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Optimization of Financial Literacy Among Micro, Small, and Medium Enterprises Through Simple Financial Management Practices

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Abstract−Micro, Small, and Medium Enterprises (MSMEs) are sectors that have a strategic role in supporting national economic growth, including in Belitung Regency. However, one of the fundamental problems faced by most MSME actors is the low financial literacy and business financial management skills. This condition has an impact on the inability of business actors to manage cash flow, separate personal and business finances, and carry out long-term financial planning effectively. This community service activity aims to improve financial literacy and simple financial management skills for MSME actors in Belitung Regency so that they can manage their businesses in a more professional and competitive manner. The implementation method includes training, mentoring, and direct practice regarding recording financial transactions, preparing simple financial statements, and planning business budgets. This activity was carried out by involving MSME actors from various economic sectors in Belitung Regency. The results of the activity showed an increase in participants' understanding of the importance of financial recording, simple report preparation, and financial management separate from personal finance. Participants also showed high enthusiasm in applying the simple financial planning and recording format provided. Overall, this activity has succeeded in making a real contribution in increasing the capacity and independence of MSME actors in managing business finances. With the increase in financial literacy, it is hoped that MSMEs in Belitung Regency can grow stronger, adaptive, and competitive to face regional and national economic challenges.

Keywords: Financial Literacy; Simple Financial Management; MSSEs; Empowerment; Belitung

1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) constitute an economic sector that plays a vital role in national development. MSMEs not only serve as the backbone of regional economies but also contribute significantly to employment generation, income improvement, and the equitable distribution of welfare. Based on Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises, MSMEs are classified into three main categories: micro enterprises, small enterprises, and medium enterprises. MSMEs have a strategic role in promoting national economic growth and fostering equitable social welfare. According to Tambunan (2012), MSMEs are business actors operating on a small to medium scale and play an important role in creating employment opportunities, reducing unemployment, and increasing public income. Similarly, Bank Indonesia (2015) states that MSMEs are the main pillar of the Indonesian economy due to their dominant number and their ability to absorb more than 90% of the national workforce.

Based on Law Number 20 of 2008, MSMEs are categorized into three main groups; micro, small, and medium enterprises based on asset ownership and annual turnover. This classification indicates that MSMEs encompass a very broad spectrum of businesses, ranging from small-scale household enterprises to businesses with greater production capacity and market reach. Their existence plays a strategic role not only in Gross Domestic Product (GDP) formation but also in employment absorption, poverty reduction, and regional economic development. In many regions with limited large-scale industries, MSMEs function as the primary drivers of local economic activity. Therefore, strengthening MSME capacity remains a key agenda in national and regional development. Despite their strategic importance and adaptive characteristics, MSMEs face various limitations, particularly in managerial and financial management capacity. Many MSME actors still operate their businesses based on experience and intuition without systematic financial record-keeping. Business transactions are often recorded informally or not recorded at all, making it difficult to evaluate financial performance, identify cost structures, or monitor cash flow. In addition, the mixing of personal and business finances remains a common practice that further complicates business management. The Financial Services Authority (OJK, 2020) identifies low financial literacy as one of the primary barriers preventing MSMEs from achieving sustainable growth. Financial literacy encompasses not only basic bookkeeping skills but also financial planning, cost control, cash flow management, and informed decision-making.

Recognizing these challenges, various programs and initiatives aimed at improving MSME financial literacy have been implemented in different regions. Previous community empowerment programs and training activities have generally focused on introducing basic bookkeeping techniques, providing short-term financial management workshops, or offering digital financial recording tools. Several studies report that such programs can increase awareness of financial management and improve participants' understanding of bookkeeping practices. However, many of these initiatives emphasize theoretical instruction or one-time training sessions without sustained mentoring or practical application in real business contexts. As a result, improvements in financial literacy are

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often not consistently translated into long-term behavioral changes in financial management practices. In addition, prior programs frequently adopt standardized training materials that do not fully consider local economic characteristics, business scales, or the specific needs of MSME actors in particular regions. Limited follow-up support and insufficient adaptation to participants' real financial practices often reduce the effectiveness and sustainability of these interventions. Consequently, although previous programs have contributed to raising awareness, gaps remain in terms of practical implementation, contextual relevance, and long-term adoption of simple financial management systems among MSME actors.

