

THE INFLUENCE OF FINANCIAL LITERACY AND MENTAL ACCOUNTING ON FINANCIAL MANAGEMENT OF UMKM IN DELI TUA DISTRICT

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Abstract

This study aims to determine the effect of financial literacy and mental accounting on financial management MSMEs in Deli Tua sub-district. This research uses a quantitative approach, which involves processing primary and secondary data where primary data is obtained from respondents' answers to questions or statements in questionnaires distributed directly while secondary data in this study comes from the website of the Deli Serdang Cooperative and UKM Office. The sample in this study were MSME actors in Deli Serdang, totaling 97 respondents. The method used for data analysis uses SPSS for windows software. The results of this study indicate that the Financial Literacy Variable (X1) has a positive and significant effect on MSME financial management (Y), Financial Inclusion (X2) has a significant and significant effect on MSME financial management (Y). From the F test, Financial Literacy and Financial Inclusion together have a positive and significant effect on MSME financial management. The Adjusted R square value is 0.566, this figure indicates that 87% shows that the effect of financial literacy and financial inclusion on financial management is 87%, the remaining 13% is influenced by other variables or factors not examined in this study.

Keywords : *Financial Literacy, Mental Accounting, MSME Financial Management*

INTRODUCTION

Indonesia's economic growth is closely related to the business sector, especially Micro, Small, and Medium Enterprises (MSMEs), which have a large contribution to Gross Domestic Product (GDP) and employment absorption. Although MSMEs continue to grow, many business actors face challenges in financial management, such as lack of financial records, inability to separate personal and business accounts, and low understanding of cash flow. Financial literacy is a key factor in the success of MSMEs, but surveys show that the majority of MSME actors still have a low level of financial understanding. This has an impact on inefficiency in managing capital and business investment.

In addition, the concept of mental accounting or the habit of separating expenses based on sources and purposes has not been implemented properly by MSMEs, thus risking causing an imbalance in their business finances. A study in Deli Tua District showed that MSMEs in this area experienced rapid growth, but many business actors still mixed personal and business finances and did not have systematic financial records. As a result, they have difficulty in managing capital, accessing funding, and determining the right business strategy. This study aims to analyze the influence of financial literacy and mental accounting on the financial management of MSMEs in Deli Tua District. Specifically, this study aims to identify the influence of financial literacy on the financial management of MSMEs, analyze the impact of mental accounting on the financial management of MSMEs, and evaluate the relationship between financial literacy and mental accounting in improving the quality of financial management of MSMEs. With increasing financial literacy and understanding of mental accounting, it is hoped that MSMEs can be more professional in managing their finances, so that they can survive and develop sustainably.

LITERATURE REVIEW

2.1 Grand Theory:

Attribution Theory developed by Bernard Weiner and Fritz Heider explains how individuals determine the causes of behavior, both themselves and others, based on internal or external factors. This concept is related to locus of control, which was first proposed by Rotter (1966).

Locus of control is divided into two: internal and external. Individuals with an internal locus of control believe that success is determined by their own efforts and actions, while individuals with an external locus of control believe that outcomes are determined by external factors such as luck or fate. In theory X and Y, individuals with an internal locus of control are more independent and responsible, while those with an external locus are more dependent on external motivation to achieve.

2.2 Micro, Small and Medium Enterprises (MSMEs)

MSMEs (Micro, Small, and Medium Enterprises) are an economic sector that drives productive resources and plays a role in meeting community needs (Hani & Fazlianda, 2021). Based on Law No. 20 of 2008, MSMEs are classified as follows:

1. Micro Business: A productive business owned by an individual or business entity with certain assets and income.
2. Small business: An independent business that is not part of a large company, owned by an individual or business entity.
3. Medium Enterprises: An independent business with a larger scale than a small business, but not classified as a large business.

MSMEs have an important role in the economy by contributing to job creation and economic growth.

2.3 Financial Management

Financial management is a systematic process of managing financial resources to meet life's needs and achieve financial well-being (Putri & Lestari, 2019). According to Sundana (2011), financial management includes obtaining capital at the lowest cost and using it efficiently and productively. Dahrani et al. (2022) added that this involves funding activities and asset management to achieve business goals. Overall, financial management includes planning, controlling expenses, and protecting against risk in order to achieve financial stability.

