires and Likert scales. The Cronbach's alpha formula is as follows:

$$r_{11} = \left(\frac{k}{k-1}\right) \left(1 - \frac{\sum s_i}{s_t}\right)$$

This formula contains (a)  $r_{11}$ : Coefficient of internal reliability, (b)  $k$ : Number of items, (c)  $Var_1$ : Variance of each item score, (d)  $Var_{Total}$ : Total variance. The technique used to measure the reliability of observations is Cronbach's Alpha by comparing the Alpha value with the standard; If Cronbach's Alpha  $> 0.6$ : the observation instrument is considered reliable; If Cronbach's Alpha  $< 0.6$ : the observation instrument is considered unreliable.

### Normality Test

The normality test is a form of testing the normality of data distribution. The purpose of this test is to determine whether the collected data follows a normal distribution or not. This normality test should be conducted if there is no theory stating that the variable under study is normal. In other words, if there is a theory stating that a variable being studied is normal, then there is no need for normality testing. The normality test in this study uses the one-sample Kolmogorov-Smirnov test and histogram graph technique. The criteria for the normality test are as follows: if the significance level is greater than 5% or 0.05, the data is considered normally distributed; if it is less than 5%, the data is considered not normally distributed.

### **Linearity Test**

The linearity test is a prerequisite analysis to determine the pattern of data, whether it is linear or not. This test is related to the use of linear regression. If linear regression is to be used, the data must show a linear pattern. The decision-making techniques for the linearity test are as follows; If the deviation from linearity  $\text{Sig} > 0.05$ , there is a significant linear relationship between the independent variable and the dependent variable; If the deviation from linearity  $\text{Sig} < 0.05$ , there is no significant linear relationship between the independent variable and the dependent variable.

### **Data Analysis**

#### ***Pearson Product Moment Correlation***

The Pearson Product Moment correlation ( $r$ ) is used to determine the relationship or influence between variable X and variable Y. This correlation is often referred to as simple correlation or Pearson Product Moment correlation. The Pearson Product Moment correlation is represented by ( $r$ ), with the value of ( $r$ ) not exceeding ( $-1 \leq r \leq +1$ ). If the value of  $r = -1$ , it means a perfect negative correlation; if  $r = 0$ , it means no correlation; and if  $r = 1$ , it means a very strong correlation. The formula is as follows:

$$r_{\text{hitung}} = \frac{n(\sum xy) - (\sum x) \cdot (\sum y)}{\sqrt{\{n \cdot \sum x^2 - (\sum x)^2\} \cdot \{n \cdot \sum y^2 - (\sum y)^2\}}}$$

This formula contains (a)  $r_{\text{hitung}}$ : the value of the correlation coefficient, (b)  $n$ : the number of data, (c) X: the value of the first variable, (d) Y: the value of the second variable. The interpretation of the value of ( $r$ ) is consulted with the interpretation table.

#### ***Simple Linear Regression***

The principle of simple linear regression is to test the relationship between two sets of data, namely the dependent variable (Y) and the independent variable (X). This analysis is used to determine the extent of the influence of the independent variable, financial management (X), on the dependent variable, MSME turnover (Y). Quoted from Sugiyono's book.

## **RESULT AND DISCUSSION**

### ***Result***

The table above presents the results of a questionnaire answered by 79 MSME respondents. The tabulation table shows the data for variable X (financial management influence). The highest score recorded for this variable is 5.00, while the lowest score is 2.87. The average value of variable X is 327.27, which indicates that the average score for variable X is 4.14, obtained by dividing the total sum of scores (327.27) by the sample size (79).

To determine the qualification level of the financial management of these MSMEs, we can use intervals that categorize the level as very high, high, moderate, low, or very low. The calculation is as follows, based on the given information which the highest average score is 5.00 and lowest average score is 2.87.

