



# Increasing Financial Literacy in RT RW net Indonesia Cooperatives and Msmes Through Simple Bookkeeping

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## Abstract

This Community Service activity aims to increase financial literacy in RT RW Net Indonesia Cooperatives and MSMEs in Tugubandung Village through simple bookkeeping training. The background of this activity is the phenomenon of cooperatives and MSMEs who have yet to realize the importance of simple bookkeeping and have yet to prepare financial reports. The method for implementing this community service activity is to provide training in preparing simple financial statements. The implication of this community service activity is to increase the knowledge and ability of Cooperative managers and MSMEs owners to present financial reports through simple bookkeeping. By keeping simple bookkeeping, Cooperatives and MSMEs can have competitiveness and strengthen the economic pillars in achieving sustainable economic development goals.

*Keywords:* Financial Literacy, Simple Bookkeeping, Cooperatives, MSMEs.

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## 1. Introduction

Cooperatives are business entities consisting of persons or legal entities based on the principles of kinship and economic democracy. As an economic actor, cooperatives are financial organizations that try to mobilize the potential of economic resources to advance the welfare of their members. By the definition that cooperatives are economic activities based on kinship, the main objective of cooperatives is to improve the welfare of members in particular and society in general. To achieve the goals of cooperatives (member and community welfare), cooperatives play a vital and strategic role in the Indonesian economy. This is because cooperatives have the largest number of businesses with a significant absorption of the labor force (Sungkawati, 2020). Cooperatives also need to implement accountability in an orderly and sustainable manner based on cooperative principles and good bookkeeping to gain members' trust. Accountability includes organization and management, business and service to members, and finance (Clark, 2020).

Apart from cooperatives, MSMEs also play an important role in improving the economy. In Indonesia, MSMEs reduce poverty and unemployment (Saraa et al., 2020). However, SMEs encounter many obstacles in practice, so their existence sometimes weakens (Alkhoraif & McLaughlin, 2019). MSMEs can grow to be large and have competitiveness if they are managed properly, especially in terms of managing business finances (Purnamarini & Haryanto, 2022). Research conducted by Andria et al found that the difficulties and obstacles that MSMEs often face in running their business are obstacles in managing business finances, system management, proper production management, and problems in marketing.

Some small businesses and cooperatives usually focus on marketing and production activities, and accounting is considered by many to be of little importance. In fact, accounting is essential for business continuity. The impact of neglecting financial management may be subtle, but with an effective accounting method, managers will likely understand their business entirely. Accounting is a key performance indicator of a business. The information generated by accounting records is helpful for decision-making to increase the effectiveness of business management. This information enables MSME actors to identify and predict financial problems that may arise, then can take appropriate and fast steps to overcome them (Pratiwi et al., 2022). Accounting allows recording every transaction made in detail, cleanly, and clearly. Simple bookkeeping can also be used as a decision-making tool or to evaluate business activities.

The RT RW Net Indonesia Cooperative provides internet installation and maintenance services for the surrounding community. At the beginning of 2020, the RT RW Net Indonesia cooperative experienced internal problems, including an increase in member dues arrears which impacted service operations and decreased business results. The RT RW Net Indonesia cooperative has members who are MSMEs in Tugubandung Village. The lack of knowledge of cooperative members and management about the cooperative itself is one of the causes of the failure of this cooperative.

In its journey, cooperative management often faces many problems. Problems often arise, such as the poor quality of human resources for administrators/supervisors and managers of cooperatives, low member participation rates, not yet professional management, unable to find new business breakthroughs and unable to take advantage of existing business opportunities, limited mastery of technology, not optimal marketing, and capital structure still weak/limited (<https://www.bppkd.id/bimtek-management-koper>).

To overcome problems, it is necessary to educate the importance of simple bookkeeping for Cooperatives and MSME actors so that cooperatives and MSMEs can be competitive. Therefore, the community service team at the Faculty of Economics and Business, Pakuan University, held training in preparing financial reports through simple bookkeeping. The material presented included the importance of bookkeeping for MSME actors and their cooperatives and an introduction to the types of financial statements and simple bookkeeping formats. Besides that, the community service team also introduced an Android-based system that can be downloaded for free on the Play Store. This financial recording system is systematic, fast, and easy to use.

## 2. Methods and Implementation

At its inception, this RT RW Net Indonesia Cooperative had 20 members through the Decree of the Minister of Cooperatives and Small and Medium Enterprises No. 004453/BH/M.KUKM.2/VI/2017. Some cooperative members are MSME actors. The community service program is carried out through training and mentoring activities. This activity involves administrators, supervisors, managers, and cooperative members who are also MSME actors and cooperative partners. As the results of surveys and interviews with the Chairperson of the Cooperative indicated that at the beginning of 2020, there was a decrease in the number of cooperative members and a reduction in the income from the cooperative services business. Then, during its establishment, cooperatives and MSMEs in the village of Tugubandung had not made the correct financial reports for cooperatives and MSMEs. The lack of knowledge and background of cooperative managers has affected the management of cooperatives so far. With these problems, the community service team conducted training and mentoring to provide education about the importance of financial reports for the sustainability of a business unit. After providing education on the philosophy of financial reporting, the community service team provided technical training and provided a theory for preparing simple financial reports for Cooperatives and MSMEs by current developments in accounting standards.

