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INDIGENOUS MSMEs FINANCIAL MANAGEMENT IN REJOSO: EMPOWERMENT ISSUES TOWARDS A NEW ERA OF FINANCIAL INCLUSION

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Abstract: During the pandemic, MSMEs suffered a drop in demand for goods and services, resulting in a decline in MSME income. The epidemic had an impact on sales, which caused a fall. The tourism sector has taken the brunt of the damage. A company in Rejoso Village, Batu, was one of the severely impacted MSMEs. This Village is meant to be an instructive trip in the guise of an MSME Village. The redevelopment of Rejoso Village has a lot of potentials.

On the other hand, MSME owners lack financial understanding, making growth challenging for MSMEs. This community service aims to help MSMEs better grasp financial education and create financial reports that capital lenders want. Training and mentoring for MSME owners are among the activities conducted. The method applied is community-based participatory research (CBPR), which includes laying the groundwork, planning, acquiring information, taking action, monitoring and assessment, and evaluation. This activity produces a financial statement that can be used to make MSME business choices.

Keywords: MSME; Financial Reporting; Financial Inclusion; Community Service

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INTRODUCTION

The impact of the Covid-19 pandemic has not only been felt by the manufacturing sector, includes both large-scale businesses and SMEs since March 2020. The government's efforts to recover the national economy are intensively carried out during the Covid-19 pandemic, one of which is to encourage the MSME sector as a driving force for the national economy through the workers involved directly (Bahtiar, 2021). In addition, the number of MSMEs in Indonesia currently reaches 64,19 million, with the composition dominated by Micro and Small Enterprises (MSE), which is 64,13 million (99,92%) of the total business sector. This community also directly felt the negative impact of the Covid-19 pandemic. In an economic crisis, the MSMEs sector requires special attention from the government as the most significant contributor to GDP and the best alternative solution in absorbing labor, providing consumer or semifinished goods. Expectations are built on positive sentiment towards economic conditions this year will restore the MSME sector to take advantage of the current economic growth momentum to recover.

The results of the Katadata Insight Center (2021) survey of 206 MSME owners in Greater Jakarta, as many as 82,9% of MSMEs felt the negative impact of this pandemic condition resulted in 63,9% of the affected MSMEs experiencing a decrease in turnover of more than 30%. However, only 3,8% of MSMEs experienced an increase in turnover. The KIC survey describes MSMEs making several efforts to maintain their business conditions. Efficiency efforts are realized by decreasing the production of goods/services, reducing working hours, decreasing the number of employees, and saving marketing costs. However, MSMEs can find the best alternative by adding marketing channels to their survival strategy (Annur, 2021).

Another fact shows the results of surveys from several institutions such as BPS, BAPENAS, and the World Bank. The pandemic has caused many MSMEs to experience difficulties paying loans, electricity bills, purchasing gas, and paying employees' salaries.

The situation was exacerbated by a series of termination decisions with employees. Another obstacle that MSMEs must accept is the limited availability of raw materials, capital, the number of customers decreases, distribution and production are hampered. In addition, changes in Consumer Behavior and the description of the prospect of business competition also need to be anticipated by business owners due to activity restrictions. The Covid condition limits the scope of movement; consumers are directed to carry out activities at home by utilizing digital technology media.

Meanwhile, changes in the industrial landscape and the new competition map are marked by four business characteristics: hygiene, low-touch, less-crowded, and low mobility (Indonesia, 2021). It can be concluded that the MSME sector, the majority of which are the lower middle class, has been heavily affected by the Covid-19 pandemic. Companies that survive the pandemic can adapt to these four characteristics (Liputan6.com, 2021). Business owners, including MSMEs, need to innovate in producing goods and services by market needs. These business owners can also develop various new business ideas and ideas that can also contribute to solving the community's socio-economic problems due to the pandemic's impact.

The above conditions are also experienced by business owners in the MSME Village located in Rejoso Village, Malang. This Village plans the concept of educational tourism as an MSME Village. The idea of Kampung Wisata was made in the form of company trips and art galleries for various types of processed products belonging to MSME owners. It is hoped that the existence of the MSME Village will be able to increase the promotion of local MSME products to increase sales.