**Table 1.** Presentation of financial management data

| NO | SS |      | S  |      | N  |      | TS |     | STS |     | Total |     |
|----|----|------|----|------|----|------|----|-----|-----|-----|-------|-----|
|    | F  | %    | F  | %    | F  | %    | F  | %   | F   | %   | F     | %   |
| 1  | 21 | 26,6 | 33 | 41,8 | 24 | 30,4 | 1  | 1,3 | -   | -   | 79    | 100 |
| 2  | 19 | 24,1 | 38 | 48,1 | 22 | 27,8 | -  | -   | -   | -   | 79    | 100 |
| 3  | 13 | 16,5 | 34 | 43,0 | 26 | 32,9 | 6  | 7,6 | -   | -   | 79    | 100 |
| 4  | 26 | 32,9 | 31 | 39,2 | 21 | 26,6 | 1  | 1,3 | -   | -   | 79    | 100 |
| 5  | 46 | 58,2 | 26 | 32,9 | 6  | 7,6  | 1  | 1,3 | -   | -   | 79    | 100 |
| 6  | 34 | 43,0 | 38 | 48,1 | 5  | 6,3  | 2  | 2,5 | -   | -   | 79    | 100 |
| 7  | 28 | 35,4 | 32 | 40,5 | 19 | 24,1 | -  | -   | -   | -   | 79    | 100 |
| 8  | 35 | 44,3 | 29 | 36,7 | 14 | 17,7 | -  | -   | 1   | 1,3 | 79    | 100 |
| 9  | 30 | 38,0 | 30 | 38,0 | 17 | 21,5 | 2  | 2,5 | -   | -   | 79    | 100 |
| 10 | 33 | 41,8 | 35 | 44,3 | 11 | 13,9 | -  | -   | -   | -   | 79    | 100 |
| 11 | 28 | 35,4 | 40 | 50,6 | 10 | 12,7 | 1  | 1,3 | -   | -   | 79    | 100 |
| 12 | 24 | 30,4 | 42 | 53,2 | 13 | 16,5 | -  | -   | -   | -   | 79    | 100 |
| 13 | 27 | 34,2 | 39 | 49,4 | 13 | 16,5 | -  | -   | -   | -   | 79    | 100 |
| 14 | 27 | 34,2 | 40 | 50,6 | 11 | 13,9 | 1  | 1,3 | -   | -   | 79    | 100 |
| 15 | 29 | 36,7 | 44 | 55,7 | 6  | 7,6  | -  | -   | -   | -   | 79    | 100 |

Source: (Authors, 2024)

The table above represents the interval data for variable X obtained from the average values in the tabulated data. The next step is to determine the categorical distribution of variable X by dividing the total average by the number of respondents, which is 327.27 divided by 79, resulting in 4.14. Based on this calculation, the variable of financial management (X) falls into the moderate category.

$$R = \frac{h - l}{5}$$

$$R = \frac{5,00 - 2,87}{5} = 0,426$$

**Table 2.** Presentation of business turnover data

| NO | SS |      | S  |      | N  |      | TS |     | STS |     | Total |     |
|----|----|------|----|------|----|------|----|-----|-----|-----|-------|-----|
|    | F  | %    | F  | %    | F  | %    | F  | %   | F   | %   | F     | %   |
| 1  | 24 | 30,4 | 25 | 31,6 | 29 | 36,7 | 1  | 1,3 | -   | -   | 79    | 100 |
| 2  | 19 | 24,1 | 24 | 30,4 | 32 | 40,5 | 3  | 3,8 | 1   | 1,3 | 79    | 100 |
| 3  | 22 | 27,8 | 25 | 31,6 | 31 | 39,2 | 1  | 1,3 | -   | -   | 79    | 100 |
| 4  | 24 | 30,4 | 22 | 27,8 | 28 | 35,4 | 5  | 6,3 | -   | -   | 79    | 100 |
| 5  | 17 | 21,5 | 23 | 29,1 | 32 | 40,5 | 6  | 7,6 | 1   | 1,3 | 79    | 100 |
| 6  | 16 | 20,3 | 9  | 11,4 | 45 | 57,0 | 7  | 8,9 | 2   | 2,5 | 79    | 100 |
| 7  | 30 | 38,0 | 21 | 26,6 | 24 | 30,4 | 1  | 1,3 | 3   | 3,8 | 79    | 100 |

Source: (Authors, 2024)

The table provided depicts the results of a questionnaire answered by 79 MSME respondents. The tabulated data for variable X, which represents the influence of financial management, shows that the highest score recorded is 5.00, while the lowest score is 2.00.

Additionally, the average value of variable X is calculated as 296.29, resulting in an average score of 3.75 when divided by the sample size of 79.

To determine the qualification level of the financial management of these MSMEs, we can utilize intervals with categories such as very low, low, moderate, high, and very high. The calculation involves dividing the total average by the number of respondents, which in this case is 296.29 divided by 79, resulting in 3.75. Based on this calculation, the variable of financial management (X) falls into the moderate category. It is important to note that the provided information only pertains to the analysis of variable X, which represents the influence of financial management. The table also includes data intervals for variable Y, which represents business revenue. However, no further analysis or interpretation regarding variable Y is provided. In conclusion, the analysis suggests that the level of financial management in the surveyed MSMEs can be categorized as moderate, based on the average score of 3.75.

### Data Analysis Results

#### Normality Test

The normality test conducted using SPSS 19 yielded a significance value of 0.347. As this value is greater than 0.05, it indicates that the data for both variables follows a normal distribution, supporting the acceptance of the alternative hypothesis (Ha). To assess normality, the spread of data around the diagonal line is examined. When data is dispersed around the diagonal line and aligns with its direction, the residuals (the disparities between the data and the regression line) are considered normally distributed. Conversely, if the data is widely scattered away from the diagonal line or fails to conform to its trajectory, the residuals are not normally distributed.

