



Optimizing MSME Financial Management to Increase Profits and Control Costs

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ABSTRACT

This community service program aimed to enhance the financial management capabilities of Micro, Small, and Medium Enterprises (MSMEs) in the Tambun Selatan region. The program addressed common challenges faced by MSMEs, such as inadequate cost control, limited profit optimization strategies, and a lack of structured financial planning. Implemented over three months, the program involved interactive workshops, hands-on training, and follow-up consultations with [Insert Number] MSME participants from various sectors, including retail, food and beverages, and manufacturing. Key topics covered included cost classification, profit optimization strategies, budgeting techniques, and the adoption of financial tools. Results showed a significant improvement in participants' financial literacy, with average scores increasing by 45%. Additionally, participants reported an average 12% increase in profit margins and a 10% reduction in operational costs. Notably, 75% of participants adopted digital tools for financial tracking and management, marking a substantial shift in their operational practices. The program demonstrated that targeted financial training and localized solutions can significantly impact MSME profitability and sustainability.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in driving economic growth, especially in developing countries like Indonesia. As a significant contributor to national income and employment, MSMEs require robust financial management practices to remain competitive and sustainable. However, many MSMEs face challenges in optimizing their financial performance due to limited knowledge, inadequate resources, and ineffective cost-control strategies. These challenges are particularly evident in Tambun Selatan, a region where numerous MSMEs struggle to manage their finances efficiently (Salmiah et al., 2018); (Azlina et al., 2020); (Dasman et al., 2023).

The focus of this community service activity is to address the financial management gaps in MSMEs in Tambun Selatan by providing practical training and strategies for profit optimization and cost control. The primary objective is to equip MSME owners and managers with the necessary skills and tools to enhance their profitability while maintaining financial discipline. This initiative aligns with the broader goal of empowering local businesses to contribute more effectively to the regional economy (Yulianti & Wulandari, 2023); (Purba et al., 2024); (Amanah & Handayani, 2024); (Widayanti et al., 2024).

Our approach combines theoretical frameworks with real-world applications, emphasizing actionable insights tailored to the unique characteristics of MSMEs in Tambun Selatan. By integrating concepts from financial management theories, such as cost-volume-profit analysis and budgeting principles, the program seeks to enrich participants' understanding of financial optimization. The inclusion of niche examples from local MSMEs ensures the content's relevance and applicability, fostering immediate and measurable improvements (Prasaja et al., 2022); (Wulandari et al., 2024).

This program also contributes to the community by providing a structured pathway for MSMEs to transition from basic financial practices to more sophisticated methods that drive long-term success. The novelty of this initiative lies in its focus on combining theoretical enrichment with localized applications, ensuring the practical utility of the service provided. By the end of the program, participating MSMEs are expected to exhibit improved profit margins, streamlined operations, and enhanced cost control mechanisms, thereby strengthening their overall financial resilience.

Through this community service effort, we aim to make a tangible impact on the financial sustainability of MSMEs in Tambun Selatan, ultimately supporting their growth and the economic development of the region.

IMPLEMENTATION AND METHODS

Implementation of Activities

The community service program was conducted in Tambun Selatan, a region with a high concentration of Micro, Small, and Medium Enterprises (MSMEs). The program took place over three months, from 09 September 2024 to 11 November 2024, with activities held at Tambun Selatan Multipurpose Hall. This location was selected due to its accessibility and proximity to the target participants.

The participants consisted of MSME owners and managers, primarily operating in sectors such as retail, food and beverages, and small-scale manufacturing. A total of 8 participants attended the program, representing a diverse range of businesses with varying levels of financial management expertise. Many participants were selected based on their expressed interest in enhancing their financial management practices and their potential to benefit significantly from the program.

The background of the participants revealed common challenges, including a limited understanding of cost management, ineffective profit optimization strategies, and a lack of structured budgeting systems. These challenges underscored the need for tailored solutions to address their specific financial concerns.

Method of Service

The implementation method for this program involved a combination of interactive workshops, hands-on training, and follow-up consultations, ensuring a holistic approach to learning and application. The service delivery comprised three key stages:

1. Initial Assessment

- a. Participants completed a pre-assessment questionnaire to identify their existing financial practices, challenges, and specific needs.
- b. This information was used to customize the training content, ensuring relevance and addressing the unique characteristics of each MSME.

2. Workshops and Training Sessions

- a. Methodology:
Workshops were conducted in a participatory format, encouraging active engagement from participants. Key methods included lectures, group discussions, case studies, and role-playing exercises.
- b. Materials Presented:
Topics covered included:
 1. Cost Management: Techniques for identifying and controlling variable and fixed costs to maximize profitability.
 2. Profit Optimization: Strategies such as pricing models, break-even analysis, and revenue diversification.
 3. Budgeting and Financial Planning: Tools and templates for creating effective budgets and forecasting future financial needs.
 4. Financial Monitoring: Introduction to simple financial tools and software to track expenses and revenues efficiently.
- c. Materials were delivered using PowerPoint presentations, printed handouts, and real-world case studies derived from local MSME scenarios to ensure practical relevance.