Based on these limitations, this community service program is designed to address several important gaps. First, the program emphasizes not only knowledge transfer but also practical application through guided implementation of simple financial management practices in participants' daily business activities. Second, the program adopts a context-based approach that considers the characteristics of MSMEs in Belitung Regency, including business scale, sectoral potential, and local economic conditions. Third, the program integrates training with mentoring and evaluation to support sustained behavioral change in financial management. By focusing on practical usability, contextual adaptation, and continuous assistance, this program aims to produce more sustainable improvements in MSME financial literacy compared to conventional short-term training models. Belitung Regency possesses significant potential for MSME development, particularly in the culinary, handicraft, and tourism sectors that are closely linked to local resources and cultural heritage. The rapid development of tourism has further stimulated MSME growth as providers of supporting goods and services. However, many MSME actors in this region still face substantial challenges in financial management, including limited understanding of systematic bookkeeping, inability to separate personal and business finances, and lack of awareness regarding the importance of financial information for decision-making. These conditions hinder accurate performance evaluation, strategic planning, and access to formal financing.

Therefore, improving financial literacy through practical and contextually relevant financial management implementation is an urgent necessity. This program is expected to generate several benefits. For MSME actors, it aims to enhance their ability to record transactions systematically, manage cash flow effectively, determine business profitability accurately, and make more informed financial decisions. For the local economy, improved financial management capacity is expected to strengthen business sustainability, increase competitiveness, and expand access to financial institutions. From an academic and community development perspective, this program contributes a practical model of financial literacy enhancement that emphasizes contextual adaptation, implementation-based learning, and sustainable mentoring. Based on these considerations, the community service team implemented a program focused on strengthening financial literacy through the application of simple financial management practices among MSME actors in Belitung Regency. The program involved collaboration between the service team, ADAI, and the local government, engaging 35 MSME participants. Through this initiative, MSME actors are expected to improve the quality of business management, strengthen competitiveness, and become better prepared to face dynamic market conditions in a sustainable manner.

2. IMPLEMENTATION METHOD

The implementation of this community service activity adopts a structured and participatory approach that emphasizes practical application in real business contexts. The program was conducted on November 8, 2025, at the UPT PLUT KUKM Office, Belitung Regency, involving 35 MSME actors from various business sectors. These participants represent diverse types of businesses, allowing the program to capture a wide range of financial management practices and challenges commonly faced by small-scale enterprises. The method is designed to ensure that participants not only understand financial literacy concepts but are also able to directly apply simple financial management practices in their daily operations. Therefore, the learning process prioritizes usability and relevance, where each concept introduced is immediately followed by guided practice using real or simulated business data. This approach helps bridge the gap between theoretical understanding and practical implementation, which is often a limitation in conventional training programs.

This activity applies an activity-based and participatory approach, where MSME actors are actively involved throughout all stages, starting from problem identification, training implementation, to evaluation. Participants are encouraged to share their experiences, identify their own financial management constraints, and collaboratively explore solutions during the training sessions. This approach ensures that the program remains closely aligned with the actual needs of participants and increases the likelihood of sustainable behavioral change in financial management practices. In addition, the method integrates educational, mentoring, and collaborative elements to strengthen both knowledge and practical skills. The educational component focuses on delivering fundamental financial literacy concepts, while the mentoring component provides direct assistance to participants in applying financial recording and reporting practices. Meanwhile, the collaborative element fosters interaction among participants, enabling peer learning and the exchange of business experiences, which further enriches the learning process.

