# Influence Level Literacy the Financial to Control Cost and the Performance of the Financial on MSMEs on District Bojonegoro

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## Abstract

This study aims to determine how much influence of financial literacy to the performance of the financial on the MSMEs and control cost in Bojonegoro District. Research this is research quantitative. Collection the data done by spreading question naires and then processed using the SPSS application. Total sample is 38 the sample actors MSMEs ssector culinary in sub-district bojonegoro. Results here are in fluence positive and significant Financial literacy variables on the cost control of reseresearch shows that. The influence positive and significant variable literacy Finance onthe performance ofthe financial SMEs. Tarch on the effect of financial literacy on MSMEs performance have very broad implications, both theoretically and practically. There is no significant effect of mediation between financial literacy variables on financial performance through cost control. The results of this study can enrich the Khazanah science, provide better policy recommendations, and help MSMEs in improving their financial performance. This study contributed a very valuable to the development of MSMEs in Bojonegoro.

**Keywords:** Control Cost, Literacy Finance, MSMEs, Performance Finance.

## 1. INTRODUCTION

According to data based on the Ministry of Cooperatives and MSMEs in Indonesia in 2019 there were 65.4 million MSMEs. With the number of business units which are up to 65.4 million absorb power the work 123,3 thousands of power the work. Business Micro, Small, and Medium (MSMEs) has a strategic role in the economy, especially in creating jobsand push economic growth at the local and national level. However, in its operational process, MSMEs often face significant challenges, like limitations access financing, the lack of management the financial good, and efficiency in cost management. One key factor that can help MSMEs overcome this challenge is the financial literacy of employers.

Financial literacy is an individual's ability to understand basic financial concepts, such as budget management, investment, cost control, and appropriate financial decision making. MSMEs entrepreneurs who have high financial literacy tend to be more able to manage their financial resources effectively, including in terms of control of operational costs. Based on the research of Aryo Prakoso, (2020) stated that financial literacy had a significant effect on MSMEs performance there was an impact of the financial literacy under standing improve the performance MSMEs in Ex Karesidenan Besuki with take advantage of or optimize know ledgeand implementation of financial literacy information, the performance of its business

can increase with better.

Cost control is very important for maintaining business sustainability, increasing efficiency, and maximizing profitability. In addition, adequate financial literacy also has a direct impact on MSMEs performance. Entrepreneurs who are able to understand financial statements, calculate profit margins, and project cash flows well can make more strategic decisions fordevelopthe business.In thethe context of SMEs, Literacy the financial not It only helps cost control, but also the basis for creating innovation, accessing financing, and facing increasingly stringent competition.

But based on data from the *Otoritas Jasa Keuangan* (OJK) in 2024 amounted to 65.43 percent which was still low. This indicates the need for more massive intervention, both through training programs, assistance, and policies that support increased financial literacy. With financial literacy The good, expected MSMEs entrepreneurs can improve their ability to control costs and ultimately encourage increased business performancea whole.

Therefore, this research on the influence of the level of financial literacy of employers on the cost control and performance of MSMEs has significant relevance. This research is expected to contribute to the development of the theory in the field of MSMEs financial management, while filling the research gaprelated the impact of Literacy the financial to efficiency and sustainability effort.

In addition, the results of this study are expected to provide strategic guidance for MSMEs entrepreneurs and valuable input for policy makers in order to streng then the MSMEs sector as the main pillar of the national economy.


## 2. LITERATURE REVIEW

According to *Otoritas Jasa Keuangan* (OJK) financial literacy refers to the ability, knowledge, and beliefs of individuals that affect the way they behave and act in managingfinance. The goalisto support taking decision better and effective financial management in order to improve financial well-beingthe community. Indicator in the Literacy the financial of which is Financial know ledge, financial behavior, financial attitude and financial control.

Control costisactions the carried out to exert Activities so as not to deviate with the aim of the previous set (Gery, 2013). This cost control includes continuous supervision so that there is no loss or relatively smaller. According to James C. Van Horne, as quoted by cashmere (2010: 5), financial management includes all activities related to the procurement, financing, and management of assets to achieve broader goals. Meanwhile, Irawati in

Mulyawan (2015: 30) explained that financial management involves the process of regulating various financial activities in an organization, which includes financial planning, analysis, and control.

MSMEs financial performance is achievements or achievements that reflect the ability of a business in managing financial resources effectively. This is especially evident from the ability of the business in producing profits and ensuring its operational sustainability. Iqbal (2020). Financial performance indicators There are 3 profitability, liquidity and solvency that reflects the success of financial management.