This MSME village is in line with many MSME owners in Rejoso Village. Around 44 business units are spread across RW 09 and 10. Various products are produced, such as snacks, household appliances, and accessories. The existence of Rejoso Village is not only known by the people of Malang. However, MSME owners are also suppliers in various cities in Indonesia.

Therefore, Rejoso Village has excellent potential to be developed.

In its development, MSMEs in Rejoso Village experienced several obstacles, which were clarified into three types of problems: the lack of working capital, raw materials, labor, and machinery. Capital is the main component in running a business. When capital is available, the company can be more significant. Financial institutions provide MSME financing to overcome capital problems. Such as business loans made by banks to modern financing concepts provided by FinTech institutions. To reach these services, MSMEs must meet credit requirements, one of which is financial statements.

The financial statements are the basis for making decisions by creditors to provide loans to debtors. The financial report contains a summary of financial performance for a period and the current financial condition to be used as a tool for analyzing the ability to repay loans in the future. In addition, the science of accounting, especially the preparation of financial statements, is beneficial to be applied by business owners. One of the functions is to find out the amount of production, total assets, the cost of production, and income to make business decisions by MSMEs.

The preliminary survey results describe the condition of MSME owners in Rejoso Village who still do not understand accounting science. As is the case in determining the cost of goods manufactured (HPP), it is less accurate or unreliable. This situation indeed results in the profits received by business owners not reflecting the truth. In addition, there are still MSME owners who have not separated their personal and business assets. Of course, this can affect the sustainability of the company.

Based on the description above, the author does service to realize financially healthy MSMEs. The program is trained, mentoring, and facilitating MSME owners. The expected output of this activity is to raise awareness and interest of business owners in making simple financial reports that are useful in making MSME business decisions.

METHOD

The Community-Based Participatory Research (CBPR) method is one of the community-based research approaches to seek the realization of changes in the development of MSME owners in Rejoso Village, prioritizing the active participation of MSME owners. This form of devotion is accompanied by a series of research in each stage. This research is manifested in formulating research design, data collection, analysis, and dissemination. The main goal in using this method is data for change whose emphasis is based on the research process and meaningful results (Holkup, Reimer, M., & Weinert, 2004) (Tremblay, Martin, McComber, McGregor, & Macaulay, 2018). The stages of service carried out are as follows:

a. Laying foundation Service

Laying Foundations is the initial Community-Based Participatory Research (CBPR) (D'Alonzo, 2010). At this stage, the researchers conducted inculturation with the tools and critical stakeholders in Rejoso Village. Its function is to build mutual trust, build understanding, joint commitment, and determine the team involved in service activities. It is essential to support this approach in the form of participation of research subjects as researchers and appreciation for existing local knowledge (Schulz et al., 2011).

b. Planning

The development of knowledge of MSME owners must be carried out in the cognitive, affective, and psychomotor aspects. The effect of these competencies is carried out through various programs to improve the quality of human resources for business owners. Thus, the initial step was a Focus Group Discussion (FGD) activity to obtain an agreement to create a complete knowledge development model with SME owners.

The FGD was carried out together with the villages officials, representatives of MSMEs, and experts from the campus. The selection of an action plan also considers aspects of human resource assets and the

session to determine the timing of socialization and activities.

c. Information Gathering

This stage collects data by determining the focus and priority of checking the theoretical basis used. Some considerations that are often implemented are considering the breadth and depth to be achieved, developing the participants involved, and measuring achievement.

d. Action on finding

Based on the results of discussions with business owners, it is necessary to have a group tasked with recording the operational activities of business owners in the form of a business incubator. The business incubator educates entrepreneurs on maintaining track of their business activities regularly. Then, to make the best decisions, business players are taught how to understand financial conditions. As well as direct assistance to business owners online. This group assists business owners in managing finances effectively and efficiently and building the accuracy of the financial data obtained. Help with financial problems is carried out directly to create business owners who can adapt to various challenges in Covid-19 situations. Activities are arranged according to needs, and the target assistance provided is assistance in recording cash inflows and outflows. The activities are organized to meet the needs of the business owners. The stages of service in Rejoso Village are as follows:

- 1) MSMEs are mapped out according to the type of business. This mapping produces an MSME profile book that can be utilized as a database afterward. This book can also be used as a source of information or a buyer's guide.
- 2) Financial report writing instruction based on daily notes.
- 3) Recognize how assets owned by MSMEs are classified.

e. Monitoring and Evaluation

This stage is a series of monitoring processes for service activities by considering change

indicators. The agreement uses change indicators at the time of laying the foundations.

