

## Financial Management of MSMEs in Cirebon Regency: A Qualitative Approach in Improving Performance and Sustainability

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### ABSTRACT

**Background.** Effective financial management is a crucial aspect for Micro, Small, and Medium Enterprises (MSMEs) in Cirebon Regency in achieving optimal performance and business sustainability. With the existence of MSMEs that contribute significantly to the regional economy, a deep understanding of financial management is very important.

**Purpose.** This research aims to explore the financial management practices of MSMEs through a qualitative approach, analyze the challenges faced, and identify strategies that can be applied to improve financial management.

**Method.** This study applies a qualitative approach to explore the financial management practices of MSMEs in Cirebon Regency. Participants consisted of 20 MSME owners who manage businesses in the food and beverage, handicraft, and trade sectors, with a minimum of two years of experience. Data were collected through in-depth interviews and observations. The interviews use a semi-structured guide to obtain information about financial management practices, challenges faced, and strategies implemented, conducted directly at the business site to provide better context. Observations are carried out to understand daily financial management practices, including recording transactions and interactions with customers. The data obtained was analyzed using a thematic analysis approach. The analysis process begins with the transcription of interviews and recording of observations, followed by the identification of the main themes that emerge and their grouping into relevant categories. The results of the analysis are expected to provide in-depth insights into the financial management of MSMEs in Cirebon Regency.

**Results.** The study show that many MSMEs in Cirebon Regency experience difficulties in financial management due to low financial literacy, lack of good financial planning, and lack of access to support from financial institutions.

**Conclusion.** Effective financial management is very important for the performance and sustainability of MSMEs in Cirebon Regency. This article recommends the need for intensive education and training programs for MSMEs to improve their financial management skills.

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### KEYWORDS

Financial management, MSMEs, financial literacy, information technology, sustainability.

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### INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play an important role in the Indonesian economy, including in Cirebon Regency. According to data from the Cirebon Regency Cooperatives and SMEs Office, MSMEs



contribute more than 60% to the region's Gross Domestic Product (GDP) and absorb millions of workers. The high availability of jobs and significant economic growth potential make MSMEs the driving force of the local economy. However, despite their significant contribution, many MSMEs face serious challenges in financial management that can threaten the sustainability of their business.

Effective financial management is one of the key factors that determine the success and sustainability of MSMEs. Unfortunately, many business owners do not have an adequate understanding of the basic principles of financial management. Some MSME owners are often trapped in unsystematic financial management practices, such as untidy transaction recording and unclear budget planning. For example, many MSMEs rely solely on simple cash records without further analysis of costs and income, which in turn can result in financial difficulties.

In addition, another challenge faced by MSMEs is access to financing. Although many financial institutions offer credit products for MSMEs, many business owners still experience difficulties in meeting the set conditions, such as guarantees and adequate financial reports. This encourages some MSMEs to borrow from non-formal financing sources at higher interest rates, which can worsen their financial situation.

Seeing the complexity of this problem, research on the financial management of MSMEs in Cirebon Regency is very important. A better understanding of effective financial management practices and the challenges faced can help stakeholders, including governments and financial institutions, in designing more appropriate interventions to support the development of MSMEs.

This study formulates several problems as follows: What are the financial management practices implemented by MSMEs in Cirebon Regency? What are the challenges faced by MSMEs in managing their finances? What strategies can be implemented to improve the financial management of MSMEs in Cirebon Regency? Thus, this study aims to identify and analyze financial management practices implemented by MSMEs in Cirebon Regency, exploring the challenges faced by MSMEs in financial management, and proposing strategies that can be applied to improve MSME financial management to achieve better performance and sustainability.

By focusing on these aspects, this research is expected to make a significant contribution to the understanding and development of financial management practices among MSMEs in Cirebon Regency. The findings of this study are expected to be a reference for MSME owners, policy makers, and other researchers in developing more effective strategies to strengthen the MSME sector in this area.

