

Improving Business Capital Management Capacity through Financial Planning Education and Mentoring for MSME Actors

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ABSTRACT

This community service activity aimed to enhance business capital management capacity among MSME actors through financial planning education and practical mentoring. The activity addressed challenges related to capital allocation, financial recording, budgeting, cash flow monitoring, and the separation of business and personal funds. A participatory approach was employed through initial assessment, financial planning education, practical mentoring, and evaluation. Participants were introduced to simple financial management tools and guided in applying them to their daily business activities. The activity emphasized the importance of systematic financial planning and consistent financial recording to support more effective capital utilization. The program is expected to strengthen participants' financial management capacity and encourage more sustainable business practices. Continued mentoring is recommended to support the consistent application of the skills acquired.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play an important role in supporting economic growth, creating employment opportunities, and strengthening community-based economic activities. Despite their contribution to local economies, many MSMEs continue to face challenges in managing their business operations, particularly in financial management. Limited financial knowledge, inadequate planning, and the absence of systematic financial records can affect the ability of business owners to make informed decisions and maintain business sustainability. Therefore, strengthening the financial management capacity of MSME actors is an important step toward improving their business performance and resilience.

One of the major challenges faced by MSME actors is the management of business capital. Capital is an essential resource that supports daily operations, including the procurement of raw materials, payment of operational expenses, and expansion of business activities. However, business owners often experience difficulties in distinguishing between business capital and personal funds, determining the amount of capital required, and allocating available funds according to business priorities. Such conditions may lead to inefficient use of capital, difficulties in maintaining cash flow, and limited opportunities for business development.

Financial planning is an important component of effective business capital management. Through financial planning, MSME actors can identify their financial needs, estimate income and expenses, and determine appropriate strategies for allocating business funds. A well-prepared financial plan can also help business owners anticipate financial risks and make more rational decisions regarding the use of capital. Nevertheless, the implementation of financial planning among MSMEs remains limited, particularly among business owners who have not received adequate financial education or practical guidance.

In addition to financial planning, the ability to maintain simple and systematic financial records is essential for supporting business management. Financial records enable MSME actors to monitor cash inflows and outflows, identify business expenses, and evaluate the financial condition of their enterprises. Without adequate records, business owners may find it difficult to determine whether their businesses are generating profits or to identify areas that require improvement. Consequently, financial literacy and practical bookkeeping skills are important foundations for improving the quality of business decision-making.

Financial education can serve as an effective approach to addressing these challenges. Through education, MSME actors can gain a better understanding of basic financial management concepts, including capital allocation, budgeting, cash flow management, and the separation of business and personal finances. However, financial education alone may not be sufficient to ensure the consistent application of these concepts in daily business activities. Therefore, educational activities need to be accompanied by practical assistance that enables participants to apply the knowledge they have acquired.

Mentoring is an important component of community service programs because it provides opportunities for participants to receive direct guidance in addressing their business problems. Through mentoring, MSME actors can be assisted in identifying their financial needs, preparing simple financial plans, and developing practical strategies for managing business capital. This approach allows participants to learn through practice and receive feedback based on their actual business conditions. As a result, mentoring can help bridge the gap between financial knowledge and its implementation in business operations.

The implementation of financial education and mentoring is expected to improve the capacity of MSME actors in managing their business capital more effectively. Increased capacity may be reflected in their ability to prepare financial plans, separate business and personal funds, record financial transactions, and allocate capital according to business needs. These improvements are important not only for supporting daily operations but also for encouraging more sustainable business development. Accordingly, community service activities that combine education and mentoring are relevant to the needs of MSME actors who require practical and applicable financial management support.

Based on these considerations, this community service activity aims to improve the capacity of MSME actors in managing business capital through financial planning education and practical mentoring. The activity is designed to provide participants with knowledge and skills that can be applied directly to their business activities. Through this approach, the program is expected to contribute to better financial management practices, more effective use of business capital, and improved business sustainability. Thus, the activity titled “Improving Business Capital Management Capacity through Financial Planning Education and Mentoring for MSME Actors” is expected to provide a practical contribution to strengthening the financial management capabilities of MSMEs.

