

Understanding financial management as a determining factor for the success of MSMEs: A qualitative study

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Abstract

Purpose: This study aims to explore the understanding of financial management among micro, small, and medium enterprises (MSMEs) and how such understanding influences the success and sustainability of their business. The primary focus is to identify the key financial management factors considered essential by MSME owners and the challenges they face in implementing effective financial practices.

Research/methodology: This research employs a qualitative literature review methodology to analyze relevant studies, reports, and articles related to MSME financial management. This study synthesizes insights from various sources to provide a comprehensive understanding of the current practices, challenges, and factors that contribute to the financial success of MSMEs.

Results: The findings indicate that a solid understanding of financial management, including cash flow management, transaction recording, and long-term financial planning, is crucial for MSME success. Despite the recognition of its importance, many MSME owners face barriers such as a lack of financial knowledge, limited access to financial resources, and reliance on manual accounting methods. Moreover, many fail to engage in long-term financial planning, which impedes their ability to manage risks and plan for business expansion effectively.

Conclusions: Understanding financial management is vital for MSME success. However, limited literacy, resources, and manual practices hinder effective implementation, highlighting the need for targeted support and education.

Limitations: This study is limited to a qualitative literature review, which may not capture the full range of experiences of MSME owners across different sectors or regions.

Contribution: This research provides valuable insights for MSME owners, financial institutions, and policymakers to understand the critical role of financial literacy and provide better support for MSMEs.

Keywords: *Business Success, Financial Management, Financial Planning, MSMEs*

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1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) are a strategic economic sector that significantly contributes to national development in Indonesia (Renati, Akbar, & Rudianto, 2019). Based on data from the Ministry of Cooperatives and SMEs, MSMEs contribute more than 60% to Indonesia's Gross Domestic Product (GDP) and employ approximately 97% of the total national workforce (Oktaria, Raras, Alam, Barusman, & Habiburrahman, 2024). However, despite their significant contributions,

MSMEs often face various challenges that hinder business growth and sustainability (Reniasi, Akbar, & Rudianto, 2020). One of the main challenges experienced by MSMEs is the weak ability in financial management, which is a critical factor in determining the success of their business (Rijal, Ausat, Kurniawati, & Suherlan, 2023).

Financial management covers various aspects, from recording transactions and managing cash flows to budget planning and cost control (Chigora, Kapesa, & Svongoro, 2021). Without good financial management, MSMEs are vulnerable to problems such as errors in capital allocation, a lack of liquidity, and an inability to overcome financial risks. However, the reality shows that many MSME actors in Indonesia have a minimal understanding of the basic concepts of financial management (Rahmadiani, Maryani, & Pentiana, 2024). This condition is often caused by a lack of financial literacy and limited access to relevant training and education programs.

Financial literacy is an important foundation for effective financial management. Based on a survey conducted by the Financial Services Authority (OJK), only approximately 38% of Indonesians have an adequate level of financial literacy, and this figure is even lower among MSMEs. This lack of financial literacy directly impacts the ability of business actors to make wise financial decisions. MSMEs often rely on intuition or personal experience in managing business finances, without understanding the importance of data analysis or systematic planning strategies (Rita, Kristanto, Nugrahanti, & Usmanij, 2022).

In addition, many MSMEs do not separate personal finances from business finances, making it difficult to determine the extent of actual business performance. This financial management pattern causes budget leaks, the use of business capital for personal needs, and the inability to monitor profits and losses objectively. This condition not only hinders business growth but also increases the risk of business failure, especially amidst increasingly complex economic challenges (Edwy, Firdaus, Febia, Leonardi, & Ramadhani, 2023).

Limited access to financial management coaching and training is another significant challenge. Although the government and various organizations have provided training programs for MSMEs, their coverage is still limited and has not reached business actors in remote areas. Many MSME actors feel that the training is less relevant to their needs or is difficult to access due to cost and location. Consequently, their financial management skills remain at a low level, making it difficult to improve the competitiveness of their businesses in a competitive market.

In a broader context, culture plays an important role in the financial management practices of MSMEs in Indonesia. Many small business actors run their businesses with a family approach, which tends to ignore the principles of professional financial management. This culture often leads to unplanned business decisions, such as using business profits for consumptive needs without considering the need for reinvestment or business development. However, some MSME actors are also reluctant to use modern financial technology, such as financial recording applications, due to limited knowledge or distrust of the technology (Hasanudin, 2023).

