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ANALYSIS OF FINANCIAL MANAGEMENT AND RECORDING IN MICRO, SMALL, AND MEDIUM ENTERPRISES (MSMES) IN TERONDOL VILLAGE

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Abstract

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in driving economic growth, yet they still face various challenges in terms of financial management and record-keeping. This study aims to analyze financial management and record-keeping practices among MSMEs in Terondol Village, Serang District, Serang City. This study employs a qualitative approach using descriptive methods. Data were collected through interviews and observations of four MSME operators: a grocery store, a cilok snack stall, a motorcycle repair shop, and a meatball stall. Data analysis was conducted using the Miles and Huberman model, which includes data reduction, data presentation, and drawing conclusions. The results show that financial management in MSMEs is still carried out in a rudimentary manner. All business owners rely on personal capital as their primary source of funding, while cash management remains focused on daily operational needs. Some MSME owners also still commingle business finances with personal finances. Financial record-keeping is indeed practiced, but it is still done manually and has not been organized in accordance with the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM). Limited accounting knowledge, minimal use of technology, and the demands of running a business are factors contributing to this situation. Therefore, it is necessary to improve understanding of financial management and record-keeping so that MSME owners can generate more accurate financial information and support the sustainability of their businesses.

Keywords:

Financial management and record-keeping, MSMEs, SAK EMKM

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a highly strategic role in supporting the national economy of Indonesia. This sector makes a substantial contribution to Gross Domestic Product (GDP) and serves as a major source of employment for millions of people (Syamsul, 2022). The resilience of this sector has been demonstrated through its ability to withstand various global economic shocks, making it a key driver of economic activity and public welfare (Irawan et al., 2022). MSMEs are defined as independently established businesses managed by individuals or groups, operating across various sectors such as

manufacturing, trade, services, agriculture, and other fields (Harianto et al., 2025). For MSME owners, sound financial management is essential for maintaining business sustainability and should not be regarded merely as an administrative formality (Hidayatullah et al., 2023).
However, conditions in the field reveal a considerable gap between financial management theory and the practices implemented by MSME owners, with many still relying on unplanned and unmeasured management practices. The current growth in the number of MSMEs has not been accompanied by a corresponding improvement in competitive capabilities or competencies, particularly in inventory management and financial reporting. Inventory management serves to regulate the goods owned by a business, including their acquisition, storage, use, and disbursement (Vikaliana et al., 2021). Meanwhile, financial management is a systematic process for generating financial information that is essential for economic decision-making. The limited understanding among MSME owners regarding the importance of these two aspects has weakened the managerial foundations of their businesses.

A fundamental problem addressed in this study is the low quality and lack of discipline in accounting records. Most MSME owners still rely on simple cash-based records that are maintained only occasionally and informally (Setyaningrum et al., 2017), making the process of data verification and reconciliation difficult. There is also a strong tendency among MSME owners to mix personal or household finances with business finances (Kostini, 2020). This condition makes it difficult to accurately measure business profitability and often triggers liquidity problems because business capital is used for unplanned personal consumption (Irawan et al., 2022). Theoretically, these limitations are driven by two main factors: educational barriers and the perception that accounting is a rigid and complex discipline (Adelayo, 2025), as well as the owners' focus being almost entirely absorbed by daily operational activities and marketing efforts aimed at generating immediate revenue.
Entering the era of digital transformation, opportunities to improve MSME financial management have actually expanded through the availability of various mobile-based accounting applications (A. A. Putri & Thoriq, 2022). However, the digitalization process is not as straightforward as it may appear due to the digital literacy gap. Most MSME owners remain more comfortable using conventional or manual methods (Ulfha et al., 2025). Their reluctance to transition to digital systems is generally driven by concerns about technological complexity and the perception that the time required to learn such applications is not proportional to the immediate benefits they provide to their businesses.

Previous research conducted by Syamsul (2022) provided a general overview of MSME financial recording and reporting systems based on the stages of the accounting cycle using a quantitative descriptive approach involving 27 business owners. The findings confirmed that micro-enterprises had inadequate financial records, whereas small and medium-sized enterprises had begun to adopt manual or computerized systems. The quality of financial recording was influenced by the level of participation in financial training. Although this study provides a useful foundation, it has several research gaps, including a relatively small sample size that limits the generalizability of the findings, the dominance of micro-enterprises as research subjects resulting in an imbalance in comparisons across business scales, and the absence of an in-depth analysis of financial management and the internal and external factors influencing the adoption of accounting systems (Hmdn & Kgkd, 2021).

To address these research gaps, this study aims to conduct a more comprehensive and in-depth analysis using a qualitative descriptive approach within a specific geographical setting, namely Terondol Village. Unlike previous research, which has tended to focus on macro-level quantitative visualization, this study focuses on variations in business sectors, including grocery stores, snack shops, motorcycle repair shops, and meatball stalls, to map the dynamics of psychological barriers, technological literacy, and the extent to which actual business practices comply with the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM).

