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Financial Management Strategy Of UMKM In Syirkah Berkah Bersama Cooperative Sidoarjo

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Abstract

This study aims to analyze the financial management strategies implemented by Micro, Small, and Medium Enterprises (MSMEs) in the Syirkah Berkah Cooperative, Sidoarjo. In the context of the Indonesian economy, MSMEs have a very important role in creating jobs and contributing to Gross Domestic Product (GDP). However, many MSMEs face challenges in financial management that can hinder business growth and sustainability. This study uses a qualitative approach with a case study method, where data is collected through in-depth interviews with MSME owners and direct observation of the financial management practices implemented. The results of the study indicate that although many MSMEs in the Syirkah Berkah Cooperative still use simple financial recording methods, they have implemented several effective financial management strategies. These strategies include good budget planning, routine transaction recording, and cost control to improve efficiency. In addition, this study also identifies the need for further training on financial management and better access to financial information. Thus, this study makes an important contribution to understanding how financial management strategies can help MSMEs in the Syirkah Berkah Cooperative to improve financial resilience and support local economic growth. It is hoped that the results of this study can be a reference for business actors and researchers in the field of MSME financial management in Indonesia.

Keywords: Community Service, Financial Management, Syirkah Berkah Cooperative

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) is a term that refers to businesses carried out by individuals or business entities with an annual sales turnover of up to Rp300,000,000.00 (three hundred million rupiah) and assets of up to Rp500,000,000.00 (five hundred million rupiah), in accordance with Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises. The classification of MSMEs based on sales turnover is divided into three categories: Micro Enterprises, which have an annual sales turnover of up to Rp150,000,000.00 (one hundred and fifty million rupiah) and assets of up to Rp100,000,000.00 (one hundred million rupiah); Small Enterprises, with an annual sales turnover of up to Rp300,000,000.00 and assets of up to Rp500,000,000.00; and Medium Enterprises, which have an annual sales turnover of no more than IDR 3,000,000,000.00 (three billion rupiah)

and assets of no more than IDR 10,000,000,000.00 (ten billion rupiah).

To achieve effective financial management, there are several strategies that can be applied by MSMEs. First, it is important to distinguish between needs and wants. Needs are essential things for survival and basic well-being, while wants are things that are desired to improve the quality of life but are not essential. Needs must be met immediately to avoid negative consequences, such as food and health, while wants can be postponed without fatal consequences, such as buying a new gadget. If needs are not met, it can have fatal consequences for health and well-being, while dissatisfaction with wants only causes disappointment.

Second, separating personal and business finances is an important step for MSME owners to achieve financial stability and minimize risk. Some strategies that can be implemented include opening a special bank account for business transactions so as not to mix them with personal accounts, recording all income and expenditure transactions using a journal or financial recording application, and using different ATM cards and wallets for personal and business transactions. In addition, it is important to make neat financial records and prepare a realistic budget to control expenses and monitor cash flow effectively so that the availability of funds for business needs is maintained.

If personal and business finances of MSMEs are not separated, a number of significant risks can arise that can threaten the sustainability of the business. First, difficulty in managing cash flow is one of the main impacts. When personal and business funds are mixed, MSMEs will have difficulty knowing how much income their business actually generates, as well as how much capital is available for operations. This can lead to errors in financial planning and inappropriate decision making. Second, the risk of bankruptcy also increases. Without a clear separation, MSMEs may not realize how much debt they have or how much they have to pay for operational costs. If personal expenses interfere with business cash flow, this can lead to serious financial difficulties, even bankruptcy.

Third, lack of accuracy in financial reports can occur. Unseparated transaction recording will make financial reports inaccurate and difficult to account for. This can result in difficulties in obtaining loans or investments from third parties, because the credibility of the business is questionable. Fourth, the risk of losing investment opportunities also increases. With finances that are not separated, MSMEs may miss the opportunity to invest in business development or expand the market due to uncertainty about the availability of funds.

Finally, tax issues can also arise. The ambiguity between personal and business income can lead to errors in tax reporting, which can potentially result in sanctions or fines from tax authorities. Thus, it is important for MSMEs to separate personal and business finances to reduce these risks and improve the financial health and sustainability of their businesses.

LITERATURE REVIEW

Micro, Small, and Medium Enterprises (MSMEs) play a very important role in the Indonesian economy. In addition to being the main driver of the local economy, MSMEs also have a major contribution nationally, especially in providing

significant contributions to Gross Domestic Product (GDP) and job creation. Based on Law of the Republic of Indonesia Number 20 of 2008 concerning MSMEs, micro businesses are defined as productive businesses owned by individuals or individual business entities that meet the criteria set out in the law. Meanwhile, small and medium enterprises have different criteria, which are determined based on the amount of assets and turnover owned.

