

# Financial literacy capacity building for MSME Kedai Kopi Ading through cash book training

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## Abstract

This community service program aims to strengthen the financial literacy capacity of MSME Kedai Kopi Ading through practical training on the use of a simple cash book as a financial management tool. Many micro-enterprises in Indonesia continue to experience challenges in documenting financial transactions, resulting in unclear cash flow patterns and limited understanding of business performance. Rather than focusing solely on report preparation, this program emphasizes building the owner's ability to interpret financial information and develop better financial behavior. The activity was conducted in Cindai Village, Juai District, Balangan Regency, and involved three stages: needs assessment, instructional sessions on basic accounting concepts, and guided practice in applying the five-column cash book for daily transaction recording. The initial assessment revealed that the business had not implemented systematic documentation, leading to difficulty in distinguishing operational costs from revenue. Through tailored instruction and mentoring, participants were introduced to essential financial principles, including transaction identification, categorization, and the interpretation of running balances. The hands-on approach helped the business owner apply the cash book more consistently and understand its function beyond recordkeeping—namely as a tool for monitoring liquidity and supporting decision-making. Evaluation results showed significant improvement in the owner's awareness of financial documentation and the ability to maintain regular records. The program demonstrates that strengthening financial literacy through practical, easy-to-use tools can enhance the financial governance of micro-enterprises. This initiative contributes to broader community empowerment efforts by promoting sustainable financial practices within small-scale businesses.

**Keywords:** financial literacy, cash book training, MSME capacity building, financial governance

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## 1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) represent a critical foundation of Indonesia's economic landscape, contributing significantly to employment creation, income generation, and local economic resilience. Despite their substantial contribution, many MSMEs still encounter persistent challenges in managing their financial activities. Financial literacy, which includes the ability to record, interpret, and utilize financial information effectively, is essential for ensuring business continuity and growth. According to Andrianto et al. (2017), financial records serve as the core output of the accounting process and form the basis upon which business decisions are made. Without adequate financial literacy, MSMEs often operate without an accurate understanding of their financial conditions, which may hinder their capacity to make informed strategic decisions.

Limited mastery of basic accounting principles remains a key barrier among MSME actors. Many business owners prioritize operational tasks over financial documentation, resulting in inconsistent transaction records and a lack of structured financial statements. Rumi (2020) asserts that financial statements play a crucial role in revealing the operational patterns and financial health of a business, enabling owners to monitor liquidity, profitability, and expenditure allocation. Furthermore, insufficient recordkeeping restricts the ability to track income and expenses, undermining essential financial oversight. This condition is consistent with findings by Sari et al. (2017), who highlight that even simple financial tools, when utilized systematically, can significantly improve the quality and accuracy of financial information generated by MSMEs.

Financial literacy is not only related to documentation but also involves the development of financial behavior that supports responsible and consistent financial management. Ayunda (2020) emphasizes that simple financial reporting can aid small enterprises in making strategic decisions, especially in planning for future expansion, controlling operational costs, or evaluating business performance. Strengthening financial behavior among MSME owners therefore becomes a vital strategy for promoting long-term business sustainability. Interventions that focus on enhancing the understanding of financial practices, rather than merely correcting bookkeeping errors, may yield more sustainable outcomes. This reflects a shift from technical correction to capacity building, which aims to empower MSME actors with broader financial competencies.

In line with these considerations, community-based capacity building programs provide an opportunity to bridge the financial literacy gap among small business owners. Training activities that combine needs assessment, instructional guidance, and practical implementation are particularly effective for MSMEs with limited exposure to formal accounting practices. The use of simple tools, such as a structured cash book, allows business owners to document transactions in a manner that is both accessible and appropriate to their operational scale. This approach not only improves the accuracy of financial documentation but also enhances owners' ability to interpret financial information, thereby supporting better decision-making and financial governance.

The present community service initiative focuses on strengthening the financial literacy capacity of MSME Kedai Kopi Ading through practical training on the use of a five-column cash book. The program aims to improve the owner's ability to record daily transactions systematically, understand the financial implications of their business activities, and develop financial habits that align with sound business management principles. By integrating theoretical foundations, empirical insights from previous studies, and direct observations in the field, this initiative addresses the broader question of how financial literacy capacity building can enhance the financial governance of micro-enterprises. This study also anticipates that improved financial literacy will contribute to more accurate financial reporting, improved decision-making, and greater business sustainability.

## **2. Research Design and Method**

This community service program employed a qualitative participatory approach to strengthen the financial literacy capacity of MSME Kedai Kopi Ading. The design emphasized direct engagement with the business owner through training, mentoring, and guided practice in simple financial documentation. The method consisted of three stages: needs assessment, instructional training, and practical implementation supported by continuous monitoring. Each stage was designed to generate data regarding the owner's financial practices, challenges, and progress in adopting a structured cash book system.

The first stage involved data collection through semi-structured interviews and on-site observation. Interviews were used to identify the owner's initial understanding of financial management, existing

bookkeeping habits, and specific constraints experienced during daily transactions. Observations were conducted to document real-time financial activities, the flow of cash transactions, and how the business recorded or failed to record financial information. These procedures allowed the team to determine the baseline condition of financial literacy and to design an intervention tailored to the needs of the MSME.

The second stage consisted of instructional sessions designed to introduce basic accounting principles relevant to micro-enterprise operations. Materials included transaction identification, categorization of revenue and expenses, and interpretation of cash balances. Demonstrations were provided to show how the five-column cash book could be applied for daily financial documentation. At this phase, data were generated through participant engagement, learning reflections, and practice worksheets completed by the business owner.