Under such conditions, it is important to understand how MSMEs view and implement financial management in their businesses. A qualitative approach is a relevant method for exploring the perceptions, experiences, and strategies related to financial management. Through in-depth interviews or case studies, this research can reveal the challenges they face and solutions that are considered effective in improving their financial management practices. This qualitative research can also provide deeper insights compared to a quantitative approach because it can capture aspects that are not visible in statistical data, such as motivation, cultural barriers, and interpersonal dynamics.

The results of this study are expected to contribute to the development of more effective policies to support MSMEs. By understanding the specific needs and constraints faced by MSMEs, the government and related institutions can design targeted training and mentoring programs. In addition, the results of

this study can serve as a reference for MSMEs to improve their understanding of financial management so that they can sustainably maximize their business potential.

Based on the description, this research is formulated in two problem formulations: (1) How do MSME actors understand financial management as part of their business management? (2) What obstacles do MSME actors face in implementing effective financial management practices?

2. Literature Review

2.1 *Financial Management*

Financial management is a process of planning, managing, controlling, and evaluating financial resources to achieve organizational or individual goals efficiently and effectively. In the business world, financial management includes decision-making related to funding, investment, and asset management to ensure a company's stability and growth. The main functions of financial management include allocating financial resources for operational activities, long-term planning, and controlling financial risk. Thus, financial management focuses not only on calculating profits but also on how an organization can sustainably maintain liquidity, solvency, and profitability (Matara & Sreedhara, 2020).

In practice, financial management involves three main decisions: investment, financing, and dividend decisions. Investment decisions are related to the allocation of funds to assets that provide added value, either in the form of fixed assets, such as buildings and machinery, or financial assets, such as stocks and bonds. Financing decisions involve sources of capital used to fund company activities, either through equity, debt, or a combination of both. Dividend decisions are related to the distribution of profits to shareholders or their reuse as reinvestment capital. These three decisions are interrelated and must be based on a mature financial analysis to maximize the value of the company.

In addition, financial management emphasizes the importance of cash flow management, which includes income, expenses, and investments. The ability to monitor cash flow allows organizations to identify potential liquidity problems and take preventive measures to address them. In the context of small businesses, such as MSMEs, financial management plays a crucial role in ensuring business continuity, especially amidst challenges such as market fluctuations, limited capital, and regulatory changes. By implementing good financial management principles, business actors can make strategic decisions that support long-term growth while reducing financial risks that can threaten the sustainability of their business (Sitinjak, Johanna, Avinash, & Bevoor, 2023).

2.2 *Micro, Small, and Medium Enterprises (MSMEs)*

Micro, Small, and Medium Enterprises (MSMEs) are an economic sector consisting of small-to medium-scale business units that play an important role in a country's economy, especially in developing countries such as Indonesia. MSMEs are defined based on several criteria, including the number of workers, asset value, and annual turnover. In Indonesia, grouping is regulated by Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises. Micro businesses usually have maximum assets of IDR 50 million and a maximum annual turnover of IDR 300 million, while small businesses have assets between IDR 50 million and IDR 500 million, with an annual turnover of IDR 300 million to IDR 2.5 billion. Meanwhile, medium businesses have assets between IDR 500 million and IDR 10 billion and an annual turnover of IDR 2.5 billion to IDR 50 billion (Hendrawan, Chatra, Iman, Hidayatullah, & Suprayitno, 2024).

MSMEs have unique characteristics, such as management that tends to be informal, the use of simple technology, and limited access to resources, including capital and markets. However, MSMEs have the advantage of high flexibility in adapting to changing market conditions and consumer preferences. This sector is also the backbone of the national economy because it can absorb a large number of workers, make a significant contribution to Gross Domestic Product (GDP), and support a more equitable distribution of the economy. In many cases, MSMEs are the main drivers of local innovation and strengthen the economic independence of the community, especially in remote areas (Nadiyani & Lubis, 2024).

However, MSMEs face various challenges that can hinder their growth. One of the main challenges is

the limitations in financial management, often caused by low financial literacy and minimal access to formal financing. In addition, MSME actors often face difficulties in adopting technology, competing in a wider market, and meeting the product quality standards expected by modern consumers. To overcome these challenges, the government and various supporting institutions have launched various programs, such as training, providing access to capital through people's business credit (KUR), and MSME digitalization, to support MSMEs. With the right support, MSMEs can increase their competitiveness, contribute more to the national economy, and become a major pillar for achieving inclusive and sustainable economic growth.