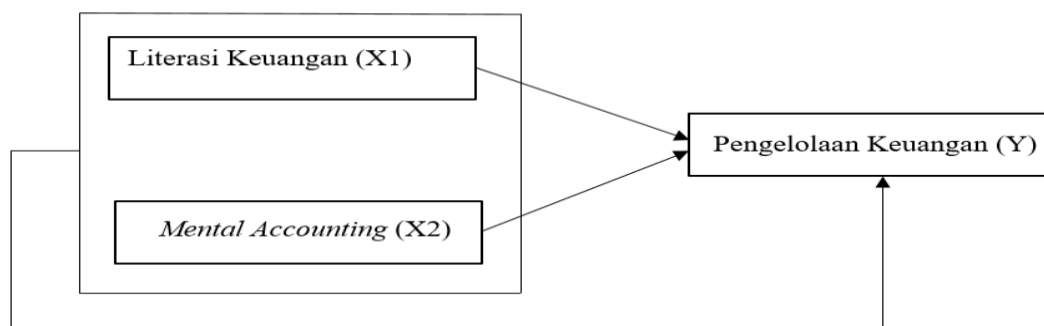
2.4 Financial Literacy

Financial literacy is a person's level of understanding of financial aspects, including financial management and making the right financial decisions (Herdinata & Pranatasari, 2020; Dewi & Setiyono, 2022). This literacy includes an understanding of savings, investments, and insurance and helps individuals evaluate financial risks and opportunities (Sani & Annisa, 2019; Diru et al., 2024). According to the Financial Services Authority (2016), financial literacy includes knowledge, skills, and attitudes in managing finances to achieve prosperity. With good financial literacy, a person can make wiser and more sustainable financial decisions.

2.5. Mental Accounting

Mental accounting is a concept in behavioral finance where individuals allocate income into specific accounts based on their intended use (Arquero et al., 2024). This process includes identifying, classifying, and budgeting financial resources, which influences one's financial decisions (Kresnawati et al., 2019; Puspita, 2022). Mental accounting also shows an individual's tendency to treat money differently depending on its origin and intended use (Mandasari & Fietroh, 2022). This concept helps in managing consumption and spending by limiting the budget and considering the benefits obtained.

2.6 Conceptual Framework



1. The Influence of Financial Literacy on MSME Financial Management

Financial literacy plays an important role in helping MSMEs manage their finances well. A good understanding of finance allows them to prepare budgets, plan savings, and make wiser financial decisions. MSME financial literacy is influenced by internal factors such as knowledge, experience, and motivation, as well as external factors such as training, government policies, and economic conditions. A study conducted by Santiara and Sinarwati (2023) shows that financial literacy has a positive and significant influence on MSME financial management. Therefore, the higher the level of financial literacy, the better the financial management carried out by business actors. Thus, the hypothesis proposed is that financial literacy has a positive and significant influence on MSME financial management.

H1 : Financial literacy has a positive and significant influence on the financial management of MSMEs

2. The Influence of Mental Accounting on Financial Management of MSMEs

Mental accounting is a concept where individuals allocate and categorize money into several parts to make it easier to control spending and make more effective financial decisions. In the context of MSMEs, mental accounting helps business owners better manage their finances, reduce financial risks, and improve overall business performance. Individuals who have good mental accounting tend to limit unnecessary expenses and use funds more wisely. Research conducted by Luhsasi (2019) shows that mental accounting plays an important role in the financial management of MSMEs. Thus, the hypothesis proposed is that mental accounting has a positive and significant effect on the financial management of MSMEs.

H2 : *Mental accounting* has a positive and significant influence on the financial management of MSMEs

3. The Influence of Financial Literacy and Mental Accounting on Financial Management of MSMEs

The combination of good financial literacy and mental accounting can increase the effectiveness of MSME financial management. When business actors have a good understanding of finance and are able to allocate and manage funds properly, they can make more optimal decisions in business. Research conducted by Bagaskara (2022) shows that there is a positive relationship between financial literacy and mental accounting on financial management. MSMEs that have high financial understanding and good money management strategies are better able to face financial challenges in their businesses. Therefore, the hypothesis proposed is that financial literacy and mental accounting have a positive and significant effect on MSME financial management.

H3 : Financial literacy and *mental accounting* has a positive and significant influence on the financial management of MSMEs

RESEARCH METHODOLOGY

This study uses a quantitative approach, which involves processing primary and secondary data where primary data is obtained from respondents' answers to questions or statements in the questionnaire that is distributed directly while secondary data in this study comes from the website of the Deli Serdang Cooperative and SME Service. The data is then analyzed using the SPSS program to produce the information needed to answer the problem formulation. This quantitative method is based on the philosophy of positivism and is used to study certain populations and samples. The sample of this study is part of the UMKM actors in Deli Tua District. which was selected using simple random sampling technique, From the calculation results obtained the result of 96.49 then the researcher rounded it to 97 samples. This study uses the regression analysis method of studying the dependence of dependent variables (bound) with one or more independent variables (free variables), with the aim of estimating and predicting the population average or the average value of the dependent variable based on the known value of the independent variable.

