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The Influence of Financial Literacy on the Financial Management of Culinary Micro, Small, and Medium Enterprises (MSMEs) in Ujung Batu District

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Abstract
This study aims to determine the influence of financial literacy on the financial management of culinary micro-enterprises in the food and beverage sector in Ujung Batu District. A quantitative approach was employed, with data collected through a questionnaire distributed to a sample of 89 MSME owners, determined using purposive sampling and the Slovin formula from a population of 801 registered culinary micro-enterprises. Data were analyzed using simple linear regression, following validity, reliability, and normality tests, together with a t-test and coefficient of determination (R^2) test. The regression analysis produced the equation $Y = 21.643 + 0.458X$. The t-test showed that financial literacy has a positive and significant effect on financial management ($t = 8.174$; $p = 0.001$), with an Adjusted R^2 of 0.528, indicating that financial literacy explains 52.8% of the variance in financial management, while the remaining 47.2% is explained by factors outside the model. These findings indicate that stronger financial literacy among culinary MSME owners in Ujung Batu District is associated with more accurate financial record-keeping and reporting, with practical implications for supporting healthier and more sustainable micro-enterprise growth through targeted financial education.

Introduction

Micro, Small, and Medium Enterprises (MSMEs) play an important role in the Indonesian economy, contributing to employment expansion, labor absorption, Gross Domestic Product (GDP) growth, and a safety net for productive economic activity, particularly among lower-income communities. MSMEs also constitute the largest business group in Indonesia and proved resilient during the 1998 economic shock.

Indonesian MSMEs nonetheless face a range of challenges, one of which is access to financing — closely tied to financial literacy. Many MSME owners perceive their businesses as running normally and well, when in reality many are not developing as they should; this makes it difficult for owners to calculate and accurately understand their business results, in turn constraining business growth through limited capital accumulation.

A further challenge facing MSMEs today is business management. Strategic efforts are needed to strengthen MSME performance, and sound financial management is central to this: MSMEs whose finances are managed transparently and accurately tend to see positive business outcomes, making effective financial management a key success factor and a foundation for business sustainability.

MSMEs play a strategic role in supporting both local and national economies. In Rokan Hulu Regency, MSME development has been strong and serves as a livelihood source for a significant share of the local population, helping strengthen the regional economy, expand employment, and reduce unemployment. Ujung Batu District, one of the districts within Rokan Hulu Regency, is the focus of this study. According to data from the Rokan Hulu Regency Office of Cooperatives, MSMEs, Transmigration, and Manpower (2026), 801 active, registered culinary micro-enterprises operate in the food and beverage sector in Ujung Batu District, distributed across several asset-value tiers, as summarized in Table 1.

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Table 1. Culinary Micro-Enterprises in the Food and Beverage Sector, Ujung Batu District

Number of Owners	Business Classification	Total Assets
320	Micro	IDR 500,000 – 2,000,000
219	Micro	IDR 2,100,000 – 5,000,000
131	Micro	IDR 5,100,000 – 10,000,000
99	Micro	IDR 10,100,000 – 20,000,000
30	Micro	IDR 20,100,000 – 50,000,000
2	Micro	IDR 50,100,000 – 100,000,000

Source: Rokan Hulu Regency Office of Cooperatives, MSMEs, Transmigration, and Manpower, 2026.

This study is motivated by the observation that many MSME owners in Ujung Batu District have a limited grasp of basic financial concepts, such as financial record-keeping, cash-flow management, and financial planning, leaving them ill-equipped to manage business finances effectively. Low financial inclusion further limits MSMEs' access to formal financial products and services such as loans, insurance, and investment, constraining business development through limited capital, while poor financial reporting quality makes it difficult for formal financial institutions to assess creditworthiness. Government support — fiscal incentives, low-interest financing, training, market access, and adequate infrastructure — also plays an important role in MSME development. Understanding how financial literacy contributes to sound financial management is therefore relevant to supporting the growth and sustainability of MSMEs in the district.

Given this background and the inconsistency of findings in prior research on this relationship, this study investigates the influence of financial literacy on the financial management of culinary micro, small, and medium enterprises in Ujung Batu District.

