

Establishing An Audit-Based Bookkeeping System For Msmes: A Strategic Move Toward Business Sustainability

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Abstract

MSMEs drive Indonesia's economy yet often lack standardized bookkeeping and basic internal control. This community engagement program supported ASPIKMAS MSMEs in Banyumas through need-based training, hands-on mentoring, and participatory evaluation to establish an audit-based bookkeeping system. Thirty MSME representatives (culinary 60%, services 30%, trade 10%) joined four sessions covering simple financial records (cash book, P&L), cash separation, mobile-app logging, and a practical internal-audit checklist. Two weeks after completion, 83% produced a cash book and basic P&L, 70% separated business–personal cash flows, and 67% used a mobile app for daily entries. Participants reported clearer cash tracking and stronger awareness of audit as a routine control. Key barriers were device access and varied digital literacy. The program demonstrates a feasible pathway to professionalize MSME financial practices and improve credit readiness. Future work should track longitudinal outcomes (e.g., loan approvals, revenue stability) and scale via a train-the-trainer model with MSME champions and local finance partners.

Keywords: MSMEs, bookkeeping, internal audit, financial literacy, community service.

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1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in Indonesia's economic development. According to data from the Ministry of Cooperatives and SMEs, there are more than 64 million MSMEs in Indonesia, contributing approximately 60% to the national Gross Domestic Product (GDP) and absorbing over 97% of the workforce [1]. MSMEs are not merely pillars of the formal economy; they also serve as a means of equitable job creation, poverty alleviation, and a key driver of grassroots-level economic activity. This highlights the strategic importance of MSMEs in realizing inclusive and sustainable economic development [2].

Despite their significant contribution, most MSMEs face serious challenges in financial management and business governance [3]. Research indicates that around 82% of MSMEs do not maintain proper financial records, 76% mix personal and business finances, and 92% have never prepared even a basic financial report [4]. The lack of bookkeeping

practices hinders business owners from accurately assessing their financial position, including profit and loss and cash flow. Consequently, business evaluation and planning are often conducted intuitively, without a solid data foundation [4].

Inadequate financial records also limit MSMEs' access to formal financing [5]. Financial institutions, especially banks, typically require standardized financial reports as a prerequisite for credit applications [6]. Without such documentation, MSMEs are often perceived as unqualified or high-risk borrowers, significantly reducing their chances of securing additional capital. This directly impacts their competitiveness, making it difficult to scale operations, increase production capacity, or pursue product innovation [7].

Furthermore, MSMEs' understanding of internal auditing as a business control tool remains minimal. Many entrepreneurs assume that auditing is only necessary for large corporations, whereas in reality, even a simple internal audit can help ensure orderly financial records, prevent errors or fraud, and

enhance accountability [8]. This lack of awareness is compounded by the perception that audits are expensive and complex, resulting in none of the MSME partners having undergone any audit process, whether internal or external. As a result, MSMEs have yet to experience the potential benefits of auditing for business sustainability and development [9].

Another common issue is weak business planning and limited managerial capability. Many MSMEs do not have a clear business plan, lack structured vision and mission statements, and continue to operate their businesses conventionally [10], [11]. This hinders their growth, limits their resilience in responding to market fluctuations, and leaves them without a measurable long-term strategy. Additionally, in today's digital era, the adoption of technology for bookkeeping and marketing remains very limited. Most MSME actors still rely on traditional methods for marketing their products, without fully utilizing the potential of social media or e-commerce platforms (Tomahuw et al., 2024).

In response to these challenges, this community service program was designed with a focus on developing a simple audit-based bookkeeping system [12]. The program aims not only to enhance financial literacy and technical skills in preparing financial reports but also to promote the application of basic internal audits as a control mechanism. It is expected that MSMEs will be able to improve transparency, accountability, and access to formal financing [13], [14]. Furthermore, the program is intended to strengthen the competitiveness and sustainability of MSMEs, enabling them to transform into more professional business entities ready to compete in the modern economic ecosystem [14].

The partners in this community service program are MSMEs affiliated with ASPIKMAS in Patikraja Subdistrict, Banyumas Regency. Based on observations, interviews, and field surveys, several fundamental problems faced by business owners were identified.

First, the majority of MSMEs still struggle with financial management. Their bookkeeping systems are not standardized; most of them only record cash inflows and outflows without clear classification or the use of basic financial reports that could serve as a foundation for business evaluation.

