



Building The Capacity of Financial Literacy of MSMEs in Bandung City to Improve Competitiveness in The International Market

**Dede Hertina*, Yana Hendayana, Sakina Ichsani,
Gita Genia Fatihat, Leni Nur Pratiwi**

Faculty of Economics and Business, Universitas Widyatama, Indonesia.

*Corresponding Author. Email: dede.hertina@widyatama.ac.id

Abstract: This community service program aims to enhance the financial literacy of MSMEs in Bandung City, thereby improving their competitiveness in the international market. In collaboration with KADIN Bandung City, the Faculty of Economics and Business at Widyatama University conducted a participatory training session for 15 MSME participants from the culinary, fashion, trade, and service sectors. The training combined presentations, discussions, and hands-on simulations using the SIAPIK financial application, where participants practiced recording real transactions, managing cash flow, and generating financial reports using their own business data. Post-training evaluations indicated increased digital readiness and a better understanding of financial documentation, with over 80% of participants able to independently use the SIAPIK application to produce basic financial reports. Participants also recognized the relevance of digital financial tools for accessing credit and enhancing business transparency. This program offers a scalable model for financial literacy development among MSMEs and underscores the importance of institutional collaboration for sustainability and broader adoption.

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Introduction

Micro, Small, and Medium Enterprises (MSMEs) are the backbone of Indonesia's economy, contributing approximately 60% to the national GDP and absorbing over 97% of the total workforce (OECD, 2022; Ministry of Cooperatives and SMEs, 2021). In Bandung City alone, approximately 10,000 MSMEs operate across various sectors, including culinary, fashion, services, and trade (Putri et al., 2022; Daryanto et al., 2021). This vibrant ecosystem reflects the city's entrepreneurial culture and access to local markets. However, these MSMEs face persistent challenges in financial management, which constrain their growth and participation in larger value chains.

A major issue identified is the low level of financial literacy among MSME owners. Many continue to rely on informal practices—such as verbal recordkeeping or inconsistent manual notes—based on the assumption that as long as profit is made, financial documentation is unnecessary (Salsabilla et al., 2021; Pramudena et al., 2022). Such practices hinder their ability to generate structured financial reports, limiting access to capital and formal financing instruments. Empirical studies confirm that financial literacy strongly correlates with MSME resilience, credit readiness, and long-term sustainability (Afuakwah et al., 2022; Wise, 2020).

Moreover, while digital financial tools are increasingly available and promoted through government initiatives, adoption remains low among small business owners due to



limited awareness, training, and digital confidence (Hasbi & Dubus, 2021; Meutia & Ismail, 2023). This digital gap is particularly significant in cities like Bandung, where urban infrastructure and fintech access are present, but actual usage among grassroots entrepreneurs remains uneven. Without targeted support, MSMEs risk being left behind in the digital transformation era.

The analysis of conditions at the partner institution—MSMEs under the Bandung Chamber of Commerce and Industry (KADIN)—further confirmed these issues. Most participants exhibited high motivation and strong product innovation but lacked structured financial systems, had minimal exposure to accounting tools, and expressed a strong need for mentorship. Their business growth potential is hampered not by market demand but by internal management limitations, especially in financial planning and reporting.

To address these gaps, the Faculty of Economics and Business at Universitas Widyatama implemented a community service program titled *“Building Financial Literacy Capacity of MSMEs in Bandung to Enhance Global Market Competitiveness”*. The intervention introduced MSMEs to SIAPIK, a government-supported digital accounting application tailored for small business users. The program was designed to be participatory and hands-on, emphasizing practical use of digital tools to support daily financial operations. This article presents the methodology, implementation process, outcomes, and strategic recommendations for strengthening MSME financial capacity through structured, digital-based training.

Method

This community service program employed a participatory action approach that combined direct instruction, interactive discussion, and simulation to improve the financial literacy of MSMEs in Bandung. The intervention was structured into five phases: (1) awareness-raising through socialization; (2) training sessions using tailored modules, focusing on practical financial management and the SIAPIK application; (3) simulation and hands-on practice using SIAPIK; (4) mentoring and evaluation of implementation progress; and (5) sustainability planning with stakeholders including Universitas Widyatama, the Bandung Chamber of Commerce (KADIN), and local authorities. The participatory method was chosen for its effectiveness in enhancing adult learners' engagement, ownership, and knowledge retention (Lozano et al., 2020). Fifteen MSMEs from various sectors—culinary, fashion, trade, and services—actively participated in the sessions.

Data collection techniques included participant observation, structured feedback forms, and performance assessments during the simulation exercises. Participants were encouraged to discuss their real financial management challenges, fostering a two-way dialogue central to participatory learning (Tandon et al., 2021). Facilitators supported peer-sharing among MSMEs to promote community-based problem-solving. Each training module was designed with consideration for MSME digital capacity and local financial behavior. The integration of lecturers, students, and practitioners ensured that the intervention was contextually appropriate and sustainable.

