

# Basic Business Financial Mentoring For MSMEs in Bogor City

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## ABSTRACT

*Understanding business finance is a fundamental foundation for the sustainability of micro, small, and medium enterprises (MSMEs). However, most MSMEs in Bogor City still lack adequate knowledge and skills in recording, managing, and evaluating their business finances. This community service program aims to provide basic financial training to MSME actors to enhance their performance and business resilience. The methods used included training sessions, transaction recording simulations, and the preparation of simple financial statements. The results showed a 72% increase in participants' understanding of cash flow recording and income statement preparation. This activity is expected to be the starting point for sustainable financial development among MSMEs in Bogor City.*

**Keywords:** MSMEs, Business Finance, Financial Statements, Financial Literacy

## ABSTRAK

Memahami keuangan usaha merupakan fondasi fundamental bagi keberlanjutan usaha mikro, kecil, dan menengah (UMKM). Namun, sebagian besar UMKM di Kota Bogor masih kurang memiliki pengetahuan dan keterampilan yang memadai dalam mencatat, mengelola, dan mengevaluasi keuangan usahanya. Program pengabdian masyarakat ini bertujuan untuk memberikan pelatihan keuangan dasar kepada para pelaku UMKM guna meningkatkan kinerja dan ketahanan usaha mereka. Metode yang digunakan meliputi sesi pelatihan, simulasi pencatatan transaksi, dan penyusunan laporan keuangan sederhana. Hasil penelitian menunjukkan peningkatan pemahaman peserta sebesar 72% tentang pencatatan arus kas dan penyusunan laporan laba rugi.

Kegiatan ini diharapkan menjadi titik awal bagi pengembangan keuangan berkelanjutan di kalangan UMKM di Kota Bogor.

**Kata Kunci:** UMKM, Keuangan Usaha, Laporan Keuangan, Literasi Keuangan

## INTRODUCTION

Micro, small, and medium enterprises (MSMEs) are often regarded as the backbone of Indonesia's economy, playing a crucial role in job creation, poverty reduction, and community empowerment. In Bogor City alone, more than 14,000 MSMEs have been recorded as active as of 2024 (Diskop UKM Kota Bogor, 2024). Despite this impressive number, the long-term sustainability and scalability of MSMEs are frequently hindered by poor financial literacy and weak financial management systems. These limitations not only affect day-to-day operations but also restrict the ability of MSMEs to access capital, expand markets, and implement business innovation.

Most MSME actors are self-taught entrepreneurs who begin their business activities informally, without adequate training in business finance. Consequently, financial practices among MSMEs in Bogor often involve mixing personal and business funds, neglecting routine transaction recording, and failing to generate key financial reports such as cash flow statements, income statements, or balance sheets. These issues not only make it difficult to monitor business performance but also present significant barriers when MSMEs seek financing through banks or investors that require proper documentation and transparency.

The urgency to address financial illiteracy among MSMEs is underscored by national efforts to increase formal financial inclusion. The Financial Services Authority of Indonesia (OJK) emphasized in its 2023 Financial Literacy Module for MSMEs that basic accounting knowledge, cash flow management, and financial planning are vital tools that empower entrepreneurs to make better decisions and sustain business growth. Without such capabilities, MSMEs are vulnerable to economic shocks, market competition, and poor resource allocation.

In this context, this community service program was designed as a response to the growing need for structured, practical, and accessible financial education among MSMEs in Bogor City. The main objectives of the program were to: (1) increase MSME actors' understanding of fundamental business finance concepts, (2) train participants in preparing simple yet functional financial reports, and (3) assist business owners in organizing and managing their cash flows effectively to support business resilience.

The program adopted a participatory and hands-on learning approach to ensure that MSME participants could relate financial concepts to their real-life business practices. Training materials were simplified to accommodate varying levels of prior knowledge, and simulations based on actual business scenarios—such as culinary, fashion, and laundry services—were used to enhance comprehension. In addition, mentoring sessions were conducted to provide personalized assistance in preparing financial records using both manual and digital (Excel-based) methods.