3. Research Methodology

This study uses a qualitative approach with a literature study method to explore the understanding of financial management as a determining factor for the success of Micro, Small, and Medium Enterprises (MSMEs). This approach aims to obtain in-depth information from various relevant literature sources, such as scientific journals, books, official reports, and publications related to MSMEs and financial management. Literature studies were chosen because they allow researchers to review various theories, concepts, and previous research results, providing a strong foundation for the analysis. This approach also helps identify factors that influence the understanding of financial management and the relationship between good financial management and MSME success.

Data were collected using a systematic method to identify, evaluate, and synthesize the relevant literature. This process involved several steps, such as determining the main keywords (e.g., "MSME financial management," "financial literacy," and "MSME success"), searching academic databases such as Google Scholar, ResearchGate, and ProQuest, and selecting articles or sources that met the inclusion criteria. The inclusion criteria were relevance to the research topic, publications in the last 10 years, and document accessibility. Subsequently, the selected literature was analyzed in depth to identify key themes related to the understanding and practice of financial management in MSMEs.

The results of this literature study were analyzed using thematic analysis techniques, which are qualitative methods that organize and interpret data based on emerging themes or patterns. This analysis allows researchers to identify conceptual relationships between variables, such as cash flow management, separation of personal and business finances, and the use of technology in financial management. In addition, this qualitative approach provides the flexibility to understand the broader context, including the challenges MSME actors face in improving financial literacy. This method is expected to provide significant theoretical and practical contributions to enriching insights into the importance of understanding financial management for the success of MSMEs.

4. Results and Discussions

4.1 MSMEs' Understanding of Financial Management as Part of Business Management

MSMEs' understanding of financial management is one of the key factors that can determine the success and sustainability of their business. In MSMEs, financial management is not only about managing money properly but also involves various important aspects such as planning, controlling, recording, and financial analysis.

4.1.1 Level of Understanding of MSMEs in Financial Management

The level of understanding of MSMEs in financial management varies greatly depending on their background, education, and experience in business. Most MSMEs start their businesses with little or no formal financial management knowledge. They rely more on personal experience or intuition in managing their businesses, which makes them tend to ignore the importance of implementing structured and planned financial management concepts. This often leads to inefficient management, even though their business can grow in the short term. In the early stages, their understanding is generally limited to daily activities, such as recording income and expenses. Although these activities are important, they are insufficient to ensure long-term sustainability and success. As a result, MSMEs that only focus on basic financial recording often miss opportunities to optimize their financial management (Ashshiddiqi & Rahmat, 2022).

In contrast, MSMEs with basic financial management knowledge can plan and control their finances more strategically. This better understanding includes awareness of the importance of separating personal and business finances. Separating these two types of finances allows MSMEs to monitor and analyze their business's financial performance more accurately and avoid confusion when managing funds. Those who understand these basic principles also tend to be more efficient in managing cash flow, which is crucial for maintaining business continuity. Good cash flow allows firms to meet financial obligations on time and avoid liquidity crises that can threaten business continuity. In addition, those who understand the importance of financial planning are often more organized regarding resource management and investment. Thus, MSMEs with a deeper understanding of financial management can make more rational decisions regarding financing, fund allocation, and business growth strategies (Biswas, 2024).

4.1.2 Cash Flow Management in MSME Businesses

Cash flow management is a key element in MSME business financial management that cannot be ignored. Cash flow describes the flow of money in and out of a business, which reflects the financial condition of the business. For MSMEs, having a positive and well-managed cash flow is important to ensure operational continuity. Without proper cash flow management, MSME can face difficulties in meeting financial obligations, such as paying employee salaries, purchasing raw materials, or covering other operational costs. Poor cash flow can lead to a lack of liquidity, even if the business generates high turnover, which can lead to financial losses or bankruptcy (Panya & Petchsawang, 2024).

However, despite its crucial role, many MSME actors are not fully aware of the importance of cash flow management. Often, MSME actors focus more on recording daily transactions, such as recording income and expenses, without analyzing the impact of cash flow on long-term financial conditions. They may feel that as long as the money received is greater than the money spent, the business is running well. In fact, without careful monitoring of cash flows, they could face serious liquidity problems later on. This is dangerous because poor cash flow management can cause an imbalance between income and expenses, threatening the continuity of the business. This lack of understanding can arise due to the lack of formal training or education on financial management among MSMEs, which leads to a reliance on personal intuition rather than a data-based and analytical approach.