Previous research showed the influence of financial literacy on MSMEs performance. Prakoso (2020) found that financial literacy improved the performance of MSMEs in the former Besuki and Wulandari (2019) concluded that financial literacy had a simultaneous influence on MSMEs performance. Martono, et al. (2023) support the findings the with results the significant in The city Salatiga.

However, the some research show results the different. Nurul (2023) found that Financial literacy does not have a significant influence on MSMEs performance in the city of Bima. Lin et al. (2023) stated that the low financial understanding caused financial literacy not to have an impact on the performance of MSMEs in the Regency Dompu.

**Hypothesis Development**

Hypotheses According to Sugiyono (2019: 99), is the temporary answer to the formulation of research problems based on empirical facts obtained through data collection carried out.

The theory used in associating financial literacy on financial performance is the ory Behavioral Finance According to Wiryaningtyas (2016) Behavioral Finance is an empirical study of how individual psychology affects the investment decision making process, especially in responding to information stimulus. According to Sholeh (2019) financial literacy is a person's ability to understand and manage his finances. With good financial literacy, one can improve the quality of life through more effective financial management. It can be concluded that financial literacy of financial literacy is the ability of individuals in understanding and managing finances, which can improveThe ability of MSMEs in making financial decisions is better, so it has an impact on increasing cost efficiency and financial performance. In his research idawati (2020) said that the influence of financial literacy significance on the financial performance of MSMEs. Therefore the hypothesis can be formulated as follows:

- **Hypothesis 1 (H$_1$):** Financial literacy has a positive effect on MSMEs financial

performance

This theory emphasizes the importance of managing good financial resources to achieve organizational goals. In the context of MSMEs, financial literacy helps business people understand how to manage income, expenses, and investment, which ultimately supports cost control. Financial literacy helps MSMEs prioritize expenses, reduce income costs, and improve financial efficiency. HourlyES C. Van Horne in cashmere (2010: 5) Defining management of eluited or financial management is all activities related to acquisition, funding, and management of assets with several overall goals.

According to Wahyu (2018) in his research on financial literacy on MSMEs financial management had a positive effect on MSMEs financial management.

• **Hypothesis 2 (h₂)**:Financial literacy has a positive effect on cost control.

Financial literacy, according to Manurun, 2009 in Wira Iko Putri Yanti (2019), is a set of skills and knowledge that allows someone to make decisions and efficiently use all of its financial resources. *Otoritas Jasa Keuangan* (OJK) The term "financial literacy" refers to knowledge, skills, and values that influence the attitudes and behavior to increase decision-making and financial management regarding welfare. According to Sutrisno, 2003 in Ritraningsih (2017: 43), the cost control is the action taken to mobilize activities so as not to deviate with the objectives that have been previously set (Gery, 2013). This cost control includes continuous supervision so that there is no loss or relatively smaller. According to James C. Van Horne, as quoted by cashmere (2010: 5), financial management covers all activities related to the procurement, financing, and asset management to achieve a broader goal. Meanwhile, Irawati in Mulyawan (2015: 30) explained that financial management involves the process of regulating various financial activities in an organization, which includes financial planning, analysis, and control.

• **Hypothesis 3 (h₃)**: Financial literacy has a positive effect on MSMEs financial performance through cost control.

**Conceptual Framework of Research**
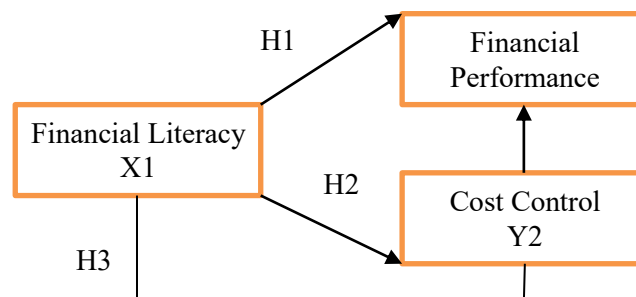


Financial literacy influences the financial performance of MSMEs through cost

control because of a good understanding of the financial concept can help MSMEs entrepreneurs in managing and optimizing their resources. With a high level of financial literacy, MSMEs owners can be wiser in making decisions related to financing, investment, and managing cash flows. This affects their ability to control operational costs, reduce waste, and improve efficiency. Effective cost control can result in increased financial profitability and stability, which in turn improves MSMEs financial performance. Therefore, financial literacyThe good is an important factor in managing expenses and ensuring that MSMEs can survive and develop in competitive markets.

