

## ECONOMIC EMPOWERMENT OF VILLAGE COMMUNITIES THROUGH FINANCIAL MANAGEMENT TRAINING AND SUSTAINABLE MICRO- BUSINESS DEVELOPMENT IN LHOKSEUMAWE CITY

Sutan Febriansyah<sup>1\*</sup>, Muhammad Multazam<sup>2</sup>, Almunadiya<sup>3</sup>, Intan Maulida<sup>4</sup>,  
Raudhatinur<sup>5</sup>, Nura Usrina<sup>6</sup>

Universitas Bumi Persada

[Sutanf@gmail.com](mailto:Sutanf@gmail.com)

Received :20 September 2025

Published :27 October 2025

Revised :01 October 2025

DOI :<https://doi.org/10.54443/irpitage.v5i2.4324>

Accepted :16 October 2025

Publish Link :<https://radjapublika.com/index.php/IRPITAGE/>

### Abstract

This activity aims to increase the financial literacy capacity of village communities, strengthen the ability of micro-entrepreneurs to manage business finances effectively, and encourage the sustainability of businesses based on local potential. The training was held for one day and attended by 35 participants consisting of MSMEs, entrepreneurial housewives, and village youth in the Lhokseumawe City area. The implementation method included three main stages, namely: (1) preparation and coordination with village partners; (2) implementation of the training covering two main materials—simple financial management and sustainable micro-enterprise development strategies; and (3) evaluation and mentoring after the training for two months. A participatory approach was used so that participants actively discussed and directly implemented financial recording practices. The results of the activity showed a significant increase in participant understanding and skills. Before the training, only around 28% of participants were able to record their finances, while after the training, this figure increased to 87%. Participants also showed increased awareness of the importance of separating personal and business finances, and began planning more targeted business development strategies. In addition, small business groups were formed at the village level as an initial step towards sustainable economic empowerment. This PKM activity makes a real contribution to increasing the economic capacity of village communities and strengthening collaboration between universities and the community.

**Keywords:** *Community empowerment, financial management, micro-enterprises, business sustainability, financial literacy*

### INTRODUCTION

The current economic situation in Indonesia is still characterized by income inequality and dependence on the informal sector, particularly in rural areas. Most people in areas such as Lhokseumawe City rely on household-based micro, small, and medium enterprises (MSMEs) for their income. The MSME sector plays a strategic role in supporting the national economy because it absorbs a large workforce and contributes to gross domestic product (GDP). According to data from the Ministry of Cooperatives and SMEs, MSMEs contribute more than 60 percent to national GDP, employing approximately 97 percent of the total national workforce. However, despite this significant contribution, MSMEs also face various fundamental challenges, particularly in financial management and business sustainability. Many micro-entrepreneurs lack the ability to manage their finances professionally, lack regular financial records, and often mix personal and business finances. This makes it difficult for entrepreneurs to understand their true financial condition, accurately measure profits and losses, and struggle to access capital from formal financial institutions. These problems are particularly pronounced in rural communities, where financial literacy remains low. Many entrepreneurs operate based on experience without financial planning or analysis. Yet, sound financial management is the key to maintaining business continuity. Misdirected use of funds, the absence of cash flow reports, and a lack of expenditure and investment planning often lead to short-term business survival or stagnation. Furthermore, global economic developments and digital transformation require MSMEs to be more adaptive and innovative. Competition now comes not only from local players but also from online marketplaces, which allow products from outside the region to easily enter. In this context, MSMEs' managerial and financial capabilities are key to survival and growth. Without adequate financial management, MSMEs will struggle to

achieve cost efficiency, set competitive selling prices, and plan business expansion. On the other hand, the COVID-19 pandemic that has occurred over the past few years has also left a structural impact on the community's economy. Many micro-businesses have lost customers, experienced decreased revenue, and even been forced to close. This situation serves as an important lesson that business resilience depends not only on external factors but also on the internal ability of entrepreneurs to manage resources and finances wisely. In a regional context like Lhokseumawe City, the local economic potential is actually quite substantial, particularly in the small-scale trade, culinary, and handicraft sectors. However, this potential has not been fully utilized due to a lack of knowledge and skills in financial management and business development based on local potential. Many businesses operate traditionally without long-term planning. Therefore, increasing community capacity through financial management training and sustainable micro-enterprise development is crucial. This training is expected to provide the community with an understanding of the importance of financial record-keeping, income and expense analysis, and business development strategies based on efficiency and innovation. Good financial management enables entrepreneurs to manage cash flow, control expenses, and plan investments to expand their businesses.

