

## Enhance the Awareness of Cash Management and Reporting for Small and Medium Enterprise (SME) in Surabaya

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### Abstract

Small and Medium Enterprises (SMEs) primarily run their business operation with minimum knowledge of financial management and experience to provide a simple financial report. This condition often brings problems for SMEs in growing their business. In response to these conditions, the team has undertaken social activities called community service (Pengabdian Masyarakat) through training and assistance for SMEs in Rungkut, Surabaya. This assistance aims to enhance the understanding of SMEs regarding the concept of business entity and financial management. After finishing activities of community services, SMEs are expected to have a better understanding of financial management and be able to prepare financial reports for their business.

**Keywords:** Community Service, Financial Reporting, SME.

### INTRODUCTION

Most businesses have faced complex challenges during the COVID-19 pandemic for the last two years since 2020. The owner of various industry sectors had to struggle and find a way to survive their business. Small and medium enterprises (SMEs) also faced challenges during the pandemic (Shafi et al., 2020). SMEs need to be more adaptive and creative in turbulent environments to survive in these conditions. Many SMEs experience problems accessing the financial institution, working capital and minimum saving (Basana & Tarigan, 2022; Widiyati et al., 2018). Therefore, good practice of financial management is one mandatory thing needed by SMEs to help them run their business properly and to help them survive in the unpredictable business environment. Applying the concept of financial management may help SMEs to monitor and evaluate their business (Saputri & Arisanti, 2021; Rudianto, 2013). Preparing a simple financial report that suit SMEs is useful for owner to run their managerial function, including planning, controlling and decision-making (Alinsari, 2021; Ye & Kulathunga, 2019). SMEs also may use their financial report for external parties such as banks or government institutions to assess SMEs' conditions, especially the condition affected by the pandemic, such as applying for credit and debt restructuring.

SMEs in Indonesia is considered a business with independent management and small company assets and tend to be self-provided capital (Apriyanti & Budiman, 2022; Raja et al., 2010). Referring to the definition, SMEs in Indonesia tend to put their concern more on product quantity in terms of generating revenue and less focus on recording business transactions and preparing the report. This mindset has caused most SMEs still have no proper transaction records and reporting. Some SMEs assume that preparing a report, especially a financial report, wastes time and gives minimum benefit for small-scale businesses, including SMEs. Some research mentioned that low awareness regarding SMEs' reports results in poor quality information on cash management, cost efficiency and performance management (Dewi et al., 2020; Wibawa et al., 2019).

Accounting Department Universitas Surabaya (JAU) team has conducted the community service program for some SMEs in Rungkut, Surabaya. The results of an initial survey that aimed to map needs of each SME in this area found that many SMEs faced a similar problem in running their business. This problem includes not standardised products; minimum working capital; fewer

facilities to promote the product; also, less understanding of business management and financial management for small business. These problems became the biggest obstacles for SMEs in Rungkut, that made them unable to survive and compete with the other product in the market. The team then identifies the biggest problem of SMEs, sets up the target to be achieved and designs the alternative solution to overcome the problems (see Table1).

**Tabel 1.** Problems and Alternative Solutions on SME

No.	Problems	Alternative Solutions	Target
1	<p>Lack of understanding of financial reporting in the context of SME. It includes preparing the report, product costing, providing accurate information, and reporting about profit/loss from business operations.</p> <p>This condition leads to problems for the owner of SME, such as difficulty in knowing the actual profit from sales and difficulty in defining the most profitable product. Also, most SME are unable to define how much profit generates from each product and how much cost is incurred from the operation, how much cost might be saved, etc.</p>	<p>Training and assistance for SME about financial reporting for SME and financial management includes:</p> <ul style="list-style-type: none"> <li>• The process of calculating profit/loss</li> <li>• Periodic Sales report</li> <li>• Operational expenditure (cost and expense) report</li> <li>• Cash management refer to business entity concept- to segregate sources between business and family.</li> </ul>	<ul style="list-style-type: none"> <li>• SMEs are able to implement the basic concept of financial management (business entity): segregate money for business and individu.</li> <li>• SMEs understand the business process and able to provide financial report which include: cash flow (revenue/ cash in) and (operational cost) computerized (using tools Microsoft Excel).</li> </ul>
2	<p>Frequently, SMEs overlook the importance of segregating the sources for businesses and individuals. Most SMEs face the condition that they rarely create profit.</p>	<p>to business entity concept- to segregate sources between business and family.</p>	<p>(using tools Microsoft Excel).</p>

