



## **PERSONAL FINANCIAL PLANNING AND BUSINESS FINANCE IN UMKM IN ARA VILLAGE, BULUKUMBA REGENCY**

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**Abstract** *In an increasingly competitive economy, efficient financial management is the key to success for both individuals and businesses. Good financial planning is not only important for individuals in managing personal finances but also crucial for business continuity, especially for Micro, Small and Medium Enterprises (MSMEs). In 2023, it is estimated that the Indonesian economy will strengthen thanks to the significant contribution of MSME growth. MSMEs play a vital role as the main driver of the Indonesian economy, considering that 99% of businesses in this country are MSMEs. PKM uni aims to increase knowledge about personal finance and business finance. The method used in producing the focus of PKM objectives is Service Learning (SL), where through this approach business groups are invited to not only understand the theory of using science and technology in their business activities theoretically, but also to apply this knowledge practically. The results obtained are Based on the survey conducted, there was a positive response from the participants in the community service activities which was seen from the average of the three aspects in the survey results which were classified as very high above four. There were no significant obstacles during the process of implementing community service activities, due to good cooperation from partners and a high intention to learn from the training participants.*

**Keywords:** *Personal finance, Business finance, digital literacy.*

### **INTRODUCTION**

In the era of globalization and increasingly tight economic competition, efficient financial management is the main key to success for both individuals and businesses. Good financial planning is not only important for individuals in managing personal finances but also crucial for business continuity, especially for Micro, Small, and Medium Enterprises (MSMEs). In 2023, it is estimated that the Indonesian economy will strengthen thanks to the significant contribution of MSME growth, according to Handayani (2023) MSMEs play a vital role as the main driver of the Indonesian economy, considering that 99% of businesses in this country are MSMEs. Although there are many MSMEs and they make a major contribution to the Indonesian economy, many MSME actors still face obstacles in developing their businesses (Herawaty et al., 2022).

Several factors can hinder business development, including low financial literacy, according to Risman & Mustaffa (2023). This level of financial literacy is usually related to the level of education of MSME actors and has a significant influence on how entrepreneurs manage their finances (Herawaty et al., 2022). In addition to requiring skills in business financial planning, the ability to manage personal finances is also very important for MSMEs that are managed

individually. This ability allows MSME actors to manage both personal and business finances more effectively (Martono & Febriyanti, 2023). MSMEs with good financial planning can avoid debt traps with more regular debt management.

Lack of ability to manage personal finances often results in spending that exceeds income. No matter how much income is earned, without effective financial management, the results achieved will be less than optimal, according to Wulandari & Sri Utami (2020). The Financial Services Authority (OJK) in 2017 suggested that effective financial planning involves understanding current financial conditions, determining goals, and prioritizing those goals. Regular evaluation of financial health is an important step in achieving desired financial goals (OJK, 2017).

Common mistakes in financial planning that are often made by MSMEs include mixing personal finances with business finances, lack of payroll for owners, unavailability of financial reports, and failure to re-evaluate financial reports. This condition makes it difficult for business owners to assess the profits and losses of their business, often causing the business to stagnate or even lose money. Having accurate records, such as cash flow reports, profit and loss reports, and balance sheets, will help business owners monitor and control their business performance.

Similar problems were experienced by the Ara Village MSME business group in Bulukumba Regency. Ara Village MSME is an organization engaged in the food and beverage business sector. Through the Ara Village business group, it is hoped that everyone will gain and better entrepreneurial knowledge, so that they can improve family welfare. Unfortunately, the micro business group is less attractive to parents as seen from their low and decreasing participation. The main cause of this lack of participation is boredom in running a business and a decrease in enthusiasm for entrepreneurship. This boredom and decreased enthusiasm have a significant impact on their personal financial condition and business finances.