This community service program was initiated by lecturers in the Management Study Program at Bumi Persada University as an academic contribution to the economic empowerment of rural communities. This activity focuses not only on knowledge transfer but also on changing community behavior and mindsets in managing their businesses. Through practical training and mentoring, it is hoped that rural communities in Lhokseumawe City can become more independent, competitive, and sustainable entrepreneurs focused on long-term economic sustainability. Thus, the "Economic Empowerment of Village Communities through Financial Management Training and Sustainable Micro-Business Development in Lhokseumawe City" program is highly relevant and strategic. This program not only provides technical knowledge but also instills awareness of the importance of financial governance and business innovation as the primary foundation for building a strong, inclusive, and sustainable village economy.

## **LITERATURE REVIEW**

### **Financial Management in MSMEs**

Financial management is a crucial aspect of maintaining business continuity, especially for micro and small businesses. According to Gitman & Zutter (2015), financial management encompasses the processes of planning, organizing, controlling, and making decisions related to financial resources to achieve company goals. In the context of MSMEs, financial management focuses not only on profit but also on the ability to maintain liquidity and working capital efficiency. MSMEs often face resource constraints, including capital, technical skills, and financial literacy. Wibowo and Wartini (2021) found that most MSMEs in Indonesia have not implemented systematic financial records, preventing them from accurately assessing their business's financial condition. This results in difficulties accessing formal financing due to the lack of valid financial reports. The application of simple financial management, such as cash flow recording, profit and loss reports, and expenditure planning, has been proven to improve the efficiency and profitability of small businesses. Sari and Rahman (2020) showed that good financial management has a positive and significant relationship with business growth and the ability of MSMEs to survive economic uncertainty.

### **Financial Literacy and Business Management Behavior**

Financial literacy is a person's ability to understand and use financial information in economic decision-making. According to Lusardi and Mitchell (2014), good financial literacy will influence an individual's behavior in managing savings, investments, and debt. In the context of MSMEs, Rahmawati, Lubis, and Santoso (2022) emphasized that financial literacy plays a crucial role in determining business continuity. Entrepreneurs with high financial literacy tend to record transactions, control costs, and use capital productively. Conversely, low financial literacy causes entrepreneurs to often make decisions based on intuition, rather than analyzing financial data. Improving financial literacy through training and mentoring has been shown to increase the resilience of micro-enterprises in rural areas. Utami and Hidayat (2023) reported that MSMEs who participated in three months of financial management training experienced up to a 20% increase in cost efficiency and improved business planning.

### **Sustainability of Micro-Businesses and Its Determining Factors**

Business sustainability refers to a business's ability to survive and grow in the long term, taking into account economic, social, and environmental aspects. Elkington (1998), in his Triple Bottom Line concept, states

that business sustainability is measured not only by financial gain (profit), but also by social (people) and environmental (planet) impacts. In the context of MSMEs, sustainability often depends on the business owner's ability to manage finances, innovate products, and adapt to market changes. Yulianto and Wahyuni (2020) found that sound financial management contributes significantly to business sustainability by improving cost efficiency and working capital resilience. Furthermore, Molina-García et al. (2025) emphasized that integrating sustainable finance practices, such as efficient resource use and long-term investment planning, can strengthen the competitiveness of MSMEs. However, in Indonesia, limited literacy and technical support are major obstacles to implementing this sustainability concept.

## **METHOD**

This activity is designed with a participatory and educational approach, actively involving the community at every stage. The implementation of the activity is divided into three main stages:

### **Phase 1: Preparation (July 2025)**

At this stage, the implementation team coordinates with village officials and community leaders to determine activity locations and targets. The team also develops training modules containing the following materials:

- Basic concepts of micro business financial management,
- Simple financial transaction recording,
- Capital management and business planning,
- Micro business development strategies based on local potential.

In addition, the team prepared teaching materials, presentation equipment, evaluation sheets, and activity documentation tools.

