

Effect of Financial Management Training Program on Micro, Small and Medium Enterprises (MSMEs) in Area Y

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ARTICLE INFO

Keywords:

financial;
management;
MSME

Article history:

Received 2024-10-09

Revised 2024-11-12

Accepted 2024-12-14

ABSTRACT

It can be argued that financial management training programs occupy an important position with respect to the enhancement of performance and sustainability in micro, small and medium-sized enterprises (MSMEs). This study aims to analyze the effect of financial management training programs on the financial management of MSMEs in Region Y. The research method employed is qualitative, utilizing in-depth interviews with 15 MSME owners who have attended the training. The findings indicate that the training facilitated an enhancement in MSMEs' comprehension of financial recording, budgeting, and cash flow management. Nevertheless, the implementation of the training was hindered by constraints in time and resources. This study presents recommendations for optimizing the training through a more practical and sustainable approach.

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1. INTRODUCTION

The micro, small, and medium enterprises (MSMEs) constitute the fundamental pillar of the Indonesian economy, accounting for a significant proportion of the Gross Domestic Product (GDP), reaching 61.07% in 2023, and serving as a primary source for job creation, with an absorption rate exceeding 97% of the national workforce, as evidenced by data sourced from the Ministry of Cooperatives and SMEs (Lestari, 2022). The preponderant role of MSMEs underscores the significance of this sector as a pivotal driver of economic growth, particularly in the context of evolving global challenges. Nevertheless, despite their considerable potential, MSMEs frequently encounter a number of challenges, including the lack of robust financial management, which can impede business growth and development. A significant proportion of MSME owners are unable to maintain comprehensive financial records, which impedes the assessment of their financial performance and the ability to secure loans from formal financial institutions. For example, a case study conducted in Region Y revealed that some MSMEs experience difficulties in differentiating between personal and business finances, which frequently results in the

inefficient utilization of financial resources. Furthermore, the absence of knowledge regarding budgeting and cash flow projections renders MSMEs susceptible to financial risks, particularly when confronted with market fluctuations or declining revenues. In this regard, financial management training is regarded as a potential solution to address these issues.

In Region Y, a multitude of stakeholders—encompassing local governments, non-governmental organizations (NGOs), and academic institutions—have collaborated to develop and implement financial management training programs for Micro, Small, and Medium-Sized Enterprises (MSMEs). The programs encompass fundamental financial recordkeeping, cash flow management, and the utilization of basic accounting software. For instance, the local government has formed a partnership with a nearby university to conduct community-based training, with more than 200 MSMEs participating annually. NGOs, meanwhile, have concentrated their efforts on providing intensive training for businesses in specific sectors, such as food and crafts. Nevertheless, the efficacy of these training programs has not been extensively investigated, particularly in regard to their influence on business financial management (Mulyani et al., 2024). One significant reason is the dearth of empirical data available on the precise impact of these programs, particularly at the regional level, as exemplified by Region Y. Prior research has primarily concentrated on macroeconomic elements or evaluated training in an abstract manner, without a clear correlation between these outcomes and actual financial management techniques at the business level. Consequently, this study seeks to address this deficiency by offering more nuanced insights into the influence of financial management training on the financial performance of MSMEs. To this end, the direct experiences of participants will be subjected to rigorous analysis. The effects of financial management training on the financial performance of MSMEs in Region Y, with a particular focus on understanding and implementing the financial management techniques taught in these programs, will be examined (Li & Huang, 2024).

2. METHODS

This study employed a qualitative approach to gain an in-depth understanding of the experiences and perceptions of training participants. Data were collected through multiple methods to ensure a comprehensive perspective (Conte, 2024):

1. In-Depth Interviews: Conducted with 15 micro, small, and medium enterprise (MSME) owners in Region Y who participated in financial management training programs within the past six months. The interviews focused on exploring their motivations, challenges, and insights regarding the training.
2. Participatory Observation: The researcher directly observed the application of financial management practices introduced during the training in the participants' businesses. This method provided real-time insights into the practical implementation of learned skills.
3. Documentation Analysis: Financial reports from participants were examined before and after the training. This analysis served as supporting data to assess measurable changes in financial management practices.

The study utilized thematic analysis as the primary data analysis technique. This method involved coding the data systematically to identify recurring themes and patterns derived from the interviews and observations. The coded data were categorized into relevant patterns and relationships that align with the research topic. The thematic approach enabled the identification of significant changes in financial management practices among MSME owners following their participation in the training. By triangulating data sources, the research ensured robust findings that highlight both the benefits and areas for improvement in financial management training programs for MSMEs (Ji, 2024).