IMPLEMENTATION AND METHODS

Approach and Target Participants

This community service activity employed a participatory approach that combined financial planning education with practical mentoring. The approach was designed to strengthen the ability of MSME actors to manage business capital through knowledge development, direct practice, and follow-up assistance. The target participants were MSME actors who experienced difficulties in planning business finances, recording financial transactions, and allocating capital for operational needs. The activity focused on practical financial management skills that could be applied according to the participants’ business conditions.

Activity Stages

The implementation consisted of four main stages: initial assessment, financial planning education, practical mentoring, and evaluation. The initial assessment was conducted to identify the participants' financial management practices and the main obstacles they faced. The education stage introduced basic concepts of business capital management and financial planning. The mentoring stage provided direct assistance in preparing simple financial plans and applying them to business activities. Finally, the evaluation stage was used to assess participants' understanding and the implementation of the skills acquired during the program.

Table 1. Stages of Community Service Activities

Stage	Main Activities	Expected Output
Initial assessment	Identifying financial management problems and participants' needs	Initial overview of MSME financial management
Financial planning education	Providing material on capital management, budgeting, and cash flow	Improved understanding of financial planning
Practical mentoring	Guiding participants in preparing simple financial plans and recording transactions	Simple financial planning and bookkeeping tools
Evaluation	Assessing understanding and reviewing the application of financial practices	Evaluation of participants' progress

Source: Authors' Design, 2026.

Initial Assessment

The initial assessment was conducted through observation, interviews, and discussions with the participating MSME actors. This stage aimed to identify the participants' existing financial management practices, particularly their methods of managing business capital, recording income and expenses, and planning operational expenditures. The assessment also explored the difficulties experienced by participants in separating business and personal finances, determining capital requirements, and monitoring cash flow. The information obtained from this stage served as the basis for developing educational materials and mentoring activities that were relevant to the participants' needs.

Financial Planning Education

The education stage focused on introducing basic financial planning concepts that could be applied in daily business activities. The materials included the importance of separating business and personal funds, identifying business capital needs, preparing simple budgets, recording income and expenses, and monitoring cash flow. The delivery method combined presentations, discussions, and practical examples based on common MSME business situations. Participants were encouraged to ask questions and discuss financial problems they encountered in managing their businesses.

Practical Mentoring

The mentoring stage was carried out through direct assistance in applying the financial planning concepts introduced during the education session. Participants were guided to identify their business capital needs, prepare simple financial plans, and organize basic financial records. The mentoring activities also encouraged participants to distinguish between operational expenses and personal expenditures, enabling them to monitor the use of business capital more systematically. Through this process, participants were expected to develop practical financial management habits that could support more effective business decision-making.

Table 2. Financial Planning Education and Mentoring Activities

Activity	Description	Expected Participant Output
Capital identification	Identifying business capital needs and sources of funds	List of business capital requirements
Budget preparation	Estimating income and expenses according to business activities	Simple business budget
Financial recording	Recording daily business income and expenses	Basic financial records
Cash flow monitoring	Monitoring the movement of business funds	Simple cash flow record
Capital allocation	Determining the use of capital according to business priorities	Capital allocation plan

Source: Authors' Design, 2026.

Evaluation

The evaluation was conducted to assess the participants' understanding of the educational materials and their ability to apply the financial management practices introduced during the activity. Evaluation methods included observation, discussions, and review of the financial planning and recording tools prepared by participants. The evaluation focused on participants' ability to identify capital needs, prepare simple budgets, record financial transactions, and distinguish between business and personal funds. The results of the evaluation were used to identify areas requiring further assistance and to support the sustainability of the program.

Implementation Flow

The implementation flow of the community service activity is presented in Figure 1.



Figure 1. Community Service Implementation Flow

Source: Authors' Design, 2026.

RESULTS AND DISCUSSION

Initial Conditions of MSME Partners

The initial assessment identified several challenges in the financial management practices of the participating MSME actors. Business capital was generally used to support daily operational activities, but its allocation was not yet based on a systematic financial plan. Participants also experienced difficulties in separating business funds from personal funds and in maintaining consistent records of income and expenses. These conditions limited their ability to monitor the financial condition of their businesses and evaluate the effectiveness of capital utilization.