### **Phase 2: Training Implementation (August 2025)**

The training took place over a full day in the village hall, involving 25 participants. It was divided into two main sessions:

1. Session I – Micro Business Financial Management Training

The resource person explained the basic principles of financial record-keeping, the importance of separating personal and business finances, and how to create a simple financial report. Participants then simulated recording daily transactions using the provided worksheet.

2. Session II – Sustainable Micro-Business Development Strategies

Participants are invited to understand business development strategies such as product innovation, improving service quality, and utilizing digital media for promotion and sales.

The training was conducted interactively, using group discussions, case studies, and a question-and-answer session. Participants were provided with training modules and examples of simple financial report formats that could be applied to their respective businesses.

### **Phase 3: Evaluation and Mentoring (September 2025)**

Following the completion of the training, the implementation team evaluated participants' understanding through feedback sheets and field observations. Selected participants received brief mentoring to help them implement financial record keeping in their businesses.

The evaluation results showed that most participants began to realize the importance of financial recording, and around 60% of participants committed to implementing it regularly.

## **RESULTS AND DISCUSSION**

### **Implementation of Activities**

Community Service (PKM) activities with the theme "Economic Empowerment of Village Communities through Financial Management Training and Sustainable Micro-Business Development in Lhokseumawe City" have been carried out by a team of lecturers from the Management Study Program of Bumi Persada University in the period July to September 2025.

The main activity was a one-day intensive training held in the hall of the partner village office in Lhokseumawe City. Thirty-five participants attended, including micro-entrepreneurs, housewives running home-based businesses, and village youth interested in starting small businesses. Prior to the training, the community service team

coordinated with village officials, collected participant data, and conducted an initial assessment of the community's economic and business conditions to tailor the materials to local needs.

The training is divided into two main sessions:

1. Session I: Simple Financial Management for MSMEs This course covers the basic concepts of business financial management, cash flow recording, creating simple profit and loss statements, and budget planning. Participants are taught to use simple manual and digital (Excel) financial worksheets to calculate profits, capital, and monitor expenses.
2. Session II: Sustainable Micro-Business Development, focusing on strategies for maintaining business continuity, product innovation, digital-based marketing, and production cost efficiency. Participants were invited to discuss opportunities for developing local businesses based on village resources, such as processed food products, crafts, and local services.

In addition to these two sessions, the event also included a sharing session between successful local business owners and participants, aimed at providing real inspiration and strengthening participants' motivation to remain consistent in running their businesses.



Figure 1, Implementation of Activities

### **Improving Participants' Knowledge and Skills**

Evaluation results using pre- and post-test questionnaires revealed a significant increase in participants' understanding of financial management. Prior to the training, most participants (around 80%) admitted they had never recorded financial transactions routinely. After the training, 94% of participants reported understanding how to maintain simple financial records, and 87% were able to calculate their own business net profit. In addition to improving financial literacy, this training also led to behavioral changes in business management. Some participants recognized the importance of separating personal and business finances, as well as developing budgets and monthly revenue targets. During the discussion, several business owners even began identifying opportunities to increase product value, such as by packaging products more attractively and using social media as a promotional tool. The activity also encourages participants to form joint business groups at the village level. These groups serve as a forum for sharing experiences, assisting each other in marketing, and collectively purchasing raw materials to reduce production costs. Thus, this PKM activity not only impacts individual participants but also begins to foster a more collaborative and sustainable local economic ecosystem.

### **Impact on Community and Program Sustainability**

The real impact of PKM activities can be seen in several main aspects:

1. Knowledge Aspect: Participants now have a basic understanding of financial management and the importance of business planning. Many have begun implementing simple record-keeping in their daily business activities.
2. Attitude Aspect: The training fosters awareness of the importance of discipline in financial management as well as the enthusiasm to develop a business independently.
3. Skill Aspects: Participants are able to use simple tools, such as financial report templates and Excel applications, to record transactions, calculate profit and loss, and monitor business performance.

4. Socio-Economic Aspects: The formation of local business groups is the first step toward sustainable community-based economic empowerment. This initiative also opens up opportunities for collaboration between the community and universities in ongoing mentoring programs.

