Financial Literation Reporting Training in the MSME Group of the Kraton Kemantren

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Abstract. Micro, Small, and Medium Enterprises are very supportive of the economy in Indonesia and enormous. Unfortunately, some MSMEs have not implemented financial reporting for their business activities so it is difficult to get capital from credit institutions. There are still many MSME business actors who do not understand the importance of recording and preparing financial reports. This community service aims to provide financial reporting training to MSMEs at the Yogyakarta Kraton Kemantren in order to increase financial literacy. The data collection method used survey and observation, while the community service activities used the lecture method with discussion and question and answer, and the training method used cases and working on financial reports. The participants of this training were 25 MSMEs at the Kraton Kemantren. The results obtained from this community service activity are increased knowledge and understanding of MSME participants regarding the importance of recording financial reporting for business continuity and facilitating access to capital for third parties. This activity requires ongoing assistance to further optimize the technical process of recording and preparing financial reports.

Keywords: financial, MSME, reporting.

1 Introduction

The city of Yogyakarta is an educational city as well as a tourist destination for students in Indonesia [⁴]. When viewed in terms of their potential, it is not surprising that business actors are trying to take advantage of this opportunity to sell around tourist attractions. Based on data from Bapeda Yogyakarta Province, the number of MSMEs in Yogyakarta in 2022 is divided into six sectors. The six sectors include the agricultural sector with 1,261 units, the trade sector with 50,681 units, the marine and fisheries sector with 414 units, the forestry sector with 11 units, the energy and mineral resources sector with 53 units, and the transportation sector with 6,558 units.

Based on these six sectors, it can be seen that the trade sector is the sector with the highest business actors compared to the others. This means that MSME business actors make the business potential of the Yogyakarta City area a place for them to introduce products more broadly. Furthermore, the business would provide expected benefits by trading around more promising tourist destinations.

The Kraton sub-district is one of the 14 sub-districts in Yogyakarta. The Kraton sub-district is one of the tourist centers that has an attraction to visit. This is because Kemantren Kraton is one of the shopping and tourism centers in the city of Yogyakarta. The area of the Kraton Kemantren is 1.40 km² or 4.31% of the area of Yogyakarta. The Kraton Kemantren is divided into 3 Sub-Districts including Patehan Sub-District, Panembahan Sub-District, and

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Kadipaten Sub-District. Kemantren Kraton is also an area in which there are tourist destinations in the form of Yogyakarta Kraton Palace and Taman Sari Palace. The natural conditions and physical potential possessed by Kraton Kemantren are due to its strategic location, which is in the middle of the city, easily accessible, and as a tourist attraction. This condition is the potential for the Kemantren Kraton to maximize their profits. One of the businesses that has the potential to be achieved by the community around Kemantren Kraton is UMKM (MSME). The strategic location and conditions promise big benefits that can be utilized optimally and effectively by the community around Kraton Kemantren.

The development of the number of MSMEs per economic sector in the city of Yogyakarta in the period 2020-2022 has increased. In 2020, the number of MSMEs per economic sector in the city of Yogyakarta was 188,033 units or 23.11%. In 2021, the number of MSMEs per economic sector in the City of Yogyakarta increased to 302,446 units or 37.18%. In 2022, the temporary data obtained has increased the number of MSMEs per economic sector in the city of Yogyakarta by 323,072 units or 39.71% [²].

The contribution of the MSME sector to DIY's growth is 79.6% of DIY's Gross Domestic Regional Product. The number of MSME business units grew by an average of 8.45% per year. Total turnover grew by an average of 1.37 percent per year. MSMEs have a contribution to employment of 23-25% in absorbing the workforce.