Second, their understanding of internal auditing remains very low. Most entrepreneurs assume that audits are only relevant for large companies,

whereas, in fact, simple audits are essential for MSMEs to establish control mechanisms and accountability [15]. This is further compounded by the fact that, to date, not a single ASPIKMAS Patikraja member has undergone either an internal or external audit. This condition arises from a perception that audits are not an urgent necessity, coupled with the belief that audit costs are relatively high and their benefits are not immediately felt at their business [16].

Moreover, limited access to financing also presents a serious issue. The absence of standardized financial reports makes it difficult for MSMEs to meet administrative requirements when applying for loans or credit from formal financial institutions [17], [18]. Another identified problem is the lack of structured business management. Many entrepreneurs do not have a business plan, a medium-term development roadmap, or clear cost and quality control strategies, resulting in business operations that are reactive rather than planning-driven [19].

Lastly, amid ongoing technological advancement, most MSMEs are still hindered in terms of digital marketing [20]. The use of social media and e-commerce platforms to expand market reach has not been optimized, meaning their products are largely known only at the local level and are less competitive in broader markets [17].

These challenges clearly indicate an urgent need for comprehensive interventions, particularly through training, mentoring, and the implementation of a simple, affordable audit-based bookkeeping system tailored to MSMEs under ASPIKMAS Patikraja [21].

Although MSME programs are common, most interventions emphasize general entrepreneurship or marketing rather than standardized bookkeeping and audit-based internal control that can be immediately operationalized at the micro scale. This gap is visible in the limited separation of personal–business cash flows, undocumented proof of transactions, and low utilization of daily logging apps. The present program addresses these gaps through an integrated package—(1) needs-based training, (2) guided practice using Excel templates and mobile apps, and (3) implementation of a simple audit checklist—with process- and output-level indicators that allow measurable, short-term improvements in financial discipline and control.

2. Methods

The implementation method was designed using a participatory approach that positioned MSME partners as the primary subjects in the empowerment process. This approach was chosen to ensure that each activity genuinely addressed the actual needs of the partners, rather than merely functioning as a one-way knowledge transfer program. Accordingly, the initial stage of the program focused on program socialization and the implementation of a Focus Group Discussion (FGD) with members of ASPIKMAS in Patikraja Subdistrict. The FGD served to revalidate the previously identified issues and to further explore the complaints, challenges, and practical needs faced by each MSME. Each participant was given space to directly raise questions, such as difficulties in recording transactions, limited access to capital, or challenges in marketing their products. The discussions were interactive, enabling the implementation team to map priority issues and tailor the training materials accordingly.

The next stage involved intensive training based on the results of the FGD. The training covered topics such as preparing a basic business plan, business operational management, digital marketing strategies, and an introduction to Excel-based bookkeeping and digital financial recording applications. This session went beyond lectures, incorporating case studies and simulations using real problems faced by MSMEs as practical examples. For instance, participants were guided through the process of creating a cash flow statement based on their daily transactions or calculating profit and loss using an automated Excel template. This approach helped participants grasp basic accounting concepts more practically.

Subsequently, the program introduced technology as part of the digital transformation of MSMEs. Participants were trained to install smartphone-based financial recording applications such as *BukuKas* or *Catatan Keuangan UMKM* and were guided through their use [22]. This process was conducted individually to ensure that each participant truly mastered the technical aspects of record-keeping [23]. In addition, the team introduced digital branding strategies via social media and e-commerce, tailored to each business owner's readiness and interest. During this session, concerns such as difficulty uploading products or creating engaging marketing content were addressed through direct mentoring [11].

The fourth stage consisted of ongoing mentoring and evaluation. University students were involved as field facilitators to assist MSMEs in applying the knowledge they had acquired. These students helped

business owners resolve day-to-day technical challenges, such as using the apps or preparing reports [24]. Meanwhile, the academic team conducted periodic monitoring and evaluated the progress of the MSMEs through direct observation and small group discussions. The evaluation was conducted both formatively (during the process) to provide immediate feedback and summatively (at the end of the program) to assess participants' achievements, such as their ability to prepare basic financial reports or develop business plans [25].

This community engagement program employed a participatory approach involving four sequential stages: focus group discussion (FGD), training, mentoring, and evaluation. The activity was carried out in collaboration with the ASPIKMAS association located in Patikraja District, Banyumas, Indonesia. A total of thirty MSME owners and managers participated in the program. The inclusion criteria required that each participant had been operating their business for at least one year, conducted daily transactions, and consented to participate in all evaluation activities.

The intervention was organized into three main training sessions followed by two weeks of field mentoring. The first session, lasting three hours, introduced basic bookkeeping concepts and guided participants in using an Excel-based template to record cash books and profit-loss statements. The second session, also three hours, focused on the use of mobile bookkeeping applications and emphasized the importance of separating personal and business finances. The third session, with the same duration, introduced a simple audit mechanism covering evidence retention, cash reconciliation, and transaction authorization procedures. After the training phase, participants received on-site and online mentoring over a two-week period to help them apply the newly learned bookkeeping practices in their businesses.