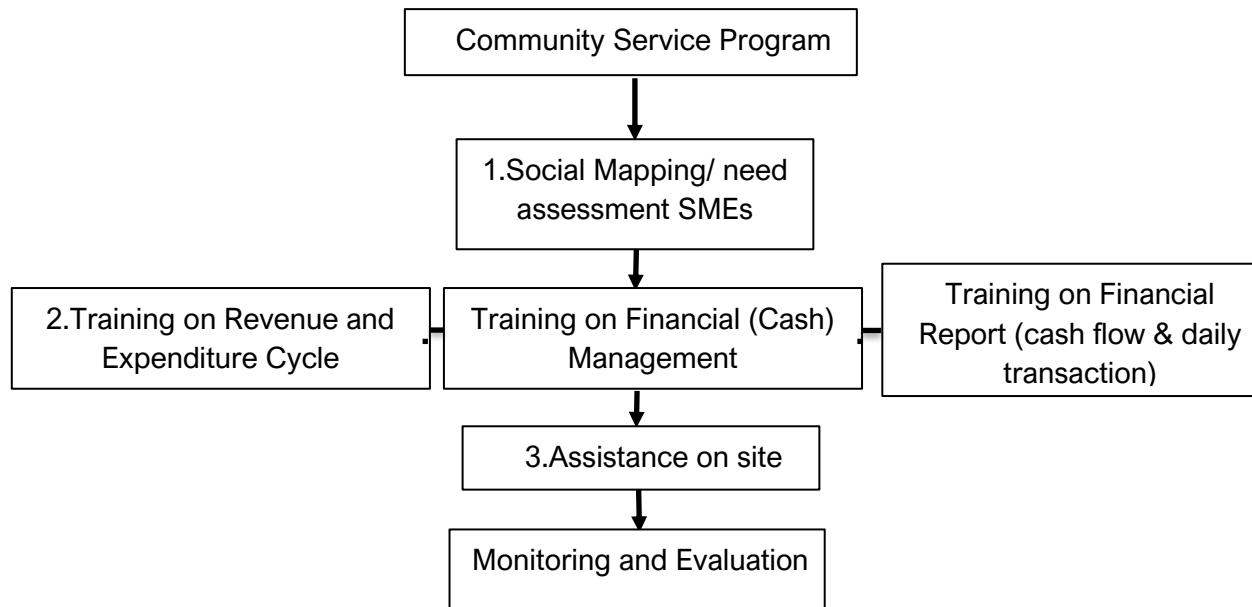
Based on this fact and condition, the team has designed and proposed a community service program. The program then designs activities such as workshops and assistance, which focus on the topic of financial management and report preparation for SMEs. In the early stage, the JAU team from Ubaya work with staff from the local district, which is responsible for supervising SMEs in the Rungkut area. Then, the team worked closely with the SME in Rungkut as a partner in the community service program. The Ubaya team conduct two activities, training and assistance to SMEs, which have the objective that SMEs will have a proper understanding of how to manage their business in terms of financial and non-financial performance. It was expected that after joining the community service program, SME shows their understanding of the material delivered in training. After understanding the concept, SME may be able to apply it in their daily operation. After joining this program, SMEs could demonstrate how they manage the business cash flow and record the transaction also to prepare the report needed.

The design of the community service program will be delivered into two activities: Training on material regarding business processes and cash management in small businesses. Then, other activities to give assistance in preparing the report for SME. The topic and material regarding cash

management on daily operation, business process (consisting of various business cycles) and basic business entity concept. JAU team also design the output from this program which are: transaction records for daily operations (in the form of sales report, expenditure report, inventory management, and cash flow report) done by SME with the supervision of the JAU team. Also, SMEs can show their understanding of business entities in their daily operation.

### METHOD

The JAU team undertook the community service program for SMEs surrounding Rungkut, Surabaya. There are three main activities in this community service program for SMEs. The first activity is social mapping which aims to assess the need of each SME during January 2022. Social mapping was undertaken by the lecturer team through in-depth interviews with the owner of each SME in the Rungkut area. The social mapping covered six SMEs from various sectors, such as food, cakes, beverages and accessories. The interview of each SME was done in a day. So, the fieldwork of social mapping was done within six days a month. From this activity, the team collected data regarding the situation, condition, business profile and problems faced by SMEs and ranked it to map the information on which problems need to be priorities to handle by SMEs. Based on the result of the need assessment, then the team designed activities that matched the requirement of SMEs in the form of a community service program, as seen in figure 1.



