

The Influence of the Implementation of Simple Accounting and Financial Literacy on Increasing the Income of MSMEs in East Medan

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This study seeks to analyze the influence of simple accounting practices and financial literacy on the income growth performance of micro, small, and medium enterprises (MSMEs) in Medan Timur. Simple accounting is operationalized through key indicators, including systematic record-keeping, preparation of financial reports, and consistency in bookkeeping practices. Financial literacy is assessed based on the level of understanding of fundamental financial concepts, financial planning capabilities, and the ability to make informed financial decisions in business contexts. Meanwhile, income growth performance is measured using indicators such as increased sales, profit growth, and overall financial stability. The study adopts a quantitative research design, employing a survey method as the primary data collection technique. A total of 75 MSME actors in Medan Timur were selected as respondents using purposive sampling. Data were gathered through structured questionnaires specifically developed to measure the research variables. The collected data were subsequently analyzed using multiple linear regression to evaluate the magnitude and significance of the relationships between variables. The findings reveal that both the implementation of simple accounting and financial literacy exert a positive and statistically significant effect on MSME income growth. Accurate and consistent financial recording enables business owners to better monitor and control their financial performance, while a higher level of financial literacy enhances their capacity to make strategic and effective financial decisions. These results underscore the importance of strengthening basic accounting practices and improving financial knowledge as key drivers for sustainable income growth and long-term business development among MSMEs in Medan Timur.

Keywords: Simple Accounting, Financial Literacy, MSME Income Growth

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1. Introduction

The development of the Micro, Small, and Medium Enterprises (MSMEs) sector in Indonesia has shown increasingly progressive dynamics along with the intensification of community economic activities and the acceleration of digital transformation across various business sectors (Khairani et al., 2026). In this context, MSMEs function not only as providers of employment opportunities but also as key drivers of economic growth at both local and national levels (Ayuni et al., 2026). In the East Medan area, the growth of MSMEs has occurred quite rapidly across various sectors. However, MSME actors still face several structural challenges, particularly related to financial management that has not been carried out optimally. Most business actors still operate their businesses without standardized financial recording systems and adequate financial literacy, which consequently limits their ability to manage income effectively and sustainably (Nurhidayah et al., 2025).

The implementation of simple accounting is one of the strategic approaches to improving the quality of MSME financial governance (Meha, 2026). Through systematic recording practices, structured financial statement preparation, and consistency in bookkeeping, business actors can obtain more accurate financial

information to monitor cash flow, evaluate business performance, and support rational and data-based decision-making (Ginting et al., 2026). On the other hand, financial literacy also plays a crucial role in enhancing the capacity of business actors to plan, manage, and allocate financial resources efficiently (Khairani et al., 2025). A good level of financial literacy will encourage MSME actors to become more adaptive in facing risks, wiser in investment decisions, and more capable of improving business operational efficiency (Mutamimah, 2023).

Nevertheless, the implementation of simple accounting and the level of financial literacy among MSMEs remain relatively low (Sari et al., 2025). Many business actors tend to focus more on operational aspects and short-term sales growth without balancing them with adequate financial management (Harianto et al., 2025). This condition results in limitations in objectively evaluating business performance, particularly in measuring income growth (Pakpahan et al., 2024). Therefore, a comprehensive empirical study is needed to identify the extent to which the implementation of simple accounting and financial literacy contribute to increasing MSME income.

This study aims to analyze the influence of the implementation of simple accounting and financial literacy on increasing MSME income in East Medan. Theoretically, this study is expected to enrich studies in the field of MSME accounting, while practically, it may serve as a basis for recommendations for business actors in strengthening their financial management capacity to encourage sustainable income growth.

2. Method

This study employed a quantitative approach with a descriptive design to analyze the influence of the implementation of simple accounting and financial literacy on increasing the income of Micro, Small, and Medium Enterprises (MSMEs) in East Medan during the period of January to October 2025. The focus of the study included simple accounting practices consisting of financial recording, financial statement preparation, and bookkeeping consistency, as well as financial literacy covering the understanding of financial concepts, planning abilities, and financial decision-making by business actors. Data were collected through a survey using structured questionnaires distributed to 75 respondents selected through purposive sampling techniques. The data were then analyzed using multiple linear regression to examine the influence of the two independent variables on income improvement, which was measured through sales growth, profit growth, and business financial stability. The results of this study are expected to provide empirical evidence regarding the contribution of the implementation of simple accounting and financial literacy in increasing MSME income, as well as to serve as a basis for practical recommendations for business actors in strengthening financial management and financial literacy capabilities in order to achieve sustainable business growth.

