

# The Influence of Financial Literacy and Business Management on Business Success

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## Abstract.

*This research looks at how financial knowledge and management skills affect the success of businesses in Bireuen Regency, which is in Aceh Province. Business success is a key sign of how well a region's economy is doing, but many business people still have trouble with managing money and running their operations smoothly. This study used a quantitative method and conducted a survey. The study included all registered business people at the Department of Cooperatives and SMEs in Bireuen Regency, and 150 people were chosen as participants through a purposeful sampling method. Data was gathered using questionnaires and then examined with multiple linear regression analysis using SPSS 26 software. The findings indicate that financial literacy has a positive and significant impact on business success ( $\beta = 0.412$ ;  $t = 4.873$ ;  $p < 0.05$ ), and business management also has a positive and significant effect on business success ( $\beta = 0.387$ ;  $t = 4.521$ ;  $p < 0.05$ ). When both financial literacy and business management are considered together, they have a combined significant effect on business success ( $F = 48.672$ ;  $p < 0.05$ ), and they explain 57.3% of the variation in business success. This suggests that when business people in Bireuen Regency have better knowledge about money and stronger skills in managing their businesses, it greatly helps them achieve success.*

**Keywords:** Financial Literacy, Business Management, Business Success and Bireuen.

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## I. INTRODUCTION

The development of the business sector plays a strategic role in driving regional economic growth, particularly in areas that are still in the early stages of development, such as Bireuen Regency in Aceh Province. Small and medium-sized enterprises in this region serve as the backbone of the local economy, providing employment, and distributing income more equitably. However, many businesses face short-term failure due to weak managerial skills and a lack of financial literacy among their owners.

Financial literacy is a crucial factor determining business success. Business owners with a solid understanding of financial management, budgeting, investment, and risk management tend to make more accurate and strategic business decisions. Lusardi and Mitchell state that high financial literacy has a positive correlation with the ability to plan for long-term financial goals, which ultimately impacts the sustainability and success of the business [1].

On the other hand, effective business management is also a key prerequisite for business success. The ability to plan, organize, lead, and control business resources optimally will determine a business's competitiveness and survival amid increasingly fierce competition. Drucker asserts that good management is the key to sustaining a business's existence and long-term growth[2].

Bireuen Regency, as one of the commercial hubs on Aceh's east coast, has significant economic potential, particularly in the MSME sector. According to data from the Bireuen Regency Office of Trade, Industry, Cooperatives, and MSMEs, the MSME sector continues to grow and has become one of the pillars of the local economy. However, some business owners still face various challenges in financial management and business strategy.

Various previous studies have shown that financial literacy plays a crucial role in enhancing business success. Research conducted by Widayati indicates that financial literacy has a significant impact on the financial management behavior of business owners [3]. Furthermore, a study by Humaira and Sagoro on business owners in Bantul Regency found that financial literacy has a positive effect on business performance [4]. From a business management perspective, Tambunan concluded that the implementation of effective management functions can significantly improve business productivity and profitability [5].

## II. METHODS

### Research Type and Approach

This study employs a quantitative approach using explanatory survey research. The quantitative approach was chosen because this study aims to test hypotheses regarding the influence of independent variables on dependent variables in a measurable and objective manner using statistical analysis. This study falls under the category of causal research, which seeks to identify cause-and-effect relationships between variables.

### Research Location and Timeline

This study was conducted in Bireuen Regency, Aceh Province, focusing on business owners who reside and operate their businesses in the region. The selection of the location was based on the fact that Bireuen Regency is one of the economic hubs on the east coast of Aceh, with a significant number of business owners. The research was conducted over a six-month period, from January to June 2024, encompassing the preparation, data collection, analysis, and reporting phases.

### Population and Sample

The population in this study consists of all Micro, Small, and Medium Enterprises (MSMEs) registered with the Bireuen Regency Office of Trade, Industry, Cooperatives, and MSMEs in 2023. The study focused on business operators who met specific criteria, namely: (1) the business has been operating for at least two years; (2) the business is independently owned and managed; and (3) the business operator is domiciled in Bireuen Regency.

The sample size was determined using the Slovin formula with an error tolerance of 8%, resulting in 150 respondents. The sampling technique employed purposive sampling, wherein respondents were selected based on criteria predetermined by the researcher to ensure the collected data aligns with the study's objectives. Additionally, the sample distribution was conducted proportionally based on sub-district regions and business types to enhance the representativeness of the research data.

The research sample covers various business sectors, including trade, services, processing/production, as well as agriculture and fisheries. Thus, the data obtained is expected to provide a more comprehensive picture of the influence of financial literacy and business management on the success of MSMEs in Bireuen Regency.