3. FINDINGS AND DISCUSSION

The results of the study demonstrate that financial management training has a markedly positive influence on the financial management practices of micro, small, and medium-sized enterprises (MSMEs). The participants demonstrated an enhanced comprehension of pivotal financial management elements, encompassing transaction documentation, cash flow administration, budget formulation,

and long-term financial forecasting. Moreover, the training assisted MSMEs in reducing their reliance on conventional, frequently unstructured, financial management techniques. For example, some participants who previously lacked a financial recording system began utilizing simple software to track their revenues and expenditures. This transition not only augmented the efficacy of financial management but also facilitated access to funding from formal financial institutions. In summary, the training contributed favorably to the capacity of MSMEs to confront financial challenges, enhance business stability, and bolster long-term growth. Additionally, the study demonstrated that the beneficial impacts of training were more pronounced in MSMEs that demonstrated consistent implementation of acquired knowledge, as compared to those that merely engaged in training without subsequent actions.

3.1. Improvement in Financial Understanding

The training program facilitated an enhanced comprehension of the significance of regular transaction recording, budgeting, and profit-loss analysis among the participants.

The financial training programs conducted for micro, small, and medium enterprises (MSMEs) in Region Y have yielded notable advancements in participants' financial literacy and managerial practices. Prior to the training, the majority of participants demonstrated a deficiency in fundamental knowledge regarding the maintenance of accurate financial records. This deficiency frequently resulted in the generation of erroneous financial data, which in turn impeded the capacity for informed decision-making. The training placed an emphasis on the value of systematic transaction recording, with the objective of enhancing transparency and ensuring the availability of reliable data for future planning.

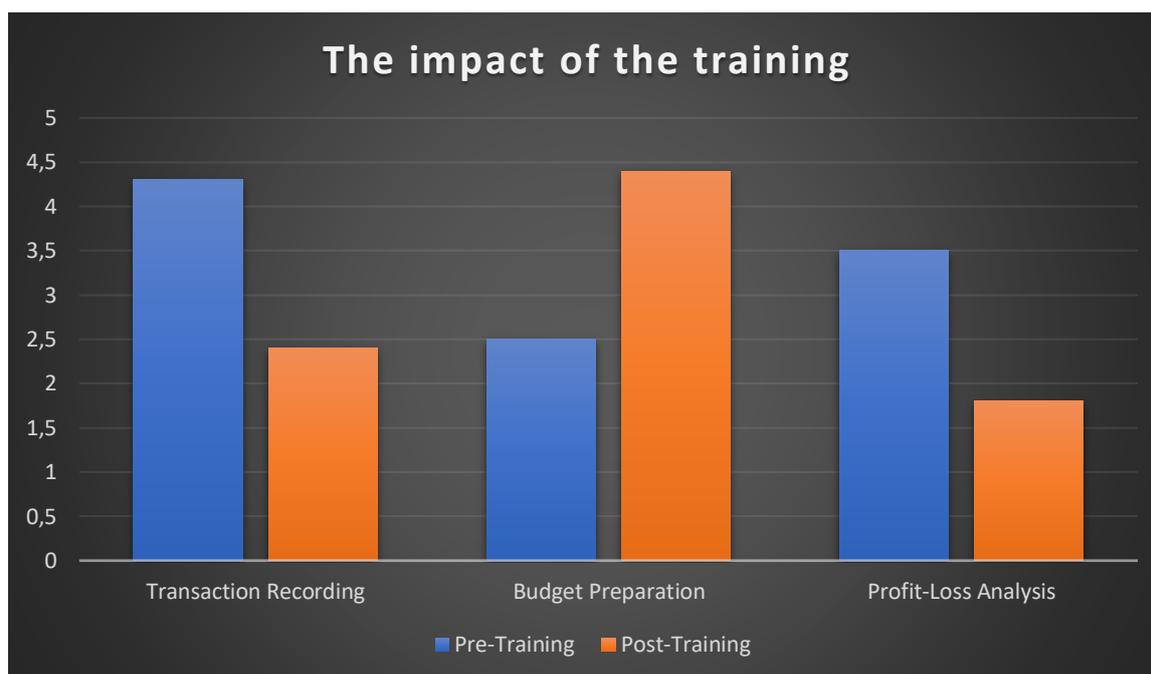
Moreover, the sessions introduced participants to budgeting techniques, enabling them to allocate resources effectively and manage costs proactively. The implementation of a budgetary system serves not only to regulate expenditure but also to facilitate the identification of prospective investment opportunities and the mitigation of financial risks. Furthermore, the program encompassed profit-loss analysis, which participants identified as a crucial element in evaluating business performance and making strategic decisions. The comprehension of profit and loss statements permitted micro, small, and medium-sized enterprises (MSMEs) to identify unprofitable products or services, enhance cost efficiency, and plan for sustainable growth.