The conceptual framework in this study serves to describe the relationship between the variables you want to study, and provide an overview of how the factor affects the performance of MSMEs qualities in Bojonegoro.

## 3. METHODS

### Samples and Data Collection

Research this using the types of research descriptive quantitative. Populationin the this research a the entire MSMEs the are in Sub-district Bojonegoro technical sampling used is purposive sampling selected from relevant respondents having special characteristics that are in accordance with the research objectives. With a sample of 38 respondents found. Namely data collection is done by using questionnaires and interviews distributed online and directly to MSMES players. Questionnaire measured using a 1-5 Likert scale with 1 verynotagree and 5 statement veryagree. Analysis of the data use the SPSS 22 statistics application indetermine the sample in the research ersset criteria as a next:

a. Actors MSMEs there is in bojonegoro

b. Respondents priority if have business the runningat least during the 6 moon last

c. Respondents the ready to inadd to the sample in the research

## 4. RESULTS

### Respondent Demographics

The demographics of the entire sample of this study were summarized in Table 1. Demographic of respondents. Things summarized in the table include gender, age of the owner, the last education and the length of running a business. Mourity female sex (73.68%) the majority of business owners are still <25 years old (50.0%), withThe majority of the last education is high school equivalent (52.6%), with the majority of experience> 6 months (100%).

**Table 1.** Respondent Demographics

| Description | All samples = 38 | |
|---|---|---|
| | N | % |
| **Gender:** | | |
| Male Women | 10 | 26, 32% |
| | 28 | 73.68% |
| **Age:** | | |
| <25Year | 19 | 50.0% |
| 26-35Year | 9 | 23.7% |
| 36-45Year | 8 | 21.1% |
| 45Year | 2 | 5.3% |
| **EducationLast:** | | |
| Junior high school /Equal | 4 | 10.5% |
| SMA /Equal | 20 | 52.6% |
| Diploma /BACHELOR | 14 | 36.8% |
| The length of Running Business | > 6 moon | 100% |

**Validity and Reliability.**

**Table 2.** Test Results the validity

| Variable | Indicator | Sigue value | Ram | R table | Information |
|---|---|---|---|---|---|
| Literacy the Financial | X1 | 0,05 | 0,811 | 0,361 | Valid |
| | X2 | 0,05 | 0,784 | 0,361 | Valid |
| | X3 | 0,05 | 0,752 | 0,361 | Valid |
| | X4 | 0,05 | 0,767 | 0,361 | Valid |
| | X5 | 0,05 | 0,687 | 0,361 | Valid |
| | X6 | 0,05 | 0,850 | 0,361 | Valid |
| Control Cost | $Y1^1$ | 0,05 | 0,895 | 0,361 | Valid |
| | $Y1^2$ | 0,05 | 0,870 | 0,361 | Valid |
| | $Y1^3$ | 0,05 | 0,827 | 0,361 | Valid |
| MSMEs Performance | $Y2^1$ | 0,05 | 0,755 | 0,361 | Valid |
| | $Y2^2$ | 0,05 | 0,853 | 0,361 | Valid |
| | $Y2^3$ | 0,05 | 0,661 | 0,361 | Valid |
| | $Y2^4$ | 0,05 | 0,697 | 0,361 | Valid |

*Source: processed data (2024)*

Validity test is used to evaluate whether each question in a list of questions successfully measures the concepts or variables that you want to measure. In other words, this test ensures that these questions are relevant and in accordance with the variables being studied. Sugiyono (2016). Validity test is done by comparing r $values_{calculate}$ with $r_{table}$. By comparing r $values_{calculate}$ with $r_{table}$ from the output results if $r_{calculate}$ bigger than $R_{table}$ then the question item is valid but if the opposite then the question item is invalid. (Ghozali,

2011).Found r value$_{table}$at 0.361 and r$_{calculate}$ 0.687 so that all indicators for financial literacy variables are declared valid. While it was found that the value of R$_{table}$ at 0.361 and r$_{calculate}$ 0.827 With that variable control costs are declared valid. MSMEs financial performance variables with R$_{table}$ at 0.361 and r$_{calculate}$ 0.661 declared valid.