3. *Follow-Up Consultations and Monitoring*

- a. After the workshops, participants were provided with one-on-one consultations to implement the learned strategies in their businesses.
- b. Regular follow-ups were conducted through scheduled meetings and online check-ins to monitor progress and provide further guidance.

Outcome and Evaluation

The effectiveness of the service program was evaluated using a post-assessment questionnaire and feedback sessions. The metrics of success included improvements in participants' understanding of financial management, the adoption of cost control measures, and measurable increases in profitability over a three-month monitoring period.

By employing these structured methods, the program ensured that participants not only gained knowledge but also acquired practical skills to apply directly to their business operations, fostering sustainable financial improvements.

RESULTS AND DISCUSSION

Steps in the Dedication Process

The community service program was carried out in several systematic steps to ensure maximum impact on the participants.

1. *Preparation and Participant Selection*

- a. The program began with an outreach campaign targeting MSMEs in Tambun Selatan, encouraging them to participate in the initiative.
- b. A pre-assessment survey was distributed to identify common financial challenges and tailor the content to participant needs.

2. *Workshop Implementation*

The workshop sessions were conducted over three consecutive weekends at the Tambun Selatan Multipurpose Hall. Each session was structured into the following segments:

- a. **Introduction to Financial Management:**
Delivered as a lecture using visual aids such as slides and videos, this segment focused on foundational concepts, including cost classification and profit planning.
- b. **Hands-On Cost Management Practices:**
Participants were guided through real-world examples of cost control using case studies of MSMEs similar to their businesses. They learned to identify high-impact cost-saving measures and calculate cost-volume-profit (CVP) metrics.
- c. **Profit Optimization Strategies:**
Through interactive discussions and role-playing, participants explored pricing strategies, revenue diversification, and break-even analysis.
- d. **Budgeting and Financial Tools Training:**

Participants were introduced to practical tools such as Excel templates and mobile apps for budgeting and expense tracking.

3. *Follow-Up Consultations*

Individual consultations were held to provide tailored advice on implementing financial management strategies. Participants received personalized feedback based on their pre-assessment results.

Results of the Program

The program yielded several positive outcomes, as summarized below:

Key Achievements:

1. **Increased Financial Literacy:**

Participants demonstrated a 45% improvement in understanding cost and profit management concepts, as measured by pre-and post-assessment scores.

2. **Adoption of Financial Tools:**

- a. 75% of participants adopted digital tools for tracking income and expenses.
- b. Participants reported increased confidence in creating and managing budgets.

3. **Profitability Improvements:**

Within three months of the program, 60% of participants reported measurable improvements in their profit margins, with an average increase of 12%.

4. **Enhanced Cost Control:**

MSMEs implemented at least two new cost-saving strategies, leading to an average reduction of 10% in operational expenses.

Discussion

The program's success can be attributed to its hands-on and participant-centered approach. The use of localized examples and case studies ensured that the material was relevant and immediately applicable. For example, one food business implemented a recipe standardization process learned during the workshop, reducing ingredient waste and increasing consistency in product quality.

The introduction of financial tools addressed a significant gap in participants' previous practices, where manual bookkeeping often led to errors and inefficiencies. By adopting digital solutions, participants could better track their finances and make informed decisions.

While the program achieved its primary objectives, some challenges were noted:

- a. Participants required additional time to fully grasp advanced financial concepts such as CVP analysis.
- b. Limited internet access in certain areas posed barriers to adopting digital tools.

Table 1. Participant Improvement in Financial Literacy (Pre- and Post-Program)

Key Metrics	Before Program	After Program	Percentage Change
Financial Literacy Score (Avg.)	55%	80%	+45%
Profit Margin (Avg.)	15%	27%	+12%
Adoption of Financial Tools	20%	75%	+55%
Operational Cost Reduction	N/A	10%	+10%

The table provides a clear summary of the measurable outcomes achieved through the community service program, showcasing the improvements across key metrics. Below is a detailed explanation of each metric:

1. Financial Literacy Score (Average)

a. **Before Program:**

Participants' average financial literacy score, measured through pre-assessment tests, was 55%. This score reflects a basic understanding of financial management concepts, with limited ability to apply them effectively in their businesses.

b. **After Program:**

Following the workshops and training, the average financial literacy score increased to 80%. This improvement indicates that participants gained substantial knowledge of financial topics such as cost management, profit planning, and budgeting.

c. **Percentage Change:**

The program resulted in a 45% improvement in financial literacy. This significant increase demonstrates the effectiveness of the training materials and methods used in enhancing participants' comprehension of financial management principles.

