

## FINANCIAL MANAGEMENT EDUCATION FOR MSMEs AS A TOOL TO DETERMINE BUSINESS PROFIT AND LOSS: COMMUNITY SERVICE TO KADUDAMPIT DISTRICT, SUKABUMI REGENCY

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### Abstract

Effective financial management is crucial for Micro, Small, and Medium Enterprises (MSMEs) to accurately determine business profits and losses and conduct thorough evaluations for strategic decision-making. Many MSMEs struggle with suboptimal financial management due to a limited understanding of accounting principles, financial reporting, planning, and budgeting. To address these challenges, a community service team organized an event titled "Financial Management Education for MSMEs as a Tool to Determine Business Profit and Loss." Held on June 29, 2024, in Kadudampit Subdistrict, Sukabumi Regency, the event engaged 30 MSME participants from Gede Pangrango Village, Sukamaju Village, and Kadudampit Village. The program included field observations, obtaining necessary permits, and the event execution. Participants underwent a pre-test to assess their initial knowledge, followed by a detailed instructional phase featuring presentations, discussions, and Q&A sessions. Topics covered included fundamental accounting principles, financial reporting, cost of production, pricing strategies, and break-even analysis. The event concluded with a post-test to evaluate knowledge improvements. Results indicated a significant enhancement in participants' understanding of financial management, likely aiding their business development

and growth.

**Keywords:** Business Profit and Loss, Education, Financial Management Education for MSMEs

## INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) encompass economic activities conducted on a small to medium scale, typically managed by individuals or family groups. Families are pivotal in leveraging the potential of these enterprises, thereby enhancing economic resilience and fostering independence (Herianti et al., 2023). Demonstrated family resilience—characterized by strong, persistent, and innovative approaches—can generate profitable economic opportunities and facilitate business establishment. Micro, Small, and Medium Enterprises (MSMEs) are instrumental in job creation, delivering economic services to communities, and promoting equitable income distribution (Nugrahanti, Marsasi, et al., 2024). Despite their critical contribution to the national economy, Micro, Small, and Medium Enterprises (MSMEs) encounter numerous challenges, including those related to marketing, production, processing, human resources, design and technology, capital acquisition, and the broader business environment. Although legal frameworks have been established to regulate Micro, Small, and Medium Enterprises (MSMEs) activities, these challenges persist.

Micro, Small, and Medium Enterprises (MSMEs) are categorized based on net worth or annual sales. Net worth, defined as the difference between total assets and liabilities, underpins this classification. According to the MSME Law, the thresholds for net worth or business capital are set as follows: up to IDR 50 million for micro-enterprises; between IDR 50 million and IDR 500 million for small enterprises; and above IDR 500 million, excluding land and buildings used for business purposes, for medium enterprises. MSMEs are considered vital to the national economy and are therefore entitled to substantial opportunities, support, protection, and development. This status aligns them with large corporations and State-Owned Enterprises (SOEs), reflecting a commitment to supporting the economic enterprises of the people. As stipulated in Law No. 20 of 2008 concerning Micro, Small, and Medium Enterprises (Micro, Small, and Medium Enterprises Law), MSME activities are specifically regulated in Indonesia. MSMEs contribute 60.5% to the Gross Domestic Product (GDP) and employ 96.9% of the national workforce.

Micro, Small, and Medium Enterprises (MSMEs) have significant potential to enhance the community's living standards. This potential is evidenced by the contributions of Micro, Small, and Medium Enterprises (MSMEs) to social and economic life. However, the frequent failures observed in Micro, Small, and Medium Enterprises (MSMEs) are often attributable to the limited managerial and financial management skills of the owners (Suryani & Herianti, 2021). Effective financial management serves as a critical tool for calculating business profits and losses, optimizing costs and revenues, and ensuring accurate financial arrangements. The effectiveness of financial management is a crucial determinant of a company's progress. This process can be facilitated through systematic bookkeeping, an essential method in accounting. As long as Micro, Small, and Medium Enterprises (MSMEs) utilize money as a medium of exchange, accounting remains indispensable for recording and analyzing their business activities (Andaningsih et al., 2022).