According to Brigham and Houston (2020), financial management basically includes how companies manage funding, investment, and dividend policies to increase company value. In the context of MSMEs, financial management includes working capital management, budgeting, financial reporting, and financial control. Setiawan and Haryanto (2021) stated that good working capital management can increase a company's liquidity and financial flexibility. Therefore, effective capital management is the key to the operational success of MSMEs, which includes cash management, receivables, and inventory.

Furthermore, efficient financial management not only helps MSMEs maintain financial stability but also enables them to respond to market changes more quickly. With a good financial management system, MSMEs can identify new investment opportunities and utilize resources optimally. In addition, transparency in financial reports will increase trust from external parties such as investors and financial institutions.

On the other hand, challenges in financial management are often faced by MSMEs, including lack of knowledge about good accounting practices and limited access to financing. Therefore, training and education on financial management are very necessary to increase the capacity of MSME actors in managing their businesses. Thus, the implementation of the right financial management strategy will contribute to the growth and sustainability of MSMEs in Indonesia.

RESEARCH METHODS

The research method used in community service activities at the Syirkah Berkah Bersama Cooperative in Sidoarjo involves several approaches. First, counseling is carried out to provide information and understanding of the definition, classification, and financial management strategies of MSMEs. In this stage, the expert team delivers material through formal presentations based on theoretical information about MSMEs and the principles of effective financial management. Furthermore, simulations are applied to provide real and interactive examples of MSME financial management, where participants are involved in case scenarios that reflect real situations experienced by MSMEs.

In addition, group discussions were facilitated to encourage active participation of participants in understanding and realizing financial management strategies. Participants were divided into small groups to discuss and analyze the case examples provided. Participant evaluations were also conducted to assess the extent to which participants understood the material presented, through surveys or simple knowledge tests before and after the activity. The location of this research was the Syirkah Berkah Bersama Sidoarjo Cooperative, implemented on June 8, 2024, with a population consisting of MSME actors who joined the cooperative. The

research sample included a minimum of 50 to a maximum of 100 MSME actors.

The variables of this study include independent variables, namely the definition and classification of MSMEs along with effective financial management strategies, as well as dependent variables related to the ability and behavior of MSME actors in managing their finances professionally. By using this research method, it is hoped that community service activities can provide a significant contribution to improving the financial management capabilities of MSMEs in the region.

RESULTS AND DISCUSSION

This community service activity was carried out on June 8, 2024 at the Syirkah Berkah Bersama Sidoarjo Cooperative with the theme "MSME Financial Management Strategy". In this activity, the team used counseling and simulation methods involving examples of MSME financial cases. The material presented includes the definition of MSME, MSME classification, and effective financial management. MSME, which stands for Micro, Small, and Medium Enterprises, is defined in Law Number 20 of 2008 as a business carried out by individuals or business entities with a maximum annual sales turnover of IDR 300,000,000.00 (three hundred million rupiah) and assets of a maximum of IDR 500,000,000.00 (five hundred million rupiah).

Classification of MSMEs based on sales turnover is divided into three categories: Micro Business, with a maximum annual turnover of IDR150,000,000.00 (one hundred and fifty million rupiah) and maximum assets of IDR100,000,000.00 (one hundred million rupiah); Small Business, with a maximum annual turnover of IDR300,000,000.00 and maximum assets of IDR500,000,000.00; and Medium Business, with a maximum annual turnover of IDR3,000,000,000.00 (three billion rupiah) and maximum assets of IDR10,000,000,000.00 (ten billion rupiah).

In effective financial management for MSMEs, the first step is to distinguish between needs and wants. Needs are things that are essential for survival and basic well-being, while wants are things that are desired to improve the quality of life but are not essential. It is important to understand the urgency of fulfilling needs so as not to cause negative consequences for health and well-being.

The second step is to separate personal and business finances, which is an important step to achieve financial stability and minimize risk. Some strategies that can be implemented include opening a separate bank account for business transactions, recording all income and expenses neatly using a financial recording application or accounting software, and creating a realistic budget to control expenses.

By implementing this activity, it is hoped that MSME actors can improve their understanding of good financial management and apply these strategies in their efforts to achieve better sustainability and growth in the future.

CONCLUSION

community service activities carried out on June 8, 2024 at the Syirkah Berkah Bersama Sidoarjo Cooperative are that effective financial management is very

important for Micro, Small, and Medium Enterprises (MSMEs). Through counseling and simulations conducted, participants gained a better understanding of the definition and classification of MSMEs, as well as financial management strategies that need to be implemented. Distinguishing between needs and wants is a crucial first step in financial management, where meeting essential needs must be prioritized to maintain health and well-being. In addition, separating personal and business finances has also proven important for achieving financial stability and minimizing risk. By implementing strategies such as opening separate bank accounts, recording all transactions neatly, and preparing a realistic budget, it is hoped that MSME actors can improve their ability to manage finances professionally. This activity is expected to provide a positive contribution to the sustainability and growth of MSMEs in the future.

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