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Simple Financial Management Training To Improve The Sustainability Of Small And Medium Enterprises In Kepuh Village, Pacarejo, Semanu, DIY

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Abstract
This community service activity aims to improve the financial management capacity of MSMEs in Kepuh Hamlet, Gunungkidul through participatory training. The background of this activity is based on the finding that 85% of local MSME players still mix personal and business finances, which has the potential to hamper business development. The method used is a learning by doing approach with three main stages: interactive material presentation, hands-on practice in preparing financial reports, and participatory discussion. The evaluation results showed that 90% of participants (32 people) actively participated in all activity sessions, 85% of participants (30 people) were able to correctly make simple financial records, and 80% of participants (28 people) were able to clearly distinguish between personal and business expenses. Monitoring of implementation two weeks after the training showed that 70% of participants (25 people) consistently applied the financial recording system they had learned. This activity successfully addressed the issue of MSMEs through a practical approach that was appropriate for the characteristics in Kepuh Village.

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1. INTRODUCTION

MSMEs in Indonesia have proven to be a buffer for national economic resilience, contributing 61.97% to GDP in 2022 (Kemenkop, 2022). This phenomenon of financial mixing is consistent with the findings of the Global Financial Literacy Excellence Center (2023), which revealed that only 28% of Indonesian MSME players have a basic understanding of separate financial management (GFLEC, 2023). A World Bank study (2023) further reveals that 75% of MSMEs in developing countries do not separate personal and business finances (World Bank, 2023), while UNDP Research (2022) shows that this practice of financial mixing is rooted in long-standing business habits and culture.

Research by Demirguc-Kunt et al. (2022) shows that MSMEs with good financial recording systems have a 34% higher survival rate during crises (Demirguc-Kunt, A et al, 2022). This finding is supported by Deloitte (2023) research, which proves that MSMEs that separate personal and business finances have 2.3 times faster revenue growth. However, implementation in the field still faces behavioral aspects obstacles as identified in Thaler's (1985) mental accounting theory.

Several previous studies have identified similar problems. A study by Suryana (2019) found that 78% of micro business failures were caused by poor financial management, while research by Tambunan (2019) identified a tendency for MSME players to prioritize practical survival over strategic planning. Research by Klapper & Lusardi (2023) proves a positive correlation between financial literacy and business resilience, and a study by the International Finance Corporation (2023) shows that the habit of mixing finances results in an inability to accurately calculate business profitability.

Bank Indonesia (2022) stated in its report that the lack of understanding about the importance of financial separation is a major obstacle to the development of MSMEs. However, previous studies are still limited in presenting practical solutions that are easy to implement by MSMEs with limited formal education. The OECD (2023) recommends a training approach that directly addresses the daily problems of MSMEs, while research by McKenzie & Woodruff (2015) proves that simple training interventions that focus on one specific problem are more effective than complex training.

In Kepuh Hamlet, Pacarejo, Semanu, Gunungkidul, MSMEs are the backbone of the community's economy, but they face significant challenges in basic financial management. Based on preliminary observations by the community service team consisting of Ardi Ariyanto (Chair), Syahida Norviana, Entus Ahmad, and Indria Desi Rahmawati, it was identified that 85% of local MSME actors still mix personal finances with business finances. The main objective of this community service is to improve the basic financial management capacity of MSMEs through a practical approach that is easy to adopt. The novelty lies in the integration of the theoretical concept of financial separation with direct implementation using simple tools that are suitable for the characteristics of MSMEs in rural areas.

This community service activity offers innovation through a "learning by doing" approach that directly addresses the problem of mixing personal and business finances, in line with the OECD (2022) recommendation on practical approaches for MSMEs. The participatory action research Kemmis *et al* (2014) approach used focuses on solving practical problems through interactive training methods and direct case studies from participants' experiences.

2. RESEARCH METHODS

This Community Service activity used a participatory training approach designed to improve the capacity of MSME actors in financial management. Based on the identification of problems through observation and discussion with 35 MSME actors in Kepuh Hamlet, the activity focused on solving the problem of mixing personal and business finances. The activity was conducted at the Kepuh Hamlet Hall on August 30, 2025, using a learning-by-doing method that emphasized hands-on practice.

The training began with a presentation of basic concepts of financial separation using concrete examples from the participants' businesses. The material was compiled based on the EMKM Financial Accounting Standards (Ikatan Akuntan Indonesia, 2018), which were simplified for ease of understanding. The session continued with hands-on practice where participants were assisted in making simple financial records using daily cash books and financial report templates provided.