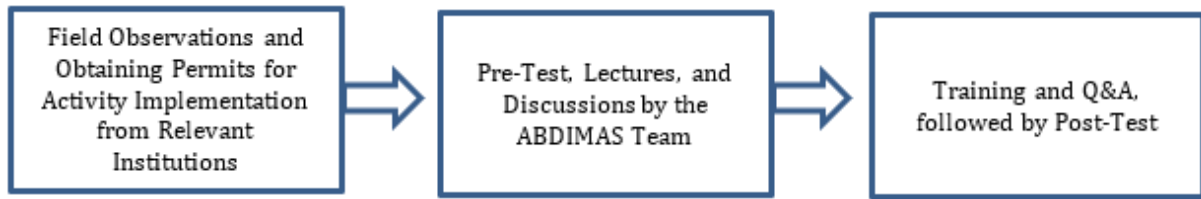
Effective financial management is crucial for calculating and managing the finances of Micro, Small, and Medium Enterprises (MSMEs). A comprehensive understanding is necessary to manage finances effectively and distinguish between business and personal finances. Proper financial management facilitates profit planning, which supports the development and growth of Micro, Small, and Medium Enterprises (MSMEs), enhancing their competitiveness and significantly contributing to the overall economy (Nugrahanti, Lanjarsih, et al., 2024). With sound financial management, Micro, Small, and Medium Enterprises (MSMEs) can progress, particularly in their financial aspects. However, Micro, Small, and Medium Enterprises (MSMEs) often focus solely on production and sales, neglecting thorough bookkeeping and record-keeping. This oversight leaves owners unaware of their actual profits and losses (Kasmir, 2016; Wende & As'ari, 2023). Effective financial management provides clear insights into assets, liabilities, equity, income, and expenses (Kasmir, 2016).

The objective of this Community Service initiative is to provide education and training to Micro, Small, and Medium Enterprises (MSMEs) on effective financial management practices. Despite the critical importance of financial management, many Micro, Small, and Medium Enterprises (MSMEs) remain unaware and focus primarily on profit generation for business continuity. This educational effort aims to address this gap in understanding. Observations and assessments conducted by the community service team in Kadudampit Subdistrict reveal that Micro, Small, and Medium Enterprises (MSMEs) comprehension of financial management remains limited. To address this issue, a team of accounting lecturers from the Institute of Indonesia Chartered Accountants, Education Accountants' Compartment (IAI KAPd) in the Jakarta region has delivered training on Micro, Small, and Medium Enterprises (MSMEs) financial management, covering essential topics such as fundamental accounting principles, accounting equations, basic financial reporting, types of financial statements, cost of goods sold, product pricing, and break-even analysis. The anticipated outcome of this initiative is an enhanced understanding of financial management among Micro, Small, and Medium Enterprises (MSMEs) in Kadudampit Subdistrict, Sukabumi Regency. This improved understanding will enable Micro, Small, and Medium Enterprises (MSMEs) to utilize financial management techniques to better assess their business profits and losses, thereby facilitating more informed and sustainable business decisions.

## **IMPLEMENTATION METHOD**

This Community Service comprised education, training, discussions, question-and-answer sessions, and mentoring for 30 MSME actors. The event, titled “Financial Management Education for MSMEs as a Tool for Calculating Business Profits and Losses,” took place on Saturday, June 29, 2024. Attendees included the Head of Kadudampit Subdistrict, the coordinator of MSME Actors, relevant institutional officials, and MSME actors from three villages: Gede Pangrango Village, Sukamaju Village, and Kadudampit Village. The speakers for this event were 30 lecturers from 15 universities in DKI Jakarta, affiliated with the Institute of Indonesia Chartered Accountants, Education Accountants' Compartment (IAI KAPd) for the Jakarta region. These lecturers were organized into specialized teams: the Financial Management Team, the Taxation Team, and the Digital Marketing Team. Each team delivered

content pertinent to their expertise to the MSME participants from Kadudampit Subdistrict, Sukabumi Regency.