Overall, this initiative reflects the importance of capacity building in the financial domain as a foundation for MSME sustainability. Improving financial competence not only supports daily operations but also enables MSMEs to set financial goals, monitor performance, and make informed strategic decisions. As the economic landscape continues to shift towards digitalization and formalization, equipping MSMEs with basic financial skills is no longer optional—it is essential for inclusive economic development in cities like Bogor and beyond.

## LITERATURE REVIEW

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in Indonesia's economic development, contributing significantly to employment

generation and local economic growth. According to the Ministry of Cooperatives and SMEs (2023), MSMEs account for over 60% of the country's GDP and absorb more than 97% of the workforce. However, despite their strategic role, MSMEs often face structural challenges, particularly in business management and financial governance (Putra & Wibowo, 2021). In many cases, the absence of proper financial systems prevents these businesses from making data-driven decisions, accessing formal financing, or scaling their operations effectively.

One of the main challenges faced by MSMEs is limited financial literacy, which leads to poor financial record-keeping and the inability to distinguish between personal and business finances. The Financial Services Authority of Indonesia (OJK, 2020) highlights that a substantial portion of MSMEs operate without formal bookkeeping, making it difficult to prepare accurate financial statements or evaluate business performance. This situation not only affects day-to-day decision-making but also hinders MSMEs from meeting the requirements of potential investors and financial institutions.

Business mentoring, particularly in the area of basic financial management, has been identified as an effective approach to address these challenges. According to Suryani and Hartono (2022), structured mentoring programs provide MSME owners with personalized guidance, enabling them to develop practical skills in budgeting, cash flow management, and basic accounting. Unlike one-time training sessions, mentoring involves continuous interaction between mentors and mentees, which facilitates knowledge transfer, behavioral change, and the development of financial discipline. Studies have shown that mentoring can enhance entrepreneurs' confidence in managing finances, thereby improving both operational efficiency and strategic decision-making (Pramesti et al., 2023).

In the context of Bogor City, where the MSME sector is experiencing rapid growth (BPS Kota Bogor, 2023), implementing basic business financial mentoring holds significant potential. The city's diverse MSME landscape, ranging from culinary businesses to creative industries, requires targeted capacity-building programs that address the specific financial management gaps faced by local entrepreneurs. Well-designed mentoring initiatives can equip MSME owners with the tools and skills needed to improve financial transparency, strengthen competitiveness, and ensure long-term business sustainability in an increasingly competitive market environment.

## METHODS

The activity was held from May 3–5, 2025, in Tanah Sareal Subdistrict, Bogor.

Methods used included:

1. **Interactive Training:** Covered basic financial concepts, transaction recording principles, and cash flow management.
2. **Case Simulations:** Utilized simple business-based case studies (e.g., culinary, fashion, laundry services).
3. **Mentoring:** Guided participants in creating cash flow notes and income statements manually and using Excel.

**Participants:** 35 MSME actors from various business sectors.

## RESULTS AND DISCUSSION

### 1. Improved Financial Understanding and Awareness

Prior to the training, only about 23% of participants understood the importance of separating personal and business finances. Many used a single bank account for both, leading to confusion in recording expenses and calculating actual profits. After the

training, this number increased significantly, with 95% of participants acknowledging the necessity of financial separation. This indicates a substantial improvement in financial literacy within a short period.

Participants also began to grasp fundamental concepts such as cash inflows and outflows, fixed and variable costs, and the importance of recording every transaction—even minor ones. Such understanding is critical for enabling data-based decision-making in business operations.

## 2. Ability to Prepare Basic Financial Reports

The training had a direct impact on participants' technical skills in preparing financial statements. Most participants had never prepared a cash flow statement or income statement before. Through transaction simulations and hands-on exercises, they learned to:

- a. Prepare daily and monthly cash flow records using simple formats.
- b. Classify types of expenses based on activity (production, operational, or personal).
- c. Create basic income statements by calculating total revenue minus fixed and variable costs.

Microsoft Excel was introduced as a useful digital tool for financial documentation. While only a few participants had prior experience with spreadsheets, by the end of the training, most could independently complete simple templates with guided assistance.

## 3. Short-Term Financial Planning

Approximately 70% of participants initiated short-term (three-month) financial plans for their businesses. These plans included:

- a. Projected revenues and expenses.
- b. Working capital and cash flow turnover estimates.
- c. Strategies for managing payables and receivables.