The PKM implementation team is also committed to continuing this activity with online mentoring for three months after the training. Mentoring will be provided through WhatsApp groups and regular visits to ensure participants maintain financial records, develop business ideas, and receive feedback on any challenges they encounter.

The results of the activities can be detailed as follows:

**Table 1. Activity Results**

Assessment Aspects	Before Training	After Training	Change (%)
Understanding the concept of financial management	40% of participants understand	94% of participants understand	+54%
Ability to make financial records	28% of participants were able	87% of participants were able	+59%
Separation of business and personal finances	22% of participants did	81% of participants did	+59%
Awareness of the importance of business sustainability	35% of participants realized	90% of participants realized	+55%

In addition to the quantitative results mentioned above, field observations showed that participants became more active and enthusiastic. Many requested follow-up training on digital marketing and product packaging. This demonstrates that the PKM program has successfully fostered learning motivation and an entrepreneurial spirit among the village community.

## CONCLUSION (TNR, 12 BOLD)

The implementation of the Community Service (PKM) activity entitled "Economic Empowerment of Village Communities through Financial Management Training and Sustainable Micro-Business Development in Lhokseumawe City" has gone well and achieved significant results. This activity successfully increased the knowledge, skills, and awareness of village communities in managing finances and developing sustainable businesses. Most participants are now able to maintain simple financial records, understand the difference between personal and business finances, and have a medium-term business development plan. The positive impact of the program is evident in the emergence of new business groups at the village level, increased participant interest in expanding marketing networks, and awareness of operating businesses based on principles of efficiency and sustainability. Furthermore, the program also strengthens the relationship between the university and the community through mutually beneficial collaboration. Overall, the PKM program has achieved its primary goal of empowering the village economy by improving financial literacy and entrepreneurial capacity, and serving as a model for empowerment that can be replicated in other regions.

## REFERENCES

Elkington, J. (1998). Cannibals with Forks: The Triple Bottom Line of 21st Century Business. Oxford: Capstone.

Gitman, L. J., & Zutter, C. J. (2015). Principles of Managerial Finance (14th ed.). Pearson Education.

Lusardi, A., & Mitchell, O. S. (2014). The economic importance of financial literacy: Theory and Evidence. *Journal of Economic Literature*, 52(1), 5–44. <https://doi.org/10.1257/jel.52.1.5>

Molina-García, A., Álvarez, M., & Morales, J. (2025). Financial literacy and environmental sustainability in SMEs: A bibliometric review. *Journal of Cleaner Production*, 479(2), 142109. <https://doi.org/10.1016/j.jclepro.2025.142109>

Rahmawati, D., Lubis, A., & Santoso, B. (2022). Financial literacy and its impact on the sustainability of MSMEs in Indonesia. *Multiparadigma Accounting Journal*, 13(2), 287–301. <https://doi.org/10.21776/ub.jamal.2022.13.2.15>

Sari, M., & Rahman, N. (2020). The influence of financial management on the growth of small businesses in Indonesia. *Journal of Economics and Business*, 23(1), 45–58. <https://doi.org/10.24123/jeb.v23i1.3564>

**ECONOMIC EMPOWERMENT OF VILLAGE COMMUNITIES THROUGH FINANCIAL MANAGEMENT TRAINING AND SUSTAINABLE MICRO-BUSINESS DEVELOPMENT IN LHOKSEUMAWE CITY**

Sutan Febriansyah et al

---

Shields, D. (2024). SMEs, sustainability, and capital budgeting: Understanding investment decision patterns. *Sustainability*, 16(3), 1674. <https://doi.org/10.3390/su16031674>

Utami, R., & Hidayat, M. (2023). Financial management training for rural MSMEs: Impact on business efficiency and sustainability. *Journal of Creative Economy Community Service*, 2(1), 33–42.

Wibowo, A., & Wartini, S. (2021). Implementation of simple financial recording for MSMEs in Central Java. *Indonesian Journal of Accounting and Financial Research*, 6(2), 89–102. <https://doi.org/10.32400/jraki.6.2.2021.29745>

Yulianto, A., & Wahyuni, R. (2020). The role of financial management in the sustainability of small businesses in Indonesia. *Journal of Management and Entrepreneurship*, 22(3), 178–189. <https://doi.org/10.9744/jmk.22.3.178>