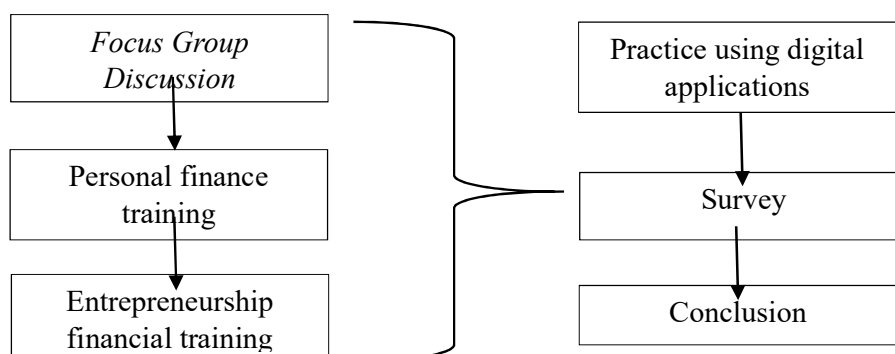
The limitations in understanding financial literacy and financial management faced by MSME actors in Ara Village cause difficulties in providing coaching on personal financial management and entrepreneurship to micro business groups. However, mentors and coaches in Ara Village are trying to find new partners, platforms, and methods that can help make Ara Village micro business groups more effective and productive. From the results of interviews conducted in focus group discussion sessions, it was revealed that many micro business actors still combine personal financial management with their business finances, resulting in confusion in financial management. Therefore, it is very important to carry out community service activities that focus on financial planning for micro business groups in Ara Village, Bulukumba Regency.

Although there have been previous community service activities that deal with family financial management such as those carried out by Tatik (2021), this new activity adds a new element by discussing entrepreneurial finance. In addition, the Ara Village micro business group was also given the opportunity to practice the knowledge gained by using digital applications for daily financial records as well as special applications for MSME business finance.

## **IMPLEMENTATION METHOD**

This Community Service Program will use the Service Learning (SL) method, where through this approach business groups are invited to not only understand the theory of using science and technology in their business activities theoretically, but also to apply this knowledge practically. To achieve this goal, it is important to carry out inculturation, integration and close cooperation with the community, so that the implementation of business activities can run more smoothly and the problems faced can be resolved. This method not only produces publications

and recommendations for further research, but also supports ongoing cooperation in developing the skills of business partners. The following are the methods of community service activities carried out as follows:



Before starting the community service activities, a focus group discussion session will be held first. The main purpose of this session is to identify the problems faced and formulate appropriate solutions. This discussion is scheduled for May 24, 2024, where an assessment will be carried out on the background of individual participants and the type of business they run.

This community service program includes organizing training on personal finance and business finance. Initially, the micro business group of Ara Village received material on personal financial planning, cash flow management, and how to conduct a personal financial health check. Participants were also given worksheets that were useful for evaluating their personal finances. The session ended with a question and answer session to discuss questions from the participants.

Next, in the following session, the material presented is related to entrepreneurial finance, which includes an introduction to how to create cash flow statements, balance sheets, and profit and loss. Participants are given worksheets that allow them to practice creating the necessary financial reports. This activity ends with a question and answer session, giving participants the opportunity to ask questions.

In certain sessions, participants were introduced to several digital applications, including daily financial recording applications and special applications for MSMEs. These applications are designed to facilitate personal and business financial recording, with an easy-to-understand interface, making it easier for participants to apply the material they have learned. At the end of the activity, participants were given a detailed application usage guide to facilitate operation, and a question and answer session was held to answer participants' questions.

At the end of the activity, participants were asked to fill out a survey that assessed three aspects: satisfaction, ease, and usefulness. This survey aims to evaluate the effectiveness of community service activities that have been carried out, in order to improve the results of activities in the future.

## RESULTS AND DISCUSSION

Community service activities related to financial planning training were carried out starting in May 2024 which took place in Ara Village, Bulukumba Regency. The activity began by identifying the background of individual participants and the type of business being run through previously held focus group discussions.

### **Group photo**

After that, participants received training on personal financial management including cash flow management and evaluation of their financial condition. During the session on personal financial planning, participants used a worksheet that had been adjusted from OJK (2017), and financial health was assessed using several financial ratios such as liquidity ratio, debt burden ratio, and savings ratio.

The material related to personal financial planning is considered important because there are still many participants who are not aware of the personal financial problems they are experiencing. The success of managing good finances cannot be separated from good financial knowledge.(Novi, 2017). Having problems with personal finances will also have an impact on business growth, in line with research results. Irvan & Ibrahim (2024) which shows a positive influence of financial literacy on business growth.

After knowing each person's financial health, the next step is to make improvements to the financial items that are experiencing problems. Participants are also asked to review their monthly expenses by budgeting. Budgeting is done based on each participant's goals, whether they are short-term, medium-term, or long-term goals.

