

The Effect of Financial Literacy of MSME Owners on Accounting Information in Financial Management Decision Making

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ABSTRACT

Radzaa Handicraft is a business engaged in arts and crafts, founded in 2021 by Mr. Ustadus Solihin, S.E., M.M., who is also a lecturer at the Faculty of Economics at Kadiri Islamic University. Before becoming Radzaa Handicraft, this business was known as Mahar Embosing. This transformation marks a strategic step to expand the market and strengthen the brand. Mr. Ustadus uses his academic experience and self-taught learning in the field of e-commerce to manage his business. This knowledge is mostly gained from platforms like YouTube, which are a major source of understanding the dynamics of online trading. Mr. Ustadus chose to use the Shopee application to record expenses and income because of the convenience and simplicity it offers. The app also provides automated financial reports that help in strategic decision-making. The use of this application is considered more practical compared to manual bookkeeping methods, which are often time-consuming and prone to errors. Mr. Ustadus also realizes that one of the common problems faced by MSME actors is the lack of separation between personal and business finance. This often leads to difficulties in determining the selling price, calculating profits, and overall financial management. Innovation is also one of the keys in the development of Radzaa Handicraft. Realizing the importance of safe packaging for products sent outside the city of Kediri or East Java, Mr. Ustadus designed special packaging using wooden crates, bubble wrap, and cardboard. At first, the volume of orders received was not very large, but as demand increased, this packaging innovation became more and more significant. He collaborated with craftsmen to make wooden coffins at a price of Rp 5,000 per unit, then sold a complete packaging package at a price of Rp 50,000 per unit. This package not only ensures the safety of the product until it arrives in the hands of consumers, but also provides additional benefits for businesses. With more than two years of experience and an increasingly extensive network of relationships, Radzaa Handicraft has shown significant growth. The ability to overcome various business challenges, including aspects of financial management and product innovation, is an important factor that drives the success of this business. Radzaa Handicraft is constantly evolving, offering high-quality products combined with innovative and safe packaging services.

INTRODUCTION

The current economic conditions have resulted in rapid changes in the business environment, changes in the environment have resulted in companies having to make adjustments to these changes. Requires a business to improve its capabilities, both in financial and managerial operations. (Irfan, 2021). The development of information technology in this millennial era is very helpful for entrepreneurs in running their businesses so that they can develop and process properly. Transactions also require accurate, fast and precise information. The sophistication of information technology today competition between entrepreneurs has become tighter so that the use of technology is increasing and

increasing. Opportunities in various fields, especially in the business field will continue to increase (Wulandari, 2016)

The possession of knowledge about the basic financial concepts that will be managed in obtaining the financial interests needed is the meaning of financial literacy. So that financial literacy is very important in decision-making and also skills in managing finances. However, financial knowledge must also be balanced with financial competence that will help not only the ability to act, but also the opportunity to act. There are several needs to examine how financial literacy can be interpreted and related.

Financial literacy for MSMEs aims to enable each individual to make strategic considerations and decisions, in this case better finance and management for business owners. This is related to financial inclusion so that people can get financial services easily without getting obstacles. Financial inclusion is the right of everyone to have full access and services from a financial institution in a timely manner. This is also a process that facilitates access, availability and benefits of a formal financial system for all economic actors involved (Dahrani et al., 2022). The level of literacy possessed by a person and access to various financial products that affect the management of personal and company finances. Decisions made by individuals and business people are related to decision-making in a particular company. Efforts to improve financial conditions are with business actors who are able to manage their business in business expansion and conditions (Kusuma et al., 2022).

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Financial literacy is the combination, awareness, knowledge, skills, attitudes and behaviors necessary to make sound financial decisions and ultimately achieve the financial well-being of individuals. Therefore, financial literacy is considered to play a very active and important role in personal financial decisions such as consumption, investment and savings. In addition, financial literacy has an impact on macroeconomic processes both directly and indirectly. So it also affects monetary and physical policies as well as the functioning of financial markets. Until now, there is no conceptual concept regarding the measurement of financial literacy.