**Figure 1. Stages of Understanding Test for MSME Participants**

The counseling and training program titled “Financial Management Education for MSME Actors” was designed to enhance the understanding of financial management among MSME actors in Kadudampit Subdistrict. The program included educational and training sessions attended by MSME Actors from the region. Following these sessions, open discussions and question-and-answer session periods were conducted to further deepen the participants' comprehension. To assess the effectiveness of the training, participants completed a pre-test before the commencement of the educational sessions and a post-test upon their conclusion. These assessments were intended to measure improvements in understanding key financial management indicators, including Basic Accounting Principles, Accounting Equations, Simple Financial Reporting, Financial Statement Formats, Cost of Goods Sold, Product Pricing, and Break-even Analysis. The evaluation of pre-test and post-test results was aimed at determining the extent of knowledge enhancement resulting from the extension and training activities.

At the beginning of the counseling and training activity, a preliminary survey was conducted to evaluate the participants' understanding of financial management. This survey aimed to identify the participants' baseline knowledge before they engaged in the educational activities. At the end of the Community Service (PKM), a simple post-test was administered to assess the extent to which participants' understanding of financial management had improved. The post-test was designed to measure the effectiveness of the Community Service (PKM) in enhancing participants' knowledge of financial management.

According to Sugiyono (2018), data analysis involves the process of developing theories based on data collected from the field. In research, documentation, such as photographs, plays a crucial role in recording and validating the facts obtained during the study.

The community service was held as follows:

Date	:	June 28-29, 2024
Time	:	08:00 AM - 04:00 PM
Location	:	Gedung Serbaguna, , Kadudampit Village, Kadudampit Subdistrict, Sukabumi
Peserta	:	30 MSME Actors

**Table 1. Event Schedule**

<b>Time</b>	<b>Activity</b>	<b>Person in Charge (PIC)</b>
<b>First Day</b>	Observation and permissions from relevant institutions	Abdimas Committee
<b>June 28, 2024</b>		
08:00 – 08:30	Participant Registration	PkM Team
08:30 – 08:40	Opening Remarks by Coordinator of Community Service	Dr. Lailah Fujianti, SE., MSi., Ak., CA
08:40 – 08:50	Opening Remarks by the Chair of the Jakarta Dosen Forum	Dr. Wiwi Widyawati, SE., M.Si., Ak., CA
08:50 – 09:00	Opening Remarks by the Head of Kadudampit Subdistrict	Bapak Susandikriah, S.IP., M.Ap
09:00 – 16:00	Pre-test, Educational Sessions, Discussion, and question-and-answer sessions	Community Service Team
16:00	Post-test and Closing Remarks	Community Service Team



**Figure 2. Opening of the Training Event by the Subdistrict Head and the Chairman of the Institute of Indonesia Chartered Accountants, Education Accountants' Compartment (IAI KAPd) for the Jakarta region**



