



The Influence of Budget Planning, Cost Management, Internal Control, Cash Management, and Financial Analysis on MSME Performance

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ABSTRACT

Purpose - Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in regional economic development in Banten Province, yet many face significant weaknesses in financial management. This study analyzes the influence of budget planning, cost management, internal control, cash management, and financial analysis on business performance of MSME loan recipients in Banten Province.

Methodology - This study employs a quantitative survey research design. Primary data were collected through structured questionnaires distributed to MSME loan recipients in Banten Province. A total of 140 valid responses were obtained. Data were analyzed using SPSS version 25, employing descriptive statistics and multiple linear regression analysis to examine both partial and simultaneous effects.

Findings - Budget planning, cost management, internal control, cash management, and financial analysis are positively and significantly associated with business performance, both individually and jointly. The model explains 58.3% of the variance in MSME performance, confirming that strengthening financial management capabilities plays a substantial and critical role in improving sustainable business performance among micro-enterprise loan recipients.

Novelty - This study provides empirical evidence on the combined impact of multiple financial management dimensions on the performance of micro-enterprise loan recipients at a regional level, specifically in Banten Province, grounded in Resource-Based View and financial management theory.

Significance - The findings benefit micro-entrepreneurs, financial institutions, and policymakers by highlighting the critical importance of integrating financial management capacity-building programs with micro-enterprise lending schemes to enhance sustainability and performance.

Keywords: Budget planning; Cost management; Internal control; Cash management; Financial analysis; MSME performance.

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1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) constitute a fundamental pillar of the Indonesian economy, contributing substantially to regional economic growth, employment creation, and income distribution. Beyond their contribution to growth and employment, microenterprises can also enhance community economic welfare and reduce unemployment by absorbing labor (Albadiyah et al., 2023). However, many MSMEs in Indonesia face persistent challenges in managing their businesses effectively, particularly regarding financial management systems and practices (Budi et al., 2023). One critical challenge is the suboptimal implementation of financial management systems, especially among MSME loan recipients who require robust internal financial capabilities to use credit effectively.

Management accounting and financial management are crucial to supporting MSME success. Financial management encompasses five key dimensions: budget planning, cost management, internal control, cash management, and financial analysis. When implemented effectively, these practices enable MSMEs to improve operational efficiency, optimize resource allocation, enhance competitiveness, and establish financial resilience (Mbogo et al., 2021).

A budget is an essential instrument for business organizations to have effective financial planning and control. As defined in the literature, "A budget is a systematic allocation of resources to realize the company's goals" (Fortuna & Lumbanraja, 2021). Budgeting encompasses the establishment of predetermined goals, the reporting of actual performance results, and the assessment of performance against the predetermined objectives. Good integration of the budget process with other activities leads to better financial and program decisions that improve operations (Fortuna & Lumbanraja, 2021).

Cost management constitutes a systematic process for planning, controlling, allocating, and monitoring business costs, with the ultimate objective of optimizing profits while maintaining quality and customer value. Effective cost management involves disciplined planning and control of budgeted costs to ensure operational efficiency and effectiveness. By systematically managing costs, organizations achieve operational efficiency and attain strategic objectives (Mbogo et al., 2021; Edori & Egwanwor, 2024).

Internal control systems comprise processes influenced by an entity's board of directors, management, and personnel, designed to provide reasonable assurance regarding the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations (Mbogo et al., 2021). For MSMEs, internal control systems encompass organizational structures, methods, and actions directed at protecting company assets, ensuring accuracy of accounting information, improving operational efficiency, and fostering adherence to management policies (Adela et al., 2024).

Cash management represents the process of planning and controlling cash flows to meet organizational objectives while maintaining liquidity and solvency. Effective cash flow management strategies are essential for MSME success, particularly when facing challenges such as capital shortages and working capital constraints (Stevcevska Srbinska et al., 2023). For MSMEs receiving credit, effective cash management is particularly critical to maintaining operational continuity, meeting debt obligations, and achieving business sustainability.