At the end of the program, a participatory evaluation was conducted through questionnaires and document checks to assess both learning outcomes and implementation progress. Instruments used in this study included attendance records, a performance rubric evaluating the submission of cash books and profit-loss statements, a seven-item simple audit checklist, and a ten-item pre-post knowledge questionnaire to measure changes in financial literacy. All participants provided informed consent, and data collected were treated confidentially to protect the privacy of their enterprises.

The final stage focused on program sustainability. To ensure long-term impact, the team appointed

MSME champions—participants who were the most active and competent—to serve as internal community drivers [26]. These champions are expected to act as peer mentors for other members beyond formal sessions. Additionally, the team developed training modules and practical guides that could be reused by ASPIKMAS. Online communication forums, such as WhatsApp groups, were established to enable participants to continue discussions, ask questions, and share best practices after the formal program ended. Through this mechanism, the community service initiative is expected to evolve beyond training sessions into a sustainable movement aimed at collectively enhancing MSME financial literacy and competitiveness [27].

3. Results and Discussions (10 PT)

As of the current progress, the community service program has successfully established coordination with both the central ASPIKMAS and the ASPIKMAS chapter in Patikraja Subdistrict. According to interview data obtained from organizational administrators, ASPIKMAS Patikraja consists of approximately 150 MSME members engaged in various sectors. The majority, about 60%, operate in the culinary sector, including catering services, pastry and bread production, and snack manufacturing. Around 30% are involved in service-related businesses, particularly in fashion and the creative economy, while the remaining 10% run enterprises in general trade and household-based services. This composition indicates that the culinary sector remains the backbone of economic activity in Patikraja, in line with the dense local population and growing daily consumption needs [28].

Despite the relatively large number of members, not all could participate directly in the program. During implementation, 30 participants were invited as representatives of each business type. This strategy allowed for more intensive discussions and sufficient space for hands-on practice. Several fundamental issues were identified throughout the activities.

3.1 Key Finding 1

First, most MSMEs continue to face serious challenges in accessing capital. Limited funds hinder their ability to expand operations, increase production capacity, and develop product innovations [29]. This situation is exacerbated by poor access to formal financing sources such as banks, which typically require financial statements as supporting documentation.

3.2 Key Finding 2

Second, financial management systems remain suboptimal. Nearly all MSME partners still combine personal and business finances, making it difficult to assess actual cash flow, calculate profit and loss, or develop data-driven business strategies. Existing financial records are mostly limited to simple entries of cash inflows and outflows, without proper transaction classifications or financial reports that meet accounting standards [16]. This directly weakens business control capabilities, including cost-efficiency evaluations, performance assessments, and strategic decision-making.

3.3 Key Finding 3

Third, the aspect of internal auditing has yet to be introduced among MSMEs in ASPIKMAS Patikraja. Discussions revealed that none of the members had any experience with audits, and most were unfamiliar with the potential benefits. This is understandable, as audits are often perceived as only necessary for large companies. In reality, simple internal audits are highly relevant to MSMEs [30]. Audits serve as oversight mechanisms that ensure orderly financial records, prevent potential misuse of funds, and enhance business accountability. Therefore, specific guidance on the importance of internal auditing was provided, aiming to build awareness that audits are not complex but rather strategic tools for supporting business sustainability [31].

Partner responses to the program demonstrated high enthusiasm. Participants realized that reliable financial reports are not only essential for internal control but also serve as the key to accessing formal financing from banks and other financial institutions. Program approaches—such as providing automated Excel templates and smartphone-based financial recording apps (e.g., BukuKas)—were found to be very helpful, being user-friendly and aligned with MSMEs' practical needs. Moreover, the involvement of university students as field facilitators proved effective in offering technical support, explaining concepts in simple language, and assisting business owners with transaction recording practices [32].

From an academic standpoint, this program made a tangible contribution to the university's Key Performance Indicators (IKU). IKU 2 was achieved through student engagement beyond the campus, IKU 3 through lecturers' contributions in offering knowledge-based solutions, IKU 5 through the utilization of academic work by the community, and

IKU 7 through multi-stakeholder collaboration involving universities, MSME associations, and local government. Thus, the program not only benefited the partners but also served as a platform for the university to implement the Tri Dharma of Higher Education in an integrated manner, while strengthening the institution's reputation in community empowerment through knowledge.