**Figure 1.** Model of Activities in JAU' Community Service Program

The model of JAU's Community Service Program is design to ensure that all activities delivered match with the need of SMEs and bring benefit to SME to enhance their business performance especially after the pandemic. The data collected from the social mapping underlined that SMEs running their business mainly to fulfil daily need of family living cost. Most SMEs owner start and run their business depend on the individual experience and business instinct. It is found that most SME had minimum understanding on business entity concept and cash management for their business.

It is frequently found that SMEs are unable to separate cash for business to be professionally managed with family or individual cash. Some of them less comprehend how to separate the business cash from household interest. Most SMEs mentioned they faced difficulty generating cash during the pandemic which forced them to use cash for their business and finally claimed that their business finance was at a loss. In addition, most SMEs had less understanding of how to keep the document and to record daily business transaction. Most SMEs make a simple record, not in a regular timeline, which results in difficulty in calculating the accurate performance of their

profit or loss from business operations. Hence, based on the problems identified in the social mapping, the team designed the community service program in two activities.

The fieldwork activities of JAU's community service program, as shown in table 2, consists of (i) training and workshop; (ii) work assistance. The first activity undertaken in the community service program was training and workshop, which was held on February 2022. The objective of the training and workshop is to deliver basic knowledge about business process, cash management, and transactions record and report in the context of SME. There are some topics that have been delivered for the SMEs, including topics on understanding the business cycle of SMEs (revenue and expenditure cycle), financial management and understanding business entity (segregation of individual and business interest), and preparation of financial report for SMEs. Upon the training and workshop have been undertaken, then the team focus on one SME to conduct the assistance for SME to apply the concept they learned in the workshop.

**Table 2.** Method Used in Each Activity of JAU' Community Service Program

	<b>Activities</b>	<b>Methods</b>
1.	Social mapping /need assessment	Interview, (on-site) observation and group discussion
2.	Training for representative (of owner)	On-site (material regarding business process and financial management)
3.	Assistance to SME	On-site assistance to provide report (through discussion; exercise to identify, classify and record the detailed information regarding daily transaction)

The last activity of this fieldwork is the team assigned to intensively assist SME in understanding cash management and preparing the SME report. The assistance team consists of two senior lecturers and two students from the Accounting Department of Universitas Surabaya (Ubayu). This activity was run from Mei to July 2022 on the campus and came on-site to the SME working space. Each visit is spent within 90 to 120 minutes in a day. This activity aims to assist SME in preparing the report. The team help SME to identify and classify transaction based on the group of revenue and expenditure and assist in making proper documentation on each transaction timely. Then, the team also assist SMEs in preparing simple cash flow report in basic computerised using Microsoft. Excel.

## **DISCUSSION**

The initial stage of the whole program, called social mapping, was done to identify SME company profiles and business problems and play an important role in understanding the need of SMEs. This need assessment drives the team of JAU in designing an effective community service program. Therefore, the JAU Community service program, undertaken since February 2022 for SMEs in Rungkut, Surabaya, was run properly. The training and workshop activities delivered material on business processes and cash management and reporting, enhancing the understanding of SMEs on how to manage their business professionally.

Furthermore, the basic knowledge gained through the training in the JAUs community service program had also been applied by SMEs and assisted by the team to ensure the implementation of the concept into the daily operation of SMEs. It is found that SMEs understand the business process concept and can identify the daily operation into revenue cycle and expenditure related to their core business. Also, the team assist SMEs in getting more understanding of cash management by assisting in classifying and recording the transactions and

documents of their daily operation and preparing the report from the manual record into basic tools using Microsoft Excel.

The assistance process given by the team from Accounting Ubaya for three months showed positive growth. Some improvements were demonstrated by SMEs, such as the understanding of the business entity concept that disciplined SMEs in managing the money generated from the business. SME learnt by demonstrating how they manage the transaction record and provide the basic form of the financial report (cash flow transaction). The owner of SME is mandatorily required to understand the business entity concept. By understanding and implementing how to segregate the money between business and individual, SME might identify and assess their business performance. SME may get more accurate information regarding their cash balance, the asset they have and how much money they have to buy raw materials and supplies, pay labour and others to grow their business. In addition, understanding the concept of financial management could bring SME to understand their financial condition, and preparing the report may be used to apply for more credit or debt restructuring to the bank.