Financial analysis involves systematically examining financial statements to determine financial condition, assess past business results, and project future financial conditions (Budi N et al., 2023). Financial analysis transcends mere numerical examination; rather, it focuses on understanding relationships between financial components to support strategic decision-making and financial forecasting. An effective and efficient bookkeeping system will provide the financial

information SMEs need to make better economic decisions about the future of their firms (Adela et al., 2024).

Numerous studies have documented that many MSMEs in Indonesia have not fully or adequately implemented comprehensive financial management practices. While training and education can improve understanding and capability, limited access to economic resources often hinders MSMEs from optimally implementing comprehensive systems (Deligero & Ballados, 2025). This study is motivated by the recognition that while previous research has examined individual financial management practices, there remains limited empirical evidence on the combined simultaneous influence of budget planning, cost management, internal control, cash management, and financial analysis on MSME loan recipient performance at the regional level.

This study employs the Resource-Based View (RBV) and Financial Management Theory as conceptual foundations. The Resource-Based View theory posits that an organization's competitive advantage and sustained performance depend fundamentally on how effectively it manages and utilizes its internal resources. Resources that are valuable, rare, inimitable, and non-substitutable (VRIN) confer sustainable competitive advantage.

In the context of microenterprises, internal resources encompass not only physical and financial assets but also the technical and financial capabilities of business owners and managers. Mastery of budget management, cost control, internal control, cash management, and financial analysis constitutes strategic competencies that add substantial value to the business. When managed with discipline and consistency, these capabilities drive operational efficiency, strengthen financial resilience, and improve overall business performance (Budi N et al., 2023; Badamasi et al., 2024).

According to Republic of Indonesia Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises, MSMEs are classified as: (1) Micro Enterprises—productive business assets owned by individuals with maximum assets of IDR 50 million and maximum annual turnover of IDR 300 million; (2) Small Businesses—-independent productive enterprises with assets exceeding IDR 50 million to IDR 500 million and annual turnover exceeding IDR 300 million to IDR 2.5 billion; and (3) Medium Enterprises—-independent productive enterprises with assets exceeding IDR 500 million to IDR 10 billion and turnover exceeding IDR 2.5 billion to IDR 50 billion.

MSMEs are recognized as the backbone of developing economies and require targeted interventions, including financial capacity-building, improved financial literacy, and culturally appropriate management support, to maximize their performance (Deligero & Ballados, 2025). Research has established that MSMEs are typically characterized by: (1) direct ownership and management by individuals or families; (2) limited capital and technology; and (3) constrained access to formal financing and technical expertise (Mbogo et al., 2021).

2. Methods

This study employs a quantitative survey research design. Primary data were collected through structured questionnaires distributed to MSME loan recipients in Banten Province. The research questionnaire was developed based on indicators analyzed from academic literature and validated instruments from previous research (Creswell & Creswell, 2018). Prior to distribution to the main sample, the questionnaire was pilot-tested with 20 non-sample respondents to assess the clarity, reliability, and validity of measurement items.

The population comprises all customers who have received MSME business loans from partner financial institutions in Lebak Regency, Banten Province. A purposive sampling method was employed, whereby the sample was selected based on specific inclusion criteria: (1)

respondents must be MSME owners/managers receiving active credit facilities; (2) businesses must have operated for a minimum of two years; and (3) respondents must be willing and able to complete the questionnaire (Sekaran & Bougie, 2016). By applying these criteria, a final sample of 140 valid responses was obtained for analysis. Two primary data collection techniques were:

- a. Observation. Direct observation was conducted to understand the actual operational practices and business context of sampled MSME respondents, providing contextual information for interpreting questionnaire responses (Riduwan, 2019).
- b. Questionnaire (Survey). A structured questionnaire comprising Likert-scale items was distributed to respondents, measuring perceptions regarding: budget planning implementation, cost management practices, internal control effectiveness, cash management capability, financial analysis usage, and perceived business performance (Sugiyono, 2019). The questionnaire was completed directly by respondents, with research assistants providing clarification where necessary.

