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**ANALYSIS OF FINANCIAL MANAGEMENT IN MICRO AND SMALL  
ENTERPRISES IN GRESIK REGENCY**

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**Abstract**

This study discusses the analysis of financial management in micro and small enterprises in Gresik Regency. The purpose of this study is to determine and analyze financial management in Micro and Small Enterprises (MSMEs) in Gresik Regency, identify the obstacles faced, and provide strategic recommendations to improve the effectiveness of financial management. The research method uses a descriptive qualitative method. Data analysis techniques used include data reduction, data presentation, and drawing conclusions to produce systematic interpretations. The results of this study indicate that the financial management of MSMEs in Gresik Regency is still simple and does not comply with good accounting standards. The main obstacles include low financial understanding, a lack of systematic record keeping, and the lack of separation between personal and business finances. Therefore, increasing financial literacy, human resource competency, and the use of financial technology are important strategies in improving the quality of financial management.

**Keywords:** MSMEs, Financial Management, Financial Literacy

## INTRODUCTION

Micro and Small Enterprises (MSMEs) are a key pillar of the Indonesian economy, contributing significantly to economic growth, job creation, and income equality. The strategic role of MSMEs is evident not only at the national level but also at the regional level, including in Gresik Regency, known as an industrial region with rapid MSME development. However, despite their significant contribution, MSMEs still face various challenges, particularly in financial management. In the context of MSMEs, good financial management encompasses several important aspects, such as budget planning, transaction recording, financial reporting, and financial control. Furthermore, financial literacy theory states that a person's level of financial knowledge and understanding will significantly influence their behavior in managing finances (Lusardi & Mitchell, 2014). Thus, financial literacy is a crucial factor in improving the quality of MSME financial management. In today's digital era, developments in financial technology (fintech) should be utilized to facilitate MSME financial management. However, the use of this technology is still suboptimal due to limited knowledge and competency of human resources. Therefore, this research is crucial to provide a more comprehensive understanding of the current state of MSME financial management and practical solutions.

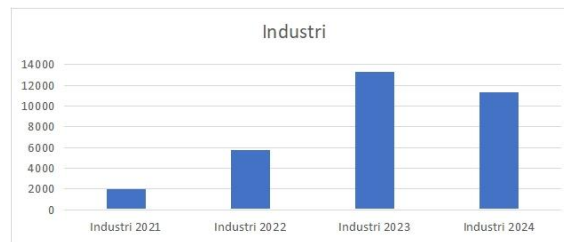
The main problem frequently encountered in MSMEs is poor financial management, characterized by unsystematic record-keeping, a lack of separation between personal and business finances, and a limited understanding of basic accounting and financial management concepts. This condition makes it difficult for MSMEs to accurately assess their business's financial condition, resulting in inappropriate decision-making and potentially hampering business sustainability. Therefore, an in-depth study is needed to analyze MSME financial management and formulate effective solutions to address these issues.

Several previous studies have shown that MSME financial management tends to be rudimentary and does not comply with accounting standards. Research by Apriani et al. (2022) states that most MSMEs do not maintain systematic financial records. Furthermore, Khadijah and Purba (2021) found that low financial knowledge is a major factor affecting MSME financial performance. Another study by Ririh et al. (2023) also shows that limited human resources and a lack of accounting understanding are obstacles to MSME financial management. Internationally, research by Beck et al. (2018) revealed that access to financial services and financial literacy play a crucial role in improving MSME performance. Although various studies have been conducted, most previous research has used a quantitative approach and focused more on the relationships between variables. Therefore, this study employs a qualitative approach to explore the financial management practices of MSMEs, particularly in Gresik Regency, which has unique characteristics as an industrial area. Furthermore, this study integrates behavioral aspects and the use of financial technology into the analysis, which have not been widely discussed in previous research.

Based on the description, the purpose of this study is to analyze the financial management system of MSMEs in Gresik Regency, identify obstacles faced in financial management, and provide strategic recommendations to improve the quality of MSME financial management. Data on the development of MSMEs in Gresik Regency across seven business sectors during the 2021–2024 period shows different dynamics in each sector. To

facilitate analysis, each sector is presented separately in diagram form, accompanied by a brief explanation of the trends.