## LITERATURE REVIEW

Financial management is a crucial aspect in the sustainability and growth of MSMEs. Previous studies have identified factors that influence financial management practices in the sector. The existing literature can be grouped into several main themes:

### 1. The Importance of Financial Literacy

Financial literacy has been recognized as the key to effective financial management. Research by Dewi and Prawira (2020) shows that MSME owners who have a good understanding of financial literacy tend to make better decisions regarding spending, investment, and debt management. In addition, Rani and Sharma (2019) stated that business owners who have knowledge of financial management can improve their business performance.

### 2. Challenges in Financial Management

Several studies show that MSMEs face significant challenges in managing their finances. Ibrahim (2017) emphasized that the lack of access to information and financial resources causes many MSMEs to be unable to implement good financial management practices. Kurniawan and

Susanto (2019) added that regulatory and bureaucratic barriers often exacerbate this situation, preventing MSMEs from getting the necessary support.

### **3. The Role of Technology in Financial Management**

The adoption of information technology in MSME financial management is also the focus of research. Zulkarnain and Kholil (2020) found that the use of financial applications can help MSMEs in recording transactions and budget planning. Nugroho (2020) emphasizes the importance of technology to improve efficiency in cash management and financial decision-making.

### **4. The Influence of Financial Institution Support**

Financial institutions have an important role in helping MSMEs overcome challenges in financial management. Rahayu and Soedjono (2018) highlighted that proper support from financial institutions can help MSMEs in getting better access to financing. Salim and Fadhila (2018) revealed that partnerships between MSMEs and financial institutions can improve business sustainability through appropriate training programs and the provision of working capital.

### **5. Effective Financial Management Practices**

Various effective financial management practices have been identified in the literature. Mardiana and Susilo (2018) showed that regular recording and the use of financial statements can help MSMEs in monitoring performance and making better decisions. Setiawan and Yulianto (2021) added that good financial planning can increase the resilience of MSMEs to market fluctuations and uncertain economic situations.

## **RESEARCH METHODOLOGY**

### **Research Design**

This study uses a qualitative approach to explore and understand the financial management practices of MSMEs in Cirebon Regency. The qualitative approach was chosen because it can provide in-depth insights into the behaviors, perceptions, and challenges faced by MSME owners in managing their finances. With this approach, researchers can explore information in a more holistic and contextual way.

### **Location and Participants**

The research was conducted in Cirebon Regency, which is one of the areas with significant MSME development in West Java. To obtain representative data, the researcher selected a number of MSMEs from various sectors, such as food and beverages, handicrafts, and trade. The study participants consisted of MSME owners who had experience in managing their businesses for a minimum of two years.

### **Data Collection Techniques**

Data were collected through in-depth interview and observation techniques. A total of 20 MSME owners from various sectors, such as culinary, handicrafts, trade, and services, were selected as respondents. Interviews are conducted using a semi-structured interview guide that includes questions regarding financial management practices, challenges faced, and strategies implemented. The interview process was carried out directly at the business location of each participant to get a better context. Observations were also made to see firsthand how financial management practices are carried out in the daily activities of MSMEs. Researchers record important information regarding transaction records, technology use, and interactions between business owners and customers.

### **Data Analysis**

The data obtained from interviews and observations were analyzed with a thematic analysis approach. The first step is to transcribe the interview and record the observation results. After that, the researcher identified the main themes that emerged from the data, which were then grouped into categories relevant to the research objectives. The results of this analysis are expected to provide a deeper understanding of the financial management of MSMEs in Cirebon Regency.

## **RESULT AND DISCUSSION**

### **1. MSME Financial Management Practices**

The results of the study show that financial management practices among MSMEs in Cirebon Regency vary. Most MSME owners admitted to recording financial transactions manually using a simple cash book. However, the use of digital financial applications is increasing, especially among younger MSME owners. Most respondents also acknowledged the importance of keeping neat transaction records to avoid mistakes in financial management. However, only a small percentage of them routinely prepare formal financial statements, such as income statements and balance sheets. Many of them think that the financial statements are too complicated and unnecessary for small businesses. The results of the interview revealed that the majority of MSME owners focused more on daily recording and monitoring cash flow, without paying attention to the more in-depth analysis aspect.