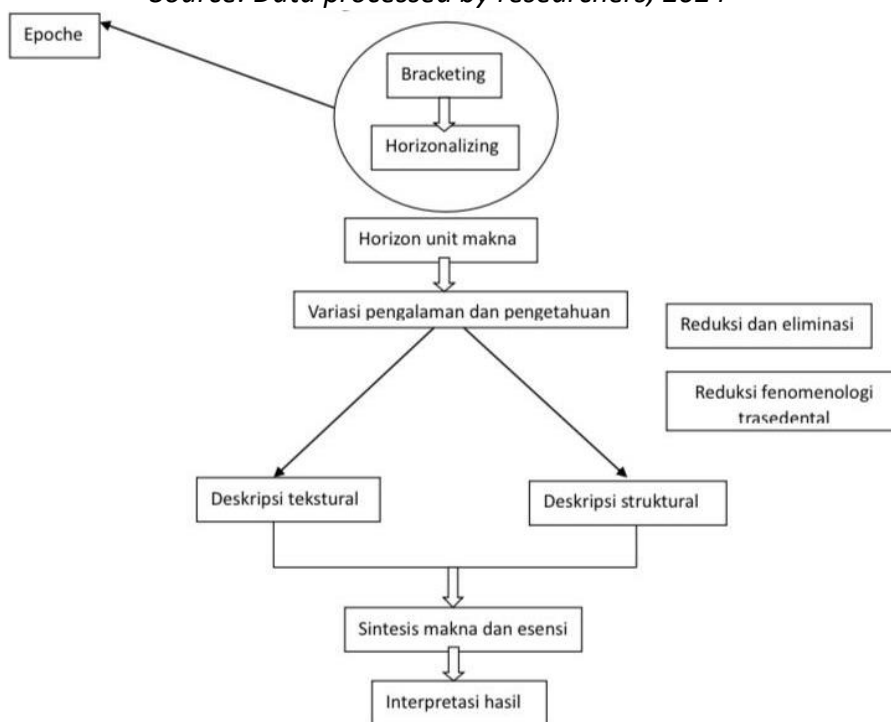
Accounting information is data in the form of numbers related to economic entities that are useful for economic decision-making in determining choices among alternative Actions. It can be drawn in a straight line that the use of accounting information involves processes, methods, or actions in using data in the form of numbers related to economic entities. Its main goal is to support economic decision-making to choose between various alternatives to Action. Accounting information also compiles projections such as projections of future cash needs, cost control, productivity measurement, productivity improvement, and provides support for the production process. Management can use accounting information to implement strategies and carry out operational activities as necessary to achieve the overall organizational goals (Christian & Rita, 2016)

METHODS

This study uses a qualitative approach to gain a deep understanding of how the financial literacy of MSME owners affects the use of accounting information in financial management decision-making. This approach allows researchers to explore the perceptions,

experiences, and views of MSME owners in detail (Patton, 2015). Reason for choosing a qualitative approach: Depth of understanding. This approach allows researchers to dig deeper into the thought process, motivation, and context behind the financial decisions taken by MSME owners. Flexibility. Qualitative methods are more flexible in capturing dynamics and complexities that may not be revealed in quantitative surveys. Direct Interaction. In-depth interviews allow for direct interaction with respondents, which can provide richer and more contextual insights (Patton, 2015). The following is the research design in this qualitative research:

Figure 3.1
Design Research Research
Source: Data processed by researchers, 2024



RESULTS

Eidetic reduction that the author can conclude, that the owner of Radzaa Handicraft has an understanding for the use of accounting information in making financial management decisions at Radzaa Handicraft, which is influenced by the understanding of financial literacy that he gets. The owner of Radzaa Handicraft conducts financial records using the Shopee application which is faster and more efficient in reporting all financial reports. The financial management that he does is not to make this business one of the income he gets. Because this business comes from a hobby that he likes. So that even when he was working on it, he felt happy and not burdened. He also did not make high profits his top priority. Rather, he considers that this business is a toy that is carried out to fill his leisure time.

"At that time, there were people who imitated my work. Really true to my work. Starting from the color, the theme, the materials used are all the same. Why yo when I don't search on shoppee. The pictures are lined up (side by side) and the price is also cheaper than him. I was down at that time. I think there are competitors who are so rich. Even though it is also the same community as me. also know me. but I don't. I believe that sustenance is God who regulates it. The sustenance already has its own measure. If indeed my product will not sell later... Yasuda. What else can I do? So I just gave up. I waited and it turned out. Alhamdulillah, my product has more orders than the product I ordered earlier. I am really grateful and thankful to Allah. because it has been helped and is right. God does not sleep. Allah already knows which one will get sustenance from the efforts that His servants do. Wes I am quite confident from there, ma'am. I am sure that Allah will help His servants".