MSMEs that understand cash flow management well will be able to plan their business finances more effectively. One important aspect of cash flow management is planning expenses for the beginning of the month. By knowing how much money will come in and out, MSMEs can plan how to deal with urgent expenses or postpone the purchase of goods that are not too urgent. For example, if installment payments or purchases of raw materials must be made, MSMEs can prepare funds to meet these obligations before they are due. They will also have sufficient reserves to deal with emergency situations such as equipment damage or sudden changes in raw material prices. In addition, by monitoring expenses regularly, MSMEs can avoid waste or unnecessary expenses, so that cash flow can remain stable and the business can operate smoothly (Utama, Yusfiarto, Pertiwi, & Khoirunnisa, 2024).

In addition to planning expenses, cash flow management includes the ability to manage investment timing. In the business world, MSMEs sometimes need to invest their profits to develop their business, such as increasing production capacity, improving facilities, or conducting promotions. However, to make the right investment decisions, MSMEs must understand when the right time to use the available funds is. Investments made without proper cash flow planning can result in a lack of funds to meet pressing operational obligations. For example, if too many available funds are used to purchase new equipment without considering daily cash flow needs, the business may experience liquidity problems that can lead to operational delays or even losses.

4.1.3 Separation of Personal and Business Finances

The separation of personal and business finances is crucial for the sustainability of MSME businesses. Many MSME actors, especially those who are just starting a business, often assume that personal and business finances can be mixed, especially if the business is still small-scale. They feel that this is more practical because the business operations are simple and do not involve many transactions. However,

mixing personal and business finances can cause confusion in financial management and control. For example, business actors cannot clearly know how much money is actually generated from the business and how much is used for personal needs. This makes it difficult for them to calculate actual profits and evaluate whether their business is developing well or actually experiencing losses (Al-Hashimy et al., 2022).

The separation of personal and business finances provides many benefits for financial management. One of these is making it easier for MSME actors to monitor business cash flow more clearly. By separating these two types of finances, business actors can more easily maintain neat records, allowing them to identify income and expenses that are directly related to business activities. The profits obtained from the business can be calculated more precisely, which will also facilitate decision-making in managing financial strategies. For example, if a business experiences losses, this separation will make it easier for MSMEs to analyze the causes of the losses. In addition, with a clear separation, MSMEs can manage debt and investment in a more structured manner and know for sure whether there are funds that can be used for business development or need to be set aside for other needs.

However, many MSMEs do not fully understand or implement the separation of personal and business finance. Some business actors find it difficult to distinguish between personal and business expenses, especially if the business they run is still small and does not have a clear administrative structure. In addition, most MSMEs do not sufficiently understand the importance of this step in managing finances more efficiently. Lack of knowledge about this financial separation can cause MSMEs to develop bad habits that hinder the development of their businesses.

4.1.4 Financial Planning for MSMEs

Financial planning is crucial for MSMEs to ensure the sustainability and growth of their businesses. Without proper planning, a business can get caught in difficult conditions, such as a lack of funds to pay for operations, purchase raw materials, or even expand. Financial planning includes various important elements, such as estimating income and expenses, determining fund allocation for investment, and managing reserve funds for emergencies. With good planning, MSMEs can be better prepared to face unexpected situations such as decreased income or urgent investment needs. For example, by having sufficient reserve funds, they can overcome income fluctuations that often occur in small and medium businesses (Di Mauro, Ancarani, & Hartley, 2020).

However, although financial planning is very important, many MSMEs consider it a low priority, especially for those who are just starting a business. Many are focused on daily operations and achieving short-term profits without considering the possibility of financial problems in the future. This condition is risky because, without clear financial planning, business actors may face unexpected financial difficulties. For example, they may be forced to borrow money at high interest rates to cover the shortfall, which, in turn, can worsen their financial situation. MSMEs with a good understanding of financial planning tend to be more successful in managing their businesses. They are not only able to anticipate expenses and income but also have sufficient cash reserves to cope with emergencies. In addition, they are better prepared to plan business expansion, invest in product development, or open new branches. Clear financial planning also provides confidence when seeking financing from financial institutions, as they can show realistic and reliable financial projections (Stolper & Walter, 2017).