Literature Review and Hypotheses Development.

Micro, Small, and Medium Enterprises (MSMEs)

Under Law No. 20 of 2008 on MSMEs, a micro-enterprise is a productive business owned by an individual or individual business entity meeting the asset and revenue criteria for micro-enterprise status set out in the law. MSMEs encompass activities across various business fields directly connected to meeting community needs and interests, and play an important role in the Indonesian economy through their contribution to GDP formation and labor absorption. MSMEs represent a collection of highly productive economic resources, operating as independent productive business units run by individuals or business entities within the economic sector.

Financial Literacy

Financial literacy is an individual's ability or level of understanding and knowledge in managing finances, essential for every person — particularly MSME owners — to plan and manage finances effectively toward achieving wellbeing. MSME owners with high financial literacy (well literate) tend to find it easier to select financial products or services suited to their needs and capacity, supporting their financial wellbeing, while low financial literacy among MSME owners can give rise to problems such as poor debt management, savings and credit management, and future planning. This study measures financial literacy through four indicators, following Yanti (2019): basic knowledge of financial management (understanding of how to manage business, personal, or family finances); investment (setting aside money or assets to generate future income); savings and credit management (managing surplus funds to achieve quick liquidity); and insurance (minimizing risk arising from a manager's decisions).

Financial Management

Financial management is the effort to manage funds or money in daily life with the aim of achieving financial wellbeing. Sound financial management is essential for businesses to achieve their objectives, yet MSME owners frequently neglect it, hindering business performance and progress — often because owners underestimate the importance of applying sound financial management and accounting principles. Financial management encompasses all activities related to the acquisition, financing, and management of assets in pursuit of an enterprise's overall objectives. This study measures financial management through four indicators, following Setyorini et al. (2024): sources of business funding (the means by which an entrepreneur obtains capital needed to run the business); financial reporting (presenting the current condition of financial position, profit and loss, changes in capital, notes to financial statements, and cash flow for a given period); cash management (managing and monitoring cash inflows and outflows in a business); and budgeting (preparing a financial plan to allocate available funds).

Hypothesis Development

Financial literacy is theorized to support sound financial management because owners who understand basic financial concepts — record-keeping, cash-flow management, saving, and financial planning — are better equipped to prepare accurate financial reports, manage cash effectively, and allocate funds through sound budgeting, ultimately supporting business performance and sustainability. This is consistent with prior findings, including Munthay (2024), Rumbianingrum (2018), and Assanniyah (2024), who each found that financial literacy has a positive and significant effect on financial management. Based on this theoretical and empirical support, the conceptual framework of this study is presented in Figure 1, and the following hypothesis is proposed:

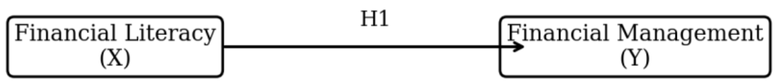

Figure 1. Conceptual Framework of the Study

H1: Financial literacy has a positive and significant effect on the financial management of culinary MSMEs in Ujung Batu District.

Research Methods

This study focuses on culinary micro-enterprises in the food and beverage sector in Ujung Batu District, Rokan Hulu Regency, Riau Province, using a quantitative approach. The study population comprised all 801 registered, active culinary micro-enterprises in the district (Rokan Hulu Regency Office of Cooperatives, MSMEs, Transmigration, and Manpower, 2026). The sample size was determined using the Slovin formula, with sampling conducted through non-probability purposive sampling based on defined criteria, yielding a final sample of 89 culinary micro-enterprise owners meeting the study criteria.

Data comprised both primary and secondary sources, collected through a structured questionnaire. Data were analyzed through descriptive analysis; validity and reliability tests; a normality test; simple linear regression analysis with the equation $Y = a + bX + e$; a t-test; and the coefficient of determination (R^2), using SPSS.

