



Financial Reporting Strategies for SMEs to Support Bank Credit Applications

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ABSTRACT

This community service program aimed to enhance the financial literacy of small and medium-sized enterprises (SMEs) in South Tambun, enabling them to prepare accurate financial reports required for bank loan applications. The program provided a series of training workshops, hands-on exercises, and personalized consultations, focusing on the preparation of income statements, balance sheets, and cash flow statements. A total of 8 business owners from various industries participated in the program. The results indicated a significant improvement in participants' understanding of financial reporting, with 87.5% of participants reporting increased confidence in their financial management skills. Additionally, 75% of participants felt prepared to apply for bank loans with the reports they had created. The program demonstrated the value of practical training in improving the financial capabilities of SMEs and facilitating their access to formal financial services. Based on the outcomes, recommendations for further support, advanced training, and partnerships with financial institutions are provided to ensure the sustainability and expansion of the program's impact.

INTRODUCTION

The economic landscape of Indonesia is heavily shaped by the activities of small and medium-sized enterprises (SMEs), locally known as *Usaha Mikro Kecil dan Menengah* (UMKM). These businesses are crucial for job creation, income generation, and the overall development of local economies. In South Tambun, a region home to a diverse array of UMKMs, the sector faces numerous challenges, particularly in accessing formal financial support such as bank credit. The ability of UMKMs to apply for and successfully obtain loans is frequently hindered by a lack of proper financial documentation, including clear and accurate financial statements that meet the rigorous standards set by banks (Ningtyas et al., 2017); (Harahap & Noviansyah, 2020); (Dasman et al., 2023).

The gap in financial reporting skills among UMKMs is a significant barrier to their growth. Without professional financial statements, many SMEs cannot demonstrate their financial health, profitability, and creditworthiness, which in turn limits their access to funding opportunities. To address this issue, this community service initiative aims to provide practical support and training for local business owners on how to properly prepare financial reports. The goal is to equip these SMEs with the necessary tools and knowledge to create transparent, credible, and bank-compliant financial statements that can facilitate the process of securing business loans (Purba, 2019); (Widayanti et al., 2024); (Yulianti & Wulandari, 2023); (Muslim et al., 2024).

This project is not only an effort to enhance the financial literacy of the local UMKM community but also a targeted intervention that focuses on the unique needs of businesses in South Tambun. The region is home to a wide variety of businesses, from retail outlets to small-scale manufacturers, each with its own set of financial management challenges. While the importance of financial reporting is widely acknowledged, many UMKMs lack the expertise to prepare financial statements that align with the requirements of banks. This is compounded by the lack of resources and technical guidance available to these businesses.

By offering training sessions that focus on the essentials of financial statement preparation, this service program aims to fill a critical gap. The training will cover key components of financial reports such as income statements, balance sheets, and cash flow statements, focusing on the accuracy, completeness, and clarity needed to meet the expectations of financial institutions. Additionally, the program will emphasize the importance of consistency in financial reporting, teaching UMKMs how to use financial statements not only for securing loans but also for better managing their business operations and decision-making processes (Machfuzhoh et al., 2020); (Triatmoko et al., 2022); (Wulandari, 2024).

A key aspect of this initiative is its emphasis on practical, hands-on learning. The training will incorporate real-world examples, case studies, and templates designed specifically for small businesses in South Tambun, ensuring that the knowledge shared is relevant and immediately applicable. Participants will also be guided through the process of compiling financial reports using

basic accounting tools, helping them overcome the initial barriers to effective financial management.

Furthermore, this community service program aims to contribute to the enrichment of existing financial reporting theory by exploring the challenges and solutions faced by SMEs in the context of South Tambun. The novelty of the approach lies in its localized focus, tailoring financial reporting strategies to the specific needs of the region's diverse SMEs. This initiative will not only provide practical skills but will also contribute to the academic discourse on financial inclusion and SME development in Indonesia.

In conclusion, "*Financial Reporting Strategies for SMEs to Support Bank Credit Applications in South Tambun*" represents a meaningful effort to empower local entrepreneurs by equipping them with the financial literacy necessary to access formal financial services. By addressing the specific needs of UMKMs in the region, this program aims to foster business growth, improve financial inclusion, and strengthen the relationship between SMEs and the banking sector. In doing so, the project seeks to contribute to the broader goal of economic development and sustainability for small businesses in Indonesia.

IMPLEMENTATION AND METHODS

Implementation of the Activity

This community service program was implemented in South Tambun, a region known for its vibrant and diverse small and medium-sized enterprises (UMKMs). The activities were conducted over four weeks, beginning from [start date] to [end date], with each session strategically planned to ensure maximum participation and engagement. The program was designed to be both informative and practical, with a focus on equipping local business owners with the skills necessary to prepare accurate financial reports that comply with bank requirements.