The noema produces noesis that the decision to remain surrendered and surrender to Allah, as well as the belief that sustenance has been arranged by Allah. So that makes the owner of Radzaa Handicraft argue that high income is not a top priority. As long as you have tried your best and have carried out your obligations as a servant, one of them is to give alms both in material and non-material ways. It is included in the financial management that he implements. Because the benefits are not only obtained in the form of money. Rather, it can come in any form.

CONCLUSION

This study explains how the financial literacy possessed by MSME owners in making decisions in financial management in their businesses. The phenomenon that occurs is that MSME owners think that financial literacy is very influential in deciding something in their business. Because this greatly affects the development of a business. The owner of radzaa handicraft also thinks that. One of the weaknesses of MSMEs is finance and especially in the bookkeeping department. The existence of shoppee is enough to help MSMEs in managing and also managing their finances, with this application. MSMEs feel very helped, because they can immediately know their expenses, income and also the amount of profit they get. Mr. Ustadus Solihin, S.E., M.M., the owner of Radzaa Handicraft, is a figure who has extensive knowledge in managing and developing his business. Although he is busy with his profession as a lecturer and is pursuing a doctorate, he is able to divide his time effectively to monitor and manage the business he has built. In this case, he utilizes technology and applications such as Shopee to automatically record finances, both income and expenses, making it easier to manage financial reports and ensure that the business continues to run smoothly. With a background as a lecturer at the Faculty of Economics at Kadiri Islamic University and many years of experience in the academic world, Mr. Ustadus Solihin has a strong foundation in understanding business and finance concepts. This knowledge was expanded by self-taught learning through various online platforms, especially YouTube, which he used to learn e-commerce and various other digital skills. When facing new challenges, he does not hesitate to find solutions and learn new things, which is one of the keys to success in running Radzaa Handicraft.

One of the strategies he implements is not to make Radzaa Handicraft the only source of income. By having other sources of income, he can maintain personal and business financial stability, even though his business fluctuates. Good financial literacy allows him to

manage his budget wisely, including manual recording for offline transactions and carefully managing capital, selling prices, and profits. This ability is very helpful in overcoming the obstacles faced and continuing to develop the business, resulting in a turnover of tens of millions of rupiah. In addition, Mr. Ustadus Solihin is also active in building networks through communities and activities such as seminars and workshops. This activeness brings various conveniences, such as a smooth process of creating NIB and applying for a brand at no cost thanks to the help of community partners. This wide connection also strengthens Radzaa Handicraft's position in the market.

Mr. Ustadus Solihin's business decision-making is always based on accurate analysis of financial statements, allowing him to optimize business strategies. One of the innovations implemented is safe and exclusive product packaging, which not only maintains the safety of goods during delivery but also increases product added value and customer satisfaction. Overall, Mr. Ustadus Solihin's approach in managing Radzaa Handicraft reflects a deep understanding of the importance of good financial management and adaptation to technological developments. The combination of academic knowledge, practical experience, and the use of technology allows him to run his business efficiently and continue to grow in the midst of existing challenges.

The conclusions that can be drawn from the experience and strategies applied by Mr. Ustadus Solihin, S.E., M.M., in managing Radzaa Handicraft show that financial literacy plays a very important role in the success and growth of a business. With a good understanding of financial management and the ability to analyze accounting information, micro, small, and medium enterprise (MSME) owners can make wise financial decisions. One of the basics of financial literacy that MSME owners need to have is the ability to separate business finance and personal finance. If this is not managed properly, financial risks, such as a lack of capital for business development, can arise and even threaten business continuity.

Mr. Ustadus Solihin also highlighted the importance of having an additional source of income apart from the business that is being run, especially in the early stages of business development. This helps maintain financial stability and allows business owners to continue to grow their businesses, for example by building simple galleries to physically showcase their products. Challenges in capital are often an obstacle for MSMEs in expanding their businesses, but with good financial management and the right strategy, these obstacles can be overcome. In addition, Mr. Ustadus Solihin's experience in dealing with situations with customers who have difficulty paying packing fees shows that actions based on empathy and honesty can bring blessings and positive relationships in business. The principles of financial literacy applied by him not only help in managing personal and business finances, but also in building a good reputation and sustainability of Radzaa Handicraft's business.

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