4.2 Obstacles Faced by MSMEs in Implementing Financial Management Practices

Micro, Small, and Medium Enterprises (MSMEs) play an important role in the economies of many countries, including Indonesia. However, despite their significant contributions, MSMEs often face various challenges in managing their businesses, especially in financial management.

4.2.1 Lack of Financial Knowledge and Education

A lack of financial knowledge and education is one of the biggest obstacles faced by MSMEs. Many business actors, especially those who are just starting out, have only technical skills or creativity without a deep understanding of the basic principles of financial management. Although they may be experts in the products or services they offer, without adequate knowledge of cash flow, transaction recording,

financial reports, and financial planning, their businesses are vulnerable to financial management errors. Many MSMEs do not understand the importance of financial reports, such as balance sheets and profit and loss statements, which are important tools for objectively evaluating the financial condition of their businesses (Bambang & Abdul Rauf, 2022).

As a result of this lack of understanding, MSMEs often have difficulty maintaining the financial stability of their businesses. One problem that often arises is the poorly managed cash flow. Without an understanding of how to manage incoming and outgoing cash flows, MSMEs can face difficulties in paying operational costs, managing stock, or paying debts, even though their turnover is high. For example, they may spend the money they earn without properly planning for future expenses, resulting in a liquidity crisis that threatens the continuity of the business. In addition, poor or no financial records prevent MSMEs from systematically tracking income and expenses, which ultimately makes it difficult for them to evaluate whether their business is truly profitable.

4.2.2 Limited Access to Financing and Financial Resources

Limited access to financing and financial resources is a major obstacle faced by MSMEs in managing and developing their businesses. Many MSMEs have difficulty obtaining financing from formal financial institutions, such as banks, because they do not meet the established requirements, such as adequate collateral or a good credit history, to obtain loans. Financial institutions often consider MSMEs a high-risk sector, especially since many of them do not have clear and structured financial records. In addition, the complicated loan application process and strict administrative requirements, such as complete financial reports and detailed business projections, are often major barriers for MSMEs in accessing the necessary financing sources. This has resulted in many MSMEs being forced to seek alternative financing from unofficial or informal sources, which are often accompanied by high-interest rates and detrimental terms (Supatmin, Paeno, & Sutrisno, 2022).

This limited access to formal financing risks worsens the financial condition of MSMEs. Due to limited access to affordable financing, many MSMEs are trapped in unhealthy financing cycles, such as borrowing from loan sharks or lending institutions with very high-interest rates. This can increase the financial burden and worsen business liquidity, making it difficult for MSMEs to manage their businesses efficiently and effectively. In addition, limited funds hinder the ability to invest in the infrastructure needed to improve the quality of financial management, such as accounting software or technology to monitor cash flow. Without adequate financing support, MSMEs cannot implement more advanced financial management practices, which ultimately limits the potential for growth and sustainability of their businesses.

4.2.3 Dependence on Manual Financial Management

Dependence on manual financial management is one of the main obstacles for MSMEs in managing their businesses efficiently. Many MSMEs still rely on manual methods, such as cash books or handheld records, to record daily financial transactions. Although this method may accommodate the basic needs of recording income and expenses, manual methods are very limited in terms of their efficiency and accuracy. Management that relies on handheld records is prone to human error, such as recording or calculation errors, which can have a major impact on the final financial statements. Although small, these errors can lead to inaccuracies in financial analysis and inappropriate business decision-making. In addition, with manual methods, MSMEs also find it difficult to produce more complete and comprehensive financial reports in a short time, which are needed for long-term evaluation and planning (Singh et al., 2024).

The inability or ignorance of MSMEs to utilize technology in financial management worsens this condition. Most MSMEs that still rely on manual recording do not utilize modern accounting software or financial management applications. This technology can help produce more accurate and timely financial reports, such as income statements or balance sheets, which are crucial for assessing the financial health of a business. Without adequate software, financial report creation often takes a long time, and the risk of errors in the calculation or classification of transactions increases significantly. In addition, the lack of technology use can make it difficult for MSMEs to monitor cash flow in real time,

so they cannot quickly respond to changes in their business. In other words, reliance on manual financial management not only limits efficiency but also reduces the potential for MSMEs to optimize their financial management practices, which ultimately hinders business growth and sustainability.

