International Journal of Multidisciplinary Research and Growth Evaluation.

Analysis of the Influence of Financial Performance on Financing Decisions in Small and Medium Enterprises

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Article Info
ISSN (online): 2582-7138
Volume: 06
Issue: 02
March-April 2025
Received: 21-02-2025
Accepted: 14-03-2025
Page No: 979-981

Abstract
This study analyzes the effect of financial performance on financing decisions in Small and Medium Enterprises (SMEs) in the Sunggal area, Medan City. Factors that affect the financial performance of SMEs, such as capital structure, leverage ratio, and current ratio, are the main concerns in this study. The research method used is quantitative with simple linear regression analysis technique to determine the relationship between financial performance and financing decisions. The results showed that the financial performance variable did not have a significant influence on financing decisions, with a T-test significance value of 0.081 (> 0.05). This indicates that SMEs' financing decisions are more influenced by factors other than financial performance. This finding provides implications for SMEs and the government to pay more attention to other aspects in making financing decisions, such as credit accessibility and more flexible financing policies.

Keywords: SMEs, Financial Performance, Financing Decisions

1. Introduction

Good economic growth in a country can be used to assess how far the government has succeeded in economic development, such as in the economy the government has made and supported economic programs with the concept of populist economy. This concept is an idea related to how the nature and objectives of development have the main target of changing the fate of the lower middle class (Feby Oktariza Halida, 2021) [1].

With the opening of free markets such as the AEC (ASEAN Economic Community), a large part of Indonesian society is threatened by the limitations in employment which are getting tighter and more competitive. This has also caused polemics in society, especially in people of productive age. It cannot be denied that the dwindling number of jobs makes people at a productive age required to have high creativity and innovation in order to continue to be competitive in competition with other workers. One of the means that makes a solution to overcome this is through the Small and Medium Enterprises (SME) program (Muh.Fuad Alamsyah, 2020) [4].

Factors that can affect the financial performance of Small and Medium Enterprises are lack of profit, length of business and credit provision. Credit is an important factor in the sustainability of a business. To improve the financial performance, the government must work hard to help credit and provide a suitable business place, so that the existence of Small and Medium Enterprises is expected to increase competition in the international market. The impact of credit to support business actors to succeed in their business is with the support of the government, banks and cooperatives to provide convenience when providing credit to SMEs without providing excessive interest and simplification in making loans (Rima Oktaviani & Rizqy fadilah Putri, 2021) [3]. Small and Medium Enterprises that are built can improve the economy and open more jobs for other people who need jobs. With the establishment of this SME program, it is hoped that people in productive age can increase creativity and innovation so that they can compete with products from outside. But with this program will make the government have to work extra hard to continue to develop SMEs in Indonesia. With more support from the government, it is expected to have a major impact in overcoming problems in financial performance in the Small and Medium Enterprises (SME) program.

2. Method

This study uses a quantitative approach. The instrument used in this study is a simple random questionnaire conducted by the author himself where the author will conduct that is in accordance with the topic of the problem discussed. Based on the slovin formula, there are fifteen SMEs players as sample in this study.

3. Literature Review

3.1 Financial Performance

Every business needs financial performance. For that we have to make a financial report. Financial reports need to be analyzed because one of the ways companies use to analyze the financial health of the company so that managers can pay attention to the condition and growth of financial performance. Financial statement analysis is also useful for paying attention to the development of the company from year to year (Githaiga & Kabiru (2015).

3.2 Capital Structure

Business capital shows the availability of funds used to run a business, from marketing, sales, and other operational activities. It is often thought that capital is not the biggest factor in a business, but it cannot be denied that money is a basic need that is very important and determines the course of a business (Amirullah: 2015).

4. Results and Discussion

4.1 Results

This analysis is used to explain the data of the 2 variables (dependent and independent) used in the study. Descriptive statistics used include the minimum maximum value of the mean and standard deviation. The results of descriptive statistics in this study are presented in the table below.

Table 1: Results of Descriptive statistical analysis

Descriptive Statistics	N	Minimum	Maximum	Mean	Std. Deviation
x	15	34.00	59.00	46.0000	7.46420
y	15	3.00	5.00	3.6667	.61721
Valid N (listwise)	15				

The results of descriptive statistical data show that the x value of the 15 registered MSMEs has an average of 46 with a minimum value of 34 and a maximum value of 59. This shows that most of the MSMEs in the sampling experienced a moderate increase, with considerable variation among MSMEs as shown in the standard deviation of 7.46. This increase indicates an effort by MSMEs to make improvements to their financial performance during the research period. Furthermore, changes in financing decisions showed an average of 3.66. The minimum value of financing decisions determines the number 3 which indicates an increase in financing decisions, while the maximum value is 5. The standard deviation deviation of 0.61 indicates that the variation in MSME financing decisions is relatively smaller than financial performance. It can be concluded that although the average value of x (financial performance) shows a significant increase, this has not been consistently followed by an increase in y (financing decisions).

The results of the Normality test using One-sample Kolmogorov-Smirnov show that the variable data is normally distributed. It can be proven by a significance of 0.613, where the significance is greater than 0.05 and the standard deviation is 0.54. Thus the research that has been done can be assumed to be normally distributed.

The Heteroscedaticity test aims to determine whether the model has similarities or differences in variation from one observation to another. Based on the picture above, it can be concluded that there is no heteroscedaticity problem, this can be concluded by drawing a graph where the dots in the graph do not form a clear pattern and the dots spread randomly above and below from the y axis below the 0 line on the y axis.

The Durbin-Watson value of 1.789 indicates that the residuals do not have a significant autocorrelation pattern. Thus, the assumption of residual independence in linear regression is fulfilled.

4.2 Discussion

The Adjusted R Square value is 0.156 or 15.6. This means that the effect of financial performance on financing decisions is 15.6% and the remaining 84.4% is influenced by other variables not examined by this study. The standard error value obtained is 0.567, the smaller the value obtained, the faster the resulting regression model will be.

Based on the T test value, the T value for the constant is 1.897 with a significance value of 0.66. Because the significance value> 0.05 this constant is not statistically significant. The T value for the financial performance variable is 1.894 and a significance of 0.081. Because the significance value> 0.05, the financial performance variable does not have a significant effect on financing decisions.

5. Conclusion

According to the research I conducted, it resulted in research in the form of a significance value> 0.05 this constant is not statistically significant. The T value for the financial performance variable is 1.894 and the significance is 0.081. Because the significance value> 0.05, it can be concluded that the financial performance variable does not have a significant effect on the decision.

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