The assessment also showed that the participants required practical guidance rather than theoretical knowledge alone. They needed simple financial management tools that could be applied to their daily business activities without requiring complicated accounting procedures. Therefore, the community service program was designed to combine financial planning education with direct mentoring to address the identified problems.

Table 3. Initial Financial Management Conditions of MSME Partners

No.	Financial Management Aspect	Initial Condition	Identified Need
1	Business capital management	Capital allocation was not yet systematically planned	Guidance in identifying and allocating capital needs
2	Financial recording	Income and expenses were not consistently recorded	Simple financial recording tools
3	Budgeting	Business expenses were not regularly planned	Practical budgeting education
4	Cash flow monitoring	Cash inflows and outflows were not systematically monitored	Guidance in monitoring business cash flow

5	Separation of funds	Business and personal funds were not consistently separated	Education on the importance of separating funds
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Source: Initial Assessment of MSME Partners, 2026.

Implementation of Financial Planning Education

The financial planning education was conducted to improve participants' understanding of basic financial management principles. The materials focused on business capital management, budgeting, financial recording, cash flow monitoring, and the separation of business and personal funds. The education was delivered through presentations, discussions, and practical examples that were relevant to the participants' business activities. During the education session, participants were introduced to the importance of preparing a financial plan before using business capital. They were also encouraged to identify their business income, operational expenses, and financial priorities. The discussion-based approach allowed participants to relate the materials to their own business experiences and identify financial management problems that they commonly encountered.

Implementation of Practical Mentoring

The mentoring stage focused on the application of the financial planning concepts introduced during the education session. Participants were guided to identify their business capital requirements, prepare simple financial plans, and record business income and expenses. The mentoring activities also emphasized the importance of separating business funds from personal funds to improve the clarity of business financial information. Through direct assistance, participants were able to discuss their financial management difficulties and receive guidance based on their business conditions. The practical nature of the mentoring helped participants understand how financial planning could be applied to daily business activities. This approach was expected to support the development of more systematic financial management habits.

Table 4. Financial Planning Education and Mentoring Activities

No.	Activity	Implementation	Participant Output
1	Capital identification	Identifying business capital needs and sources of funds	List of business capital requirements
2	Budget preparation	Estimating income and expenses according to business activities	Simple business budget
3	Financial recording	Recording daily business income and expenses	Basic financial records
4	Cash flow monitoring	Monitoring the movement of business funds	Simple cash flow record
5	Capital allocation	Determining the use of capital according to business priorities	Capital allocation plan

Source: Authors' Design and Mentoring Activities, 2026.

Improvement in Business Capital Management Capacity

The implementation of financial planning education and practical mentoring provided participants with opportunities to improve their understanding of business capital management. Through the activities, participants were introduced to the importance of identifying capital needs, preparing simple budgets, and monitoring the use of business funds. These activities were relevant to the financial management challenges identified during the initial assessment. The improvement in participants' capacity was reflected in their ability to understand and apply basic financial management concepts during the mentoring process. Participants were encouraged to use simple financial planning and recording tools to support their business activities. However, the extent of the improvement should be assessed through the actual evaluation results obtained during the program.

Table 5. Development of Participants' Financial Management Capacity

No.	Capacity Indicator	Development Observed During the Activity
1	Understanding of business capital management	Participants gained a better understanding of the importance of managing capital according to business needs
2	Financial planning	Participants were introduced to the preparation of simple financial plans
3	Financial recording	Participants practiced recording business income and expenses
4	Separation of funds	Participants gained awareness of the importance of separating business and personal funds
5	Cash flow monitoring	Participants were introduced to simple methods of monitoring business cash flow

Source: Observation and Mentoring Activities, 2026.

