



Analysis of Financial Management and Financing in the Development of Entrepreneurship and MSMEs

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A B S T R A C T

Regional economic development is one of the main priorities in improving the welfare of Indonesian society. One method considered effective in achieving this goal is the advancement of entrepreneurship and Micro, Small, and Medium Enterprises (MSMEs). Medan Selayang is one of the regions experiencing growth in the entrepreneurship and MSME sectors. This study aims to analyze financial management and financing patterns in supporting the development of entrepreneurship and Micro, Small, and Medium Enterprises (MSMEs) in Medan Selayang District. MSMEs play a strategic role in the regional economy; however, they still face various challenges, particularly in financial management and access to financing sources. This study employed a qualitative descriptive approach with data collection techniques conducted through interviews, observations, and documentation involving MSME actors in Medan Selayang. The results of the study indicate that most MSME actors still apply simple financial management practices, have not clearly separated business finances from personal finances, and lack proper financial report recording. In terms of financing, MSME actors rely more on personal capital and informal loans rather than formal financial institutions due to limited financial literacy, collateral constraints, and administrative procedures. This study emphasizes the importance of improving financial management literacy, business assistance, and expanding inclusive access to financing in order to encourage entrepreneurial growth and the sustainability of MSMEs in Medan Selayang. The findings of this study are expected to provide recommendations for policy development that supports entrepreneurship and MSMEs at the local level, particularly in Medan Selayang.

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1. Introduction

Regional economic development is one of the strategic efforts to improve community welfare through the strengthening of productive business sectors. In the context of the Indonesian economy, the Micro, Small, and Medium Enterprises (MSMEs) sector has made a significant contribution to national economic growth, employment generation, and the reduction of unemployment rates. MSMEs also serve as one of the main pillars in encouraging entrepreneurial growth in various regions, including the City of Medan. This condition indicates that the existence of MSMEs functions not only as a driver of the microeconomy but also as a supporter of national macroeconomic stability.

From a macroeconomic perspective, the development of MSMEs in Indonesia continues to increase along with the growing entrepreneurial spirit within society. However, various challenges are still faced by MSME actors, particularly in terms of financial management and access to financing. Limited financial management capabilities have caused many business owners to be unable to prepare

proper financial reports, conduct business planning, or separate personal finances from business finances. In addition, limited access to formal financing remains one of the major obstacles hindering business development. Many MSME actors still depend on personal capital or informal loans due to limited collateral, low financial literacy, and administrative procedures in financial institutions that are considered relatively complicated.

This phenomenon also occurs in the Medan Selayang District as one of the developing areas in the trade and entrepreneurship sectors in the City of Medan. The growth of MSMEs in Medan Selayang indicates a considerable economic potential within the community, particularly in the culinary, trade, service, and home-based business sectors. However, at the micro level, various fundamental problems in business management are still commonly found. Most MSME actors in Medan Selayang still implement simple financial management systems, do not yet have structured financial records, and have not been able to optimally utilize formal financing services. These conditions have an impact on the limited ability of businesses to expand and maintain sustainability amid increasingly intense economic competition.

Previous research conducted by (Parmuji et al., 2024) regarding the influence of financial literacy and financial attitudes on MSME financial management in Medan Selayang showed that financial literacy and financial attitudes have a positive and significant effect on MSME financial management. The study emphasized that low financial understanding is one of the main factors contributing to weak business management among MSMEs in Medan Selayang. In addition, research conducted by (Mulyati et al., 2024) concluded that financial literacy has a positive and significant influence on the sustainability and performance of MSMEs in the City of Medan.

Nevertheless, most previous studies have primarily focused on the influence of financial literacy, financial technology, and financial behavior on MSME performance using quantitative approaches. Previous research conducted by (Arianti, 2025) also tended to discuss certain variables partially and did not deeply examine how financial management practices and financing patterns are directly implemented by MSME actors in supporting entrepreneurial development, particularly in the Medan Selayang District.

Therefore, this study is important because it has a different focus compared to previous studies, namely analyzing directly the financial management practices and financing patterns applied by MSME actors in entrepreneurial development in Medan Selayang through a descriptive qualitative approach. This research not only examines the influence of certain variables but also describes the real conditions faced by business actors related to financial management, sources of financing, obstacles in accessing capital, and strategies for maintaining business sustainability. Thus, this study is expected to provide a more comprehensive contribution to understanding the condition of MSMEs in Medan Selayang and to serve as a recommendation for local governments, financial institutions, and business actors in formulating more effective and sustainable entrepreneurship and MSME development policies.