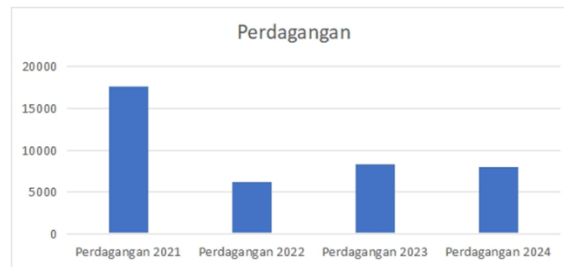
The novelty of this research lies in several aspects, namely the use of a descriptive qualitative approach to understand the phenomenon of financial management in greater depth, the integration of financial literacy factors, human resource competencies, and the use of financial technology within a single analytical framework, and the focus on MSMEs in Gresik Regency as a research object that has high economic potential but has not been widely studied specifically.



**Figure 1.**

**Data on the Development of the Industrial Sector in Gresik Regency**

The industrial sector showed a very significant growth trend from 2021 to 2023. This increase reflects economic recovery and increased production activity. There will be a slight decline in 2024, but overall, the figures remain relatively high, making this sector one of the fastest-growing.



**Figure 2.**

**Data on the Development of the Trade Sector in Gresik Regency**

The trade sector is home to the largest number of MSMEs. A significant decline occurred in 2022, reflecting the impact of economic conditions on people's purchasing power. In 2023, this sector began to recover, and in 2024, it showed a relatively stable trend, indicating the ability of businesses to adapt to changing market conditions.



**Figure 3.**

**Data on the Development of the Services Sector in Gresik Regency**

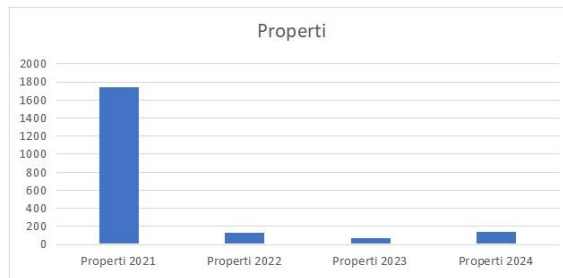
The services sector experienced the most drastic decline in 2022, indicating its high vulnerability to restrictions on economic activity. Although there was some improvement in 2023 and 2024, the figures remained well below baseline levels.



**Figure 4.**

**Data on the Development of Other Services Sectors in Gresik Regency**

Other service sectors experienced a decline in 2022, then showed a gradual recovery through 2024. This trend reflects the process of adaptation and the gradual recovery of economic activity.



**Figure 5.**

**Property Sector Development Data in Gresik Regency**

The property sector experienced a sharp decline in 2022 and did not show significant recovery until 2024. This indicates that the sector is highly sensitive to economic conditions and investment dynamics.



**Figure 6.**

**Data on the Development of the Transportation Sector in Gresik Regency**

The transportation sector has begun to show growth since 2022. This increase reflects the recovery in public mobility and the distribution of goods. This study used supporting data on MSME development in Gresik Regency, which demonstrates fluctuating conditions across various business sectors during the 2021–2024 period.

**Table 1.**  
**Development of the Number of MSMEs in Gresik Regency 2021-2024**

Sector	2021	2022	2023	2024
Industry	1,993	5,760	13,317	11,372
Trading	17,642	6,165	8,285	8,039
Service	5,117	100	115	288
Other Services	4,839	1,961	2,458	3,664
Property	1,743	129	69	135
Transportation	-	180	212	377

Based on Table 1, the trade sector is one of the sectors with the largest number of MSMEs in Gresik Regency. In 2021, the number of MSMEs in this sector reached 17,642, indicating that trade is a key pillar of the regional economic structure. However, in 2022, there was a significant decline, with the number of MSMEs dropping to 6,165. This decline indicates that the trade sector has been severely impacted by economic conditions, particularly due to restrictions on community activities and decreased purchasing power in the post-pandemic period.

Entering 2023, the trade sector began to show signs of recovery, with the number of MSMEs increasing to 8,285. This increase reflects the adaptability of business actors in responding to market conditions, including through adjustments to sales strategies, utilization of technology, and the beginning of a recovery in economic activity. In 2024, the number of MSMEs in the trade sector tended to stabilize at 8,039. Although a slight decrease compared to the previous year, this indicates that the sector has entered a stabilization phase after experiencing significant pressure.

Compared to other sectors, the trade sector offers a higher degree of flexibility and adaptability to changing economic conditions. This is due to its business characteristics, which do not require complex production processes and have a relatively fast turnover of goods. However, this sector remains highly sensitive to fluctuations in purchasing power and market dynamics.