Collected data were analyzed using SPSS version 25 statistical software. The analysis strategy comprised two stages:

- a. Stage 1 - Descriptive Statistics. Descriptive statistics were employed to characterize the data and the respondent profile, including the calculation of minimum and maximum values, means, and standard deviations for each study variable (Hair et al., 2019).
- b. Stage 2 - Multiple Linear Regression Analysis. Multiple linear regression was used to test both partial effects (the individual influence of each independent variable on the dependent variable) and simultaneous effects (the collective influence of all independent variables on the dependent variable). Regression assumptions (normality, linearity, homoscedasticity, multicollinearity) were verified prior to model estimation (Field, 2013). Statistical significance was established at $p < .05$ level.

3. Results and Discussion

3.1. Results

Multiple linear regression is a method for creating a model that shows how dependent and independent variables interact. The following are the results of the multiple linear regression analysis in this study:

Table 1 - Multiple Linear Regression Analysis Results

Model	Unstandardized Coefficients		Standardized Coefficients	
	B	Std. Error	Beta	
1	(Constant)	4.572	.839	
	Budget	.220	.045	.299
	Cost	.185	.046	.258
	Pengdl_n_Intrnl	.163	.054	.192
	Pngl_Kas	.114	.042	.160
	Financial Analyst	.139	.047	.188

(Source: SPSS Data Output 25, 2025)

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + e$$

$$Y = 4.572 + 0.22X_1 + 0.185X_2 + 0.163X_3 + 0.114X_4 + 0.139X_5 + e$$

Information:

1. The constant of 4.572 can be interpreted as the absence of any influence of Budget Planning (X1), Cost Management (X2), Internal Control (X3), Cash Control (X4), and Financial Analysis (X5) on MSME Performance (Y), having a probability value of 4.573.
2. The X1 coefficient is 0.220, meaning that every one unit increase in the value of the Budget Planning variable will increase the value of the MSME Performance variable by 0.220, assuming that other independent variables are *ceteris paribus* (ignoring other factors or variables outside the research variables).
3. The X2 coefficient is 0.185, meaning that every one unit increase in the value of the Cost Management variable will increase the value of the MSME Performance variable by 0.185, assuming that other independent variables are *ceteris paribus* (ignoring other factors or variables outside the research variables).
4. The X3 coefficient is 0.163, meaning that every one unit increase in the value of the Internal Control variable will increase the value of the MSME Performance variable by 0.163, assuming that other independent variables are *ceteris paribus* (ignoring other factors or variables outside the research variables).
5. The X4 coefficient is 0.114, meaning that every one unit increase in the value of the Cash Control variable will increase the value of the MSME Performance variable by 0.114, assuming that other independent variables are *ceteris paribus* (ignoring other factors or variables outside the research variables).
6. The X5 coefficient is 0.139, meaning that every one unit increase in the value of the Financial Analysis variable will increase the value of the MSME Performance variable by 0.139, assuming other independent variables are *ceteris paribus* (ignoring other factors or variables outside the research variables).

Meanwhile, to see the results of the simultaneous correlation test, look at the R value in the model summary. Here are the results:

Table 2 - Correlation Test Results Table Simultan

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	.764a	.583	.569	1.19232

a. Predictors: (Constant), Financial Analysis, Cash Flow, Cost, Budget, Internal Control

b. Dependent Variable: Performance

(Source: SPSS Data Output 25, 2025)

Based on the table above, the R value is 0.764, so it can be concluded that the correlation value between the variables Budget Planning (X1), Cost Management (X2), Internal Control (X3), Cash Control (X4), and Financial Analysis (X5) on MSME Performance (Y) is strong, because the value is between 0.600 – 0.799. The coefficient of determination (R^2) measures the extent to which a model can explain variation in the dependent variable. Here are the results:

Table 3 - Determination Coefficient Analysis Table

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	.764a	.583	.569	1.19232

a. Predictors: (Constant), Financial Analysis, Cash Flow, Cost, Budget, Internal Revenue

b. Dependent Variable: Performance

(Source: SPSS Data Output 25, 2025)

The t-statistic test is used to identify independent variables that have a significant influence on the dependent variable in a partial regression model. The results of the t-test in this study are:

Table 4 - t-Test Results

Model	t	Sig.
1 (Constant)	5.451	0.0000
Budget Planning	4.882	0.0000
Cost Control	4.043	0.0000
Internal Control	2.997	0.0030
Cash Management	2.698	0.0080
Financial Analysis	2.967	0.0040

a. Dependent Variable: MSME Performance

(Source: SPSS Data Output 25, 2025)

a. First Hypothesis Testing (H1).

Based on the t-test results, the t-count for budget planning (X1) is 4.882, which exceeds the t-table value. ($4.882 > 1.985$). Meanwhile, the significance value (sig) is 0.0000 or less than 0.05 ($0.000 < 0.05$). This means that H_0 is rejected and H_1 is accepted, or the budget planning variable (X1) has a positive and significant influence on MSME Performance (Y).

b. Testing the Second Hypothesis (H2)

Based on the t-test results, the cost control variable (X2) yields a t-statistic of 4.043, which exceeds the t-table value. ($4.043 > 1.986$). Meanwhile, the significance value (sig) is 0.0000 or less than 0.05 ($0.0000 < 0.05$). This means that H_0 is rejected and H_2 is accepted, or the cost control variable (X2) has a positive and significant influence on MSME Performance (Y).

c. Testing the Third Hypothesis (H3)

Based on the t-test results, the internal control variable (X3) yields a t-value which exceeds the t-value from the t-table. ($2.997 > 1.986$). Meanwhile, for the significance value (sig) of 0.0030 or less than 0.05 ($0.0030 < 0.05$). This means that H_0 is rejected and H_3 is accepted, or internal control (X3) has a positive and significant influence on MSME Performance (Y).

d. Testing the Fourth Hypothesis (H4)

Based on the t-test results, the cash management variable (X4) yields a t-statistic of 2.698, which exceeds the t-table value. ($2.698 > 1.986$). Meanwhile, the significance value (sig) is 0.0080 or less than 0.05 ($0.0080 < 0.05$). This means that H_0 is rejected and H_4 is accepted, or cash management (X4) has a positive and significant partial influence on MSME Performance (Y).

e. Testing the Fifth Hypothesis (H5)

Based on the t-test results, the financial analysis variable (X5) yields a t-value of 2.967, which exceeds the t-table value. ($2.967 > 1.986$). Meanwhile, the significance value (sig) is 0.0040 or less than 0.05 ($0.0040 < 0.05$). This means that H_0 is rejected and H_5 is accepted, or financial analysis (X5) has a positive and significant influence on MSME Performance (Y).

The F-test is used to determine whether the independent variable has a significant simultaneous effect on the dependent variable. The results of the F-test are as follows:

Table 5- F Test Results Table

Model	F	Sig.
Regression	40,281	,000b
Residual		

a. Dependent Variable: MSME Performance

b. Predictors: (Constant), PA, PB, PI, PK, AK

(Source: SPSS Data Output 25, 2025)

Based on the results of the F test, the F count was 40.281, so the F count was greater than the F table. ($40.281 > 2.28$). Meanwhile, the significance value (sig) produced was 0.000 or less than 0.05 ($0.000 < 0.05$). This means that H_0 is rejected and H_6 is accepted, or that the variables of budget planning, cost management, internal control, cash control, and financial analysis simultaneously have a significant influence on MSME Performance (Y).

3.2 Discussion

Budget planning demonstrates a positive and statistically significant effect on MSME performance ($t = 4.882$; $p < .001$). This result indicates that MSME loan recipients who systematically prepare and implement budgets for revenue, expenses, and operational targets achieve measurably better business performance outcomes compared to those without structured budgeting practices (Fortuna & Lumbanraja, 2021). Within the Resource-Based View framework, the capacity to develop and implement budgets can be characterized as a valuable internal capability that contributes to competitive advantage through superior resource planning and allocation efficiency.