In the second session, participants were given materials related to entrepreneurial financial planning. The purpose of this material is provided so that micro-entrepreneurs can prepare financial reports properly. Materials related to recording financial reports provided are in accordance with applicable accounting standards.

The financial reports produced are relevant, reliable and well understood financial reports so that they describe business performance and are useful in making business decisions (Nurdin & Milka, 2021). Important business financial reports that are important to understand and create include cash flow reports, balance sheets, capital change reports, and profit and loss reports. Although recording the financial reports that are created is relatively simple, it is very important for business actors to do it (Swandini, 2020).

According to previous research conducted by Habibi et al., (2022) shows a positive influence of financial management on the performance of MSMEs. Good financial management can help business actors in making short-term and long-term plans to achieve business goals (Prayogi, 2024). Business actors who manage their finances well will excel in increasingly tight business competition and avoid business failure (Irham et al., 2024).

The third session is the application of the material that has been obtained by the participants. Participants are introduced to the digital application of daily financial records and the application of financial records for MSME businesses that can be downloaded on the Playstore. Both applications were chosen because of their ease of use and attractive appearance. So that participants are not limited to applications that cannot be accessed for free.

Participants were assisted directly in using both applications. Participants also received a step-by-step guide to using both applications. Premium access was given to participants to make it easier to use and can be beneficial for their business. All of this was designed to optimize this community service activity.

### **PKM Evaluation**

After the training, a survey was conducted to measure the results of community service activities. The survey was conducted by providing a questionnaire containing a list of statements adopted from previous research. Marchyta & Suprpto (2023) and has been adjusted to the needs. The list of statements provided aims to review the aspects of usefulness, ease, and satisfaction of community service activities.

**Table 1.**  
**Community Service Activities Survey Questionnaire**

<b>Aspect of Usefulness</b>	
<b>1</b>	Mentoring and training in community service activities are beneficial for me.
<b>2</b>	Overall, community service activities are beneficial for me.
<b>Convenience Aspect</b>	
<b>1</b>	The material provided in community service activities is easy to understand.
<b>2</b>	The material provided in community service activities is easy to apply.
<b>Satisfaction Aspect</b>	
<b>1</b>	The community service activities went according to my expectations.
<b>2</b>	Overall, I am satisfied with the implementation of community service activities.

Based on the survey results, it can be seen that the average for the usefulness aspect is 4.625 which is classified as very high. It can be seen that 92% of participants agree that the community service activities that have been provided provide direct benefits. The average for the convenience aspect is 4.208 which is classified as very high. As many as 92% of participants agree that the material provided is easy to understand and can be applied directly. The average for the satisfaction aspect is 4.500 which is classified as very high. As many as 92% of participants are also satisfied with the community service activities that have been carried out.

The advantage of this community service activity is the high motivation of business actors to learn personal financial planning and entrepreneurial finance. The weakness faced in the implementation of community service activities is that in the use of applications, sometimes participants experience confusion due to the use of new applications and are not yet familiar with the appearance of the application. However, the high intention to learn of the participants allows for a good learning adaptation process. Overall, there are no significant obstacles in the process of implementing community service activities.

Based on the findings of this service, financial planning is very important for micro business groups to achieve business goals, save costs, increase profitability, prepare for business growth, and help get investors/financiers. Training is very important for Micro, Small and Medium Enterprises (MSMEs) because it can help them develop the skills and knowledge needed to run and grow their businesses.

## CONCLUSION

The topic of the community service activity raised was the importance of financial planning in the micro business group of Ara Village, Bulukumba Regency, which was held on May 24, 2024. The topic was raised because of the problem of the lack of understanding of business actors regarding personal financial planning and entrepreneurial finance which resulted in the micro business group of Ara Village stagnating and actually making losses. The training was divided into three sessions, namely personal financial planning, entrepreneurial financial planning, and the use of daily financial record applications and MSME business financial record applications. Based on the survey conducted, there was a positive response from the participants

of the community service activity which was seen from the average of the three aspects in the survey results which were classified as very high above a value of four. There were no significant obstacles during the implementation of the community service activity, due to good cooperation from partners and a high intention to learn from the training participants. This community service activity is useful for the micro business group of Ara Village, Bulukumba Regency to have personal financial planning and entrepreneurial finance skills, so that each business can have better financial management.

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