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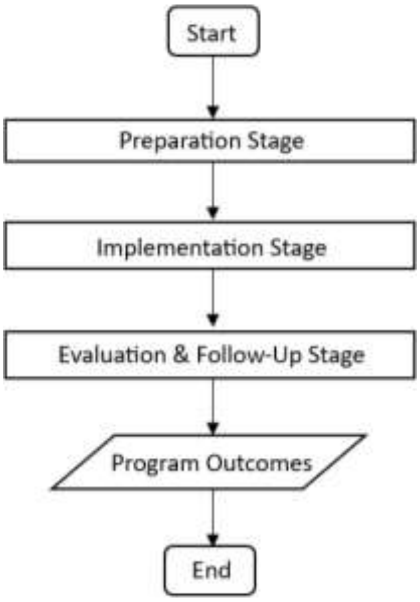
The overall implementation process is systematically divided into three main stages, namely the preparation stage, implementation stage, and evaluation and follow-up stage, as illustrated in Figure 1 (flowchart of activity stages). The preparation stage includes coordination with stakeholders, participant selection, and initial needs assessment to identify baseline conditions. The implementation stage focuses on delivering training materials, conducting hands-on practice, and providing mentoring support. Finally, the evaluation and follow-up stage aims to assess learning outcomes, measure improvements in financial literacy and skills, and formulate recommendations for continued assistance. As illustrated in Figure 1, the flowchart describes a logical and iterative sequence beginning with initial coordination and needs assessment, followed by training and mentoring activities, and ending with evaluation and sustainability planning. This structured flow not only ensures the effectiveness of program implementation but also provides a clear framework for replication in other MSME communities with similar characteristics.



Picture 1. Series of community service activities in a flowchart

As shown in Picture 1, the preparation stage focuses on ensuring that the program is well-designed and targeted. Activities at this stage include coordination with local government institutions and MSME communities to determine participants and activity location. An initial survey (pre-assessment) is conducted to identify the level of financial literacy and key financial management problems faced by MSME actors. Based on these findings, the service team develops training modules, teaching materials, and practical tools such as simple cash book templates and financial report formats tailored to small business characteristics. The implementation stage represents the core of the activity, where knowledge transfer and skill development take place. The program begins with a socialization session to introduce the objectives and benefits of the activity to participants. This is followed by financial literacy training delivered through interactive lectures, discussions, and case-based learning. To enhance understanding, participants are guided through hands-on practice sessions, including recording daily transactions, preparing simple profit and loss statements, and managing cash flow. In addition, a mentoring approach is applied, where participants receive direct assistance in applying financial recording practices based on their respective business conditions. The evaluation and follow-up stage is conducted to measure the effectiveness of the program and ensure sustainability.

Evaluation methods include post-tests, interviews, and direct observation of participants' ability to apply financial management practices. The results of the evaluation are used to assess improvements in knowledge and skills, as well as to identify challenges faced by participants during implementation. Furthermore, follow-up recommendations are formulated to support continuous mentoring and potential program replication in other MSME groups. To support the effectiveness of these stages, several complementary methods are applied. These include field surveys and observations to understand initial conditions, interactive lectures to deliver conceptual understanding, group discussions and case studies to encourage critical thinking, and learning-by-doing practices to strengthen technical skills. Additionally, mentoring and monitoring activities are carried out to ensure that participants consistently apply the knowledge gained. Through the integration of structured stages, participatory approaches, and practical learning methods, this implementation strategy is expected to produce measurable improvements in financial literacy, strengthen financial management behavior, and enhance the sustainability and competitiveness of MSMEs in Belitung Regency.

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3. RESULT & DISCUSSION

3.1 Results of Community Service Activities

The Community Service Activity (CSA) with the theme *"Optimization of Financial Literacy Among Micro, Small, and Medium Enterprises Through Simple Financial Management Practices"* was conducted on November 8, 2025, at the UPT PLUT KUKM Office in Belitung Regency. The program involved 35 MSME actors from diverse business sectors, including culinary enterprises, processed seafood production, handicrafts, retail trade, and tourism support services. These participants were not only recipients of training but also actively engaged throughout the program by sharing their business experiences, identifying financial management challenges, participating in guided bookkeeping exercises, and practicing the preparation of simple financial records based on their own business transactions. This participatory approach ensured that the training directly addressed real operational needs faced by MSMEs. The activity was implemented collaboratively with the Office of Cooperatives, Small and Medium Enterprises, Trade, and Manpower of Belitung Regency as the institutional partner. The partner played a strategic and operational role throughout the program. In the preparation stage, they facilitated participant selection based on business activity and readiness to adopt financial management practices.