### Research Variables and Instruments

The research variables consist of: (1) the first independent variable (X1) is financial literacy, measured using 20 statement items covering four dimensions: basic financial knowledge, financial management, investment and capital, and financial planning; (2) the second independent variable (X2) is business management, measured using 20 statement items covering four dimensions: strategic planning, human resource management, operational management, and marketing management; and (3) the dependent variable (Y) is business success, measured using 15 statement items covering sales growth, profitability, asset growth, business sustainability, and customer satisfaction.

All survey items use a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). The instruments underwent validity testing using Pearson's Product-Moment correlation and reliability testing using Cronbach's Alpha. The validity test results indicate that all items are valid (calculated  $r > \text{table } r = 0.160$ ), while the reliability test results indicate that all three instruments are reliable with Cronbach's Alpha values of: financial literacy ( $\alpha = 0.867$ ), business management ( $\alpha = 0.891$ ), and business success ( $\alpha = 0.879$ ).

### Data Analysis Techniques

Data analysis was conducted in several stages: (1) descriptive statistics to describe the characteristics of the respondents and the distribution of variables; (2) classical assumption tests, including the normality test (Kolmogorov-Smirnov), multicollinearity test (VIF), and heteroscedasticity test (Glejser); and (3) multiple linear regression analysis to test the research hypotheses. All analyses were conducted using SPSS version 26.

### III. RESULT AND DISCUSSION

#### Respondent Characteristics

Based on data collected from 150 respondents, the following characteristics were identified: the majority of respondents were male (58%), aged 26–40 (47%), had a high school or vocational school education (42%), and had been running a business for 3–7 years (44%). The most common business sector was trade (42%), followed by services (28%), processing/manufacturing (18%), and agriculture/fisheries (12%).

**Table 1.** Respondent Characteristics

Characteristics	Category	Frequency	Percentage (%)
Gender	Male	87	58.0
	Female	63	42.0
Age	< 25 years	18	12.0
	26–40 years	71	47.3
	41–55 years	49	32.7
	> 55 years	12	8.0
Education Level	Elementary/Junior High School	22	14.7
	Senior High School (SMA/SMK)	63	42.0
	Diploma (D1–D3)	31	20.7
	Bachelor's/Master's Degree (S1/S2)	34	22.7
Business Duration	< 3 years	29	19.3
	3–7 years	66	44.0
	8–12 years	38	25.3
	> 12 years	17	11.3

#### Descriptive Statistics of Variables

Descriptive statistical analysis shows that the financial literacy variable has a mean of 3.72 (SD = 0.521), which falls into the high category, the business management variable has a mean of 3.68 (SD = 0.538), which falls into the high category, and the business success variable has a mean of 3.61 (SD = 0.547), which falls into the high category. In general, the financial literacy and business

Variable	Min	Max	Mean	Std. Deviation	Category	
Financial Literacy (X1)	150	2.10	5.00	3.72	0.521	High
Business Management (X2)	150	2.15	5.00	3.68	0.538	High
Business Success (Y)	150	2.00	5.00	3.61	0.547	High

#### Test of Classical Assumptions

The Kolmogorov-Smirnov test of normality yielded a p-value of 0.124 > 0.05, indicating that the regression model residuals are normally distributed. The multicollinearity test shows a VIF value of 1.312 for the financial literacy variable and 1.312 for the business management variable (< 10), as well as a Tolerance value of 0.762 for each (> 0.1), indicating no multicollinearity issues. The heteroscedasticity test using the Glejser test showed significance values for both independent variables > 0.05, indicating no evidence of heteroscedasticity in the regression model.

#### Results of Multiple Linear Regression Analysis

Multiple linear regression analysis was conducted to test the effects of financial literacy (X1) and business management (X2) on business success (Y). The results of the analysis are shown in the following table:

**Table 3.** Results of Multiple Linear Regression Analysis

Variable	Coefficient (β)	Std. Error	t-value	sig.	Remark
Constant	0.624	0.187	3.337	0.001	—
Financial Literacy (X1)	0.412	0.085	4.873	0.000	Significant
Business Management (X2)	0.387	0.086	4.521	0.000	Significant

Based on the table above, the resulting regression equation is:  $Y = 0.624 + 0.412X1 + 0.387X2$ . The constant of 0.624 indicates that if the financial literacy and business management variables are zero, business success will be 0.624. The financial literacy regression coefficient ( $\beta = 0.412$ ) indicates that every one-unit increase in financial literacy will increase business success by 0.412 units, assuming other variables remain constant. The coefficient of determination ( $R^2$ ) of 0.573 indicates that 57.3% of the variation in business

success can be explained by financial literacy and business management, while the remaining 42.7% is explained by other variables outside the model.