Statistical Analysis and Visual Representation

To assess the impact of the training, a pre- and post-training assessment was conducted on 100 MSME participants. The assessment evaluated their understanding of key financial concepts. The results demonstrated a noteworthy advancement in their financial knowledge.

Table 1. The impact of the training.

Aspect	Pre-Training Understanding (%)	Post-Training Understanding (%)
Transaction Recording	45	85
Budget Preparation	40	80
Profit-Loss Analysis	35	78



Graphic 1. The Impact of Training

These findings underscore the necessity of bespoke financial training programs for MSMEs. By imparting fundamental financial competencies to business proprietors, these programs address a pivotal obstacle to MSME advancement. Enhanced financial comprehension not only optimizes operational efficacy but also elevates the businesses' eligibility for external funding and investment. Future training initiatives should prioritize the integration of sophisticated financial instruments, such as digital accounting systems, to perpetuate and augment these advancements.

3.2. Financial Behavior Change

Financial behavior change is a phenomenon increasingly observed in the business context, particularly among entrepreneurs who are realizing the importance of structured financial management by separating personal finances from business finances (Arias Ardila et al., 2024). Previously, many entrepreneurs combined these two types of finances, which caused difficulties in planning and controlling finances more effectively. With the growing awareness of the importance of clear bookkeeping, many entrepreneurs have begun to separate their personal finances from their business finances. This step is taken as an effort to increase efficiency, transparency, and reduce confusion in financial decision-making.

The practice of separating personal and business finances aims to create a clearer cash flow. In this way, business owners can more effectively monitor the income and expenditure of each sector. Furthermore, this step also offers another benefit, namely facilitating the preparation of more accurate and reliable financial statements. In this context, business financial statements become more transparent, allowing business owners to better understand the financial health of their businesses, without mixing them with personal expenses. For example, entrepreneurs who previously mixed personal payments, such as household bills and family expenses, with business expenses can now more easily identify and separate these transactions.

In addition to improving financial transparency, this separation of finances can also have a positive impact on tax management. With separate financial statements, entrepreneurs can more easily calculate taxes and avoid potential legal issues related to tax evasion. In practice, many entrepreneurs have started using accounting software or applications to facilitate this process. The presence of these tools

not only assists in transaction recording but also helps entrepreneurs produce more accurate and timely financial reports (Qusna & Widodo, 2024).

Table 2. Comparison Before and After Separating Personal and Business Finances

Aspect	Before Separation	After Separation
Financial Transparency	Limited and confusing	Clearer and more structured
Cash Flow Management	Difficult to monitor cash flow	Easy to monitor income and expenses
Tax Management	Difficult to calculate taxes	Easier tax calculation and management
Business Financial Monitoring	Less efficient	More efficient and easier

Separating personal and business finances not only impacts financial aspects but also has a positive influence on the development of the business itself. This indicates that structured financial behavior can be a driving factor in improving efficiency and business growth. Therefore, it is recommended for entrepreneurs, especially those starting out, to adopt this practice to improve the financial performance of their businesses.

3.3. Challenges in Training Implementation for SMEs

Training programs often present significant challenges for many Small and Medium Enterprises (SMEs), despite providing new insights that are expected to enhance the quality and competitiveness of businesses. One of the main challenges faced by SMEs in applying the knowledge gained from training is time constraints. Many SME owners are caught up in their daily routines, which makes it difficult for them to allocate time to implement changes or introduce new techniques taught during the training. In many cases, small business owners manage their businesses alone without sufficient staff to support the implementation of necessary changes (Pranitasari et al., 2024).

Additionally, limited human resources is another obstacle. Many SMEs lack a trained team or sufficient workforce that can delve into and implement the outcomes of the training. This issue is exacerbated by the low technical capabilities of most SME owners, which ultimately hinders the adoption of technology or innovations introduced in the training. The inability to manage and apply training can lead to decreased business effectiveness, resulting in the training that was initially considered a solution failing to deliver optimal results.

Another limitation is the lack of post-training support. Although training provides essential knowledge, many SMEs struggle to apply it effectively without continuous support. Adequate post-training assistance is crucial to ensure that SME owners can face the real challenges in implementation, both in technical and managerial aspects. Without sufficient support, many training programs only have short-term effects and fail to create lasting impact. Some SME owners feel isolated after the training, as they do not have easy access to guidance or further consultation that could help them resolve issues that arise during the implementation process (Nethanani et al., 2024).