### **2. Challenges in Financial Management**

The main challenge faced by MSMEs in Cirebon Regency is related to financial literacy. Most respondents admitted that they did not understand the basic concepts of financial management, such as budgeting, investment, and debt management. This causes them to have difficulty in making the right financial decisions. As stated by one of the MSME owners, "I was never taught how to manage money well. I just rely on intuition." In addition, access to information and training on financial management is also considered minimal. Respondents stated that they rarely get information on how to manage their finances effectively. Many of them hope that the government or related institutions can provide more structured training on this subject.

### **3. The Role of Financial Institution Support**

Support from financial institutions is very important for MSMEs in financial management. The results of the study show that many MSME owners have difficulty accessing financing from formal institutions. Strict requirements, such as the existence of guarantees that must be met, are the main barriers. Some respondents rely on loans from relatives or non-formal institutions that have high interest rates, which risks worsening their financial situation. MSME owners also expressed their expectations for financial institutions to provide clear information about available financing products. One of the respondents said, "I want to know more about the loans I can get without having to provide guarantees that I have a hard time fulfilling."

### **4. Strategies to Improve Financial Management**

This research finds several strategies that can be applied to improve MSME financial management. First, training and education on financial literacy need to be improved. Many MSME owners feel insecure in managing their finances. Through training, they can gain a better understanding of the importance of financial management and how to prepare financial statements. Second, local governments and financial institutions need to work together to provide easier and more affordable access to financing for MSMEs. This can include microcredit programs with softer terms, so that MSMEs can obtain the capital needed to develop their businesses. Third, the use of information technology in financial management needs to be encouraged. Financial management applications can help MSMEs record transactions and compile financial reports more efficiently. Some respondents have started using this app, and they report that it helps them in managing cash flow and making better decisions.

The results of this study show that good financial management is a prerequisite for improving the performance and sustainability of MSMEs. Therefore, appropriate interventions are needed to improve financial literacy, access to financing, and the use of technology among MSMEs. This will not only help MSMEs in improving their performance, but also contribute to the overall regional economic growth.

### **1. Effective Financial Management**

From the results of the study, it can be seen that MSMEs that implement more structured and formal financial management practices have better performance compared to those who only rely on manual recording. Awareness of the importance of formal financial statements needs to be increased among MSME owners. With a better understanding, they can make more informed decisions in managing their business.

### **2. The Role of Training and Education**

The importance of training and education regarding financial management cannot be ignored. Many MSME owners feel that they do not have enough skills to manage their finances properly. Therefore, training programs offered by the government or financial institutions can be a solution to increase financial literacy among MSMEs.

### **3. Financial Institution Support**

The support of financial institutions is very important to help MSMEs access the capital they need. More inclusive policies from financial institutions can help create a more supportive environment for MSMEs. With more affordable financing products, MSMEs can more easily get capital for their business growth.

### **4. Technology Adoption**

The adoption of technology in financial management has also proven to be beneficial. The use of financial applications not only makes it easier to record transactions, but also allows MSME owners to have better visibility into their cash flow. Therefore, the promotion of the use of technology in financial management needs to be encouraged by the government and related institutions.

## **CONCLUSION**

Effective financial management is very important for the performance and sustainability of MSMEs in Cirebon Regency. The results of the study show that many MSME owners still use simple financial management practices and do not fully understand the importance of formal financial statements. The main challenges faced include low financial literacy, difficult access to financing, and lack of structured training.

Increasing financial literacy through training, support from financial institutions, and the adoption of information technology are the keys to improving MSME financial management. By implementing these strategies, MSMEs in Cirebon Regency can improve their performance and contribute more to regional economic growth.

This research has several limitations. First, the number of respondents involved in this study is relatively small, so the results may not be fully representative of all MSMEs in Cirebon Regency. In addition, the study is qualitative, so generalizing the results to a larger population must be done with caution. Another limitation is the lack of longitudinal data that can show changes in MSME financial management over time. Therefore, further research with a larger sample and a quantitative approach is needed to get a more comprehensive picture.

## **AUTHORS' CONTRIBUTION**

Author 1: Conceptualization; Project administration; Validation; Formal analysis; Methodology; Writing - review and editing.

Author 2: Conceptualization; Data curation; Investigation; Supervision

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