The obstacles faced by MSMEs to date are the limited ability of MSMEs in terms of bookkeeping and tax administration, as well as the low awareness of MSMEs in registering as taxpayers. Taxes originating from the public play an important role as one of the largest sources of state revenue [¹]. Based on Fathah and Safitri's 2020 devotion article, general problems in financial management in MSMEs include: 1) Low levels of knowledge and understanding regarding financial management, 2) Calculations and product pricing that are still carried out simply and based on estimates, 3) Low knowledge regarding financial management and financial records [⁴]. MSMEs are expected to be able to record their business financial reports which will later facilitate access to lending/credit institutions [⁵]. The role of accounting in terms of financial management of an organization is increasingly recognized by various parties, both profit-oriented and non-profit organizations [⁶]. Companies must prepare financial reports in an accountable and professional manner and
present them as a form of accountability to interested parties \cite{Niva and Hafni 2023}. According to research by Niva and Hafni 2023, every company must maximize their resources in the midst of tight competition between companies and uncertain economic conditions so that companies can continue to operate and produce good financial performance \cite{Farwitawati, 2018}. During the pandemic conditions, MSMEs had slumped. One of the uses of the internet that can revive the MSME economy is by selling online or creating an online shop \cite{Andi and Fathah 2022}. Financial management and understanding of accounting provide benefits to MSME actors, including \cite{Farwitawati, 2018}: (1) To measure company performance, (2) To find out, sort, and distinguish owner's assets and company assets, (3) To find out the company's financial position in terms of income and expenses and their use, (4) To make the company's budget, (5) For tax calculations, (6) To find out the company's cash flow during a certain period, (7) To facilitate access to capital in lending institutions/loans. Accounting is not only needed in large companies but also in Micro, Small and Medium Enterprises \cite{Andi and Fathah 2022}. Good financial management embodies the application of the principles of Good Governance in an organization \cite{Niva and Hafni 2023}. There is an obligation for a person or organization to present reports for accountability, both financial reports and reports on operational activities \cite{Niva and Hafni 2023}.

The Central government support for MSMEs is carried out, among others, through the Job Creation Law, the KUR Program and Ultra Micro Financing (UMF), the PEN Program, the National Proud Movement for Indonesia, and the expansion of exports of Indonesian products. Meanwhile, the support from the Yogyakarta Regional Government is carried out, among others, through the New Entrepreneurial Growth and Development Program, the SME development program, the program to increase access to financing, Si Bakul Jogja and the Integrated Business Service Center (PLUT) for KUMKM DIY. However, there are fundamental problems in the efforts to develop MSMEs in DIY, including coordination between stakeholders and policies, guidance and assistance to MSMEs, and access to MSMEs capital \cite{Niva and Hafni 2023}.

Community service is a way to bridge the world of education with the community by directly sharing knowledge and skills with members of the public so they can face challenges in the globalization era \cite{Niva and Hafni 2023}. Of the various aforementioned problems experienced by MSMEs at Kemenparekraf, the low level of understanding and knowledge of financial management. The community service program offered is MSME Financial Reporting Training at the Kraton Kemantren. This activity aims to provide provision for MSME actors who are members of the MSME Communication Forum for the Kraton Kemantren is provided so that the community have the skills to prepare financial reports easily, improve business financial performance and make it easier to get access to capital.

**Place and time**

The location of this dedication activity was the Kraton Kemantren. The activity was carried out at the Yogyakarta Kraton Kemantren Hall. The implementation time was carried out for 2 sessions at 08.00-12.00 AM.

**The Target Audience**

The target group was the active actors of MSME businesses who are members of the MSME Communication Forum at the Kraton Ministry of Education and Culture, involving 25 people. The stages of this activity were:

1. The service began with a survey and interview with the head of the MSME Kemantren Kraton
2. Collection of information related to MSMEs that were registered in the MSME Communication Forum of the Kraton Kemantren
3. Activity participants selection committed to participating in training activities
4. The service team conducted financial reporting training
5. The service team assisted with business financial reports
6. The service team evaluated activities
   The majority of participants were women.