During implementation, they provided training facilities, coordinated logistics and scheduling, supported participant engagement, and contributed resource persons familiar with local MSME development programs. In the evaluation phase, the partner was directly involved in assessing participant progress, gathering feedback, and identifying potential follow-up mentoring needs. Their active involvement ensured alignment between the training content and regional MSME development priorities, while also strengthening institutional support for the sustainability of program outcomes. Overall, the activity was implemented smoothly and received positive responses from both participants and partners.

The results demonstrate measurable improvements in financial literacy understanding, shifts in attitudes toward the importance of financial management, enhanced practical bookkeeping skills, and increased readiness among MSME actors to implement structured and consistent financial recording in their daily business operations. The participation of partners and the target community in this program was not merely passive but actively embedded in all stages of the activity. MSME actors contributed to identifying real financial management problems during the initial assessment, actively engaged in discussions and hands-on exercises during the training sessions, and participated in evaluation activities through feedback, reflection, and post-test assessments. Meanwhile, institutional partners played a dual role as facilitators and co-implementers by supporting participant mobilization, providing facilities, and contributing to the sustainability planning of the program. This collaborative participation ensured that the program was contextually relevant, practically applicable, and aligned with local MSME development needs.

3.1.1 Overview of the Location and Activity Participants

Belitung Regency has significant economic potential, particularly through tourism-driven MSME development. Many businesses are independently managed by local communities and operate on a small scale. However, managerial and financial practices are still largely traditional and informal. Most participants were micro and small business owners who had operated their businesses for 2–10 years. The majority had never attended formal financial training and relied primarily on experience in managing their finances. A preliminary survey and initial discussion revealed several baseline conditions:

a. Most MSMEs did not maintain structured financial records
b. Business and personal finances were commonly mixed
c. Participants did not prepare profit–loss or cash flow statements
d. Financial decisions were based mainly on sales turnover rather than actual profit

These findings formed the basis for designing training materials tailored to the real needs of the target community.

3.1.2 Implementation of Basic Financial Management Training

Simple financial management training is conducted through interactive lectures, group discussions, case studies, and hands-on practice. The material is presented in simple and contextual language, tailored to the characteristics of the participants' businesses. The main focus of the training includes:

a. Basic understanding of financial literacy for MSMEs
b. The importance of separating personal and business finances
c. Recording daily financial transactions
d. Preparing simple profit and loss statements
e. Managing cash flow and business financial planning

During the training session, participants demonstrated a high level of enthusiasm and engagement throughout the activity. This was clearly reflected in their active participation during discussions, the large number

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of questions raised, and their strong motivation when practicing financial record-keeping exercises. Many participants not only asked for clarification about the material presented but also shared their own business experiences, particularly regarding the challenges they face in managing daily financial transactions. This interactive exchange created a dynamic learning environment in which participants could relate the training content directly to their real business situations. In addition to the discussion sessions, participants showed seriousness and commitment during the practical exercises. They carefully followed the step-by-step guidance provided by the facilitators and attempted to apply the recording techniques using examples from their own businesses. Some participants even requested additional practice time to ensure they fully understood the procedures for documenting income, expenses, and calculating simple profit or loss. This indicates that the training not only attracted attention but also fostered meaningful learning and skill development.

To support the practical learning process, participants were provided with a simple and user-friendly cash book template designed to suit small-scale business operations. The template was accompanied by examples of basic financial statements presented in a clear and easy-to-understand format. These materials were specifically developed to ensure that participants could immediately apply the knowledge gained during the training to their daily business activities without requiring complex accounting knowledge. Participants were also encouraged to continue using the templates after the training as part of their routine financial management practices. Overall, the training atmosphere was highly participatory, with strong interaction between the research team and participants. The combination of material presentation, guided practice, and open discussion helped participants better understand the importance of proper financial recording for business sustainability. The presentation and discussion activities carried out by the research team with the participant group can be seen in the following photo as Picture 2:

Picture 2. Financial Literacy Material Presentation

The training and discussion activities can be observed in Picture 2, which illustrates the direct interaction between facilitators and participants during the financial literacy session. As seen in the figure, participants are actively engaged in listening to explanations, asking questions, and participating in guided discussions. This visual evidence supports the observation that the learning process was highly participatory and interactive, which contributed to better understanding and skill acquisition among participants.