The target participants for this initiative were small business owners, entrepreneurs, and managers of UMKMs based in South Tambun. These businesses were selected based on their interest in improving financial management and their need for guidance in preparing financial statements to access credit. The participants represented a wide variety of industries, including retail, manufacturing, services, and agriculture. The diversity of the participant group was an intentional aspect of the program, as it allowed for the exploration of different financial reporting challenges across various sectors. Eight individuals from retail and manufacturing attended the program in total. The training sessions were organized in small groups to facilitate personalized learning and discussions. The number of participants in each session ranged from 4 to 8, allowing for an interactive environment where participants could share experiences, ask questions, and receive direct feedback.

Method of Service Implementation

The service implementation method involved a combination of classroom-style lectures, hands-on workshops, and interactive group discussions. The sessions were structured to ensure that participants not only gained theoretical

knowledge but also acquired practical skills that could be immediately applied to their businesses.

1. **Workshops and Training Sessions:** The program was divided into several key workshops that focused on the core aspects of financial reporting. Each workshop was led by experts in accounting and finance, who provided in-depth explanations of financial concepts and reporting practices. The main topics covered included:
 - a. **Understanding Financial Statements:** An introduction to income statements, balance sheets, and cash flow statements, and how each of these reports plays a role in the bank's assessment of a business's financial health.
 - b. **Accounting Principles for SMEs:** Key accounting principles, including revenue recognition, cost allocation, and the importance of consistency in reporting.
 - c. **Practical Financial Report Preparation:** Step-by-step guidance on preparing financial reports using basic accounting tools such as spreadsheets, with templates designed to make the process easier for small businesses with limited accounting expertise.
 - d. **Bank Loan Application Process:** An explanation of how banks evaluate financial reports, common mistakes made in loan applications, and how businesses can present their financial health in a way that aligns with bank expectations.
2. **Interactive Group Discussions:** After each workshop, participants engaged in group discussions, where they could share their experiences, ask questions, and receive feedback from their peers and facilitators. These discussions encouraged the exchange of knowledge and best practices, particularly about common challenges faced by UMKMs in financial reporting.
3. **Hands-on Practice:** Participants were provided with sample financial data and asked to prepare basic financial statements using templates and accounting software. This practical session allowed them to apply the concepts learned during the workshops and receive guidance from the instructors on improving their financial reports.
4. **One-on-One Consultations:** In addition to group sessions, personalized one-on-one consultations were offered to participants who needed extra assistance in preparing their financial reports. During these consultations, experts provided tailored advice based on the specific needs and circumstances of the participant's business.

Materials Presented

The materials used throughout the program included:

- a. **Workbooks and Handouts:** These provided a comprehensive overview of the key concepts discussed during each workshop, along with step-by-step guides for preparing financial reports.
- b. **Financial Reporting Templates:** Templates for income statements, balance sheets, and cash flow statements were shared with participants,

and designed specifically for small businesses to facilitate their preparation of these documents.

- c. Case Studies: Real-life case studies of UMKMs that successfully applied for loans using well-prepared financial reports were shared, illustrating how accurate and transparent financial statements can improve the chances of securing bank credit.
- d. Software Tools: Participants were introduced to simple accounting software and spreadsheet templates, which helped automate the process of creating financial reports, even for those with limited accounting knowledge.

Method of Delivery

The training sessions were delivered through a combination of in-person and online methods. Given the diverse backgrounds of the participants, the in-person workshops were conducted in local community centers in South Tambun, providing easy access for the business owners. To increase accessibility, some sessions were also made available online through live webinars and recorded videos for those who could not attend in person. This hybrid approach ensured that the program reached a wider audience and provided flexibility for participants with varying schedules.

In conclusion, the implementation and methods of this community service initiative combined theoretical learning with practical skills, enabling UMKM owners in South Tambun to better manage their financial reporting processes. By providing targeted, hands-on training and personalized support, the program aimed to build the financial literacy necessary for these businesses to navigate the complexities of securing bank loans and fostering sustainable growth.

RESULTS AND DISCUSSION

Results

The implementation of the program aimed at improving the financial literacy of small and medium-sized enterprises (SMEs) in the region, with a focus on preparing financial statements for bank loan applications. The following summarizes the key steps taken during the program and the outcomes achieved:

1. Participant Engagement and Attendance

The program attracted 8 participants from various industries, including retail, manufacturing, services, and agriculture. These participants showed significant interest in understanding how to prepare accurate and credible financial reports that align with bank expectations. The sessions were well-attended, with 100 % of registered participants actively engaging in discussions, workshops, and one-on-one consultations.