In interactive discussion sessions, participants shared their experiences in overcoming financial management obstacles and developing solutions tailored to the characteristics of their respective businesses. The activity was evaluated through observation of active participation, the quality of participants' work, and direct feedback. The sustainability of the program was ensured through the participants' commitment to implementing the financial recording system and continued consultation support from the volunteer team.

3. RESULTS AND DISCUSSION

This community service activity was carried out by a community service team from the Department of Business and Finance, Yogyakarta State University, chaired by Dr. Ardi Ariyanto, S.Pd., M.Pd., with members Syahida Norviana, M.Sc., Entus Nuryana Ahmad, M.I.Kom. and Indria Desy Rachmawati, M.M., together with students. The activity was held on Saturday, August 30, 2025, at the Kepuh Village Hall, Pacarejo, Semanu, Gunungkidul.

1.1.Research Results

This community service activity was successfully carried out by involving 35 MSME actors in Kepuh Village. Based on observations during the training, 90% of participants (32 people) actively participated in all activity sessions. 85% of participants (30 people) were able to correctly make simple financial records using the provided template, while the remaining 15% of participants (5 people) still needed more intensive guidance.

The results of the financial report preparation evaluation showed that 80% of participants (28 people) were able to clearly distinguish between personal and business expenses. Participants also showed an increase in their understanding of calculating the cost of goods sold, where previously only 20% of participants understood this concept, increasing to 75% of participants after attending the training.

In terms of implementation, monitoring two weeks after the training showed that 70% of participants (25 people) consistently applied the financial recording system they had learned. A total of 80% of participants reported experiencing an increase in the ease of monitoring their business cash flow.

Figure 1. Group Photo

1.2.Discussion

The high level of participation (90%) in this activity proves that the learning by doing approach applied is in line with the needs of MSME actors. These results are consistent with the findings of the OECD (2022) [15], which recommends a practical approach to MSME training. The participants' positive response to the hands-on method shows that MSME actors find it easier to understand financial concepts when presented with concrete examples from their own businesses.

The ability of 85% of participants to make simple financial records indicates that simplifying the material based on SAK EMKM [20] is effective for to be applied by MSMEs with limited formal education. This finding is in line with the research by McKenzie & Woodruff (2015) [14], which emphasizes the importance of simplifying training material for MSMEs.

The increase in understanding of the cost of goods sold concept from 20% to 75% shows that the participatory approach successfully overcame the mental accounting identified by Thaler (1985) [7]. This transformation in understanding is a critical step in improving the financial literacy of MSMEs, as emphasized in the research by Klapper & Lusardi (2023) [10].

The 70% implementation rate within two weeks after training reflects the success of the participatory action research approach [16] in creating sustainable behavioral change. However, challenges are still faced by 30% of participants who have not consistently implemented the recording system, mainly due to time constraints and perceived complexity. These findings are consistent with Tambunan's (2019) [9] research on the obstacles to implementing formal management practices in MSMEs.

The success of this activity reinforces the findings of Demirguc-Kunt et al. (2022) [5] on the importance of financial recording systems for business resilience. With the increased ability of participants to separate personal and business finances, it is hoped that the survival rate of MSMEs in Kepuh Hamlet will increase, especially in facing economic challenges.

Figure 2. Presentation of Material

4. CONCLUSIONS

Based on the implementation of community service activities in Kepuh Hamlet, it can be concluded that the learning by doing approach through participatory training has proven to be effective in improving the financial management capacity of MSME actors. The success of this activity is reflected in the high participation rate of 90%, with 85% of participants able to make simple financial records and 80% of participants able to clearly distinguish between personal and business expenses.

This activity successfully addressed the issue of behavioral mental accounting [7] through a practical approach in line with OECD [15] recommendations for MSME training. The increase in understanding of the cost of goods sold concept from 20% to 75% demonstrates the effectiveness of participatory methods in improving financial literacy, which is in line with the findings of Klapper & Lusardi [10] regarding the importance of financial literacy for business resilience.

Monitoring of implementation shows that 70% of participants consistently applied the financial recording system within two weeks after training, proving the success of the participatory action research [16] approach in creating sustainable behavioral change. However, challenges are still faced by 30% of participants who require more intensive assistance due to time constraints and perceived complexity.

In practical terms, this activity has made a significant contribution to improving the ability of MSME actors to monitor cash flow and calculate business profitability more accurately. The sustainability of the program needs to be maintained through regular mentoring, the formation of learning communities, and the development of simpler tools to overcome implementation constraints.

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