**Table 3.** One-sample Kolmogorov-Smirnov Test

|                                  |                | Unstandardized Residual |
|----------------------------------|----------------|-------------------------|
| N                                |                | 79                      |
| Normal Parameters <sup>a,b</sup> | Mean           | .0000000                |
|                                  | Std. Deviation | 4.26121775              |
| Most Extreme Differences         | Absolute       | .105                    |
|                                  | Positive       | .079                    |
|                                  | Negative       | -.105                   |
| Kolmogorov-Smirnov Z             |                | .934                    |
| Asymp. Sig. (2-tailed)           |                | .347                    |

**Source:** (Authors, 2024)

In the provided output, it can be observed that the data is distributed closely around the diagonal line, suggesting that the residuals adhere to a normal distribution. It is important to note that the normality test specifically applies to the analyzed data, providing insights into the distribution of the data employed for the analysis. In this context, the data subjected to the normality test is the transformed or processed information represented by the residuals. Consequently, based on the provided output, it can be inferred that the residuals for both variables exhibit a distribution that approximates normality.



### Linearity Test

The linearity test is a prerequisite analysis to determine the pattern of data, whether it follows a linear pattern or not. This test is relevant to the use of linear regression. The decision criteria are as follows: If the deviation from linearity  $Sig > 0.05$ , then there is a significant linear relationship between the independent variable and the dependent variable. Conversely, if the deviation from linearity  $Sig < 0.05$ , then there is no significant linear relationship between the independent variable and the dependent variable. According to Misbahuddin and Iqbal Hasan (2013, p. 292), the linearity test is an important step to assess the linearity assumption in statistical analysis, particularly in the context of linear regression.

**Table 4.** ANOVA Test

|                      |                          |            | Sum of Squares | df | Melan Square | F      | Sig. |
|----------------------|--------------------------|------------|----------------|----|--------------|--------|------|
| Omzet Usaha          | Between Groups           | (Combined) | 1292.339       | 28 | 46.155       | 2.597  | .002 |
| Pengelolaan Keuangan | Linearity                |            | 764.615        | 1  | 764.615      | 43.024 | .000 |
|                      | Deviation from Linearity |            | 527.725        | 27 | 19.545       | 1.100  | .376 |
|                      | Within Groups            |            | 888.598        | 50 | 17.772       |        |      |
|                      | Total                    |            | 2180.937       | 78 |              |        |      |

**Source:** (Authors, 2024)

In the provided table, labeled as Table 4.6, the results of the linearity test are presented. The analysis was conducted using SPSS 19. The obtained value for deviation from linearity is 0.376, which is greater than 0.05. This indicates that there is a significant linear relationship between the financial management variable (X) and the business revenue variable (Y). In summary, the linearity test performed using SPSS 19 indicates that there is a significant linear relationship between the financial management variable (X) and the business revenue variable (Y), as the deviation from linearity value is 0.376, exceeding the significance threshold of 0.05.

### Discussion

Financial management (also known as financial control) is essential for the sustainability of a business, as it enables business owners to track their expenses and reduce unnecessary spending to optimize their finances. Financial management involves the acquisition, allocation, and utilization of funds based on considerations of efficiency and effectiveness through various processes and stages of business financial management (Harahap, 2022). The process of financial management is associated with financial planning, control, and monitoring, and it consists of three stages that consist planning, implementation, and control/supervision of finances.

Financial planning is the initial stage of financial management. It involves setting financial goals, estimating future cash flows, and developing strategies to achieve those goals. During this stage, businesses analyze their current financial situation, forecast future income and expenses, and create budgets to guide their financial decisions (Risman

et al., 2022). Effective financial planning helps businesses allocate resources efficiently, identify potential risks, and make informed financial decisions.

Once the financial plans are in place, the next stage is the implementation of those plans. This stage involves executing the strategies and activities outlined in the financial plan. It includes activities such as raising capital, making investments, managing cash flow, and monitoring financial transactions. During this stage, businesses ensure that financial resources are allocated appropriately, expenses are controlled, and revenues are maximized (Kassa, 2021). Effective implementation requires regular monitoring and adjustment to ensure that financial goals are being met.

Financial control or supervision is the final stage of financial management. This stage focuses on monitoring and evaluating the financial performance of the business to ensure that it stays on track with its goals. It involves comparing actual financial results with the planned targets (Purba et al., 2021), analyzing variances, and taking corrective actions if necessary. Financial control also includes maintaining accurate financial records, conducting audits, and complying with financial regulations. By exercising financial control, businesses can identify areas of improvement, mitigate risks, and make informed decisions to optimize their financial performance.