2 Methodology

The devotion method

This service program has several programs that can later be a solution to partner problems with the following methods [¹⁶]:

1) The lecture method. The participants were motivated to have the will to use accounting in their business activities. In addition, the participants were given an overview of MSME accounting and the important role of accounting for MSME

2) Practice/Training Methods. MSMEs actors were given training and assistance to prepare the financial reports needed for MSMEs. The service organizing team provided modules for MSME business actors that could be practiced directly and accompanied by the team. This MSME financial report preparation training program was organized by lecturers at the University of Aisyiyah Yogyakarta (UNISA) and students.

3 Results and Discussion

Submission of Materials

Before the service activities began, the team conducted surveys and interviews with the chairman of the Kemantren Kraton MSME Communication Forum. After that a survey was carried out to the MSME locations by students. From the results of interviews with MSME actors, there were 10 MSMEs that already had IUMK and also had compiled financial reports, the rest had not had financial reports. The training participants were adjusted to the class room quota of 25 people. The participants were given an explanation of how to manage business finances effectively. The problems often experienced were the mixing of business finance, personal finance and the lack of knowledge about recording business finance. The training had a certain impact on the sustainability of the business advancement. The keynote speakers explained the importance of MSME financial management in the form of financial literacy and access to banking capital for MSMEs. The speakers delivered material in the form of theory carried out using the lecture and question and answer method as well as practice as an application for lecturers as executors involved both in the material and practice presentation. The method used was lectures and question and answer discussions and was attended by all participants.
Figure 2: Submission of Material on Financial

The keynote speakers presented material presentations regarding the preparation of financial reports that were easily applied by business actors. The dedication team provided a module as a means of recording the participants’ business financial reports. The service team was assisted by students during the financial report recording. The room was designed like a classroom and for practicum learning.

Based on the results of discussions and questions and answers, the problem was that household and business finances were still mixed, there were still few who recorded financial transactions, used memory as the basis for recording, and collection of transaction evidence was rarely done. In addition, there were no accounting standards and procedures used related to assets, inventory calculation and product costing, as for instances. MSME participants still did not understand how to prepare simple financial reports that were very useful for measuring their business performance. After the discussion, the lecturer team began to explain how to record financial transactions, starting from collecting transaction documents until recording them in the cash book. The recording process could be done either manually or using the Excel application. Participants were given technical material for preparing financial reports. The evaluation results from the presentation of this material showed that 90% of the MSME participants who attended increased their knowledge and understanding of the importance of recording financial transactions. As a result of this activity, participants were able to prepare financial reports in the form of profit and loss reports, balance sheets, cash flow statements for trading and service businesses. Participants who had manufacturing businesses were also given training on reporting the cost of production. The keynote speakers provided material regarding the types of costs, cost classifications, and how to calculate the cost of production along with case examples. MSME participants who attended have gained knowledge and understanding in calculating the cost of products. The Evaluation results of this material showed that 85% of the MSME participants who attended have increased their knowledge and understanding of calculating the cost of products.

The MSME participants were given an example of how to manage business capital, starting from the capital obtained and the capital issued to be able to generate profits. Participants were also given strategies to obtain capital from third parties. The results of the evaluation of the exposure of the cost of the product is 85%. MSME participants who attended experienced an increase in knowledge and understanding of business capital management. Then, the UMKM participants were given examples of how to manage business capital, starting from the capital earned, spent, until it was able to generate profits. Participants were also given strategies to obtain capital from third parties. The results of the evaluation of the presentation of this material show that 85% of the MSME participants who attended have increased their knowledge and understanding of business capital management.
4 Conclusions

The implementation of community service attended by 25 MSMEs actors has run effectively and the participants were very enthusiastic and active in discussions. Based on the results of the evaluation of this activity, MSME participants have been given knowledge and understanding regarding financial literacy, the importance of recording business activities, managing business capital and preparing financial reports. UMKM participants become aware of the function of financial reports in business and their purpose for making business decisions. This activity has also increased the awareness of MSME participants to separate personal finance and business finance.

In order to further optimize this activity, ongoing training and assistance is needed in the form of technical guidance on the process of financial reports recording and preparation.

References