METHODOLOGY

This study employed a qualitative approach with a descriptive method to provide an in-depth description and explanation of the actual conditions of financial management and financial recording practices among MSMEs without conducting hypothesis testing. Data collection was conducted in Terondol Village, Serang District, Serang City, with the research scheduled to take place from May to June 2026. The entire research process was systematically designed to encompass all stages, from initial preparation to data collection at the research site. The data collected in this study were classified into two types: primary and secondary data. Primary data were obtained directly from MSME owners as the main informants through in-depth interviews and direct observations of operational cash flows, recording mechanisms, and managerial challenges encountered in their daily activities. Meanwhile, secondary data were obtained through a literature review, including textbooks, previous scientific journals, relevant laws and regulations, and formal accounting standards. These sources were used to strengthen the theoretical foundation and provide an objective reference for analyzing the field findings. The data collection process combined two main methods: interviews and observation. Face-to-face interviews were conducted directly with business owners to obtain comprehensive information regarding their policies and practices for managing daily operational funds. This process was supported by direct observation to closely examine how transaction records were verified and to validate the consistency between the informants' verbal statements and the actual operational conditions of their businesses.

Furthermore, the data analysis technique was based on the qualitative analysis model developed by Miles and Huberman, which operates interactively through three main stages. The first stage was data reduction, in which the researchers summarized, sorted, and simplified raw data obtained from interview transcripts and field notes to focus on the main objectives of the study. The second stage was data display, in which the reduced information was systematically organized into descriptive narrative matrices to facilitate the identification and understanding of patterns and relationships. The final stage was conclusion drawing and verification, which was conducted to address all research questions in a credible manner.

The research subjects focused on MSME owners in Terondol Village who actively operated their businesses and maintained financial records, whether in a simple or more structured form. The observations specifically focused on the business owners' understanding of basic accounting principles, technical challenges in organizing bookkeeping records, and the contribution of financial reports to the sustainability of their business entities. Through the implementation of this comprehensive methodology, the study is expected to map the actual conditions in the field while formulating practical recommendations for improving financial reporting in an accurate manner and in accordance with SAK EMKM regulations.

Research Indicators

The research indicators were developed based on the research focus to facilitate the data collection process through interviews and observation. These indicators refer to theories concerning financial management and financial recording practices among MSMEs.

Table 1. Research Indicators

Research Focus	Indicators
Financial Management	Management of business capital
	Cash management
	Financial separation
	Financial control
Financial Recording	Recording of income
	Recording of expenditures
	Recording media
	Preparation of financial statements

These indicators served as guidelines for developing interview and observation questions, ensuring that the data obtained remained consistent with the focus of the study.

RESULTS AND DISCUSSION

The findings of this study indicate that most MSME owners in Terondol Village still use simple financial recording systems, relying primarily on manual records written on paper. The majority do not use digital applications or other accounting software to manage and record their finances. This is mainly due to limited technological knowledge and digital literacy, leading them to consider manual recording on paper or similar media sufficient for their business needs. In addition to limited knowledge, many MSME owners also have limited access to formal financial services, resulting in a preference for traditional methods of financial management and recording. The following table summarizes the interview findings.

Table 2. Interview Findings

Name	Type of Business	Interview Findings	Challenges
Sutiah	Grocery Store	The business capital was obtained from family savings, personal savings, and profits from sales that were reinvested to replenish inventory. Cash was managed based on daily sales without separate recording. Business income was occasionally used for personal expenses. Income and expenditures were recorded only in a notebook and had not yet been organized into formal financial statements.	The business owner did not yet understand how to prepare financial statements and often forgot to record small-value transactions.
Hambali	Cilok Snack Stall	Cash management focused primarily on ensuring sufficient funds to purchase supplies for daily sales. The business owner acknowledged that business and personal funds had not been separated because all income was kept in the same place. Financial records were maintained for raw material purchases, whereas sales revenue was often	Busy selling activities often caused financial recording to be postponed, resulting in incomplete or unrecorded transactions.

		estimated rather than systematically recorded. Records were maintained in a small notebook.	
Ijil	Motorcycle Repair Shop	Business capital was obtained from personal savings and subsequently increased through workshop profits. A portion of the profits was allocated to purchase additional spare parts inventory. Workshop cash flow was managed by routinely allocating funds for operational needs. Business finances were separated from personal finances, making them easier to monitor. Each service and spare-part sales transaction was recorded manually, although the records had not yet been compiled into periodic financial statements.	The main challenge was the lack of sufficient knowledge regarding the preparation of financial statements in accordance with applicable standards.
Isah	Meatball Stall	Business funds originated from family funds and business profits, which were reinvested as additional capital. Cash was managed by allocating sales proceeds for raw materials and operational expenses. Nevertheless, a portion of the business funds was occasionally used for personal needs. Financial recording and reporting were conducted using daily notebooks.	Limited time and insufficient accounting knowledge resulted in financial records and reports not being prepared completely or systematically.