3.1.3 Improving Financial Literacy Understanding and Awareness

One of the main outcomes of this activity is the increased understanding of participants regarding the importance of financial literacy in business management. This improvement is reflected not only in conceptual comprehension but also in several concrete learning outputs generated during the training. These include completed post-test assessments, guided financial literacy worksheets, and participant-generated examples of simple financial calculations based on their own business cases. Before the training, most participants perceived financial record-keeping as complicated and of limited importance. After the training, however, participants demonstrated the ability to explain the function of financial records and to identify how such records support business decision-making. Evaluation results from structured discussions and post-tests indicate measurable gains in participants' understanding of basic financial concepts, including profit, cash flow, business capital, and operating costs. As a direct learning output, participants were able to distinguish between revenue and profit, identify major cost components in their businesses, and explain why available cash does not necessarily represent actual profit after accounting for expenses and financial obligations. These conceptual clarifications were documented through written exercises and group presentations conducted at the end of the session.

In addition to cognitive gains, the program produced important awareness-related outputs. Participants demonstrated increased recognition of the need to separate personal and business finances, which was reflected in their responses to reflective questionnaires and commitment statements completed after the training. Many participants acknowledged that they had previously used business funds for personal needs without proper documentation. Through the training, they became aware that such practices can disrupt financial stability and hinder business performance evaluation. As an outcome, several participants formulated practical action plans, such as creating separate cash records or allocating distinct accounts for business and personal transactions.

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Overall, the program generated both measurable learning outputs (test results, worksheets, and financial practice exercises) and behavioral readiness indicators (awareness reflections and financial management commitments), demonstrating meaningful improvements in financial literacy understanding and awareness among participants.

3.1.4 Improvement of Participants' Practical Skills

In addition to improving conceptual understanding, this PKM activity also produced tangible outputs related to the enhancement of participants' practical skills in managing business finances. These outputs are reflected in the financial recording documents and practice-based assignments completed during the training sessions. Most participants successfully produced simple daily transaction logs, structured records of business income and expenses, and basic profit and loss statements using guided templates provided by the facilitators. These completed financial recording formats serve as direct evidence of participants' ability to apply the bookkeeping techniques introduced in the training. Participants were also trained to calculate net business profit by incorporating all relevant operational costs, including raw materials, labor, utilities, and other routine expenses. As a practical output, participants completed cost-identification worksheets and profit calculation exercises based on their own business data. This enabled them to move beyond merely observing sales turnover and instead evaluate actual profitability. The resulting financial summaries prepared during the training demonstrate participants' ability to assess business performance more objectively and make financially informed decisions.

Another important output of the program is participants' readiness to adopt more structured and technology-assisted financial recording practices. Several participants produced trial digital records using spreadsheet templates introduced during the training, while others explored the use of simple bookkeeping applications for small businesses. These trial digital records and technology adoption plans represent early-stage implementation outputs, indicating participants' willingness to integrate digital tools into their financial management routines. Overall, the activity generated multiple forms of practical skill outputs, including completed bookkeeping templates, cost and profit calculation worksheets, draft financial statements, and initial digital financial records. These outputs demonstrate not only skill acquisition but also participants' readiness to apply systematic and sustainable financial management practices in their daily business operations.

3.1.5 Program Outputs

The community service program produced several tangible and intangible outputs that reflect both learning achievements and practical implementation readiness. Tangible outputs include:

a. Completed simple financial recording templates such as daily cash books, income-expense records, and basic profit and loss statements;
b. Financial literacy worksheets and post-test results demonstrating improved conceptual understanding;
c. Participant-generated financial calculation exercises based on real business cases; and
d. Initial digital bookkeeping trials using spreadsheet formats or simple financial applications.

In addition, intangible outputs were also observed in the form of increased awareness, behavioral commitment, and managerial mindset transformation. Participants showed readiness to separate personal and business finances, maintain consistent financial records, and utilize financial information for decision-making. These outputs indicate that the program not only transferred knowledge but also successfully initiated sustainable financial management practices among MSME actors.