**Figure 3. Presentation of Souvenirs**

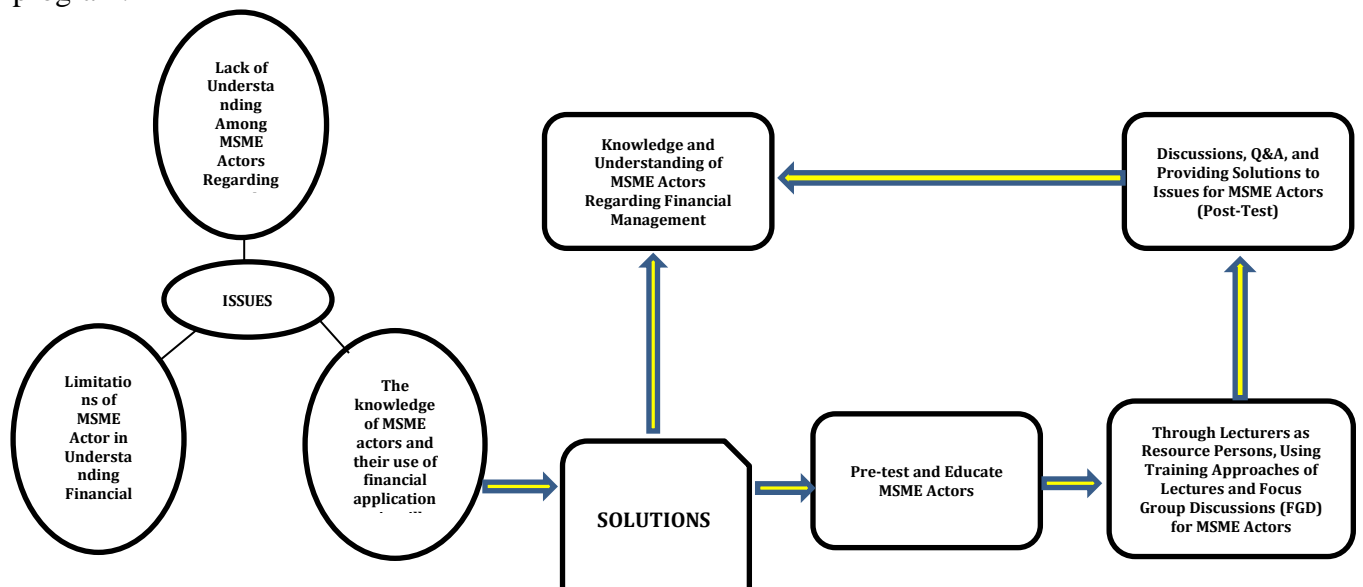
## **RESULTS AND DISCUSSION**

The community service conducted by the Abdimas team aims to provide comprehensive education and enhance the understanding of financial management among MSME Actors in Kadudampit Subdistrict. This program is designed to advance participants' knowledge in key accounting areas, including basic accounting concepts, accounting equations, financial reporting, and various forms of financial statements. Additionally, the program addresses the cost of production, product pricing, and break-even analysis. By improving their grasp of these financial aspects, it is anticipated that MSME Actors will be better equipped to set product prices accurately and optimize their profit margins. The training and discussions, led by speakers from the Accounting Study Program at the Faculty of Economics and Business, affiliated with the Forum of Accounting Lecturers of Higher Education in the DKI Jakarta region, aim to enhance the knowledge and understanding of financial management among MSMEs. This initiative is designed to advance participants' education on effective financial management techniques and to support the growth of MSME enterprises. A key component of this effort is the ability to manage finances through the preparation of simplified financial reports, which serve as essential tools for fostering the development and advancement of MSME businesses.

Common issues observed among MSMEs in Kadudampit Subdistrict, as revealed by a pre-test administered to approximately 28 MSME participants, indicate significant challenges in financial management. The Abdimas team's evaluation highlighted a notable deficiency in attention to financial management aspects. Specifically, participants demonstrated limited understanding of fundamental accounting principles, accounting equations, simple financial reporting, cost of production, pricing strategies, and break-even analysis. Many MSME Actors prioritize immediate profits from daily sales and neglect the importance of systematic bookkeeping and comprehensive financial management. For the sustainable development of small and medium enterprises, MSMEs must adopt rigorous bookkeeping and financial

management practices. Challenges in MSME development are frequently attributed to inadequate accounting systems and insufficient financial management knowledge. Consequently, support and intervention from relevant stakeholders are essential to fortify the MSME sector and foster its growth.

In response to the challenges encountered by MSMEs in Kadudampit Subdistrict, the Abdimas team is committed to delivering community service through targeted education and training on the importance of financial management. The primary objective of this initiative is to support MSME Actors in effectively managing their finances, with an emphasis on the preparation of simple financial reports. This training aims to improve participants' understanding of fundamental accounting principles, financial report preparation, cost of production, product pricing, and break-even analysis. The effectiveness of the training will be evaluated through a post-test administered to participants following the completion of the program.



**Figure 4. Solution Scheme within the Community Service (PkM)**

The community service was conducted in several stages, as detailed below:

- a. Pre-Test: A total of 28 MSME participants from Gede Pangrango Village, Sukamaju Village, and Kadudampit Village completed a pre-test, yielding an average score of 1.89. This result highlights a significant deficiency in financial management knowledge among MSMEs in Kadudampit Subdistrict.
- b. MSME Financial Management Training: The training session, conducted by a team of accounting lecturers, covered key topics including basic accounting principles, accounting equations, simple financial reporting, and financial statement formats, cost of production, product pricing, and break-even analysis.
- c. Discussion and Q&A: Following the training, participants engaged in discussions and posed questions to the speakers, allowing for a deeper exploration of financial management topics.
- d. Post-Test: To evaluate the effectiveness of the training, participants completed a post-test after the sessions. The post-test results indicated an improvement in understanding, with

an average score of 2.5. This increase reflects enhanced knowledge and comprehension of financial management among the participants as a result of the training provided by the Abdimas team.