RESULTS AND DISCUSSION

a. Problem Identification

Rejoso Village has considerable potential in realizing the MSME village. Through mapping the problems faced by MSME owners in Rejoso Village, namely the shortage of labor, limited capital and funding, production machinery or equipment, raw materials. In addition, problems found in Rejoso Village were the lack of motivation in carrying out business records and the lack of tax awareness. The following is a description of these problems:

- 1) Labor directly contributes to the production of goods and services in return for their efforts. Through the mapping results, 80% of MSMEs experience difficulties in securing the workforce. This difficulty is due to workers' lack of interest to work in MSMEs and the increasing job opportunities in Rejoso Village, such as the emergence of Jatim Park.
- 2) Capital and funding are the most significant problems after labor. Capital and funding are limited funds owned by business owners to carry out production activities and develop businesses. In general, the funding needed is related to working capital or capital for investment related to production machines. According to the mapping results, 60% of MSMEs lack capital. In addition, limitations in accessing loan funds are also the cause of this problem.
- 3) Machinery or production equipment is an essential thing. Machines or production equipment are the means used to carry out production. This existence will affect the quantity and quality of products produced by MSMEs. Some business owners in Rejoso Village make their

production machines and equipment. However, some buy it directly. This is supported by the mapping results, which states that 10% of business owners need machinery or equipment to increase their production quantity and quality.

- 4) Raw materials are the primary materials used to produce products. These basic goods must go through the production stage, converted into finished materials, which are then sold as inventory. The availability of raw materials dramatically affects the continuity of the business. In Rejoso Village, 5% of MSME owners find it challenging to meet raw materials.
 - 5) Limited motivation or loss of attractiveness for recording business. Conditions in the field show that MSME owners do not regularly fill out the expense and profit/loss books. SMEs owners argue that the busy time to take care of the business resulted in the book not being filled. In addition, several MSMEs reject directly when the teams carry out mentoring activities. This is due to the lack of direct benefits from recording production activities.
 - 6) The lack of awareness of the taxes paid by MSME owners is shown by the emergence of the attitude of withdrawing MSME owners in Rejoso Village when the NPWP question arises when collecting MSME data. As with recording, the benefits of paying taxes are not felt directly.
- b. Problem Analysis
- According to the schedule, the first activity to be carried out was mapping. This activity found that four types of MSMEs are classified based on the products produced, namely mortar and pestle, both stone and cement, snacks, kitchen utensils made of wood, and crafts knife, and so on. Due to the significant market demand, MSME players

often have a shortage of raw material supply. As is the case for stone mortars, the number of available stocks has begun to decrease compared to the past. Then, the ordered timber is carried out jointly through a cooperative to the Perhutani Office.

The availability of raw materials is a significant owner of the business continuity process. Shortages will result in delays in the production process, but excess raw materials are also unsuitable because the company has to pay for storage costs and other costs (Unsulangi, Jan, & Tumewu, 2019). Therefore, proper management of raw material inventory is needed to maintain the supply chain. Furthermore, labor is everyone who can work to produce goods and services to meet their own needs and those of the community (Law No. 13 of 2003). A qualified workforce will help achieve maximum production levels.

In addition to the above problems, capital and machinery are problems that MSME owners often encounter. Capital is the funds used in operating activities. One of the functions of capital is to invest in machinery. Machines are used to improve the quality and quantity of production. One of the functions of simple bookkeeping is as a condition for applying for loans or investments and as a means of measuring corporate tax payments (Maulida, 2019). The simple bookkeeping of MSMEs consists of an expense logbook, an input logbook, the main cash book/cash flow and inventory book, and a profit and loss book.

In doing simple bookkeeping, MSME owners need to increase motivation. Motivation is an impulse inside and outside a person to want to do a better level of behavior (Uno, 2014). Due to the lack of direct benefits, many MSME owners do not have the motivation to do bookkeeping. In addition, another behavior carried out by MSME owners is that there is a lack of awareness of taxpayers about taxation, which is a feeling that arises from within the taxpayer in fulfilling his tax obligations

sincerely and without elements of coercion (Aswani & JC Pangayow, 2019).

c. Alternative Problem Solving

This service focuses on the problem of limited motivation to record business and the low tax awareness of MSME owners.