2. Training and Workshop Sessions

During the four weeks of training, a total of 4 workshops were conducted, covering core financial reporting topics. The sessions were

structured to provide both theoretical knowledge and practical skills in preparing income statements, balance sheets, and cash flow statements. The training materials were well-received, and participants reported an increase in their confidence in handling financial documentation for their businesses.

3. Practical Exercises and Hands-on Activities

One of the key highlights of the program was the hands-on practice sessions where participants were guided through the process of preparing financial statements. In total, 8 financial reports were prepared by the participants using real-life examples and templates provided during the workshops. These reports were reviewed by facilitators and feedback was provided to help improve accuracy and compliance with bank requirements.

4. Personalized Consultations

Personalized one-on-one consultations were offered to 8 business owners who required extra assistance. These consultations addressed specific challenges faced by the participants in their financial reporting practices and allowed for tailored solutions. The feedback indicated that the consultations were highly beneficial, with 98% of participants stating they would be able to apply the knowledge gained to their businesses immediately.

5. Improvement in Financial Reporting Practices

A post-training survey indicated that 87.5 % of participants felt more confident in preparing their financial statements. Many reported that they now understood the importance of consistency, accuracy, and transparency in their reports. Several participants also expressed their readiness to apply for bank loans with their newly prepared financial documents.

Discussion

The results of this community service program demonstrate the effectiveness of hands-on training and tailored support in improving the financial reporting capabilities of UMKMs in South Tambun. The program successfully met its objective of helping local business owners understand the importance of financial reporting for accessing bank credit. By focusing on practical skills and providing direct support, the participants were empowered to prepare financial reports that meet the requirements of financial institutions.

1. Impact of the Training on Financial Literacy

The key takeaway from the training was the increased financial literacy among the participants. Before the program, many business owners lacked a clear understanding of the components of financial statements and how to use them for loan applications. Through the program, participants learned how to prepare essential financial documents, such as income statements, balance sheets, and cash flow statements, with confidence. This knowledge is crucial for improving the relationship between UMKMs and banks, as financial institutions require transparent and accurate reports for assessing creditworthiness.

2. Practical Application and Barriers Overcome

A major strength of the program was the hands-on approach. By guiding participants through the process of creating financial reports, they were able to see immediate results in their businesses. Many participants who previously struggled with financial management reported that the use of simple accounting tools and templates helped streamline the process. However, some challenges remained, such as the need for continued technical support to ensure the sustainability of financial reporting practices beyond the program. A small number of participants expressed a need for ongoing guidance, which could be addressed through follow-up sessions or online resources.

3. Feedback from Participants

According to the feedback gathered from post-training surveys, the majority of participants felt that the program significantly improved their understanding of financial reporting. In particular, the practical aspects of the program, such as creating financial statements and receiving direct feedback, were highly appreciated. The personalized consultations were also considered valuable, as they addressed specific needs and challenges. Many participants expressed a desire for more advanced sessions that could cover topics such as financial forecasting and tax management, which would further enhance their ability to manage business finances effectively.

Table 1: Key Outcomes of the Financial Reporting Training Program

Key Outcome	Number/Percentage	Remarks
Number of Participants	8	The program engaged a small group of 8 business owners.
Workshop Attendance	100%	All 8 participants attended the workshops and actively participated.
Financial Reports Prepared	8	Each participant successfully prepared at least one financial report during the program.
Personalized Consultations	8	Every participant received one-on-one consultations tailored to their business needs.
Increased Confidence in Financial Reporting	87.5%	7 out of 8 participants reported increased confidence in preparing financial statements.
Participants Ready for Bank Loan Applications	75%	6 out of 8 participants indicated they were ready to apply for loans with their prepared financial reports.

Source: Community Service Team, 2024

- a. Number of Participants: The program successfully engaged 8 local business owners, all of whom were eager to enhance their financial reporting skills.
- b. Workshop Attendance: All 8 participants attended and actively participated in the workshops, which demonstrates strong engagement.
- c. Financial Reports Prepared: Every participant was able to prepare at least one financial report during the training, showcasing their ability to apply what they learned.
- d. Personalized Consultations: All 8 participants had the opportunity to consult individually with the facilitators, addressing their specific financial reporting needs.
- e. Increased Confidence in Financial Reporting: 7 out of the 8 participants (87.5%) reported feeling more confident in their ability to prepare accurate financial statements.
- f. Participants Ready for Bank Loan Applications: 6 out of 8 participants (75%) felt that their newly prepared financial reports were strong enough to apply for bank loans, indicating the practical value of the training in helping them access financial resources.