2. Research Methods

This study employed a quantitative approach using descriptive and associative methods. According to (Sugiyono, 2021), quantitative research is a research method based on the philosophy of positivism, used to examine specific populations or samples with the aim of testing predetermined hypotheses. This approach was used to determine the influence of financial management and financing on the development of entrepreneurship and MSMEs in the Medan Selayang area. Descriptive research aims to describe the condition of MSME financial management, while associative research is used to determine the relationship between research variables.

According to (Arikunto, 2019), population refers to the entire subject of research that possesses certain characteristics. The population in this study consisted of all MSME actors in the Medan

Selayang District. The sampling technique used was purposive sampling, which is a sampling technique based on specific criteria, such as: MSME actors who have operated their businesses for at least one year; business owners who are directly involved in financial management; and respondents who are willing to provide information related to financial management and business financing.

The sample in this study consisted of 40 MSME actors representing various business sectors, including culinary businesses, trade, services, and home-based production enterprises. This number was considered adequate for the research because it had reached data saturation, where the information obtained became repetitive and no significant new findings emerged.

Table 1. Distribution of Respondents Based on Type of Business

No	Type of Business	Amount	Percentage
1	Culinary	14	35%
2	Trade	11	27,5%
3	Services	9	22,5%
4	Fashion	6	15%
	Total	40	100%

Source: Processed Data

Table 2. Distribution of Respondents Based on Business Duration

No	Length of Business	Amount	Percentage
1	1-3 Years	15	37,5%
2	4-6 Years	14	35%
3	> 6 Years	11	27,5%
	Total	40	100%

Source: Processed Data

Table 3. Variables and Indicators

Variable	Indicators	Scale
Financial Management (X1)	Financial planning, financial recording, cash management, cost control	Likert
Financing (X2)	Business capital, access to credit, sources of financing, repayment ability	Likert
MSME Development (Y)	Increase in revenue, business development, business innovation, business sustainability	Likert

Source: Processed Data

The conceptual framework of this study illustrates the relationship between financial management and financing toward the development of entrepreneurship and MSMEs in Medan Selayang. Based on this framework, the better the financial management and business financing implemented by MSME actors, the higher the level of business and entrepreneurial development that can be achieved.

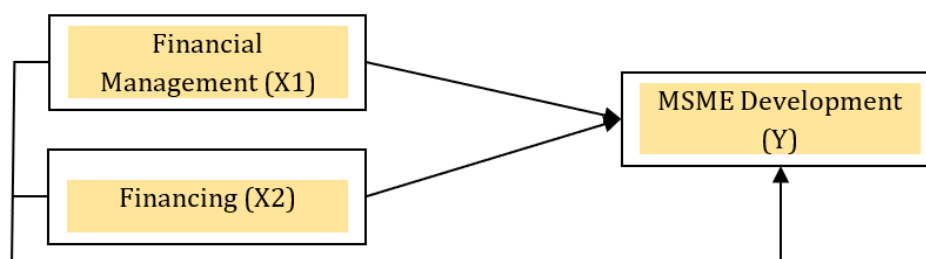


Figure 1. Research Conceptual Framework

Source: Processed Data

3. Results and Discussion

This study was conducted on 40 MSME respondents in the Medan Selayang District. The data were collected through the distribution of questionnaires regarding financial management, business financing, and the entrepreneurial development of MSMEs. The results showed that most MSME actors had implemented simple financial management practices and utilized business financing to support the growth of their businesses. The majority of respondents were female, accounting for 55%, while male respondents accounted for 45%. This indicates that MSME actors in Medan Selayang are largely dominated by women, particularly in the culinary and small trade sectors.

3.1. Validity Test Results

The validity test was conducted to determine whether each statement item in the questionnaire was able to properly measure the research variables. The validity test used the Product Moment correlation with an r-table value of 0.312 at a significance level of 5%.

Table 4. Validity Test Results for the Financial Management Variable (X1)

No Item	r-Count	r Table	Description
X1.1	0,712	0,312	Valid
X1.2	0,685	0,312	Valid
X1.3	0,734	0,312	Valid
X1.4	0,701	0,312	Valid
X1.5	0,756	0,312	Valid

Table 5. Validity Test Results for the Financing Variable (X2)

No Item	r-Count	r Table	Description
X2.1	0,668	0,312	Valid
X2.2	0,719	0,312	Valid
X2.3	0,741	0,312	Valid
X2.4	0,694	0,312	Valid
X2.5	0,722	0,312	Valid

Table 6. Validity Test Results for the MSME Development Variable (Y)

No Item	r-Count	r Table	Description
Y1	0,732	0,312	Valid
Y2	0,755	0,312	Valid
Y3	0,701	0,312	Valid
Y4	0,688	0,312	Valid
Y5	0,743	0,312	Valid

Based on the validity test results above, all statement items have an r-count value greater than the r-table value. Therefore, all research instruments are declared valid and appropriate for use.