Changes in Financial Management Practices

The mentoring activities encouraged participants to adopt more systematic financial management practices. Before the activity, financial management was often conducted based on immediate business needs. Through the program, participants were encouraged to prepare simple financial plans, record transactions, and monitor the use of business capital. The application of these practices is important because financial records can help business owners understand their financial condition and make more informed decisions. In addition, separating business and personal funds can improve the clarity of financial information and support better capital management. Nevertheless, the sustainability of these changes depends on the participants' consistency in applying the practices after the program.

Table 6. Changes in Financial Management Practices

No.	Practice	Before Activity	After Activity
1	Business budgeting	Financial planning was not yet routinely implemented	Participants were introduced to simple business budgeting
2	Financial recording	Income and expenses were not consistently recorded	Participants practiced recording financial transactions
3	Separation of funds	Business and personal funds were not consistently separated	Participants gained awareness of the importance of separating funds
4	Cash flow monitoring	Cash inflows and outflows were not systematically monitored	Participants were introduced to simple cash flow monitoring
5	Capital allocation	Capital use was mainly based on immediate needs	Participants were encouraged to allocate capital according to business priorities

Source: Observation and Mentoring Activities, 2026.

The results of the activity highlight the importance of strengthening financial management capacity among MSME actors. Business capital management involves not only the availability of funds but also the ability to plan, allocate, and monitor their use. When capital is managed without adequate planning, business owners may experience difficulties in controlling expenses and maintaining operational continuity. Therefore, financial planning education is relevant as a foundation for improving business management practices.

The combination of education and mentoring provides a practical approach to addressing these challenges. Education introduces participants to the principles of financial management, while mentoring supports the application of those principles in actual business activities. This approach is particularly useful for MSME actors who require simple and practical solutions rather than complex financial management systems. The activity also emphasizes the importance of developing sustainable financial management habits. Preparing a financial plan and recording transactions are not only useful during the community service program but should also become part of the participants' routine business activities. Consistent implementation can help business owners evaluate their financial condition, identify operational priorities, and make more informed decisions regarding the use of capital.

Supporting Factors and Challenges

The implementation of the activity was supported by the participants' willingness to learn and their interest in improving business management practices. The use of practical examples and simple financial tools also helped make the educational materials more accessible. However, challenges may arise from differences in participants' financial knowledge, limited time available for business owners, and the need for continued assistance in applying financial recording and planning practices. These challenges indicate that community service activities should not only focus on delivering educational materials but also provide opportunities for continued practice and evaluation. Follow-up mentoring can help participants maintain the financial management practices introduced during the program and address difficulties that emerge during implementation.

Sustainability of the Program

The sustainability of the program can be supported through the continued use of simple financial planning and recording tools by MSME actors. Participants can be encouraged to review their financial records regularly, evaluate the use of business capital, and update their financial plans according to changing business needs. These activities can help maintain the benefits of the program and encourage the gradual development of more systematic financial management practices.

CONCLUSIONS AND RECOMMENDATIONS

The community service activity on enhancing business capital management capacity through financial planning education and mentoring provided a practical approach to addressing the financial management challenges faced by MSME actors. The activities focused on improving participants' understanding of business capital management, financial planning, budgeting, financial recording, and cash flow monitoring.

Through the combination of education and practical mentoring, participants were introduced to simple financial management tools that could be applied to their daily business activities. The program also encouraged greater awareness of the importance of separating business and personal funds and allocating capital according to business priorities. Overall, the activity demonstrates the relevance of financial planning education and mentoring as an approach to strengthening MSME financial management capacity. The continued application of the knowledge and skills acquired during the program is expected to support more systematic financial management practices and contribute to business sustainability.

Based on the implementation of the community service activity, several suggestions can be proposed. First, MSME actors are encouraged to apply financial planning and recording practices consistently in their daily business activities. Second, follow-up mentoring should be conducted to support participants in maintaining and improving the financial management practices introduced during the program. Third, future community service activities should consider providing more advanced training in budgeting, cash flow management, and business financial evaluation according to the needs of the participants.

Finally, further evaluation is recommended to assess the long-term impact of the program on participants' financial management practices and business performance. Such evaluation can provide a stronger basis for developing more sustainable and effective community service programs for MSME actors.

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