Results and Discussion

Validity and Reliability Tests

All 20 questionnaire items across the two variables (10 items each for financial literacy and financial management) were declared valid, with calculated r-values ranging from 0.701 to 0.809 for financial literacy and 0.757 to 0.859 for financial management, all exceeding the table r-value of 0.2084. The reliability test produced Cronbach's Alpha values of 0.926 for financial literacy and

0.936 for financial management, both well above the 0.60 threshold, confirming the instrument's reliability.

Descriptive Analysis (Respondent Achievement Level)

The Respondent Achievement Level (TCR) for financial literacy averaged 79.4%, in the good category, with the highest-rated item concerning evaluating expenditure against a prepared financial plan (mean = 4.06; TCR = 81.1%). The TCR for financial management averaged 79.6%, also in the good category, with the highest-rated item concerning maintaining profit-and-loss records for the business (mean = 4.40; TCR = 88.1%, very good category).

Table 2. Respondent Achievement Level (TCR) by Variable

Variable	Total Score	Mean	TCR (%)	Category
Financial Literacy (X)	3,535	3.97	79.4	Good
Financial Management (Y)	3,544	3.98	79.6	Good

Source: Processed survey data, 2026.

Normality Test

The Kolmogorov-Smirnov normality test produced an Asymp. Sig. (2-tailed) value of 0.200, exceeding the 0.05 significance threshold, indicating that the residual data are normally distributed and that the regression model is suitable for further analysis.

Simple Linear Regression Analysis and Hypothesis Testing

The simple linear regression analysis produced the equation Y = 21.643 + 0.458X, as detailed in Table 3. The positive constant of 21.643 indicates the baseline level of financial management when financial literacy is held at zero. The positive regression coefficient of 0.458 indicates that each one-unit increase in financial literacy is associated with a 0.458-unit increase in the financial management of MSME owners in Ujung Batu District.

Table 3. Simple Linear Regression and t-Test Results

Variable	B	t-value	Sig.	Description
Constant	21.643	9.636	0.001	–
Financial Literacy (X)	0.458	8.174	0.001	Significant

Source: SPSS processed data, 2026. Table t-value = 1.987; a = 0.05.

Table 4. Coefficient of Determination (R^2) Results

R	R Square	Adjusted R^2	Std. Error of the Estimate
0.759	0.534	0.528 (52.8%)	2.962

Source: SPSS processed data, 2026.

The t-test results show that financial literacy has a calculated t-value of 8.174, exceeding the table t-value of 1.987, with a significance of 0.001 (< 0.05), so H0 is rejected and Ha is accepted: financial literacy has a positive and significant effect on financial management. This finding is consistent with Munthay (2024), Rumbianingrum (2018), and Assanniyah (2024), who each found financial literacy to have a positive and significant effect on financial management.

This finding is further reflected in the descriptive results, where the highest-rated financial-literacy item concerned evaluating expenditure against a prepared financial plan (mean = 4.01, good category), suggesting that MSME owners who actively apply financial-planning habits also tend to report stronger financial management practices. The Adjusted R^2 of 0.528 indicates that financial literacy explains 52.8% of the variance in financial management among culinary MSMEs in Ujung Batu District, while the remaining 47.2% is explained by factors outside the model, such as financial technology, financial inclusion, or financial decision-making style.

Implication and Conclusion

Conclusion

Based on the analysis and discussion, it can be concluded that financial literacy has a positive and significant effect on the financial management of culinary micro, small, and medium enterprises in the food and beverage sector in Ujung Batu District. Stronger financial knowledge is associated, in a statistically significant and non-coincidental way, with more accurate financial record-keeping and reporting, with corresponding positive implications for healthier and more sustainable business growth.

Recommendations

MSME owners are encouraged to further strengthen their understanding of financial reporting and to apply this knowledge directly within their businesses. Future research is encouraged to incorporate additional variables, such as locus of control, financial technology, financial inclusion, or financial decision-making, and to broaden the scope of research with a larger and more varied respondent base to obtain more generalizable findings. Local government and village authorities are encouraged to provide training and education to business owners to support their effective use of available financial institutions and to strengthen financial knowledge and understanding, in order to help prevent financial difficulties.

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