In the context of this research, focusing on MSMEs in the trade sector is highly relevant, given that this sector not only has a large number of business actors but also plays a crucial role in the distribution of goods and meeting community needs. Furthermore, financial management in MSMEs in the trade sector is crucial, given the high frequency of transactions and the need for effective cash flow management. Therefore, further analysis of financial management practices in MSMEs in the trade sector is necessary to assess the extent to which business actors are able to manage their finances optimally.

With this research, it is hoped that it can provide theoretical and practical contributions in the development of MSME financial management, as well as become a basis for further research related to improving business performance and sustainability.

## REVIEW OF LITERATURE

Financial management is a crucial process in running a business, particularly for Micro, Small, and Medium Enterprises (MSMEs). Financial management relates to how business owners plan, use, record, and monitor their funds to ensure effective and sustainable business operations. According to Kasmir (2019), financial management encompasses activities that encompass financial planning, recording, reporting, and control to optimally achieve business goals.

Similarly, Suhairi (2019) stated that small business financial management includes the ability to manage cash flow, record transactions, prepare simple financial reports, and evaluate the business's financial performance. Good financial management will help business owners make more rational decisions and avoid the risk of loss.

The conceptual framework in this study describes the logical flow of how financial management in MSMEs (Micro, Small, and Medium Enterprises) in Gresik Regency is analyzed through several main indicators to achieve the research objectives.

This research is based on the phenomenon that financial management in MSMEs is still suboptimal, particularly in terms of financial recording, reporting, and control. Therefore, a systematic analysis is needed to understand this situation.

The main variable in this study is the financial management of MSMEs, which is measured through

### 1. Planning

Financial planning is a crucial initial step in managing business finances, as it serves as the basis for determining the effective and efficient use of funds. This planning includes budgeting, revenue estimation, and cost control to ensure the business operates according to its stated objectives. According to Kasmir (2018), financial planning is the process of systematically determining financial goals and the steps necessary to achieve them. Similarly, Suhairi (2019) states that financial planning serves as a guideline for managing cash flow so that the business can operate sustainably. With proper planning, business owners can anticipate financial risks and maintain business stability.

### 2. Recording

Financial record keeping is the process of systematically and continuously recording all financial transactions occurring within a business, both income and expenses. This recording is crucial because it serves as the basis for understanding the actual financial condition of the business. According to Kasmir (2018), financial record keeping is the activity of recording every transaction in a specific medium so that financial information can be clearly understood. Meanwhile, Suhairi (2019) explains that good record keeping facilitates the preparation of financial reports and supports sound decision-making. Therefore, routine and complete record keeping will improve the quality of business financial management.

### 3. Reporting

Financial reporting is a subsequent stage of recording, aiming to present financial information in the form of structured reports, such as profit and loss statements, balance sheets, and cash flow statements. These reports are used to assess a business's performance and financial position over a specific period. According to Kasmir (2018), financial reports

are the final result of the recording process, providing information on the financial condition and performance of the business. This is supported by Suhairi (2019), who states that financial reports serve as an evaluation tool and a basis for business decision-making. With financial reports, business owners can determine profit levels, operational efficiency, and overall business development.

#### **4. Control**

Financial management and control are efforts to ensure that all financial activities run according to established plans and to avoid waste or irregularities. Control is carried out through monitoring cash flow and expenditures, as well as periodic evaluation of financial performance. According to Kasmir (2018), financial control is the process of monitoring the use of funds to ensure they align with predetermined plans. Meanwhile, Suhairi (2019) states that financial control aims to maintain business stability by monitoring costs and cash flow. With proper management and control, businesses can run more efficiently and avoid the risk of loss.