4.2.4 Lack of an Effective Cash Flow Management System

The lack of an effective cash flow management system is a major obstacle for MSMEs in maintaining financial stability of their businesses. Many MSMEs do not have adequate cash flow records or understand the importance of separating personal and business cash flows. When personal income and expenses are mixed with business transactions, this obscures the picture of the extent to which the business is actually generating profit. Consequently, MSMEs often struggle to monitor the balance between income and expenses and fail to detect cash flow problems that can affect the continuity of their businesses. Without a good cash flow management system, even though business turnover is high, they can face liquidity problems that threaten their operations and growth (Hoang & Bui, 2023).

A crucial aspect of effective cash flow management is regular planning and monitoring. Without proper cash flow planning, MSMEs will have difficulty facing unexpected financial challenges, such as decreased income or urgent needs to purchase raw materials. In many cases, MSMEs are unable to identify critical moments when their cash flow is in deficit or when expenses exceed income; therefore, they are forced to seek emergency financing that can burden them with high interest rates. This creates a cycle that can disrupt the continuity of the business. Therefore, MSMEs must have a clear and structured cash flow management system that allows them to plan expenses, monitor cash flow in real time, and ensure that their business remains liquid despite financial challenges.

4.2.5 Inability to Make Long-Term Financial Plans

The inability to make long-term financial plans is a major obstacle for many MSMEs. Most of them focus on the sustainability of daily operations and short-term profits without considering the needs and strategies for future business development. This often results in a lack of a clear direction for business growth. For example, without a plan for product expansion or diversification, MSMEs will have difficulty adapting to market changes and industry developments, which risks hampering their long-term business development. MSMEs tend to focus only on covering operational costs and seeking short-term profits, without considering investment or increasing business capacity that can enhance their competitiveness in the market (Tjahjadi, Soewarno, Nadyaningrum, & Aminy, 2022).

In addition, the inability to plan long-term finances is related to a lack of attention to cash reserves. Many MSMEs do not have emergency funds or do not prioritize raising sufficient funds to deal with unexpected situations such as economic crises or declining market demand. Without adequate cash reserves, they will have difficulty overcoming liquidity problems or taking advantage of investment opportunities when they arise. With mature financial planning, MSMEs can be better prepared to face changing economic conditions, plan risk mitigation strategies, and take advantage of business opportunities that can drive their growth in the future.

5. Conclusion

Based on the results of this study, it can be concluded that a good understanding of financial management is a very important determinant of MSMEs success. MSMEs that understand the basics of financial management, such as cash flow management, separation of personal and business finances, and mature financial planning, are more likely to manage their businesses efficiently and maintain continuity even when faced with economic challenges. Conversely, MSMEs that do not understand the principles of financial management often face financial difficulties, even in businesses with high turnover, due to irregular and unsystematic financial management practices. Therefore, increasing knowledge and education about financial management is key to helping MSMEs grow and compete in the market.

Furthermore, this study shows that limited access to financing and reliance on manual methods in financial management worsen the financial conditions of many MSMEs. Most MSMEs have difficulty obtaining the financial resources needed for business expansion and still rely on manual recording,

which is prone to errors. Therefore, it is important for related parties, such as educational institutions, governments, and financial institutions, to provide support through financial management training, access to more efficient accounting technologies, and more inclusive financing solutions. Thus, a good understanding of financial management and access to the right resources increase the competitiveness and sustainability of MSMEs.

5.1 Limitation and study forward

The limitations of this study primarily center around the scope of data collection and the methodological approach. First, this study used a qualitative method, which potentially limits the generalizability of the findings to a wider population of MSMEs in developing countries. The sample size used in this study may not fully represent the diversity of MSMEs in terms of industry, scale, and geographic location, which may have affected the results. Furthermore, this study focused on a specific set of factors, such as financial literacy, cash flow management, and long-term financial planning, but did not explore other external factors, such as market conditions, government policies, or technological innovations, that may also affect MSMEs' financial success.

Future research could build on the findings of this study by using a larger and more diverse sample of MSMEs spanning different industries and regions to provide a more comprehensive understanding of financial management challenges and practices across sectors. A mixed-methods approach that combines qualitative and quantitative data could be useful in strengthening the results and offering stronger conclusions. In addition, research could explore the role of technology in improving financial management for MSMEs, particularly the adoption of financial software and online platforms for accounting and cash-flow monitoring.

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