3. Results And Discussion

Research Characteristics

The characteristics of the respondents in this study describe the profile of mobile coffee Micro, Small, and Medium Enterprise (MSME) owners in Medan City who were selected as the research sample. Based on the collected data, the characteristics of the respondents can be categorized into several main categories as follows:

Respondent Characteristics

Table 1. Respondent Characteristics

No	Description	Category	Total	Percentage
1	Gender	Male	40	53%

No	Description	Category	Total	Percentage
2	Age	Female	35	47%
		18–25 years	15	20%
		26–35 years	35	47%
		> 35 years	25	33%
3	Education	Senior High School	25	33%
		Diploma	15	20%
		Bachelor’s Degree	35	47%
4	Business Experience	< 1 year	10	13%
		1–5 years	40	53%
		> 5 years	25	34%

Table 1 shows that the majority of respondents were male (53%) and were in the age range of 26–35 years (47%). Most respondents held a bachelor’s degree (47%) and had operated their businesses for 1–5 years (53%). This indicates that MSME actors in East Medan are dominated by individuals of productive age with relatively good educational backgrounds and sufficient business experience, which potentially supports their ability to manage finances and increase business income.

Hypothesis Testing

t-Test

Table 2. t-Test Results

Variable	t-Count	t-Table	Sig.	Description
Simple Accounting (X1)	4.965	1.993	0.001	Significant
Financial Literacy (X2)	3.842	1.993	0.000	Significant

Based on Table 2, the calculated t-values for each independent variable are greater than the t-table value (1.993), and the significance values are smaller than 0.05. This indicates that the implementation of simple accounting and financial literacy partially have a positive and significant effect on increasing MSME income in East Medan. Therefore, the better the implementation of financial recording and the higher the level of financial literacy among business actors, the greater the opportunity for MSMEs to increase their income.

F-Test

Table 3. F-Test Results

F-Count	F-Table	Sig.	Description
58.276	3.12	0.000	Significant

Based on Table 3, the calculated F-value of 58.276 is greater than the F-table value of 3.12, and the significance value of 0.000 is smaller than 0.05. This indicates that simultaneously, the variables of simple accounting implementation and financial literacy have a positive and significant effect on increasing MSME income in East Medan. Thus, the combination of these two variables together is able to significantly explain the variation in MSME income improvement.

Coefficient of Determination

Table 4. Coefficient of Determination

R	R Square	Description
0.784	0.615	61.5%

Based on Table 4, the R Square value of 0.615 indicates that 61.5% of the variation in the increase of MSME income in East Medan can be explained by the variables of simple accounting implementation and financial literacy. Meanwhile, the remaining 38.5% is influenced by other variables outside the scope of this research

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model. This demonstrates that the two independent variables have a fairly strong contribution in explaining the increase in MSME income.

Discussion

Based on the research findings, it can be emphasized that the implementation of simple accounting and financial literacy are the main determinants in increasing MSME income in East Medan. The empirical findings show that both variables not only have a positive effect but are also statistically significant in explaining the variation in income improvement. The implementation of simple accounting, which includes systematic transaction recording, financial statement preparation, and bookkeeping consistency, has proven to enhance business actors' ability to control cash flow, identify financial performance, and minimize financial management errors. In other words, the main weakness of MSMEs lies not in their products or markets, but rather in the low discipline of financial recording.

Partially, the results of the t-test strengthen the argument that the implementation of simple accounting has the most dominant influence on income improvement, with a significance level of 0.000 (< 0.05). Meanwhile, financial literacy was also proven significant, with a significance value of 0.001 (< 0.05), indicating that the ability to understand and manage finances serves as a supporting factor that strengthens the effectiveness of business decision-making. The significant F-test result (0.000) further confirms that both variables simultaneously make a strong contribution to increasing MSME income, indicating that the research model has high validity.

The coefficient of determination (R^2) value of 61.5% indicates that more than half of the variation in MSME income improvement can be explained by the implementation of simple accounting and financial literacy. This finding suggests that the main problem faced by MSMEs in East Medan is not merely market limitations, but rather weak financial management capacity. The remaining 38.5% is influenced by external factors such as marketing strategies, access to financing, product innovation, and technology adoption, which, although important, are not as influential as the internal factors examined in this model.

Theoretically, these findings reinforce the perspectives of management accounting and financial behavior theory, which emphasize that the quality of financial information and the level of financial understanding are fundamental bases for rational and data-driven decision-making. Without proper record-keeping and adequate literacy, business actors tend to make intuitive decisions, which may negatively affect financial performance. Empirically, these findings are consistent with previous studies confirming that MSMEs with good accounting practices and high financial literacy tend to have more stable and sustainable financial performance.

In the context of East Medan, these findings convey a critical message that increasing MSME income cannot be achieved solely through market expansion or increased production, but must begin with improvements in financial management systems. Therefore, the practical implication of this research is the need for more structured interventions, both through simple accounting training and financial literacy improvement programs. Without improvements in these two aspects, MSMEs will remain trapped in poorly managed business cycles. Thus, it can be concluded that the implementation of simple accounting and financial literacy are not merely supporting factors, but essential prerequisites for encouraging sustainable increases in MSME income.