Result and Discussion

1) Implementation Process

The community service activity to enhance the financial literacy capacity of MSMEs in Bandung was implemented through a structured, five-stage process designed to ensure progressive learning and practical application. The process began with a socialization phase,



wherein the implementing team introduced the objectives, benefits, and structure of the program to selected MSME partners. This session emphasized the relevance of financial literacy in improving market competitiveness and prepared participants for active engagement. Informational materials, such as brochures and posters, were distributed during this stage to increase awareness and clarify expectations.

The second stage involved a focused training session on financial literacy fundamentals and the introduction of the SIAPIK financial application. The session was delivered using interactive PowerPoint presentations and printed modules tailored to the context of micro and small enterprises. Topics included the importance of financial reporting, basic accounting principles, cash flow management, and business budgeting. The training was deliberately participatory—facilitators encouraged dialogue, invited questions, and responded to real business scenarios presented by participants.

Following the theoretical session, the activity progressed to the third stage: hands-on simulation and guided practice. Each participant was assisted in installing and registering on the SIAPIK application. Facilitators then walked the participants through its key features, including recording income and expenses, generating financial reports, and tracking assets. The participants conducted practice entries based on their actual business data, ensuring contextual relevance. This simulation stage was the most interactive component, allowing participants to navigate the digital interface, receive instant feedback, and troubleshoot common errors under guidance.



Figure 1. MSME participants, facilitators, and representatives from Universitas Widyatama and KADIN Bandung during the training session

The fourth stage was mentorship and feedback, where participants were given the opportunity to discuss the challenges they faced during the simulation. Facilitators addressed these challenges in real time, while also gathering qualitative feedback on the user experience, interface accessibility, and potential barriers to adoption. This phase helped reinforce the application's role as a practical tool and not merely a theoretical concept.



Figure 2. Selected MSME products showcased by participants as part of the financial literacy and branding discussions



Lastly, the fifth stage involved reflection and sustainability planning. A closing dialogue was conducted to review the learning process and explore follow-up opportunities. Participants expressed their needs for ongoing support and collaboration. The implementing team, along with representatives from the Bandung Chamber of Commerce, discussed mechanisms to institutionalize the training and promote continued use of the SIAPIK application. Plans for future mentoring, advanced modules, and partnership-building with financial institutions were introduced to ensure the long-term impact of the program.

2) Observed Outcomes and Participant Responses

The training and simulation activities yielded several key outcomes, both in terms of knowledge acquisition and behavioral change among the participating MSMEs. One of the most significant achievements was the increased ability of participants to independently use the SIAPIK financial application. By the end of the session, over 80% of the 15 participating MSME owners were able to record financial transactions, such as income, expenses, and inventory movements, with minimal assistance. This marked a clear progression from the pre-training phase, where the majority had never used any form of digital financial application.

Participant feedback collected through structured evaluation forms and facilitator observations indicated a high level of satisfaction with the content, delivery, and relevance of the training. Most respondents rated the session as “very useful” for their business development, particularly in improving transparency and financial organization. The hands-on simulation was highlighted as the most valuable component, allowing participants to apply new knowledge in real time. Additionally, many participants acknowledged a change in mindset, recognizing the importance of maintaining regular financial records not only for internal control but also for gaining access to funding and scaling their business.

Beyond individual learning, the program also strengthened institutional ties between the MSMEs and external stakeholders. Representatives from the Bandung Chamber of Commerce (KADIN) expressed interest in expanding the training to more members, while several MSMEs requested continued mentoring from university facilitators. This signals potential for ongoing collaboration and sustainability of impact. Furthermore, the initiative raised awareness about digital transformation in financial management, positioning SIAPIK as a viable solution for small-scale enterprises aiming to compete in a structured and data-driven business environment.

3) Evaluation and Reflections

The evaluation of the program was conducted using a combination of observation, participant feedback, and post-training reflection to assess both the effectiveness of the intervention and areas for improvement. During the simulation and mentoring sessions, facilitators observed high levels of engagement, especially when participants were allowed to directly interact with the SIAPIK application using their own business data. This method enabled the trainers to assess real-time competency development and provide targeted assistance. Observations also revealed a steep learning curve at the outset, particularly for older participants or those unfamiliar with digital tools. However, consistent guidance and repetition during practice sessions helped bridge these initial gaps.

The structured feedback collected through post-training forms provided quantitative and qualitative insights. More than 85% of participants agreed that the training addressed their immediate financial literacy needs, while 90% expressed interest in follow-up sessions. Several participants noted that this was the first time they understood how to generate basic financial statements and saw the benefit of having clear financial data when applying for



credit or business development programs. Additionally, participants reflected on their previous reliance on informal methods such as notebooks or memory-based tracking, and acknowledged the value of transitioning to digital tools for accuracy, accountability, and scalability.