## 3. Results and Discussion

This community service activity begins with providing education on the philosophy of the importance of accounting for the sustainability of a business unit, both for Cooperatives and MSMEs. Then proceed with theoretical and technical material for preparing Simple Financial Statements. This is in line with (Mas'udah et al., 2022) that the steps used to solve business financial problems are collecting financial information from management, then being given knowledge about recording proof of transactions until the process becomes financial reports. The details of the training activities are as follows:

### 3.1. Providing Philosophy and Simple Accounting Theory Material.

This training was held in the Tugubandung Village Office Hall on August 2, 2022, Session I at 10.00 WIB. Thirty-three participants attended this activity. This training provides material on accounting philosophy and the benefits of accounting for the sustainability of a business unit. Simple bookkeeping is essential for a business, both on a small and large scale. Through simple bookkeeping, business owners can assess the progress of the company being run, whether the business is growing or not. Simple bookkeeping can also control the business unit's cash flow, and the owner can determine whether the company is making a profit or a loss.

Most business actors only record the amount of money received and issued, the number of goods bought and sold, and the number of receivables/payables. However, the recording is only a reminder and not in a format that makes it easy to prepare financial reports by applicable accounting principles (Maris et al., 2022).

According to Albayati et al. (2020), recording financial transactions can provide information about profit and loss and changes in the financial condition of a business due to selling and buying activities. Sources of information for companies can determine future strategies for developing further small businesses.



Figure 1: Providing Material on Accounting Philosophy

### 3.2. Training on Preparing Cooperative and MSMEs Financial Reports.

Training activities for preparing cooperative financial reports were held in the Tugubandung Village Office Hall on August 2, 2022, Session II at 13.00 WIB. Thirty-three participants attended this activity. The community service team provides technical material for preparing simple financial reports.

According to Scott & Bruce (1987), simple bookkeeping is a process of recording carried out regularly to collect data and financial information. Financial records cover assets, liabilities, capital, and other costs, which will be covered later by compiling financial reports in the form of a balance sheet for that period. Micro, small, and medium enterprises carry out simple bookkeeping to assist in making financial decisions.

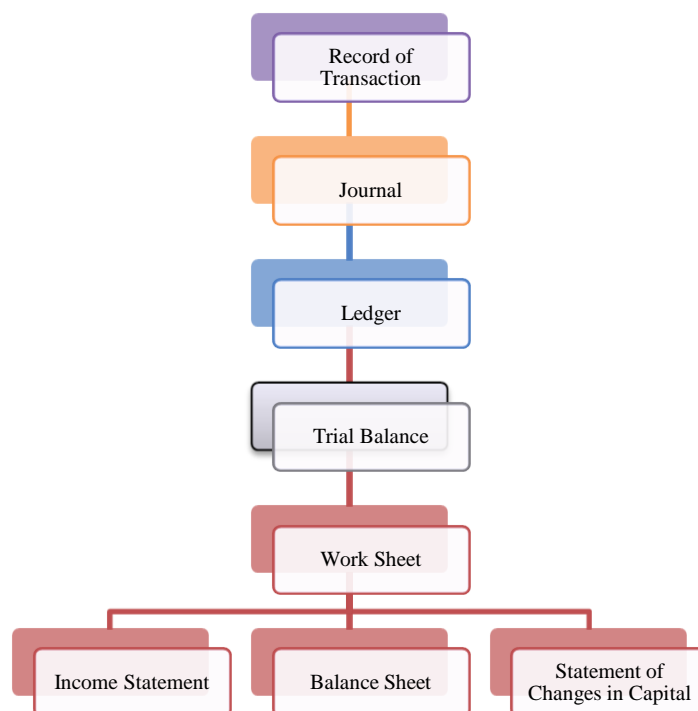


Figure 2: Simple Bookkeeping Flow

Simple bookkeeping can be started by making expense books, income books, and the main cash book and compiling simple income statements and balance sheets. After providing theoretical material, participants were also

given technical training in completing case studies in compiling financial reports with simple bookkeeping for Cooperatives and MSMEs.



Figure 3: Simple Financial Report Preparation Technical Training

### 3.3. Practical Training on Using the SME Accounting Application

At the end of the training session, the community service team provided introductory material on the Android-based SME Accounting system application, which can be downloaded from the Play Store. This “UKM” application is a simple financial application that can be used by Small and Medium Enterprises and for daily financial management.