Based on interviews conducted with four MSMEs in Terondol Village, consisting of a grocery store, a cilok snack stall, a motorcycle repair shop, and a meatball stall, it was found that financial management and recording practices in daily business activities still relied heavily on manual methods using notebooks and small record books. The interviews revealed that, among the various stages of financial recording, MSME owners primarily focused on maintaining basic transaction records. They generally recorded financial transactions in simple notebooks, mainly documenting purchases of goods or business inputs and sales. When they wanted to determine whether their businesses generated a profit or loss, they generally compared the total amount of purchases with the total sales.

Regarding capital and cash management, almost all four MSME owners used personal or family funds as their primary source of capital. The capital was obtained from personal savings or business profits that were reinvested to meet operational needs. None of the business owners relied on loans from financial institutions as their primary source of financing. This finding indicates that MSME owners tend to develop their businesses gradually according to their financial capacity.

At the grocery store, the owner stated that business profits were more frequently used to replenish inventory than for other purposes. Meanwhile, the owner of the cilok snack stall acknowledged that the business capital remained limited, so almost all profits were reinvested to purchase raw materials for the following day. In contrast, the motorcycle repair shop had been able to set aside a portion of its profits as additional capital for purchasing spare parts, while the meatball stall owner used business profits to ensure the availability of daily raw materials.

These findings indicate that capital management remains basic and has not yet been supported by long-term business development planning. Effective capital management can help MSME owners maintain business stability and increase their business capacity sustainably. This finding is consistent with Oktaviani & Herawaty (2022), who explained that financial management encompasses the processes of planning, utilizing, and controlling funds to achieve business objectives effectively. In addition, A. K. Putri et al. (2025) stated that sound capital management is one of the key factors in ensuring MSME sustainability.

Regarding financial recording, all MSME owners had recorded their transactions, although the methods used remained very simple. The grocery store and meatball stall recorded income and expenditures in notebooks, while the cilok snack stall recorded raw material purchases but did not routinely record all sales transactions. The motorcycle repair shop maintained relatively more comprehensive records because each service transaction and spare-part sale was recorded in a logbook. However, none of the informants had prepared complete financial statements in accordance with the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM). The records were maintained primarily to track the amount of money received and spent rather than to serve as a basis for preparing income statements or balance sheets. This situation indicates that MSME owners' understanding of the importance of financial recording and reporting remains limited.

In addition to limited accounting knowledge, another factor affecting financial management and recording practices is the owners' workload in running their businesses. Most MSME owners acknowledged that they prioritized production and sales activities over administrative tasks (Hasnarika et al., 2023). As a result, some transactions were not recorded completely, particularly small-value transactions that were considered to have little impact on the business. However, consistent financial recording can generate more accurate financial information and facilitate business owners' evaluation of their business performance and development. This finding is consistent with Syamsul (2022), who reported that most micro-enterprises still use simple financial recording methods and have not adequately prepared financial statements. This finding is also supported by Hidayatullah et al. (2023), who explained that sound financial management is a key factor in ensuring business sustainability. Meanwhile, Irawan et al. (2022) noted that the mixing of personal and business finances remains a common problem among MSMEs, making it difficult for business owners to accurately assess their financial condition.

Therefore, efforts to improve MSME owners' understanding of financial management, implement more organized financial recording practices, and prepare simple financial statements in accordance with SAK EMKM should be continuously pursued. Such efforts are expected to enable MSME owners to manage their businesses more effectively and sustainably.

CONCLUSION

Based on the analysis of financial governance practices in Terondol Village, it can be concluded that financial management in grocery stores, cilok snack stalls, motorcycle repair shops, and meatball stalls remains conventional and relatively simple. All business owners rely entirely on self-financed capital structures derived from personal funds and the allocation of retained profits for operational expansion. Cash inflows and outflows remain primarily oriented toward meeting daily liquidity needs, while long-term strategic financial planning has not yet been optimally implemented. In addition, the persistent issue of mixing household finances with business cash has resulted in a lack of objective assessment of net business performance and the actual profitability of the respective businesses.

Regarding financial recording, MSME owners were found to still rely on manual bookkeeping through simple daily notebooks and have not adopted the principles stipulated in the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM). The available accounting records are limited to basic records of cash income and expenditures, without efforts to prepare formal financial statement components such as income statements, statements of financial position, or notes to the financial statements. Low compliance with accounting standards is driven by limited basic accounting literacy, the high workload associated with daily operational management, and limited proficiency in using mobile-based accounting applications.

Overall, this study concludes that improving MSME performance in Terondol Village still requires intensive capacity-building interventions to transform manual financial recording systems into more organized bookkeeping practices. Establishing a clear separation between personal assets and business assets, along with practical understanding of SAK EMKM implementation, represents an urgent priority that needs to be addressed. Through improvements in financial governance and the accuracy of financial statement preparation, MSME owners are expected to mitigate financial risks, make rational managerial decisions, and expand access to business capital, thereby supporting sustainable business growth.

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