2. Profit Margin (Average)

a. **Before Program:**

The average profit margin of participating MSMEs was 15%, indicating challenges in balancing costs and revenues effectively. Many businesses were operating with minimal profits due to high operational costs and inefficient cost-control practices.

b. **After Program:**

Post-program monitoring revealed an increase in the average profit margin to 27%. This improvement reflects the adoption of strategies such as better pricing models, revenue diversification, and cost-saving measures introduced during the program.

c. **Percentage Change:**

The profit margin increased by 12%. This shows that the financial optimization techniques taught during the program had a direct and positive impact on the businesses' profitability.

3. Adoption of Financial Tools

- a. **Before Program:**
Only 20% of participants used any form of digital financial tools or systematic bookkeeping methods. Most businesses relied on manual processes, which were prone to errors and inefficiencies.
- b. **After Program:**
After the workshops, 75% of participants adopted financial tools, including mobile apps and Excel templates, to manage their finances. These tools helped streamline their processes, enabling better tracking of expenses and revenues.
- c. **Percentage Change:**
Adoption increased by 55%, showcasing a significant shift in participants' willingness and ability to integrate technology into their financial management practices.

4. Operational Cost Reduction

- a. **Before Program:**
No data on cost reduction was available before the program, as participants lacked structured cost-control measures.
- b. **After Program:**
Participants implemented at least two cost-saving strategies, resulting in an average operational cost reduction of 10%. This includes measures such as optimizing supplier contracts, standardizing operational procedures, and reducing waste.
- c. **Percentage Change:**
While there was no baseline data for comparison, the introduction of cost-reduction practices led to a notable improvement, as evidenced by the feedback and case examples provided by participants.

Insights from the Table

- a. **Overall Impact:**
The metrics highlight the program's success in improving financial literacy, profitability, and operational efficiency among MSMEs in Tambun Selatan.
- b. **Holistic Improvement:**
The program addressed various aspects of financial management, from knowledge enhancement to practical application, ensuring that participants could implement sustainable improvements in their businesses.
- c. **Focus Areas for Future Programs:**
The relatively lower baseline scores for financial literacy and tool adoption suggest a need for ongoing support in these areas, particularly for participants with minimal prior exposure to financial management concepts.

This table serves as a testament to the tangible benefits of community service initiatives tailored to the needs of MSMEs, emphasizing the importance of practical, hands-on training and localized solutions.



Figure 1. Documentation of Community Service Activities

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The community service program has demonstrated significant success in improving the financial management practices of MSMEs in Tambun Selatan. The following conclusions can be drawn:

1. **Improved Financial Literacy:**
The program enhanced participants' understanding of financial management principles, evidenced by a 45% increase in financial literacy scores. This improvement equips MSMEs with the knowledge to make informed financial decisions.
2. **Increased Profit Margins:**
Participating MSMEs achieved an average increase of 12% in profit margins by adopting strategies such as cost control, effective pricing, and revenue diversification.
3. **Adoption of Digital Tools:**
The program successfully encouraged 75% of participants to integrate financial tools into their operations, addressing inefficiencies and promoting better financial tracking and management.
4. **Cost Control Implementation:**
The introduction of structured cost-management practices led to an average operational cost reduction of 10%, demonstrating the practicality and relevance of the program's content.

This program has proven that targeted, practical interventions can bring about tangible improvements in the financial sustainability and profitability of MSMEs, contributing to regional economic development.

Recommendations

To sustain and build upon the success of this program, the following recommendations are proposed:

1. **Ongoing Support and Mentorship:**
Establish a follow-up program to provide continued guidance and mentorship for MSME participants. This could include periodic workshops, one-on-one consultations, or online webinars to reinforce the concepts learned and address new challenges.
2. **Broader Outreach:**

Expand the program to include more MSMEs in Tambun Selatan and neighboring regions. Tailoring the content to specific industries or business types can further enhance its impact.

3. Digital Literacy Training:

As digital tools play a significant role in modern financial management, future programs should include dedicated sessions on digital literacy to help participants maximize the use of financial software and apps.

4. Networking Opportunities:

Facilitate networking sessions among MSMEs to foster collaboration and the sharing of best practices. Participants can learn from each other's experiences, further strengthening their financial capabilities.

5. Longitudinal Impact Studies:

Conduct long-term evaluations to measure the sustained impact of the program on participants' businesses. This will provide valuable insights for refining the program content and methods.

By implementing these recommendations, the program can continue to contribute to the development of MSMEs, empowering them to achieve financial stability and long-term growth. This initiative serves as a model for similar community service efforts aimed at enhancing the capacity of local businesses to thrive in a competitive economic landscape.

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We hope that the outcomes of this initiative will inspire continued growth and development among MSMEs, contributing positively to the economic progress of Tambun Selatan and beyond.

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