3.1.6 Partner Response and Evaluation

The activity partner, namely the Office of Cooperatives, Small and Medium Enterprises, Trade, and Manpower of Belitung Regency, highly appreciates the implementation of this activity. According to the partner, this financial literacy training is very relevant to the needs of MSMEs in Belitung Regency and is expected to become a sustainable program. Participants also provided positive feedback, especially regarding the method of delivering the material, which is easy to understand and can be applied immediately. Participants hope that similar activities can be held periodically with advanced topics, such as MSME tax planning, business debt management, and the use of digital financial technology. The activity partner, namely the Office of Cooperatives, Small and Medium Enterprises, Trade, and Manpower of Belitung Regency, highly appreciates the implementation of this activity.

According to the partner, this financial literacy training is highly relevant to the needs of MSMEs in Belitung Regency and has strong potential to be developed into a sustainable and structured capacity-building program. As a follow-up implication, the partner expressed interest in integrating similar financial literacy training into routine MSME empowerment initiatives, including periodic mentoring sessions and tiered training programs that progress from basic to intermediate and advanced financial management competencies. From an institutional perspective, the results of this activity provide an evidence-based foundation for expanding collaboration between training providers and local government agencies. Possible follow-up actions include organizing regular monitoring and evaluation of participants' financial record-keeping practices, providing technical assistance for MSMEs that begin implementing structured bookkeeping, and facilitating peer learning groups where participants

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can share experiences and challenges in applying financial management practices. The partner also indicated the potential to replicate the training model in other MSME clusters within the region to broaden program impact.

Participants also provided positive feedback, particularly regarding the practical and easy-to-understand training methods that could be directly applied to their business operations. Their responses suggest strong demand for continued assistance beyond introductory training. As a result, a key implication for follow-up programming is the development of advanced thematic workshops, such as MSME tax planning, business debt management, financial planning for business expansion, and the utilization of digital financial technology for bookkeeping and reporting. Participants also expressed interest in hands-on mentoring or coaching sessions that would support them during the early stages of implementing new financial recording systems. Overall, the positive response from both institutional partners and participants indicates the need for a structured follow-up framework that includes advanced training modules, ongoing mentoring, periodic evaluation, and program replication. This response reflects not only participants' satisfaction with the program but also their recognition of the relevance and practical benefits of the training for their business activities. The strong engagement observed during the sessions suggests that MSME actors are highly receptive to capacity-building initiatives, particularly those that are practical and directly applicable.

These follow-up actions are expected to strengthen the sustainability of financial literacy improvements and support long-term enhancement of MSME financial management practices. In addition, continuous mentoring and periodic evaluation are essential to ensure that the knowledge and skills acquired during the training are consistently applied and further developed over time. Such a structured follow-up approach can also help identify new challenges faced by participants as their businesses grow and evolve, allowing for more adaptive and responsive support programs. The evaluation session conducted by the research team with the participant group after the Basic Financial Management Training can be seen in Picture 3, which illustrates the interactive discussion and feedback process between participants and facilitators. The image reflects the participatory nature of the evaluation stage, where participants actively share their experiences, express their understanding, and discuss the challenges encountered during the implementation of financial management practices.

Picture 3. Discussion Session With Participants

The evaluation and discussion session conducted after the training is presented in Picture 3. The figure shows participants engaging in reflective discussions with the facilitators, sharing their experiences, challenges, and understanding after the training. This session played an important role in reinforcing learning outcomes, validating participants' comprehension, and identifying areas that require further mentoring. The interaction depicted in the image indicates that the evaluation process was conducted in a participatory and feedback-oriented manner. These findings imply that short-term financial literacy training should be complemented with structured and continuous mentoring programs to ensure sustainability. In the long term, this model can be institutionalized through collaboration between universities, local governments, and MSME communities.

Furthermore, the integration of digital financial tools and tiered training modules (basic, intermediate, advanced) is recommended to support progressive capacity building. This program also has the potential to be replicated in other regions with similar MSME characteristics, thereby expanding its impact on a broader scale. To further illustrate the impact of the program, a comparison between conditions before and after the activity is summarized in Table 1. The comparison highlights improvements across key indicators, including financial knowledge, recording practices, financial discipline, and decision-making capability. This structured comparison provides clear evidence that the mentoring approach contributed to measurable cognitive, behavioral, and managerial changes among MSME participants.