Furthermore, when examined more deeply, the dominant influence of simple accounting implementation indicates that the technical aspect of financial recording is the most crucial weakness among MSMEs. Many business actors still mix personal and business finances, do not possess clear profit and loss statements, and are unable to identify their financial position periodically. This condition causes business decisions to be made without a data-based approach, thereby limiting the optimization of income growth potential.

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Through the consistent implementation of simple accounting, business actors can identify the most profitable products, control operational costs, and plan business expansion more effectively.

On the other hand, financial literacy acts as an enabling factor that determines how financial information is utilized. Without adequate financial literacy, even proper financial records will not produce maximum impact on income improvement. This demonstrates a complementary relationship between simple accounting and financial literacy, where both cannot be separated in improving MSME financial performance. Business actors with high financial literacy tend to be more adaptive in managing risks, utilizing financing opportunities, and optimizing the use of working capital.

Moreover, the results of this study also indicate the existence of a capacity gap among MSMEs, particularly in knowledge-based financial management. Most MSMEs still operate within traditional business management systems and have not yet been able to utilize financial information as a strategic tool in decision-making. This situation represents both a challenge and an opportunity for stakeholders such as local governments, financial institutions, and educational institutions to provide interventions in the form of training, mentoring, and the digitalization of MSME financial recording systems.

From a policy perspective, these findings imply that MSME empowerment programs should not only focus on access to capital or business assistance but must also be balanced with improvements in financial literacy and accounting practices. Programs such as simple bookkeeping training, the use of digital financial applications, and financial management education are highly relevant for sustainable implementation. In this way, the increase in MSME income will not only be short-term but will also support long-term business sustainability.

Overall, this study confirms that the success of MSMEs in increasing income is largely determined by their internal ability to manage finances systematically and knowledgeably. Without transformation in this aspect, MSMEs will struggle to move beyond stagnant business patterns. Therefore, strengthening the implementation of simple accounting and financial literacy should be positioned as the primary strategy in developing more professional, competitive, and sustainable MSMEs in East Medan.

Research Implications

This study produces practical implications that are relevant to strengthening MSME financial governance in East Medan. First, business actors need to intensify the implementation of simple accounting through systematic transaction recording, standardized financial statement preparation, and a clear separation between personal and business finances. Such implementation plays a role in improving the quality of financial information, thereby enabling better cash flow control, cost efficiency, and more accurate and data-driven business performance evaluation. Second, improving financial literacy should be positioned as a strategic agenda through sustainable training and mentoring programs aimed at strengthening MSME actors' capabilities in financial planning, risk management, and rational financial decision-making. Third, the implementation of simple accounting and financial literacy should be understood as strategic instruments, rather than merely administrative activities, in encouraging operational efficiency, competitiveness, and sustainable income growth.

The findings of this study reinforce the conceptual framework emphasizing the significant relationship between consistent accounting practices and the level of financial literacy on MSME financial performance, particularly in terms of income improvement. These results indicate that evaluating MSME performance should not only focus on output indicators such as sales and profits but should also consider internal financial management capacity as a major determinant. Thus, this study contributes to the development of MSME accounting and financial behavior literature while also providing an empirical basis for formulating

policies and strategies oriented toward strengthening MSME financial management systems in a more effective, adaptive, and sustainable manner.

4. Conclusion

The results of this study indicate that the increase in MSME income in East Medan is significantly influenced by the implementation of simple accounting and the level of financial literacy among business actors. The implementation of simple accounting through structured transaction recording, financial statement preparation, and consistency in bookkeeping has proven to improve business actors' ability to manage cash flow, evaluate financial conditions, and support more rational and data-based decision-making. On the other hand, financial literacy, which includes an understanding of financial concepts, planning abilities, and risk management, also contributes significantly to increasing income. Empirically, both independent variables were proven to have a significant influence, both partially and simultaneously, on the increase in MSME income in East Medan.

The coefficient of determination (R^2) value of 61.5% indicates that most of the variation in MSME income improvement can be explained by the implementation of simple accounting and financial literacy, while the remaining portion is influenced by other variables outside the research model. This finding confirms that although the two variables have a strong contribution, additional factors such as marketing strategies, access to capital, product innovation, and the utilization of digital technology also play important roles in increasing business income. Furthermore, the research findings show that although there is a trend of income improvement, the implementation of simple accounting practices and the level of financial literacy among some MSME actors are still not optimal, thus requiring reinforcement through more structured and sustainable approaches.

Overall, the findings of this study confirm that optimizing the implementation of simple accounting and improving financial literacy are key factors in encouraging the increase of MSME income in East Medan. However, the implementation of these two aspects still faces several obstacles, such as limited understanding, low awareness regarding the importance of financial recording, and limited access to financial education. Therefore, synergy between business actors and stakeholders is needed to strengthen MSME financial management capacity in order to achieve more optimal, efficient, and sustainable income growth.

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