3.2. Partial t-Test Results

Table 7. t-Test Results

Variabel	t Count	t Table	Sig	Description
Financial Management (X1)	4,812	2,026	0,000	Significant Influence
Financing (X2)	3,967	2,026	0,001	Significant Influence

The results of the t-test indicate that the financial management and financing variables partially have a significant effect on the development of entrepreneurship and MSMEs in Medan Selayang.

3.3. Simultaneous F-Test Results

Table 8. F-Test Results

Description	Mark
F Count	26,421
F Table	3,25
Significance	0,000

The results of the F-test indicate that the calculated F-value is greater than the F-table value with a significance level below 0.05. Thus, financial management and financing simultaneously have a significant effect on the development of entrepreneurship and MSMEs.

3.4. Coefficient of Determination (R^2)

Table 9. Coefficient of Determination Results

Model	R Square
Regresi	0,684

The coefficient of determination value of 0.684 indicates that 68.4% of MSME development is influenced by financial management and financing, while the remaining 31.6% is influenced by other factors outside this study.

3.5. Discussion

3.5.1. The Influence of Financial Management on MSME Development

The results of this study show that financial management has a strong influence on the development of entrepreneurship and MSMEs. MSME actors who conduct transaction recording, cash flow management, and financial planning tend to have businesses that are more developed and sustainable. The findings of this study are consistent with the research conducted by (Nurafifah et al., 2025), which stated that financial management is one of the important elements in supporting the success of MSMEs in Indonesia. The study explained that the ability of business actors to manage finances helps the business decision-making process become more effective and accurate. This study also strengthens the findings of (Azzahra et al., 2024), which stated that financial management remains a major challenge for most MSMEs, as many do not maintain proper financial records, resulting in difficulties in monitoring cash flow and making business decisions.

3.5.2. The Influence of Financing on MSME Development

Business financing has also been proven to have a positive influence on the development of MSMEs in Medan Selayang. Business actors who obtained additional capital were able to increase production capacity, expand their businesses, and improve the quality of the products they sell. The results of this study are consistent with previous research conducted by Aryanti et al. (2022), which stated that access to financing is an important factor in the development of small and medium enterprises (MSMEs). The study explained that Islamic banking financing in supporting the development of Micro, Small, and Medium Enterprises (MSMEs) is highly needed, considering that many MSMEs have not yet obtained financing facilities. In addition, this finding is strengthened by the research of Octavianni and Fitri (2025), which concluded that financing provided by Islamic banks for MSMEs not only has a positive impact on banks and MSME actors but also plays an important role in overall economic growth. The current study reinforces these findings because the majority of respondents who gained access to financing experienced increased sales and business expansion.

3.5.3. Simultaneous Discussion

Overall, financial management and financing have a significant influence on the development of entrepreneurship and MSMEs in Medan Selayang. However, in this study, financial management was found to have a more dominant influence than financing. This indicates that the success of MSMEs is not only influenced by the amount of business capital but also by the ability of business actors to manage finances effectively. Therefore, this study strengthens various previous studies stating that financial management and financing support are the main factors in improving the competitiveness and sustainability of MSMEs. Accordingly, financial management training, business mentoring, and easier access to financing are needed so that MSMEs in Medan Selayang can develop optimally and sustainably.

4. Conclusion

Based on the results of the study, it can be concluded that financial management and financing play a very important role in supporting the development of entrepreneurship and MSMEs in Medan Selayang. Proper financial management, such as transaction recording, capital planning, expenditure control, and the ability to access financing sources, has been proven to improve business sustainability, income, and the competitiveness of MSME actors. This study also shows that there are still several obstacles faced by business actors, particularly limited financial literacy, access to capital, and the utilization of financial technology. Therefore, MSME actors are encouraged to improve their financial management capabilities in a more structured manner and to utilize digital financial services. The government is expected to expand mentoring programs, training, and accessible as well as affordable financing for MSMEs, while academics are expected to continue developing research and community service programs that are relevant to the needs of MSMEs in order to create synergy between educational institutions, the government, and business actors in strengthening sustainable entrepreneurial growth.

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