DISCUSSION RESULTS

CLASSICAL ASSUMPTION TEST

NORMALITY TEST

Table 1. Kolmogorov Smirnov Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N	97	
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	1.53337535
Most Extreme Differences	Absolute	.077
	Positive	.065
	Negative	-.077
Test Statistics		.077
Asymp. Sig. (2-tailed)		.184 ^c
a. Test distribution is Normal.		

Based on the table above, it can be seen that the significance value (Asym. Sig. (2-tailed)) is 0.184, because the significance value (Asym. Sig. (2-tailed)) is greater than 0.05, it can be concluded that the data is normally distributed.

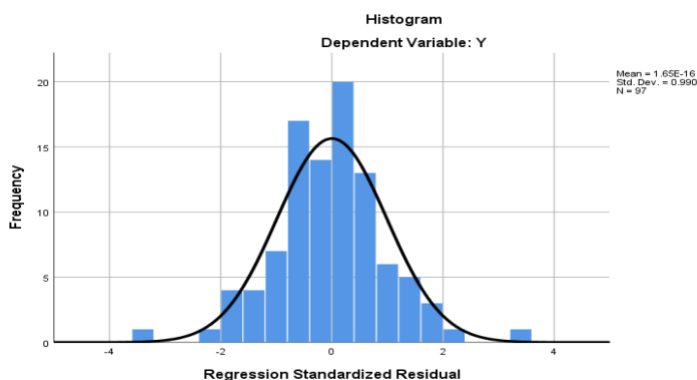


Figure 1.1 Normality With Histogram Curve

From the image above, it can be seen that the data is spread around the diagonal line and follows the direction of the diagonal line or the histogram graph shows a normal distribution pattern, so the regression is considered to meet the normality assumption.

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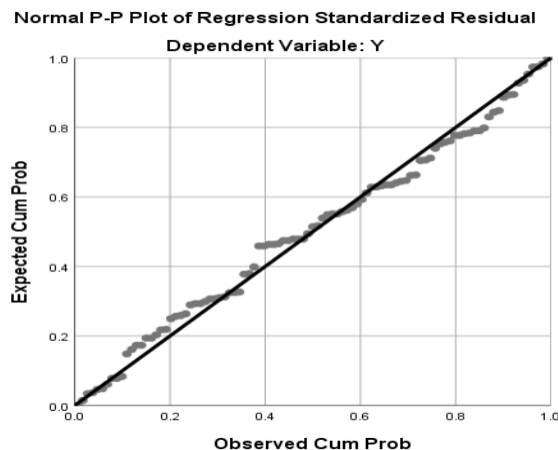


Figure 1.2 P-Plot Normality Test

In the figure above, it can be seen that the points approach the diagonal line. This shows that the data is normally distributed and meets the assumptions of normality testing.

MULTICOLLINEARITY TEST

Table 2. Multicollinearity Test

Coefficientsa						
Model		Unstandardized Coefficients		Standardized Coefficients	Collinearity Statistics	
		B	Std. Error	Beta	Tolerance	VIF
1	(Constant)	2.973	.863			
	X1	.342	.052	.497	.239	4.176
	X2	.359	.058	.468	.239	4.176

a. Dependent Variable: Y

Based on Table 2, the VIF value for each independent variable is <10 , thus the data is not affected by multicollinearity.

HETEROSCEDASTICITY TEST

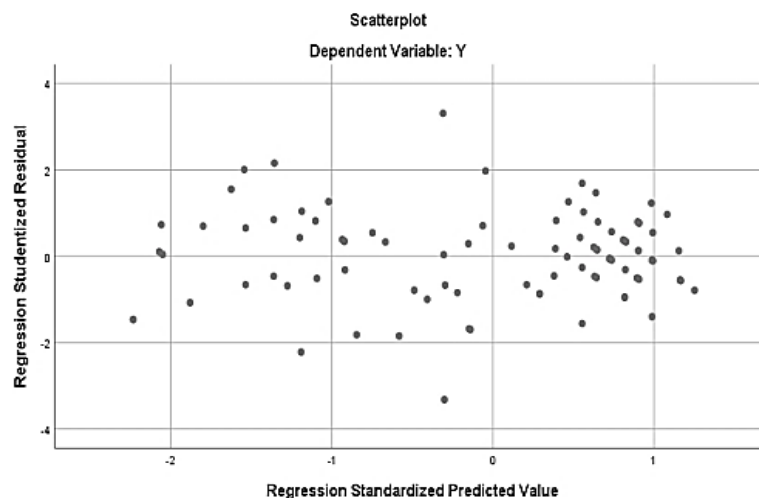


Figure 3. Scatterplot Test Results

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Based on the image above, the points are spread above and below and do not settle in one place. So it can be concluded that the independent variables above do not experience heteroscedasticity.