Table 1. Comparison of MSME Financial Literacy and Management Practices Before and After the Program

No	Indicator	Before (Number of participants)	After (Number of Participants)
1	Understanding of financial literacy	11	30

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No	Indicator	Before (Number of participants)	After (Number of Participants)
2	Financial record-keeping practice	7	28
3	Separation of personal & business finance	9	26
4	Ability to prepare financial reports	5	25
5	Use of financial information for decision making	7	27

Table 1 illustrates a significant improvement in participants' financial literacy and management practices after the implementation of the program. Prior to the activity, most MSME actors had limited understanding and did not apply structured financial management practices. After the training and mentoring sessions, there was a substantial increase across all indicators, particularly in financial record-keeping and understanding of financial concepts. This demonstrates the effectiveness of the participatory and practice-based approach used in the program.

3.1.7 Financial Literacy as the Foundation for MSME Sustainability

The results of this PKM activity demonstrate that financial literacy plays a critical role in enhancing the capacity and sustainability of MSMEs, particularly when support is delivered through structured mentoring. A clear comparison of conditions before and after the activity shows meaningful changes in participants' knowledge, attitudes, and financial management practices. Before the mentoring program, most participants had limited understanding of basic financial management principles. Financial recording was generally informal or absent, business and personal finances were often mixed, and business performance was typically assessed only based on sales turnover rather than actual profit. Many participants were unable to identify operational costs in detail, did not calculate net profit accurately, and rarely used financial information as a basis for decision-making. In addition, financial management was often viewed as an administrative burden rather than a strategic tool for business growth.

After participating in the mentoring activities, participants demonstrated significant improvements in both understanding and practice. They showed greater ability to explain key financial concepts, identify cost components, and distinguish between revenue, profit, and cash flow. More importantly, these improvements were reflected in behavioral changes. Participants began maintaining structured transaction records, separating personal and business finances, and using simple financial reports to evaluate business performance. Several participants also expressed readiness to adopt digital recording tools, indicating increased confidence in applying more systematic financial management methods. The mentoring process also produced a noticeable shift in mindset. Prior to the program, many MSME actors managed their businesses primarily based on habit and daily operational needs. After the program, they increasingly viewed financial management as an essential component of business sustainability and growth. Participants began to recognize their businesses as economic entities that require planning, monitoring, and evaluation, even at a small scale. This change in perspective suggests that the program contributed not only to technical skill development but also to the strengthening of managerial awareness and professionalism.

These findings reinforce evidence from previous studies that identify low financial literacy as a major constraint on MSME performance. However, the results of this activity indicate that when MSME actors receive practical, needs-based mentoring, improvements can occur relatively quickly both in knowledge acquisition and in the adoption of more structured financial management practices. Overall, the comparison between pre- and post-mentoring conditions shows that the program generated measurable cognitive improvements, observable behavioral changes, and a positive transformation in participants' managerial mindset, all of which support stronger business capacity and long-term sustainability.

3.1.8 The Relevance of Simple Financial Management for MSMEs

The mentoring results indicate that a simple financial management approach is highly effective for MSMEs in Belitung Regency, particularly when training materials are closely aligned with participants' real business conditions. A comparison of conditions before and after the mentoring activities highlights clear practical changes in how participants perceive and implement financial management. Before the mentoring program, many participants believed that proper financial management required complex accounting systems that were difficult to understand and time-consuming to implement. As a result, most of them did not maintain consistent financial records and relied primarily on memory or informal notes to track business transactions. Financial management was often seen as unnecessary for small-scale businesses, leading to irregular recording habits and limited financial planning.

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After the mentoring activities introduced simple and practical recording methods, participants demonstrated greater acceptance and consistent use of basic financial management practices. They recognized that effective financial control does not require complex systems, but rather clear, structured, and manageable recording procedures suited to their operational capacity. Participants became more confident in using simple transaction logs, expense tracking formats, and basic profit calculations as part of their routine business activities. The mentoring process also strengthened the development of sustainable financial habits. Prior to the program, financial recording was sporadic and reactive, usually conducted only when problems arose. After the program, participants began practicing regular and systematic recording as a preventive and planning tool. This shift indicates the emergence of financial discipline, which is essential for monitoring business performance and preparing for future business decisions.