#### **5. Separation**

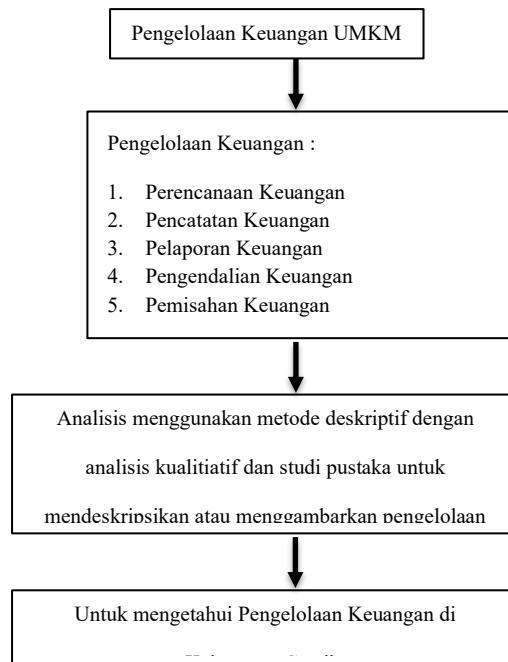
Financial segregation is the practice of separating personal and business finances to ensure accurate and transparent information about the business's financial condition. Without a clear separation, business owners will have difficulty determining true profits, cash flow, and business performance. According to Kasmir (2018), financial segregation is crucial to avoid mixing funds that could obscure the business's financial condition. This is reinforced by Suhairi (2019), who stated that financial segregation helps business owners understand their true profits and enhances discipline in financial management. Therefore, financial segregation is a crucial indicator of sound and professional financial management.

The uniqueness the study by yuniar et al., 2024 lies in several aspects, namely the use of a descriptive qualitative approach to gain a deeper understanding of the phenomenon of financial management; the integration of financial literacy, human resource competencies, and the use of financial technology into a single analytical framework; and the focus on MSMEs in Gresik Regency as the research subjects, which possess high economic potential but have not yet been extensively studied. Thus, this study is expected to make a new contribution to the development of financial management science, particularly in the MSME sector.

Similarly, research by Putri & Hadyarti (2025), examines how financial knowledge, financial literacy, and financial competence influence the performance of MSMEs in Sampang Regency. The results show that all three variables have a positive and significant effect on business performance. MSMEs that understand financial record-keeping, capital planning, debt management, and profit evaluation are better able to maintain business stability and increase profitability. This study also indicates that practical financial skills are a crucial asset in navigating business uncertainty. Therefore, financial training and education should be a priority in SME development programs to enable them to grow sustainably and professionally.

All indicators were analyzed using descriptive qualitative methods, using interviews, observation, and documentation. This approach aims to obtain a realistic picture of the financial management practices of MSMEs.

The results of this analysis are expected to provide an overview of the actual conditions of MSME financial management in Gresik Regency, as well as identify various challenges faced and formulate effective improvement strategies.



**Figure 7.**  
**Research Framework**

Based on the description above, the formulation of the problem in this research can be concluded as follows:

1. How is financial planning implemented by Micro and Small MSMEs in Gresik Regency?
2. How is financial recording implemented by Micro and Small MSMEs in Gresik Regency?
3. How is financial reporting implemented by Micro and Small MSMEs in Gresik Regency?
4. How is financial control implemented by Micro and Small MSMEs in Gresik Regency?
5. How is the financial separation implemented by Micro and Small MSMEs in Gresik Regency?

## RESEARCH METHOD

This study uses a qualitative approach with applied descriptive research. The aim is to analyze financial management practices in Micro and Small Enterprises (MSMEs) in Gresik Regency. The study was conducted in Gresik Regency, with the subjects being MSME owners and managers who had been operating for at least three years, were classified as micro-enterprises, and had business legality.

The data used is primary data obtained through observation, interviews, and documentation involving Micro and Small Enterprises (MSMEs) in Gresik Regency. A

qualitative approach was chosen because it can depict real-world conditions related to how MSMEs plan, record, report, control, and separate their finances.

**Table 2.**  
**Qualitative Research Indicators**

No	Focus	Element	Indicator
1	Planning	<ul style="list-style-type: none"> <li>a. Do you always make financial plans in your business?</li> <li>b. Is it necessary to make plans in sales?</li> <li>c. Is making profit planning</li> <li>d. Is making initial capital planning making initial capital planning to set up a business?</li> <li>e. Is comparing the plans made with actual or reality?</li> </ul>	Planning
2	Recording	<ul style="list-style-type: none"> <li>a. Do you keep financial records?</li> <li>b. Do you record transactions manually?</li> <li>c. Do you regularly record transactions?</li> <li>d. Do you routinely recap cash receipts and disbursements every month?</li> <li>e. Does recording transactions help financial management?</li> </ul>	Recording
3	Reporting	<ul style="list-style-type: none"> <li>a. Is it necessary to make complete financial reports?</li> <li>b. Do you routinely make balance sheet reports to assess business progress?</li> <li>c. Is it necessary to make a profit and loss report to assess business progress?</li> <li>d. Do you routinely make cash flow reports to assess business progress?</li> </ul>	Reporting
4	Control	<ul style="list-style-type: none"> <li>a. Do you have a billing procedure for credit sales?</li> <li>b. Do you have a cash out withdrawal procedure?</li> <li>c. Is it necessary to archive notes from cash disbursements?</li> <li>d. Do you make a sales note for each merchandise sales transaction?</li> <li>e. Do you archive all sales receipts for merchandise?</li> </ul>	Control
5	Separation	Is it necessary to separate personal money from business money?	Separation