Table 3. Obstacles in Training Implementation for SMEs

Aspect	Before Separation	After Separation
Time Constraints	SME owners are busy with daily operations, reducing time for implementation	Difficulty in fully implementing changes.
Limited Human Resources	Lack of staff with skills to delve into and apply training content.	Limited and suboptimal implementation.
Lack of Post-Training Support	No ongoing support after training to address implementation challenges.	Short-term impact and low sustainability of training

Discussion

This study provides compelling evidence that financial management training can serve as an effective intervention to enhance the financial capacity of Micro, Small, and Medium Enterprises (MSMEs). The research reveals that the success of such training programs is significantly influenced by the relevance of the content provided and the long-term sustainability of the training initiatives. It was found that training programs that focus on practical applications—particularly those that incorporate hands-on simulations—tend to yield far more beneficial outcomes compared to traditional, theory-based approaches. The hands-on approach allows participants to actively engage with the material in real-world scenarios, which enhances their ability to understand and apply financial management concepts effectively. By participating in simulated financial exercises, MSME owners and managers can develop critical problem-solving skills and gain confidence in handling their businesses' financial operations, such as budgeting, cash flow management, and financial planning (Febriyanto et al., 2024).

Moreover, the study underscores the importance of ongoing support in the post-training phase. The presence of continuous guidance, such as through mentoring, follow-up consultations, or tailored coaching, is crucial for ensuring that participants can successfully implement the knowledge and skills acquired during the training (Brennan et al., 2024). This support network helps to bridge the gap between theory and practice, enabling MSME participants to overcome the real-world challenges they encounter when trying to apply new financial management practices in their businesses. The research highlights that without such post-training support, the benefits of financial management training can diminish over time, as participants may struggle to navigate the complexities of financial decision-making on their own. Therefore, the study emphasizes that a sustainable, long-term support structure is essential to maximize the impact of financial training on MSMEs (Smith et al., 2024).

In addition to the practical application and ongoing support, the study stresses the need to tailor financial management training programs to the specific needs and characteristics of MSMEs in Region Y. The diversity of challenges faced by businesses—whether in terms of industry sector, size, or market context—necessitates a personalized approach to training. For instance, a small retail business may face different financial management challenges compared to a service-based business or a manufacturing enterprise. As such, training programs must be designed to address these unique requirements and provide solutions that are directly applicable to the participants' specific business contexts. By ensuring that training content is highly relevant to each participant, the effectiveness of the program can be significantly enhanced, leading to better outcomes in terms of improved financial practices, increased profitability, and business sustainability (Paul et al., 2021).

Furthermore, the research highlights the growing significance of digital literacy in the context of financial management, particularly in the digital era. As the world becomes increasingly digital, MSMEs that are adept at using digital tools and technologies are more likely to manage their financial operations effectively (Vijayakumar & Chandrasekar, 2024). The ability to use software for bookkeeping, accounting, invoicing, and financial reporting can streamline processes, reduce errors, and save time. In this context, financial management training must integrate digital literacy as a core component. Training programs should teach MSMEs how to utilize digital platforms and tools to

enhance their financial management capabilities. This includes familiarizing them with accounting software, online banking systems, and digital payment platforms, which can all significantly improve the accuracy and efficiency of financial record-keeping and transaction processing. As such, digital literacy is not just an optional skill but a necessary competency for MSMEs that want to thrive in today's rapidly evolving business environment (Uthaileang & Kiattisin, 2023).

This study contributes to the existing body of literature by providing empirical data that fills a critical gap in understanding the effectiveness of financial management training for MSMEs. The insights gained from this research can serve as a valuable reference for policymakers, training organizations, and business development agencies seeking to develop more targeted and effective training programs. By using this data to inform future training initiatives, it is possible to create financial management programs that not only improve the financial literacy of MSME owners but also lead to tangible improvements in the financial health and sustainability of their businesses. Ultimately, this research underscores the importance of continuous, customized, and digital-inclusive training programs in fostering the long-term success of MSMEs in a competitive and ever-changing business landscape.

4. CONCLUSION

A financial management training program has been demonstrated to have a considerable, beneficial impact on the financial management of small and medium-sized enterprises (SMEs) in Region Y. Participants in this training program have reported notable gains in their comprehension of fundamental financial management and cash flow management concepts. The training program was not merely theoretical; it also succeeded in changing participants' financial behavior, which was previously less organized, to be more structured and efficient. Nevertheless, despite the notable advancement, the integration of the acquired knowledge into routine operations continues to encounter several challenges. Some participants encountered difficulties in aligning the concepts taught with the actual circumstances of their businesses, such as resource constraints or difficulties in acquiring essential technology. To address these concerns, several recommendations are proposed to enhance the efficacy of this training program in the future.