Table 3. Glejser Heteroscedasticity Test

Coefficients ^a					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	2,715	1.191		2.280
	X1	-.123	.071	-.349	.087
	X2	.028	.080	.072	.723

a. Dependent Variable: ln_res

Table 3 shows that the sig. value of each independent variable is 0.087 and 0.723 > 0.05 so that it is concluded that there is no heteroscedasticity symptom.

MULTIPLE LINEAR REGRESSION ANALYSIS

Multiple regression analysis is useful primarily for forecasting purposes (estimation), namely how independent variables are used to estimate the value of dependent variables.

Table 4. Multiple Linear Regression Analysis

Coefficients ^a					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	2.973	.863		3.446
	X1	.342	.052	.497	.000
	X2	.359	.058	.468	.000

a. Dependent Variable: Y

Table 4 shows that the multiple regression equation model in this study is:

$$Y = 2.973 + 0.342 X1 + 0.359 X2$$

Based on the equation it is described as follows:

1. The constant value of 2.973 means that if the value of the financial literacy and mental accounting variables is zero, then the financial management value will be 2.973.
2. The regression coefficient for the financial literacy variable (X1) is 0.342, meaning that if financial literacy increases by 1 unit, financial management will increase by 0.342 units.
3. The regression coefficient for the Mental Accounting variable (X2) is 0.359, meaning that if mental accounting increases by 1 unit, financial management will increase by 0.359 units.

HYPOTHESIS TEST

PARTIAL HYPOTHESIS TEST (t-Test)

Table 4. Partial Hypothesis Test (t-Test)

Coefficients ^a					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	2.973	.863		3.446
	X1	.342	.052	.497	.000

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	X2	.359	.058	.468	6.226	.000
a. Dependent Variable: Y						

Based on Table 4.16, it can be seen that the influence of each variable X on variable Y can be seen as follows:

1. In the financial literacy variable (X1), the calculated t value (6.616) > t table (1.985) was obtained with a significance level of $0.000 < 0.05$, so it can be concluded that financial literacy partially has a positive and significant effect on financial management.
2. In the Mental Accounting variable (X2), the calculated t value (6.226) > t table (1.985) was obtained with a significance level of $0.000 < 0.05$, so it can be concluded that mental accounting partially has a positive and significant effect on financial management.

SIMULTANEOUS HYPOTHESIS TEST (F TEST)

Table 5. Simultaneous Hypothesis Test (F Test)

ANOVA						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	1548.302	2	774.151	322.393	.000b
	Residual	225.719	94	2.401		
	Total	1774.021	96			
a. Dependent Variable: Y						
b. Predictors: (Constant), X2, X1						

In Table 4.17, it can be seen that the calculated F value is $322.393 > F$ table 3.09 and the significance level is $0.000 < 0.05$, so it can be concluded that financial literacy and mental accounting simultaneously have a positive and significant effect on financial management.

COEFFICIENT OF DETERMINATION (R2)

Table 6. Coefficient of Determination (R2)

Model Summaryb					
Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.934a	.873	.870		1,550
a. Predictors: (Constant), X2, X1					
b. Dependent Variable: Y					

Based on Table 4.19 above, the Adjusted R Square value is 0.870%, this shows that the influence of financial literacy and mental accounting on financial management is 87%, the remaining $100\% - 87\% = 13\%$ is influenced by other variables or factors that were not examined in this study.

CONCLUSION

The conclusion of this study is that financial literacy and mental accounting have a positive and significant influence on the financial management of MSMEs in Deli Tua District. Partially, financial literacy contributes significantly to helping MSMEs manage their finances better. Likewise with mental accounting, which plays a role in allocating funds in a more structured manner, thus supporting wiser financial decision-making. Simultaneously, these two variables together strengthen the effectiveness of MSME financial management. Therefore, increasing financial literacy and understanding of mental accounting are important for MSMEs in order to optimize their financial performance and business sustainability.

SUGGESTION

Here is a summary in point form:

1. **Financial Literacy Training**
 - a. Local leaders are advised to hold regular training to improve MSME actors' understanding of financial recording, budget planning, and simple financial reports.

- b. The use of simple accounting applications such as BukuKas or digital banking applications needs to be introduced to facilitate transaction recording.
2. **Mental Accounting Improvement**
Training should also include the concept of mental accounting so that MSMEs can better differentiate between the use of business and personal funds.
3. **Provision of Guides**
Digital guidebooks or modules on financial management can help MSMEs understand financial recording, simple financial reports, and cash flow management.
4. **Suggestions for Further Researchers**
 - a. Expanding the research sample so that the research results are more comprehensive.
 - b. Testing the effectiveness of financial literacy and mental accounting training.
 - c. Considering different MSME sectors to understand the influence of both variables on financial management more broadly.

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