**Reliability test results**

This reliability test is used to test the consistency of data within a certain period of time to find out the extent to which measurements are used.Next results test reliability:

**Table 3.** Reliability Test

| Itemsquestion | Cronbach'sAlpha | Nofitems | Information |
|---|---|---|---|
| Literacy the Financial | 0.866 | 6 | Reliable |
| The performance of The financial MSMEs | 0.825 | 3 | Reliable |
| Control Cost | 0.720 | 4 | Reliable |

*Source: processed data (2024)*

The results of the reliability test presented indicate a good level of internal consistency in all variables measured**.**The cronbach alpha coefficient value for financial literacy variables, MSMEs financial performance, and cost control each reaches 0.866, 0.825, and 0.720. These numbers indicate that the items of questions used to measure these three variables are closely related and consistent in measuring the same concept. Thus, it can be concluded that the research instrument used in this study has a high reliability. This indicates that the measurement results obtained from the instrument are reliable and consistent, so that it can be used to draw valid conclusions.

**Hypothesis testing**

**Table 4.** Multiple Linear Regression Result
**Coefficients$^a$**

| The model | Unstandardized Coefficients | | Standardized Coefficients | t | SIG. |
|---|---|---|---|---|---|
| | Bed | STD. Error | Beta | | |
| 1 (Constant) | 3.859 | 1.494 | | 2.583 | .014 |
| LiteracyThe financial | .326 | .059 | .676 | 5.503 | .000 |

a. Dependent variable:ControlCost

*Source: Primary data that is based on the results obtained from the data calculation above, a regression equation can be made as follows*:

**Table 5.**
**Coefficients$^a$**

| The model | Unstandardized Coefficients | | Standardized Coefficients | t | SIG. |
|---|---|---|---|---|---|
| | Bed | STD. Error | Beta | | |
| 1 (Constant) | 2.952 | 1.994 | | 1.480 | .148 |
| Literacy the financial | .110 | .099 | .175 | 1.113 | .273 |
| ControlCost | .774 | .204 | .597 | 3.786 | .001 |

a. Dependent Variable: MSMEs Performance

**Test Results (Partial Secrara Test Results)**

The regression test results indicate that cost control has a positive and significant effect on the financial performance of small and medium enterprises. This is indicated by the regression coefficient of 0.927 meaning that every increase in the cost of controlling costs, financial performance increased by 0.927 original units. Constant values of 3.846 meaning that if the cost control is considered zero, the permanent financial performance is 3.846. Furthermore, the t-value at a significance level of 0,000 (less than 0.05) is 6.137 indicating that the cost management has a significant influence on financial performance. The beta value of 0.715 also shows that cost management has a significant influence on financial performance. Based on these results, it can be concluded that cost control is an important factor for improving financial performanceSMEs.

**Table 6.** Test Results (Partial Test Results)

| The model | Unstandardized Coefficients | | Standardized Coefficients | t | SIG. |
|---|---|---|---|---|---|
| | Bed | STD. Error | Beta | | |
| 1 (Constant) | 3.859 | 1.494 | | 2.583 | .014 |
| Literacy the financial | .326 | .059 | .676 | 5.503 | .000 |

a. Dependent variable:ControlCost

*Source: Data processed 2024*

Based on the results of the T-test partially, it is known that the financial literacy variablehas a significant influence on cost control .It this showed by the value of coefficient regression by 0.326, which is means that each improvement 1 unit Literacy the financial will bein crease the Control Costby 0.326 unit. In addition to that,the value of significance (SIG.) to Literacy the financial is 0,000, which is are in under the level significance 0.05.It this show that influence Literacy the financial to Control Cost significant the statistics.

In addition to that, the value of T-calculate by 5.503 far more big from the value of T-table (about 1.96 to $\alpha = 0.05$), which is more strengthen that Literacy the financial take effect the real to Control Cost. Results this to show that improvement Literacy the financial can be the positive increase the the ability control cost. With thus, can be concluded that Literacy the financial have the role of an important in the support the effort control cost the efekti Testing parcial hypotesis the purpose of toknowing there is ornot influence free variable sparsiap to variable bound.Results testing this as a next:

**Table 7.**
**Coefficients[a]**

| The model | Unstandardized Coefficients | | Standardized Coefficients | t | SIG. |
|---|---|---|---|---|---|
| | Bed | STD. Error | Beta | | |
| 1 (Constant) | 3.859 | 1.494 | | 2.583 | .014 |
| Literacy the financial | .326 | .059 | .676 | 5.503 | .000 |

a. Dependent Variable: MSMES Performance

Based on the results of the T test partially displayed in the table, it is known that the financial literacy variable has a significant effect on the performance of MSMEs. This can be seen from the regression coefficient value of0.362, which shows that every increase of 1 unit in financial literacy will improve the performance of MSMEs as big as 0.362 the unit. In addition, the significance value **(SIG.)** for financial literacy is 0.000**,** which is below the significance level of 0.05, so it can be concluded that the influence of financial literacy on the performance of MSMEs is statistically significant.