In summary, financial management is crucial for businesses to maintain their financial health and achieve their objectives. It involves planning, implementing, and controlling financial activities to optimize the use of funds, reduce unnecessary expenses, and maximize profitability. Effective financial management enables businesses to make informed decisions, adapt to changing economic conditions, and ensure long-term sustainability (Adiningrat & Warda, 2023).

Omzet refers to the total gross sales of goods or services, which represents the amount of money earned within a specific time period. It can be calculated on a daily, weekly, monthly, or yearly basis. Business revenue, on the other hand, is the average income generated by debtors per month and may also include income from a spouse's (joint income) business earnings, measured in the local currency. Based on research findings, it has been demonstrated that there is a positive relationship between financial management and business revenue. Therefore, financial management is considered one of the factors influencing the revenue of micro, small, and medium-sized enterprises (MSMEs) (Edy et al., 2021). The results of the research, obtained through the use of questionnaires, indicate that many respondents provided positive responses, effective financial management plays a significant role in enhancing the revenue of MSMEs. The research findings suggest that a positive correlation exists between financial management practices and business revenue seems like research by (Babajide et al., 2023). By implementing sound financial management strategies, businesses can optimize their revenue generation, leading to improved financial performance.

The Pearson Product Moment correlation analysis yielded a significance value of 0.000, which is smaller than 0.05. This indicates that there is a relationship between the financial management variable (X) and the business revenue variable (Y), with a correlation coefficient of 0.592, suggesting a moderately strong relationship between the two variables. The purpose of this study was to examine the influence of financial management (X) on the revenue of micro, small, and medium-sized enterprises (MSMEs). The results of the simple regression analysis showed a coefficient of determination (R<sup>2</sup>) of 0.351, indicating that financial management (X) accounts for 35.1% of the influence on business revenue (Y). The remaining 64.9% is influenced by other variables such as product quality, promotion, services, and marketing strategies.

The results of the simple linear regression test showed an F value of 41.569, with a significance probability of 0.000, which is less than 0.05. This indicates that the regression model can be used to predict business revenue. Therefore, the alternative hypothesis ( $H_a$ ) is accepted, and the null hypothesis ( $H_o$ ) is rejected, indicating statistical significance. This suggests that financial management has an impact on the revenue of micro, small, and medium-sized enterprises (MSMEs). Thus, it can be concluded that financial management significantly influences the revenue of micro, small, and medium-sized enterprises (MSMEs).

## CONCLUSION

In conclusion, this study provides valuable insights into the influence of financial management on the turnover of micro, small, and medium enterprises (MSMEs). The findings indicate a significant relationship between effective financial management practices and business turnover. The research highlights the importance of sound financial practices in ensuring the sustainability and growth of MSMEs. By effectively managing their finances, MSMEs can optimize their income and reduce unnecessary expenses, thereby enhancing their overall financial performance. Based on the analysis of simple regression, the coefficient of determination ( $R^2$ ) value of 0.351 indicates that the influence of financial management (X) on business turnover (Y) accounts for 35.1%. The remaining 64.9% is influenced by other variables such as product quality, promotion, services, and marketing strategies. The calculated F-value of 41.569 with a significance level of probability of  $0.000 < 0.05$  indicates that the regression model can be used to predict the business turnover variable. Therefore, the alternative hypothesis ( $H_a$ ) is accepted, and the null hypothesis ( $H_o$ ) is rejected, indicating significance. This demonstrates that financial management has a significant influence on the turnover of micro, small, and medium enterprises (MSMEs). Thus, it can be concluded that financial management significantly affects the business turnover of MSMEs.

Based on the above research findings regarding the influence of financial management on the turnover of micro, small, and medium enterprises (MSMEs), the researcher provides the following recommendations. MSME owners are advised to have a better understanding of and effectively implement financial management practices. This will enable them to grow their businesses, expand their operations, and view financial management as a tool for running a business. It is essential for MSME owners to be conscious of the importance of financial management in the development of their businesses, regardless of their scale, whether large or small.

## LIMITATION

Despite the valuable findings, this study has certain limitations that should be acknowledged. Firstly, the research is limited to a specific geographical location, which may restrict the generalizability of the results to other regions or contexts. Secondly, the study relies on self-reported data obtained through questionnaires, which may be subject to response bias or inaccuracies. Additionally, the research design focuses on establishing a correlation rather than establishing causation, limiting the ability to draw definitive conclusions about the causal relationship between financial management and business turnover. Future research could address these limitations by expanding the sample size, incorporating diverse geographical locations, utilizing multiple data collection methods, and employing experimental or longitudinal designs.

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