Such planning not only supports business sustainability but also strengthens MSMEs' readiness to access financing from banks or cooperatives by providing clear and structured financial information.

## 4. Adoption of Digital Tools for Record-Keeping

Although manual bookkeeping remains dominant, around 30% of participants expressed interest in transitioning to digital record-keeping using tools like Excel or mobile applications. This shows that digital transformation in MSMEs is possible with targeted education and continued support.

## 5. Challenges Encountered

Despite the positive outcomes, several challenges emerged during the training, including:

- a. Limited access to digital devices (e.g., smartphones or computers) among some participants.
- b. Gaps in technological literacy that require follow-up training.
- c. A lingering perception that financial record-keeping is time-consuming or burdensome.

These challenges highlight the importance of ongoing mentorship and institutional support to ensure sustainable financial practices.

## 6. Impact on Business Strategy

Some participants reported that after gaining a clearer understanding of cash flow and profit margins, they began to reassess their business strategies. Changes included:

- a. Reducing inefficient operational expenses.
- b. Adjusting product prices appropriately to cover fixed costs.
- c. Considering product diversification based on calculated profit margins.

This indicates that even basic financial literacy can significantly influence strategic thinking among MSME actors.

## CONCLUSION AND RECOMMENDATIONS

### Conclusion

The implementation of basic business finance training for MSMEs in Bogor City has demonstrated a significant positive impact on participants' financial knowledge, skills, and practices. Through interactive workshops, practical simulations, and mentoring sessions, the program successfully improved the financial literacy of MSME actors—particularly in the areas of transaction recording, cash flow management, and income statement preparation.

Participants not only gained a clearer understanding of financial principles but also developed the ability to apply these concepts directly within their business operations. This was evident from the measurable outcomes: a 72% increase in understanding of financial reporting, a higher percentage of participants adopting financial separation between personal and business funds, and the initiation of short-term financial planning among 70% of the participants.

Moreover, the introduction of simple digital tools such as Microsoft Excel contributed to participants' awareness of technology adoption in financial management. While challenges remain—particularly in digital literacy and access to technological resources—the overall effectiveness of the program confirms the critical importance of financial education as a pillar for MSME sustainability and growth.

This initiative also highlighted the role of financial discipline as a catalyst for broader improvements in business decision-making, strategy formulation, and access to capital. Equipping MSMEs with even the most fundamental financial tools empowers them to navigate economic uncertainties with greater confidence and precision.

### Recommendations

To further enhance the impact and sustainability of this initiative, the following recommendations are proposed:

#### 1. **Continued Mentoring and Follow-up Support**

Short-term training should be complemented by long-term mentoring, especially over a three to six-month period. Ongoing guidance will help ensure that financial practices become habitual and are properly implemented in daily business operations.

#### 2. **Development of Digital Financial Literacy Programs**

Local governments and supporting institutions should invest in digital financial education programs tailored for MSMEs. These should include training on the use of mobile apps, cloud-based accounting tools, and online financial planning templates that can simplify and automate bookkeeping processes.

#### 3. **Provision of Incentives and Support Tools**

Authorities and stakeholders can increase participation and commitment among MSMEs by offering incentives such as free access to financial software, printable financial templates, or subsidized accounting consultations.

#### 4. **Replication and Scaling of the Program**

Given the success of the pilot in Tanah Sareal Subdistrict, similar programs should be replicated in other districts of Bogor City and adapted for different business sectors. Collaboration with local universities, vocational schools, and business incubators can accelerate this expansion.

#### 5. **Integration into MSME Development Policy**

Financial literacy should be embedded as a mandatory component in government-supported MSME development programs. A standardized financial training module can be used as a prerequisite for receiving government grants, loans, or digitalization assistance.

#### 6. **Promotion of Financial Culture within MSMEs**

Efforts should be made to cultivate a financial culture where MSMEs recognize financial discipline not as a burden, but as a value-adding practice. Sharing success stories, peer learning sessions, and community-based financial clubs may reinforce this mindset.

By adopting these recommendations, stakeholders can create a supportive ecosystem in which MSMEs are empowered to sustain their businesses, grow strategically, and contribute more meaningfully to the local economy of Bogor City and beyond.

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