T-count value for financial literacy by 4.257 Also much greater than the T-table value (around 1.96 at a significance level of 0.05), which further strengthens that financial literacy has a significant effect on MSMEs performance. While the constant value is equal to 5.936 with significance 0.009(<0.05) shows that if the financial  literacy is zero, the performance of the MSMEs is estimated at 5.936**.**

From this result it can be concluded that financial literacy has an important role in improving the performance of MSMEs, and its influence is significantly both statistically and practically. Therefore, increasing financial literacy on MSMEs entrepreneurs are strongly recommended to support the growth of their business performance.

**Mediation test**

| Input: | | Test statistic: | Std. Error: | p-value: |
|---|---|---|---|---|
| a 0.175 | Sobel test: | 1.51307337 | 0.0690482 | 0.13026102 |
| b 0.597 | Aroian test: | 1.45222811 | 0.07194118 | 0.14643819 |
| $s_a$ 0.099 | Goodman test: | 1.58226886 | 0.0660286 | 0.11358821 |
| $s_b$ 0.204 | Reset all | Calculate | | |

Test obtained a value of p-value greater than 0.05 which is 0.130, 0.146 and 0.113. It this shows that there is no significant effect of mediation between Va Independent and dependent r) through mediation variables tested. Despite the scoring at the relationship between the variable the effect of mediation influence cannot be proven statistics at a significance level of 5%.

## 5.   DISCUSSION

The results of this study indicate that this research instrument is valid and reliable. Linear regression tests show that the independent variables of financial literacy have a positive and significant influence on the dependent variable cost control and financial literacy

has a positive and significant effect. It can be interpreted that MSMES players in the Bojonegoro District are aware of the importance of financial literacy in financial management.

**Research Implications**

Research on the effect of financial literacy on MSMEs performance contributes significantly to the development of theory in the field of management and accounting. The results of this study can strengthen or modify existing theories about the relationship between financial literacy, financial performance, and cost control in MSMEs. In addition, this study can also open opportunities for the development of a more comprehensive conceptual framework, which considers other factors that might affect MSMEs financial performance. Thus, this study can be an important reference for academics and researchers in developing new theories in this field.

The results of this study have extensive practical implications, especially for MSMEs. By increasing financial literacy, MSMEs can make better business decisions, manage finances more efficiently, and increase access to financing. For the government, the results of this study can be the basis for formulating policies that support the increase in MSMEs financial literacy, such as more targeted training and education programs. Financial institutions can also take advantage of the results of this study to develop financial products and services that are more in line with the needs of MSMEs.

Financial literacy has an insignificant effect on the financial performance of the implications of these results is the need Start integration of cost control in order to have a significant impact on MSMEs financial performance. While the financial literacy has a positive and significant effect on the cost control of this imposition that increasing understanding and financial management capabilities can directly help control more effective cost control. Financial literacy indirectly affects MSMEs financial performance through cost control implications that Effective costs Bridging financial literacy understanding with optimal results. This shows that the increase in financial literacy needs to be focused is not only theory but in practice.

## 6. CONCLUSION

Based on the results of research that has been made, it can be concluded that financial literacy has a significant influence on the financial performance of micro, small and medium enterprises (MSMEs) in Bojonegoro District. This research shows that:

a. Financial literacy has a positive direct effect on MSMEs financial performance, but the

influence is not statistically significant. The significance value obtained is 0.273 (> 0.05). Thus, financial literacy does not directly improve financial performance significantly, but still contributes positively.

b. Literacy the financial have influence positive and signifi cant the statistics to control cost, with the value of significance 0,000 (<0.05).Each improvement Literacy the financial by one unit increase the control cost by 0,326.

c. Financial literacy indirectly affects MSMEs financial performance through cost control. This shows that financial literacy has an important role in supporting effective cost control to improve the financial performance of MSMEs.

d. Government and financial institutions need to work together to provide adequate and relevant financial training containers with MSMEs.

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