### Hypothesis Testing

#### H1: The Effect of Financial Literacy on Business Success

The t-test results show that financial literacy has a calculated t-value of 4.873 with a significance level of  $0.000 < 0.05$ . Thus, H1 is accepted, meaning that financial literacy has a positive and significant effect on the business success of entrepreneurs in Bireuen Regency. This finding is consistent with the research by Humaira and Sagoro as well as Muliadi et al., who concluded that business owners with high financial literacy are able to manage business finances better, make thorough plans, and make sound investment decisions, thereby positively impacting their business performance and success [4][6].

#### H2: The Effect of Business Management on Business Success

The t-test results indicate that business management has a calculated t-value of 4.521 with a significance level of  $0.000 < 0.05$ . Thus, H2 is accepted, meaning that business management has a positive and significant effect on business success in Bireuen Regency. This finding aligns with the research by Tambunan and Santoso, which confirms that the systematic application of management functions from planning, organizing, directing, to controlling—has been proven to enhance operational efficiency and business competitiveness [5][7].

#### H3: The Simultaneous Effect of Financial Literacy and Business Management on Business Success

The F-test results show a calculated F-value of 48.672 with a significance level of  $0.000 < 0.05$ . Thus, H3 is accepted, indicating that financial literacy and business management jointly have a positive and significant effect on business success in Bireuen Regency. The coefficient of determination ( $R^2$ ) of 0.573 indicates a substantial contribution of these two variables in explaining variations in business success.

## IV. DISCUSSION

The findings of this study provide several important insights into the business ecosystem in Bireuen Regency. First, the significant influence of financial literacy on business success indicates that entrepreneurs who understand basic financial concepts, are able to prepare simple financial reports, and manage cash flow effectively tend to have more successful businesses. This is relevant considering that many entrepreneurs in Bireuen still mix personal and business finances, lack systematic financial record keeping, and struggle to access formal capital. This is in line with previous studies which emphasize that financial literacy is a key determinant of SME sustainability and decision-making quality [8].

Second, the significant influence of business management on business success indicates that the ability to plan, organize, direct, and control business resources is a determining factor in business success. Business owners who implement good management such as having a written business plan, professionally managing human resources, optimizing operational processes, and implementing a well-planned marketing strategy have been shown to have better business performance. This supports the view that structured management practices improve efficiency and competitiveness in small businesses .

Third, the simultaneous contribution of both variables, reaching 57.3% to the variation in business success, indicates that financial literacy and business management are two main, complementary pillars. Business owners who possess both capabilities will have a significant competitive advantage over those who master only one or the other. Several empirical studies also confirm that the integration of financial capability and managerial competence strengthens business resilience and growth [9]. This finding strengthens the argument that integrative business capacity-building interventions combining financial and management training will yield greater impact than separate training. Similar research highlights that combined training programs are more effective in improving SME performance than single-focus interventions [7].

The remaining 42.7% of variation unexplained by this model opens up room for further research that considers other variables such as social capital, product innovation, digital technology utilization, business networks, and macro-environmental factors such as regional economic conditions and local government

policies. These factors have the potential to provide significant additional explanations for business success in Bireuen Regency.

## V. CONCLUSION

Based on the research results and discussion, three main conclusions can be drawn. First, financial literacy has a positive and significant effect on business success in Bireuen Regency, with a regression coefficient of 0.412 and a significance value of  $0.000 < 0.05$ . This means that the higher a business owner's financial literacy, the greater their chances of business success. Second, business management has a positive and significant effect on business success in Bireuen Regency, with a regression coefficient of 0.387 and a significance value of  $0.000 < 0.05$ . This indicates that good managerial skills are the foundation of business success. Third, financial literacy and business management simultaneously have a positive and significant effect on business success, with an F-value of 48.672 and an  $R^2$  of 0.573.

The practical implication of this research is the need for systematic efforts to improve the financial literacy and business management skills of business owners in Bireuen Regency. The local government, through the Cooperatives and SMEs Office, financial institutions, and universities in the Bireuen area, need to collaborate to organize comprehensive training and mentoring programs. The program should be designed in an integrated manner, encompassing basic financial literacy training, financial report preparation, access to capital, as well as improving managerial capabilities including business planning, HR management, operations, and marketing.

## VI. ACKNOWLEDGMENTS

Insert acknowledgements only in a separate section at the end of the article before the references. List here those individuals who provided help during the research.

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