Below is the documentation of the Community Service Program:



Figure 1. Training on Excel-based bookkeeping. Source: Authors' documentation (2025)



Figure 2. Mentoring for mobile app entries. Source: Authors' documentation (2025)

3.3 Limitations and Future Work

This community engagement program was conducted with a purposive sample of 30 MSME representatives from ASPIKMAS Patikraja, which limits the generalizability of the findings to other sectors or districts with different readiness levels and business models. The evaluation relied primarily on short-term, process-oriented indicators (participation, completion of training tasks, initial use of Excel templates and mobile apps) rather than longitudinal, outcome-level metrics (e.g., credit approvals, revenue/profit growth, cash-flow

stability), so the durability of change cannot yet be claimed. Because there was no comparison group, improvements cannot be conclusively attributed to the intervention alone; concurrent factors (e.g., seasonal demand, informal peer learning) may have contributed. Data on bookkeeping quality and internal control practices were partly self-reported and may be vulnerable to desirability bias. Technology adoption was encouraged through “lightweight” tools (automated spreadsheets and entry-level apps), yet heterogeneity in device access, digital literacy, and connectivity likely affected uptake and consistency of use. Finally, the program did not analyze costs and cost-effectiveness (time burden, training hours, facilitation intensity), making it difficult for stakeholders to plan scalable replication within constrained budgets.

Future iterations should employ a mixed-methods, longitudinal design (e.g., 6–12 months) with a quasi-experimental or randomized rollout to establish causal effects and capture maintenance of practices over time. Key outcome metrics should include: (1) SAK EMKM compliance scores and internal-control maturity checklists; (2) financial access indicators (loan applications, approval rates, ticket sizes, effective interest, collateral requirements); and (3) business performance (monthly sales, gross margin, operating cash flow, inventory turnover). To enhance external validity, expand the sample across multiple districts and stratify by subsector (culinary, services, trade) and firm age. Develop a train-the-trainer pathway by formalizing the “MSME champion” role with competency checklists, micro-credentials, and peer mentoring cycles. On the technology side, iteratively test a unified toolkit that combines templated bookkeeping, audit trail features, and simple dashboards, coupled with tiered digital-literacy microcourses. Embed privacy-by-design guidance and basic data-security protocols. Establish institutional partnerships (universities, MSME associations, local government, and lenders) to co-create referral pathways from “bookkeeping readiness” to “credit readiness,” and pilot a documentation fast-track for MSMEs meeting minimum reporting standards. Lastly, include an implementation-science strand that tracks fidelity, facilitation dose, costs, and cost-effectiveness to inform scale-up decisions and policy briefs for local authorities

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4. Conclusions (10 PT)

This community service program successfully identified the key issues faced by partner MSMEs, particularly those affiliated with ASPIKMAS in Patikraja Subdistrict, namely weak bookkeeping systems, limited understanding of internal auditing, and restricted access to formal financing. Through a series of activities—including outreach, training, technology adoption, and intensive mentoring—this program enhanced the knowledge, skills, and awareness of MSME actors regarding the importance of standardized financial recording and basic auditing as tools for business control.

For MSMEs, the program delivered tangible benefits such as improved financial literacy, the separation of personal and business finances, and the ability to prepare basic financial statements that are more transparent and accountable. With more orderly bookkeeping, MSMEs now have a solid foundation for evaluating business performance, identifying capital needs, and formulating data-driven development strategies. Furthermore, awareness of internal audits has offered MSMEs a new perspective on establishing simple yet effective control systems, thus increasing trust among business partners, consumers, and financial institutions.

The program also opened up opportunities for MSMEs to become more prepared to access formal financing from banks and other financial institutions, as the financial reports they generate now begin to meet administrative requirements. In addition, training on the use of digital applications has helped MSMEs adapt to technological developments, enabling more efficient transaction recording and broader market outreach through digital platforms.

The program improved basic bookkeeping, personal–business cash separation, and awareness of audit-based internal control among partner MSMEs. Most participants produced a cash book and P&L and began to log transactions consistently with mobile apps. Main constraints were device access and heterogeneous digital literacy. Follow-up mentoring, standardized templates, and collaboration with local lenders are recommended to strengthen credit readiness and sustain adoption.

Overall, this program demonstrates that simple, education- and mentoring-based interventions can have a significant impact on professionalizing the management of micro and small enterprises. Moving forward, program sustainability should focus on continued mentoring to ensure that bookkeeping and internal auditing practices become embedded in MSME operations, as well as on strengthening networks with financial institutions and local government. In this way, MSMEs will not only survive but also grow into highly competitive, sustainable business units that contribute more significantly to both local and national economies.

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