## RESULTS AND DISCUSSION

### Analysis of Financial Management in Micro and Small...

The results obtained after data collection through interviews include information related to financial management practices, observations of business activities, and documentation in the form of transaction records and financial evidence. Informants were determined using a purposive sampling technique based on certain criteria, while data analysis was conducted qualitatively with an interactive model that includes data reduction, data presentation, and conclusion drawing, and its validity was tested through data triangulation. This study focuses on the analysis of financial management aspects, including financial recording, reporting, financial separation, financial literacy, human resource competency, and the use of financial technology.

The research results were obtained through direct interviews with MSMEs, supported by observations of their business activities. The collected data were then analyzed qualitatively to provide a realistic picture of the financial management conditions of micro and small MSMEs. Therefore, this study focused on several key aspects of financial management: planning, recording, reporting, and financial management. These four aspects were analyzed based on the results of interviews with informants to determine the extent of their implementation in daily business activities and to identify obstacles faced by MSMEs in managing their finances.

The micro-SMEs in this study are businesses with limited scale, both in terms of capital, workforce, and production capacity. Interviews revealed that the businesses tend to be simple and independently managed by the owners.

As per the results of an interview with Wiwid Mufidha as the owner of the Nasi Krawu Bu Nanik business regarding the financial management that was prepared in running the business, that:

*"In running my business, I don't create a written financial plan, but rather base it solely on experience and estimates of daily business needs, such as raw material purchases and sales estimates. For financial record-keeping, I sometimes record income and expenses, but this isn't done routinely and is still simple and without clear grouping. Furthermore, I don't prepare comprehensive financial reports such as profit and loss statements, balance sheets, or cash flow statements, as I usually only look at daily sales results to determine profit. In financial management, I still mix business and personal finances, so there's no clear separation between the two."*

Based on the interview results above, the owner of Nasi Krawu Bu Nanik's business, while running her business, still maintains rudimentary and unstructured financial management. This is evident in the lack of a written financial plan, irregular record-keeping without clear classification, and incomplete financial reports. Furthermore, there is still a mix of business and personal finances. This situation indicates that financial management is suboptimal and still based on experience, requiring improvements to be more systematic and effective.

As per the results of an interview with Muhammad Rifa'i as the owner of the Soto Madura business regarding the financial management that was prepared in running the business, that:

*"In running my business, I have conducted financial planning, albeit in a simple manner, starting with managing initial capital, estimating daily sales, and setting profit targets as a benchmark. I also compare*

*plans with actual conditions and evaluate any discrepancies, ensuring the business continues to run smoothly. For record-keeping, I always record every sales and purchase transaction manually in a ledger to track cash inflows and outflows and avoid financial leaks. However, for financial reporting, I have not yet compiled comprehensive reports such as balance sheets and cash flow statements due to limited knowledge, although I have prepared simple profit and loss reports every month for evaluation. In financial management, I strive to use money according to business needs, keep receipts as proof of transactions, and create and archive sales receipts to maintain orderly record keeping, even though it is still done in a simple manner."*

Based on the interview results above, the Soto Madura business owner indicated that MSMEs have implemented financial management that includes planning, recording, reporting, and financial management, but still in a rudimentary form. Planning is carried out to manage capital, sales, and profit targets, and is accompanied by evaluation. Transaction recording is carried out routinely, but is still manual and unstructured. Financial reporting is incomplete, consisting only of a simple profit and loss statement, while a balance sheet and cash flow statement have not been prepared. In financial management, the informant has used cash according to business needs and kept transaction records, although the separation of personal and business finances is not yet fully optimal.