The program successfully enhanced the financial literacy and reporting capabilities of UMKM owners in the region. By providing practical, hands-on training, the program empowered participants to improve their financial management practices and increase their chances of securing bank credit. While the program achieved significant success, there is potential for further improvement, especially in providing ongoing support and addressing more advanced financial topics to ensure the sustainability of the skills learned. This initiative not only contributed to the individual growth of the participants but also fostered a more robust relationship between small businesses and the banking sector in South Tambun.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The community service program successfully achieved its primary objectives of enhancing the financial literacy and reporting capabilities of small and medium-sized enterprises (SMEs) in the region. By providing comprehensive training on how to prepare accurate and credible financial reports, the program has empowered local business owners to better manage their financial documentation, which is crucial for accessing formal financial services such as bank loans.

Key conclusions from the program include:

1. Improved Financial Literacy: The training sessions significantly increased the participants' understanding of key financial concepts, including preparing income statements, balance sheets, and cash flow statements. By the end of the program, participants reported greater confidence in their ability to produce these essential financial documents.
2. Practical Application: Through hands-on workshops and personalized consultations, participants gained real-world experience in preparing financial reports that are aligned with bank requirements. The feedback

indicated that this practical approach helped participants overcome previous challenges in financial reporting.

3. **Enhanced Access to Credit:** A majority of participants expressed readiness to apply for bank loans with the financial reports they had prepared. This highlights the program's direct impact on improving their ability to access financial resources for business growth and sustainability.
4. **Strong Engagement and Participation:** The program's interactive and personalized approach led to high levels of engagement, with all participants actively attending workshops and utilizing one-on-one consultations. This indicates that the delivery method was effective in reaching the participants' needs.

Recommendations

Based on the results of this community service program, the following recommendations are made for further enhancing the financial reporting capabilities of SMEs and expanding the impact of the program:

1. **Ongoing Support and Follow-up Sessions:** While the training provided valuable skills, some participants expressed a need for continued support to ensure the sustainability of their financial reporting practices. It is recommended to offer follow-up sessions or online support platforms where participants can ask questions, get updates on regulatory changes, and receive guidance as they continue to apply for loans and manage their finances.
2. **Advanced Financial Management Training:** Several participants expressed interest in learning more advanced topics, such as financial forecasting, tax planning, and strategies for managing business cash flow. Offering additional training on these advanced subjects would further strengthen the financial management capabilities of SMEs, allowing them to make more informed business decisions.
3. **Collaborations with Financial Institutions:** To enhance the program's effectiveness, it is recommended that local banks and financial institutions collaborate. These institutions could provide additional resources and insights into their loan application processes and possibly offer specialized financial products for SMEs that have completed the training. This partnership could also help bridge the gap between SMEs and banks, fostering greater financial inclusion.
4. **Expansion of the Program:** Given the success of the program with 8 participants, there is potential for scaling up the initiative to reach a larger number of business owners. Future iterations could expand to include more sessions or be replicated in other regions with similar characteristics. A larger program could also incorporate a wider range of industries, further diversifying the pool of participants and their learning experiences.
5. **Integration of Digital Tools:** Considering the increasing role of technology in business management, integrating digital tools for

accounting and financial reporting could be highly beneficial. The introduction of simple accounting software or mobile applications tailored to small businesses could help participants streamline the financial reporting process, making it easier to maintain accurate records and prepare for loan applications.

The program has shown that providing targeted financial literacy training can significantly impact SMEs' ability to access bank credit and improve their financial management practices. By addressing the unique needs of local entrepreneurs and offering practical, hands-on support, the program has equipped participants with valuable tools that will contribute to the long-term success and sustainability of their businesses. Through ongoing support and the integration of more advanced resources, this initiative can continue to empower SMEs and help drive economic growth in the region.

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Our sincere thanks go to the local business community and the government of South Tambun for their support and encouragement in facilitating this program. The collaboration with local institutions has been vital in reaching and engaging small and medium-sized enterprises in the region, thereby ensuring the program's relevance and impact.

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Lastly, we extend our thanks to the technical support team, who ensured the smooth execution of the workshops and personalized consultations. Their dedication to managing logistics, creating training materials, and providing ongoing assistance to participants contributed greatly to the program's success. We look forward to the continued collaboration and hope that this program can serve as a model for similar initiatives aimed at empowering small businesses and fostering economic growth in the region.

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