Source: Author Documentation, 2021

Figure 1. Assistance in recording expenses

First, efforts to overcome these problems were carried out by approaching MSME owners in Rejoso Village for 1.5 months by participating in community activities such as attending meetings with residents. Second, make a simple financial report format so that MSME owners can easily find out how to fill it out. This simple financial report format is provided in stages. The first stage given is the product report. Product reports are product inflows and outflows, namely the number of production/purchases and the number of products sold. While providing product reports, we also carry out an inventory of production equipment. Through this inventory process, the type of inventory owned is obtained. The components contained in the inventory report are Inventory Name, Function, Year of acquisition, and cost. The purpose of this inventory is to introduce fixed assets and depreciation to MSME owners.

After the results are obtained from the recording of the product, then, we provide the cash book and profit and loss book. The income book summarizes the income and expenses recognized on a cash basis. The components of the cash book are the date, description, cash in and out, and note number. Conditions in the field, MSME owners rarely use notes. Therefore, the writing of the note number is at the back.

Meanwhile, the profit and loss book contains income, other income, total revenue, direct material costs, direct labor costs, additional costs, total costs. Then profit or loss. This profit or loss report is made once a month. In addition to the book's expenditure book, one more book serves as a guide for filling in the cash book and profit and loss book.

In addition to providing the book format and approach above, another method chosen to increase the motivation for recording and tax awareness is to provide training and mentoring. The training was conducted twice during the activity. The first training was conducted on September 6, 2021, with simple bookkeeping training. At the same time, the second training was on October 11, 2021, with the piece of tax training for MSME owners. This training is carried out to provide ideal conditions in implementing SAK EMKM and PP No. 23 of 2018. Outputs generated in this activity are Simple Financial Statements, Production Report, Inventory Report, and Business Mainmapping Rejoso Villages.



Source: Author Documentation, 2021

Figure 2: Creating Financial Reports for Small Businesses

d. Evaluation

Mentoring activities are carried out in stages by teaching the value of understanding in workshops and FGDs. Then, a massive approach was taken for each MSME owner. Worksheets are given to each business owner. Filling control activities are carried out every day by the implementing group. In the first week, business owners only charge 20%. However, this compliance is increasing along with the awareness of the importance of financial literacy in business development.

Table 1. Achievement Indicators of Mentoring

	Indicators	Achievements
Recognizing Transactional Evidence	<ol style="list-style-type: none"> 1. Business participants recognize the value of transaction evidence. 2. Business owners have created transaction proof. 3. Business owners have gathered transaction proof 	80%
Recognizing Cash In and Out	<ol style="list-style-type: none"> 1. Business owners know the terms "cash-in" and "cash-out." 2. Business owners have meticulously recorded income and expenditures. 	83%
Recognizing Fixed Assets are assets	<ol style="list-style-type: none"> 1. Business participants understand the definition of assets. 2. Business owners can classify assets. 3. Business participants understand the features of fixed assets. 4. Business owners keep track of fixed assets based on their purchase price. 5. Business players are aware of the concept of depreciation. 	70%
Recognizing cost	<ol style="list-style-type: none"> 1. Business players are aware of the distinction between costs and expenses. 2. Business people are aware of the concept of cost. 3. They can determine their own cost of goods sold. 	75%
An understanding of the business environment	<ol style="list-style-type: none"> 1. Business owners are aware of the current business environment. 2. Rejoso Village main mapping business. 	100%

Source: Author Documentation, 2021

CONCLUSIONS

The team in Rejoso Village carried out assistance to provide training and service to MSME owners on simple bookkeeping and tax introduction; this produces outputs in Cash Flow Books, Profit/Loss Books, Manuals, and MSME Profiles. The problems encountered in the community are the problem of raw materials, labor, funding, machinery, low motivation for recording, and low tax awareness of MSME owners. This program can be provided continuously through the Community Based Participatory Research (CBPR) method. As a result, the suggestion for this service model is carried out constantly, with learning tailored to the level of comprehension.

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