Furthermore, consistent application of simple financial management has encouraged participants to think more strategically about their business development. With clearer financial information available, they are better able to plan for reinvestment, control spending, and anticipate future financial needs. In this way, simple financial management functions as an entry point toward more structured and professional business management practices. Overall, the comparison between pre- and post-mentoring conditions shows that introducing practical and context-appropriate financial management tools not only improves technical skills but also fosters long-term behavioral change, financial discipline, and greater readiness for business growth.

3.1.9 Implications for MSME Competitiveness

The improvement in financial literacy and practical financial management skills acquired by participants has direct implications for the competitiveness of MSMEs, as reflected in clear differences between conditions before and after the mentoring activities. Prior to the program, many participants lacked structured financial records, making it difficult to identify actual production costs, determine appropriate selling prices, or evaluate business performance accurately. Pricing decisions were often based on market habits or intuition rather than cost calculations, and business expansion planning was rarely supported by reliable financial information. After the mentoring activities, participants demonstrated greater ability to organize financial records systematically and use them as a basis for decision-making. With clearer transaction records and simple financial reports, they are now better able to identify cost structures, calculate profit margins more accurately, and set selling prices in a more rational and competitive manner. This shift enables MSME actors to manage their businesses more strategically, reduce financial uncertainty, and plan business development in a more measured and sustainable way.

The impact is also evident in participants' readiness to access external financing. Before the program, many MSMEs did not possess documented financial reports, which limited their ability to meet administrative and feasibility requirements when applying for funding from formal financial institutions. After the mentoring activities, participants began producing simple but structured financial reports that can serve as supporting documents for loan applications or partnership proposals. These records improve business credibility and demonstrate financial accountability, both of which are important factors in financing decisions. Overall, the transition from informal and undocumented financial practices to structured financial reporting represents a significant step toward strengthening MSME competitiveness. The ability to manage finances transparently and systematically not only supports more effective internal decision-making but also enhances external trust, contributing to the long-term goal of MSME empowerment namely, the development of independent, bankable, and sustainable businesses.

3.1.10 Challenges and Opportunities for Program Sustainability

Although this activity has shown positive results, there are still challenges in ensuring the sustainability of simple financial management practices by MSME actors. The main challenge lies in the consistency of business actors in recording regularly and diligently. Therefore, continued assistance and synergy between universities, local government, and the MSME community are needed. This PKM activity can serve as an initial step in building a sustainable MSME financial learning ecosystem in Belitung Regency. Following the research team's activities at the Belitung KUKM PLUT UPT Office, the team held a group photo session with participants in front of the Belitung KUKM PLUT UPT Office. The group photo is shown below as Picture 4:

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Picture 4. Photo in front of the UPT PLUT KUKM Belitung Office

As documented in Picture 4, the group photo session marks the completion of the community service activity and reflects the strong collaboration established between the research team, institutional partners, and MSME participants. Beyond documentation purposes, the figure symbolizes participant engagement and program acceptance, indicating a positive response and a shared commitment to applying the knowledge gained during the training in their respective business practices.

4. CONCLUSION

Community Service Activities (CSA) themed "Optimization of Financial Literacy Among Micro, Small, and Medium Enterprises Through Simple Financial Management Practices " were successfully implemented and generated meaningful positive impacts for MSME actors as partners, particularly in enhancing their financial knowledge, awareness, and practical skills in managing business finances in a more orderly, systematic, and sustainable manner. The training effectively addressed fundamental challenges previously faced by participants such as low financial literacy, lack of transaction records, and the mixing of personal and business finances by fostering practical understanding of financial recording, cash flow management, and performance evaluation. Participants also demonstrated increased awareness of professional financial practices and showed strong engagement during training, including interest in adopting digital financial tools. In the medium term, improved financial literacy is expected to promote more disciplined and strategic business management, strengthen financial transparency, and expand access to formal financing. Overall, this activity has contributed significantly to enhancing the capacity, independence, and competitiveness of MSMEs in Belitung Regency, while highlighting the importance of continuous training and mentoring to ensure sustained behavioral change and long-term economic benefits for both business actors and the wider regional economy.

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