As per the results of an interview with Warti'a as the owner of the Sego Babat business regarding the financial management that was prepared in running the business, that:

*"In running my business, I haven't created a written financial plan and usually just make a simple cash flow plan at the beginning of the week based on experience. Sales planning is also done flexibly, adjusting to demand, without a fixed target. I also don't have a clear profit target because my main focus is to keep the business running and recoup my capital. In terms of bookkeeping, I've recorded some transactions, but they're incomplete and irregular due to time constraints, and I still do it manually in a small book. For financial reporting, I've never created a complete report such as a balance sheet, profit and loss, or cash flow statement because I don't understand how to prepare them. So I only assess the business's condition based on the number of buyers and remaining cash. In financial management, business and personal funds are often mixed, expenses are made as needed without specific procedures, and transaction receipts are not always systematically stored or archived. Overall, my financial management is still simple and based on daily habits."*

Based on the interview results above, the Sego Babat business owner indicated that his business financial management remains rudimentary and unstructured. Planning is conducted informally and flexibly without clear targets, transaction recording is incomplete and irregular, and financial reporting is not yet conducted due to limited understanding. Furthermore, financial management still mixes personal and business funds, with procedures and filing lacking in a systematic manner, so all financial practices are based more on everyday habits.

As per the results of an interview with Siti Aminah as the owner of the Sari Laut Fish Crackers business regarding the financial management that was prepared in running the business, that:

*"In running my business, I've implemented financial planning, though it hasn't always been written down. This includes managing capital usage, estimating weekly sales, and setting simple profit targets. I also compare plans with actual results and conduct evaluations when necessary. For bookkeeping, I manually*

*record sales and purchase transactions in a cash book, doing this fairly regularly. I also create a simple recap at the end of each month to assess my financial situation. For reporting, I haven't yet compiled a complete financial report, such as a balance sheet and cash flow statement, due to limited understanding. However, I have routinely created a simple profit and loss statement to evaluate business progress. In financial management, I've started separating personal and business funds, using cash according to business needs, and keeping transaction receipts, although they're not yet organized neatly. Overall, my financial management has been going quite well, although it's still simple and needs improvement."*

Based on the interview results above, the owner of the Sari Laut Fish Crackers business indicated that the informant had implemented fairly good financial management, although it was still rudimentary. Financial planning had been carried out, including capital management, sales planning, and profit targets, although these were not always written down. Transaction recording was carried out routinely using manual methods and accompanied by simple monthly recaps. In reporting, the informant had not yet prepared a complete financial report, but had created a simple profit and loss report as an evaluation tool. Meanwhile, in financial management, the informant had begun to separate personal and business funds, using cash as needed, and storing transaction receipts, although this was not yet systematically organized.

As per the results of an interview with Agus Setiawan as the owner of Laundry Bersih Kilat regarding the financial management that is prepared in running the business, that:

*"In running my business, I've done financial planning, although it's not always written down. I usually use notes on my phone to manage expenses, production, and simple profit targets. I plan my sales by looking at the previous week's sales as a reference, and comparing the plan with daily results for evaluation. In bookkeeping, I regularly record sales and purchase transactions on my phone, although I still miss small transactions, and I create a simple monthly recap to assess the business's financial condition. For reporting, I haven't yet compiled a complete financial report like a balance sheet and cash flow statement because I'm still learning. However, I have created a simple profit and loss report every month based on the sales recap. In financial management, I've started separating personal and business funds, although not yet completely consistent, using cash only for business needs, and storing and archiving transaction receipts, although they're not yet organized and some are still missed. Overall, my financial management has been going quite well, but it's still simple and I'm continuing to improve it."*

Based on the interview results above, the owner of the Laundry Bersih Kilat business indicated that the informant had conducted financial planning, although not always written down, by using notes on his cell phone to manage expenses, production, and simple profit targets, as well as using previous sales as a reference and conducting evaluations of daily results. Transaction recording was done routinely via cell phone and summarized every month, although there were still small transactions that were missed. In reporting, the informant had not yet prepared complete financial reports such as balance sheets and cash flow because he was still learning, but had already prepared a simple profit and loss report every month based on sales recaps. Meanwhile, in financial management, the informant had begun to separate personal and business funds, using cash only for business needs, and

storing and archiving transaction evidence, although it was not yet neatly organized and not yet completely consistent.

Furthermore, the small MSMEs in this study are businesses that have a more developed scale than micro MSMEs, both in terms of capital, workforce, and operational activities. Based on interviews, the businesses they operate are beginning to demonstrate a more focused division of tasks and management.