The third stage focused on guided practice and mentoring. The owner was instructed to apply the cash book in documenting actual daily transactions over several weeks. The team conducted periodic monitoring to evaluate the consistency and accuracy of the entries. Field notes, documentation checks, and follow-up interviews were used to capture changes in the owner's financial behavior, understanding, and reporting ability. This stage also assessed the practicality and usability of the cash book as a financial literacy tool.

Data were analyzed using thematic qualitative analysis. Interview transcripts, observation notes, and documentation records were reviewed to identify patterns related to financial behavior, understanding of accounting concepts, and challenges faced during implementation. The analysis compared the owner's financial documentation practices before and after the intervention, allowing the program to evaluate its effectiveness. The results were then synthesized to determine how the capacity-building activities contributed to improvements in financial governance and literacy.

### **3. Results and Discussion**

#### ***Results***

##### **Initial financial literacy condition**

The initial assessment showed that MSME Kedai Kopi Ading did not implement systematic financial documentation. Daily transactions were not recorded consistently, and the owner relied primarily on memory to track income and expenses. No structured classification of transactions existed, and the business did not maintain a running cash balance. Interviews revealed that the owner had limited understanding of basic accounting concepts, such as cost categorization, revenue recognition, and the function of financial reports. These findings confirmed the low baseline condition of financial literacy and financial governance.

##### **Implementation of cash book training**

During the instructional stage, the owner was introduced to the five-column cash book and trained to identify and categorize business transactions. Practice worksheets indicated that the owner was able to enter sample transactions accurately after two training sessions. Documentation from the mentoring stage showed a gradual increase in the frequency and consistency of daily transaction entries. Within four weeks of implementation, the owner recorded all cash inflows and outflows using the prescribed format, with fewer errors in date entry, transaction description, and categorization.

##### **Changes in financial documentation practices**

Monitoring records demonstrated a clear improvement in the accuracy and completeness of financial documentation. The owner began updating the cash book on a daily basis and used the running balance to track business liquidity. Observation notes indicated that the owner also started distinguishing operational expenses from personal expenses, which had been merged previously. Follow-up interviews confirmed that

the owner gained confidence in managing financial records and reported a better understanding of the business's financial condition.

### ***Discussion***

#### **Strengthening financial literacy and awareness**

The improvement observed during the intervention highlights the importance of financial literacy in supporting micro-enterprise governance. As suggested by Andrianto et al. (2017), financial records serve as essential informational tools that guide decision-making. The findings of this study align with this perspective, demonstrating that when MSME owners understand the purpose of financial documentation, their motivation to maintain accurate records increases. The shift from unrecorded transactions to consistent daily entries indicates enhanced awareness of the relevance of financial information to business sustainability.

#### **Behavioral change in financial management**

The adoption of the cash book not only improved technical accuracy but also encouraged behavioral changes in financial management. This supports Rumi's (2020) assertion that simple financial tools can influence business owners' ability to monitor operations effectively. The development of habits such as updating balances daily and categorizing expenses reflects a positive transformation in the owner's financial behavior. This behavioral shift is significant because financial literacy involves both knowledge and consistent application, as emphasized in the literature.

#### **Practical benefits of using a simple cash book**

The results also confirm that the cash book is a practical and appropriate tool for micro-enterprises with limited accounting knowledge. The owner reported that the format was easy to follow and that the system helped clarify the business's financial position. These findings support Sari et al. (2017), who argued that simple accounting tools can enhance financial transparency in MSMEs. Furthermore, the ability to interpret the running balance improved the owner's capacity to anticipate short-term liquidity needs, providing a direct benefit to daily business operations.

#### **Implications for financial decision-making**

The capacity-building approach adopted in this program led to improvements that extend beyond documentation. The owner reported increased confidence in evaluating business profitability and identifying unnecessary expenses. This aligns with Ayunda (2020), who noted that even basic financial reports can support strategic decision-making among MSMEs. By developing the ability to read and interpret financial data, the owner is now better equipped to make informed decisions regarding purchasing, pricing, and budgeting.

#### **Contribution to MSME empowerment**

Overall, the intervention demonstrates that financial literacy capacity building can significantly strengthen financial governance in micro-enterprises. The results show that training combined with practical mentoring enables MSME owners to adopt sustainable financial practices. This supports the premise in the introduction that capacity building offers more durable impact compared to one-time bookkeeping corrections. The findings advance the understanding of MSME financial development by showing how structured training can produce measurable behavioral changes and improved financial awareness.

#### **4. Conclusions**

This community service program successfully strengthened the financial literacy capacity of MSME Kedai Kopi Ading through targeted training and mentoring using a structured cash book system. The intervention addressed the initial challenges identified during the needs assessment, including the absence of systematic transaction documentation, limited understanding of basic accounting concepts, and inconsistent financial management practices. The results demonstrated a clear improvement in the owner's ability to record, categorize, and interpret daily financial transactions, supported by increased awareness of the importance of accurate financial information.

The adoption of the five-column cash book significantly enhanced the accuracy and regularity of financial documentation, aligning with existing literature that emphasizes the value of simple and accessible accounting tools for micro-enterprises. The program also contributed to positive behavioral changes, as the owner began practicing consistent transaction recording and distinguishing between operational and personal expenses. These changes supported more informed financial decision-making and improved the owner's understanding of business liquidity and profitability.

Overall, the findings highlight the potential of capacity-building programs to improve financial governance among MSMEs. By focusing on both knowledge development and practical application, the intervention created sustainable improvements that extend beyond technical bookkeeping corrections. The study contributes to the broader discourse on MSME empowerment by demonstrating that strengthening financial literacy through practical, context-appropriate tools can enhance financial accountability and support long-term business sustainability. Future initiatives may expand this approach to other MSMEs to further promote sound financial management practices across the micro-enterprise sector.

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