The goal of financial management education for Micro, Small, and Medium Enterprises (MSMEs) is to impart a thorough understanding of the significance of financial statement preparation. This instruction encompasses detailed explanations of various accounting accounts and basic accounting records, including cash books, purchase books, inventory books, sales books, cost books, accounts receivable books, and accounts payable books. Additionally, the education aims to enhance comprehension of production costs, pricing strategies, and the concept of break-even analysis. By acquiring a solid foundation in these areas, MSME actors are expected to manage their finances more effectively, enhance operational efficiency, and achieve greater success in their enterprises.



**Figure 5. Resource Person Explaining Financial Management**





**Figure 6. Photo of the Community Service Team**



**Figure 7. Group Photo with the Kadudampit Subdistrict Head, the Community Service Team, and Kadudampit MSME Actors**

The community service was successfully conducted on June 29, 2024, at the Gedung Serbaguna of Kadudampit Subdistrict, Sukabumi Regency. The event attracted 30 MSME actors from nine villages within the subdistrict, including representatives from Pangrango, Sukamaju, and Kadudampit villages. Susandikrilah S.IP., M.AP., the Head of Kadudampit Subdistrict, was also in attendance. The session on fundamental financial management for MSMEs was delivered effectively by eleven accounting lecturers affiliated with the Institute of Indonesia Chartered Accountants, Education Accountants' Compartment (IAI KAPd) for the DKI Jakarta Region. Participating institutions included Universitas Pancasila, Universitas

Muhammadiyah Jakarta, Universitas Bhayangkara Jakarta Raya, Universitas Bunda Mulia, Institut Bisnis Nusantara, Institut Bisnis dan Komunikasi Swadaya, Universitas Kristen Kridawacana, STIE Indonesia Banking School, IKPIA Perbanas Institute, and Universitas Ibnu Khaldun Bogor. The success of this event highlights a shared commitment to enhancing the capacity of MSME actors through targeted and practical educational initiatives.

## CONCLUSION

The implementation of financial management training for MSME actors in Kadudampit Subdistrict, Sukabumi Regency, aims to significantly enhance participants' understanding of key aspects of accounting and financial management. The primary objective of this training is for MSME actors to acquire a solid grasp of fundamental accounting principles, simple accounting recording techniques, financial reporting, and the various forms of financial statements. Additionally, the training seeks to improve participants' comprehension of production costs, product pricing, and break-even analysis. Evaluation results reflect a notable improvement in participants' understanding. The average pre-test score, which assessed their baseline knowledge before the training, was 1.89. Following the training, the average score for understanding the preparation of simple financial statements increased to 2.5. This improvement demonstrates that MSME actors have significantly enhanced their skills and knowledge in financial statement preparation. It is anticipated that this advancement will enable participants to make more informed business decisions and manage their finances with higher efficacy.

Community Service (PKM) should be complemented by ongoing support and monitoring, as MSME actors often require further assistance in the form of advanced training. The Community Service Team from the Institute of Indonesia Chartered Accountants, Education Accountants' Compartment (IAI KAPd) DKI Jakarta Accounting Lecturer Forum should continue to provide this support to ensure that MSME actors not only grasp the material presented but also apply it effectively in their daily operations. Such continued support is crucial for addressing any challenges that may arise and for optimizing the benefits derived from the training provided.

We wish to express our profound gratitude to the organizing committee for their exemplary efforts in facilitating this Community Service (PKM). We also extend our sincere appreciation to the Chairperson of the Institute of Indonesia Chartered Accountants, Education Accountants' Compartment (IAI KAPd) in the DKI Jakarta region for their critical support and active involvement. We are particularly grateful to Mr. Susandikrillah, Head of Kadudampit Subdistrict, for his valuable presence and endorsement. Additionally, we acknowledge with thanks the MSME actors and participants from Kadudampit Subdistrict for their proactive engagement in the financial management education sessions. We anticipate that this initiative will significantly contribute to advancing the financial management proficiency of MSMEs and yield long-term benefits for their operational effectiveness.

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