From the facilitators' perspective, the training revealed a critical need for ongoing support to ensure sustainable adoption of the application. Many MSMEs requested continuous mentoring and advanced modules that could cover topics such as tax preparation, cost analysis, and inventory valuation. These reflections informed the team's recommendation to develop a tiered training program and formalize collaboration with KADIN to institutionalize financial literacy as part of MSME development services. Overall, the evaluation highlighted not only the immediate effectiveness of the intervention but also the broader potential for long-term impact if supported by follow-up mechanisms and stakeholder commitment.

This activity reinforces the importance of financial literacy in empowering MSMEs to achieve greater competitiveness and financial sustainability. Prior to the intervention, participants demonstrated limited awareness of financial reporting practices and often relied on informal or memory-based methods. Through the integration of participatory learning and digital simulation, they acquired not only conceptual knowledge but also practical skills in using the SIAPIK financial application. Previous studies have shown that financial literacy enhances entrepreneurs' decision-making, record-keeping accuracy, and ability to secure external financing (Wise, 2020; Chinen & Endo, 2022). These capabilities are particularly crucial for small businesses striving to scale operations and enter more formalized markets.

The use of a participatory learning model significantly contributed to the success of the program. This approach encourages active learner involvement, reflection, and application of real-life experiences—factors that have been shown to increase retention and skill internalization, especially among adult learners (Mezirow & Taylor, 2019; Afuakwah et al., 2022). The simulation of the SIAPIK application enabled participants to contextualize financial management within their own business operations, resulting in deeper engagement and practical understanding. In contrast to conventional lecture-based delivery, this method fostered collaboration, peer-learning, and confidence building among MSME owners—attributes widely regarded as effective in community-based capacity development (Boon & Farnsworth, 2020; Halabi et al., 2023).

Digital financial tools like SIAPIK are also becoming increasingly important in the transition toward a data-driven economy. For MSMEs to remain viable in a competitive global marketplace, the ability to utilize digital platforms for accounting, reporting, and planning is essential. This aligns with global trends that emphasize digital transformation as a driver of transparency, efficiency, and access to formal capital (Hasbi & Dubus, 2021; Ferreira et al., 2020). The structured use of SIAPIK not only helped participants organize their financial information but also positioned them for potential integration into supply chains that demand traceable, auditable business records.

Despite the progress observed, the sustainability of this transformation depends on continued support mechanisms. Several participants reported that while they were able to understand and apply the application during training, consistent usage would require further mentoring and encouragement. This concern echoes findings from prior research showing that without institutional backing and access to digital support ecosystems, MSMEs tend to revert to traditional practices (Lu et al., 2021; Meutia & Ismail, 2023). Therefore,



collaboration with chambers of commerce, universities, and local financial institutions is recommended to provide structured follow-up, advanced training, and technical assistance.

Conclusion

The financial literacy training for MSMEs in Bandung, delivered through a participatory and simulation-based approach, effectively improved participants' abilities to manage financial records using the SIAPIK application. All 15 MSMEs completed guided simulations, and the majority were able to independently input income, expenses, and generate simple reports by the end of the session. The use of real business data during practice sessions enhanced relevance and engagement.

Participant feedback confirmed that the content met their business needs, especially in understanding the importance of financial transparency for funding access and competitiveness. However, sustained use of the SIAPIK application requires continued support, follow-up training, and integration into local MSME development programs. The collaboration between the university, KADIN, and MSME actors is essential to ensure long-term adoption. Future activities should focus on advanced modules, mentorship, and expansion to a wider MSME audience.

Recommendation

Based on the outcomes and evaluation of the financial literacy training using the SIAPIK application, several targeted recommendations are proposed to ensure sustainability, scalability, and deeper integration of financial management practices among MSMEs in Bandung.

- 1) For KADIN Kota Bandung (Chamber of Commerce):
 - Institutionalize regular financial literacy programs as part of MSME development services.
 - Facilitate structured mentoring through partnerships with local universities or accounting professionals.
 - Encourage member MSMEs to adopt SIAPIK by providing technical support and periodic evaluation.
- 2) For MSME Participants:
 - Maintain routine use of the SIAPIK application for transaction logging and report generation.
 - Utilize financial records to support access to formal financing, partnerships, or government programs.
 - Join peer learning groups or forums to continue developing financial and digital capabilities.
- 3) For Local Government and Cooperatives Office (Dinas KUMKM):
 - Integrate SIAPIK or similar applications into local MSME digitalization initiatives.
 - Provide subsidies or incentives for MSMEs that consistently implement structured financial reporting.
 - Promote collaboration with chambers, universities, and financial institutions to create a financial literacy ecosystem.
- 4) For Financial Institutions (Banks, Cooperatives):
 - Recognize SIAPIK-generated reports as supporting documents for microcredit applications.
 - Partner with MSME organizations to conduct joint financial planning workshops.



- Offer simplified financial products tailored to digitally literate small enterprises. These strategic efforts will enhance the resilience and competitiveness of MSMEs in a rapidly changing global market.

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