## **RESULT**

The community service program, which has been held through training and assisting SME on how to manage the record of their daily transactions and preparing the report, brings positive results for SME in Rungkut. It is shown that the owner of SME had improved their understanding of business concepts. They realize the importance of segregating the asset of businesses and individuals, and they can describe the consequences of not applying the concept. This awareness had shown and applied during the fieldwork when the team assisted SME in recording and preparing the report. SMEs put their effort into being disciplined in segregating the business fund, including the revenue and expenditure.

Another positive response from SMEs about this community service program is that they understand the importance of business concepts and then directly practice making a proper record regarding daily transactions. SME has shown that it is important for them to discipline in recording their daily transaction in a manual book and classify them into revenue and expenditure transactions daily. SME saved and recorded each document correctly and archived it by date to make the record easy to trace. Then, upon they made the manual transaction record, assists from accounting students in the JAU team, SMEs able to prepare the cash flow report firstly in the manual format and then use the software which is Microsoft Excel. The SME now had their cash flow report monthly in the format of Excel.

## **CONCLUSION**

The whole activities done in the community service program through several meetings with SME had shown progress and growth. During the on-site assistance, found that SMEs had improved their understanding of the basic concept of preparing financial reports. SMEs understand and also demonstrate the skill of making records on a daily transaction in better documentation. SME classify and record the transactions refers to the revenue and expenditure of business operational activities. SME are also aware of segregating the interest of managing the finance between business and individual. It also shows that SME understand that preparing the SME financial report brings many advantages for them in terms of planning, controlling and decision-making, which helps their business going concerned and keep growing.

The team recommends that the community service program become a continuous program to keep the sustainable development of SMEs. The program expects that SMEs who participated in this community service may keep improving their skill in preparing reports and discipline to provide the report regularly.

## ACKNOWLEDGEMENTS

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## APPENDIX



**Figure 2.** On- site Training for SMEs in Rungkut Area



**Figure 3.** On-site Assistance to SME in Rungkut

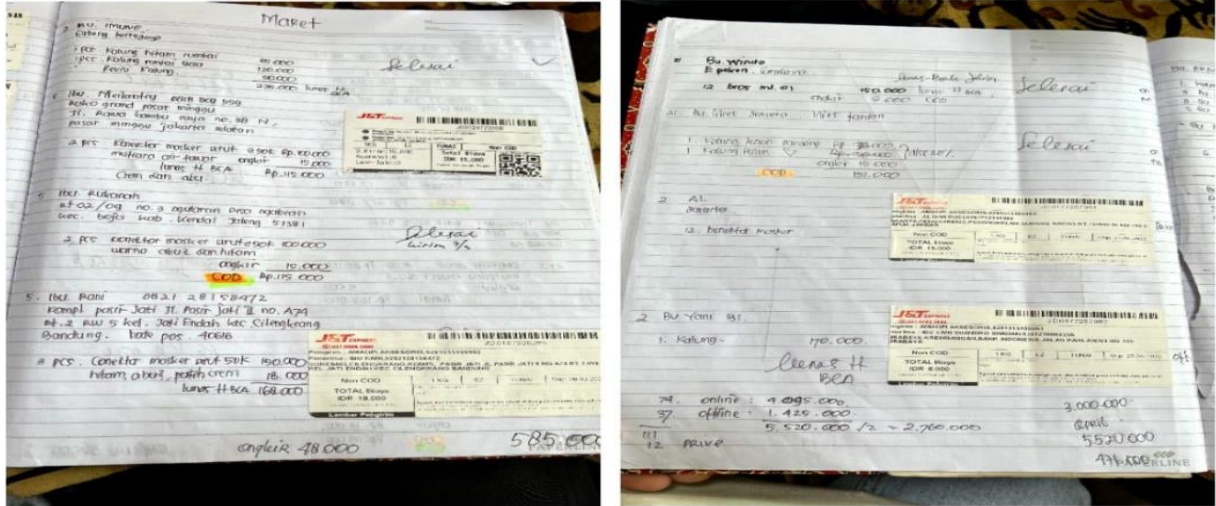


Figure 4. Manual Record of Daily Transaction of SME

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Figure 5. Cash Flow Report of SME in Ms. Excel Format