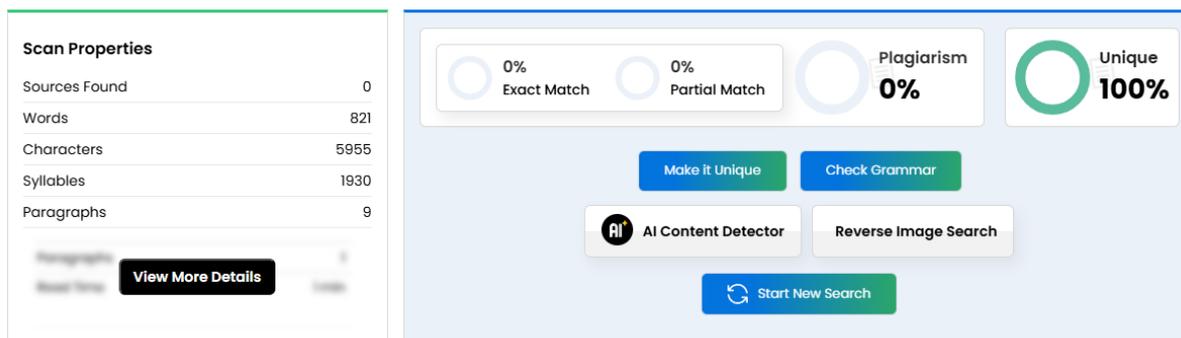
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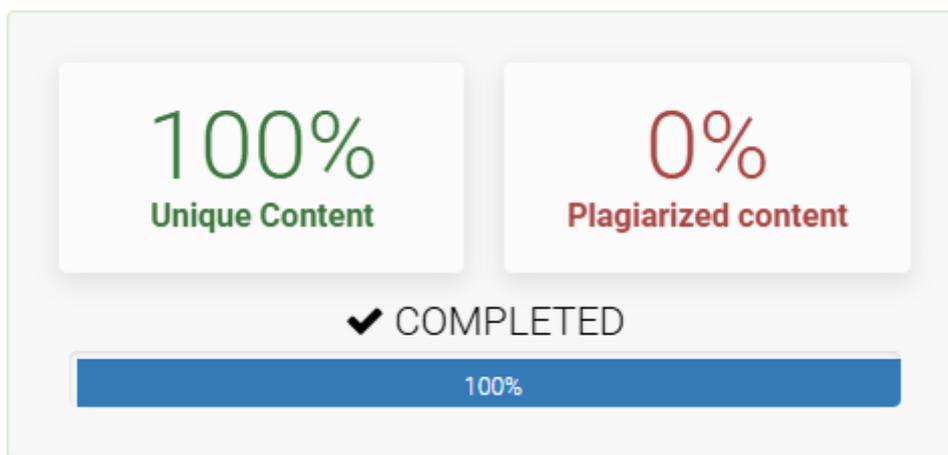
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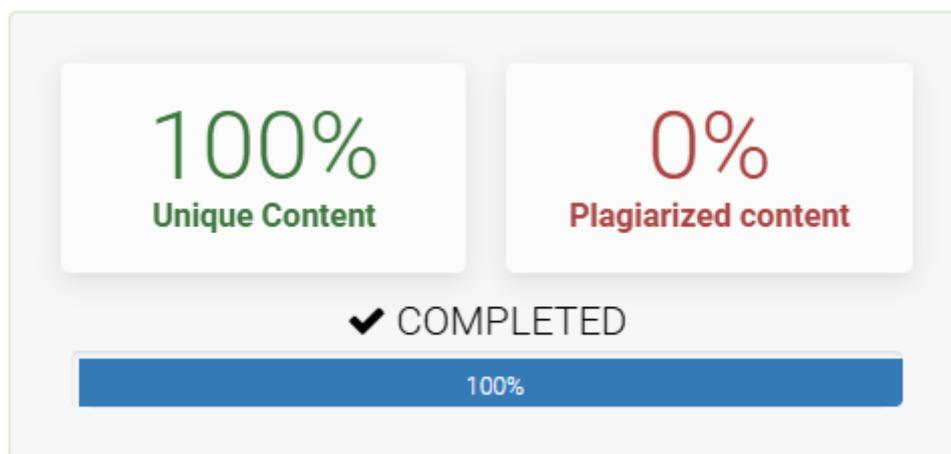
Introduction



Result & Discussion



Result & Discussion



Result & Discussion