Cost management exerts a positive and statistically significant influence on MSME performance ($t = 4.043$; $p < .001$), demonstrating that disciplined cost planning, monitoring, and control practices translate directly into improved business performance among MSME loan recipients. The strong influence of cost management reflects the fundamental economic reality that in resource-constrained environments characteristic of MSMEs, controlling operational costs is essential to profitability and sustainability (Mbogo et al., 2021). MSMEs that implement systematic cost control—including tracking variable and fixed costs, analyzing cost behavior, monitoring cost trends, and comparing actual costs to planned costs—achieve superior operational efficiency and profitability.

Internal control demonstrates a positive and statistically significant effect on MSME performance ($t = 2.997$; $p = .003$). This finding indicates that MSME loan recipients with stronger internal control systems achieve better business performance outcomes. The significant influence of internal control aligns with established frameworks conceptualizing internal control as a foundational process providing reasonable assurance regarding operational effectiveness, financial reporting reliability, and regulatory compliance (Adela et al., 2024). For MSMEs, implementation of appropriate internal controls—adapted to their scale and complexity—prevents asset loss, reduces errors in financial transactions, and establishes clear accountability structures.

Cash management demonstrates a positive and statistically significant effect on MSME performance ($t = 2.698$; $p = .008$). This result confirms that the ability to plan, monitor, and control cash flows is directly associated with improved MSME performance. Effective cash management is particularly critical for MSMEs, which typically operate with limited cash reserves and high dependency on daily cash flow for operational continuity (Stevcevska Srbinoska et al., 2023). Cash management practices—including cash flow forecasting, acceleration of receivable collection, disciplined management of payables, and optimization of cash balances—directly impact operational capacity and financial stability.

Financial analysis demonstrates a positive and statistically significant effect on MSME performance ($t = 2.967$; $p = .004$). This finding indicates that MSME loan recipients who regularly analyze their financial reports and compute financial ratios extracting meaningful insights achieve superior performance outcomes (Adela et al., 2024). Financial analysis enables entrepreneurs to comprehend their financial condition, identify performance trends, recognize

emerging problems before they become critical, and make informed strategic decisions grounded in financial data (Budi N et al., 2023; Badamasi et al., 2024).

The empirical findings collectively demonstrate that budget planning, cost management, internal control, cash management, and financial analysis function as an integrated system of financial management capabilities that collectively drive MSME performance ($F = 40.281$; $p < .001$; $R^2 = 0.583$). These five dimensions are conceptually and empirically linked: budget planning establishes financial targets and frameworks; cost management ensures efficient resource utilization within budgetary constraints; internal control safeguards resources and ensures accurate financial information; cash management ensures liquidity and operational continuity; and financial analysis monitors performance against objectives and informs strategic adjustments (Mbogo et al., 2021; Edori & Egwanwor, 2024).

4. Conclusions

This study provides empirical evidence that financial management practices encompassing budget planning, cost management, internal control, cash management, and financial analysis—significantly influence the performance of MSME loan recipients in Banten Province. Individually, each of these five variables demonstrates positive and statistically significant effects on MSME performance. Simultaneously, these variables collectively explain 58.3% of performance variance, indicating that strengthening integrated financial management represents a primary leverage point for improving MSME performance and sustainability.

The substantial explanatory power of the financial management model ($R^2 = 0.583$) confirms that financial capability development constitutes a core strategic investment for MSME performance improvement. The remaining 41.7% of performance variance attributable to other factors suggests that while financial management is necessary, it is not sufficient alone; MSME success also depends on factors such as market dynamics, product quality, customer relationships, and strategic positioning.

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Conflict of Interest

The authors declare no conflicts of interest related to the design, implementation, analysis, or reporting of this research. The research received no specific grant from any public, commercial, or not-for-profit funding agency.

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