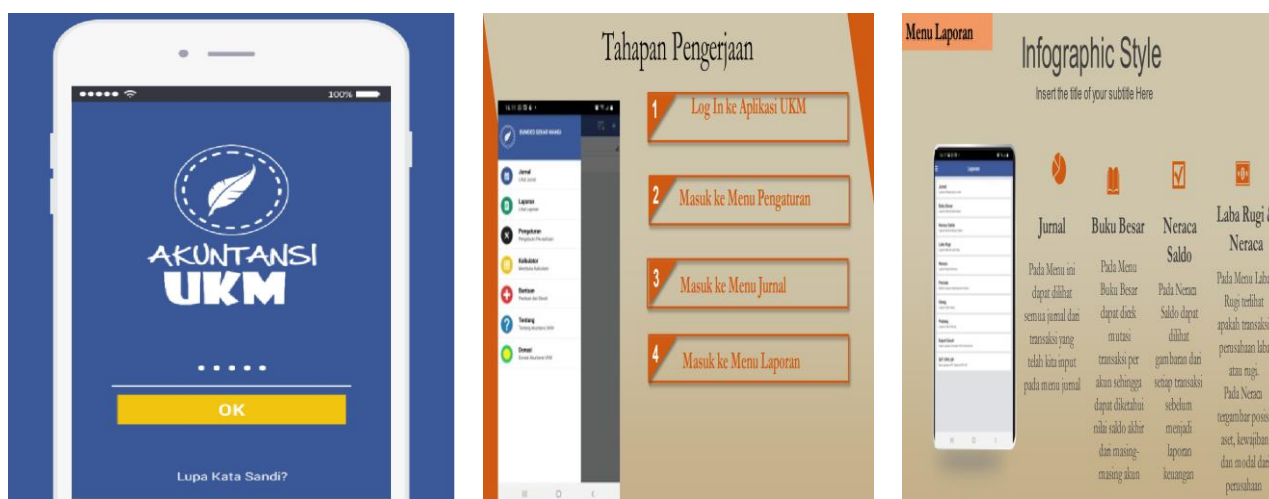
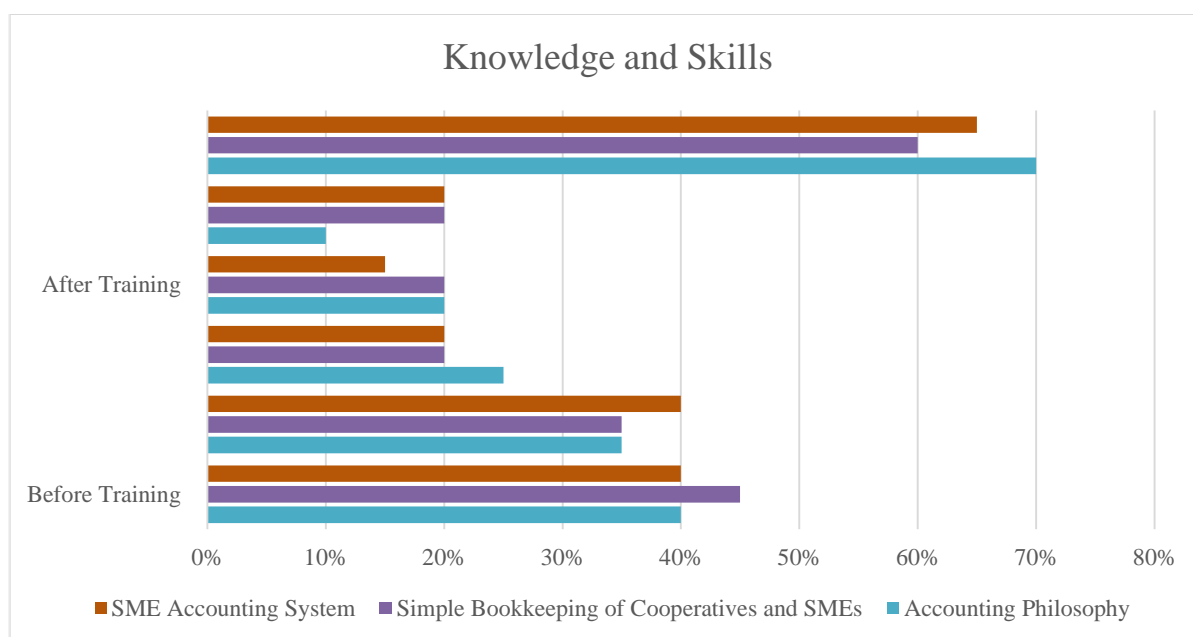


Figure 4: Features of the SME Application

The results and outcomes obtained from the implementation of this community service are to increase the knowledge and skills of partners in using a transparent and accountable system for recording financial reports and cash balances, so that cooperatives and MSMEs have financial reports that can be used to evaluate their business performance and be able to make the right decisions. To find out the increase in understanding of the participants before and after the training, measurements were carried out by giving questionnaires to the participants as shown in the graph below:



**Figure 5:** Knowledge and Skills Audience Before and After Training

#### 4. Conclusion

Implementing Community Service through simple bookkeeping training aims to increase financial literacy for Cooperatives and MSMEs. Financial literacy is increased by providing training in preparing financial reports through simple bookkeeping. Simple bookkeeping is one of the supporting factors for a business unit's competitiveness. By compiling a business unit's financial statements, cooperatives and MSMEs can evaluate business performance and make the right decisions for further business continuity.

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