As per the results of an interview with Eko Wibowo as the owner of Bakso Pak Eko regarding the financial management that was prepared in running the business, that:

*"In running my business, I have always created a financial plan from the start to manage my capital so it doesn't run out quickly, including sales planning based on previous month's data, simple profit targets, and initial capital planning. I also routinely compare the plan with actual conditions every month and evaluate any discrepancies. I have also separated personal and business funds and prepared cash reserves for urgent needs and business development plans such as adding products. In bookkeeping, I manually record all sales and purchase transactions every day and conduct monthly recaps to monitor financial conditions and control costs. For reporting, I have created simple financial reports such as monthly profit and loss statements and simple cash flow statements, although not routinely. While balance sheets have not been consistently prepared due to limited understanding. In financial management, I regulate cash withdrawals myself to ensure control, keep expense receipts, and always create and archive sales receipts as proof of transactions and material for business evaluation."*

Based on the interview results above, the owner of Bakso Pak Eko's business indicated that the informant had implemented quite comprehensive financial management in his business. Financial planning was carried out from the start of the business, including planning for capital, sales, and profits, routine evaluations, separating personal and business funds, as well as cash reserves and business development plans. Transaction recording was carried out routinely every day manually and summarized monthly to control the financial condition and business costs. In reporting, the informant had routinely prepared profit and loss reports and simple cash flow reports, although not consistently, while balance sheets had not been optimally prepared due to limited understanding. In the financial management aspect, cash disbursements were regulated independently, and transaction notes were stored and archived as part of business control and evaluation.

As per the results of an interview with Dian Prabowo as the owner of Kopi Sore regarding the financial management that was prepared in running the business, that:

*"In running my business, I consistently create financial plans because my daily expenses are quite substantial, particularly for raw materials and operational costs. I plan my sales based on peak and low-peak customer patterns to ensure production efficiency, and I establish a profit plan to ensure the business remains profitable. I also separate my personal and business funds, maintain a cash reserve, and regularly compare plans with actuals and evaluate any discrepancies. For bookkeeping, I manually record all daily sales and purchase transactions using a simple application. I then summarize them monthly to assess my financial condition and control costs. For reporting, I have prepared financial reports, though not yet very detailed, such as balance sheets, profit and loss statements, and cash flow statements, which are used to assess assets, business performance, and cash availability. In financial management, I have a collection procedure based on agreements with partners, regulate cash withdrawals with strict supervision, and store and archive expense and sales receipts as proof of transactions and business evaluation materials."*

Based on the interview results above, the owner of Kopi Sore indicated that the informant has implemented a fairly comprehensive and structured financial management in his business. Financial planning is carried out routinely to manage daily expenses, production, and profit targets, along with the separation of personal and business funds, the provision of cash reserves, and regular evaluation of business realization. In terms of record-keeping, all transactions are recorded manually daily and with the help of a simple application, then summarized monthly to control costs and the business's financial condition. In terms of financial reporting, the informant has prepared balance sheets, profit and loss statements, and cash flow statements, although not yet very detailed, which are used to assess business performance, asset position, and cash availability. Meanwhile, in financial management, there are collection procedures based on agreements with partners, strict monitoring of cash disbursements, and archiving of transaction notes as evidence.

As per the results of an interview with Fitriani as the owner of Lento Food & Snack regarding the financial management that was prepared in running the business, that:

*"In running my business, I always develop a structured financial plan because production activities require significant and ongoing costs, including sales planning tailored to production capacity and market demand, profit calculations, and initial capital planning for machinery, raw materials, and operational needs. I also conduct evaluations at the end of each month by comparing plans and realizations, and have separated personal and business finances, prepared cash reserves, and planned business development by increasing production capacity according to financial conditions. In recording, all transactions are recorded daily using a simple computer system for better organization, then summarized monthly to monitor production and operational costs. For reporting, I have prepared complete financial reports including balance sheets, profit and loss, and cash flow statements which are used as a basis for assessing the performance and financial condition of the business. Meanwhile, in financial management, I have a fairly clear collection procedure, regulate cash disbursements according to operational needs with strict supervision, and systematically store and archive all transaction evidence to support business evaluations."*

Based on the interview results above, the owner of Lento Food & Snack indicated that the informant has implemented structured and systematic financial management in his business. Financial planning is carried out comprehensively, including capital planning, sales, and profit, as well as regular evaluations between plans and realization, accompanied by the separation of personal and business finances and the provision of cash reserves to support business stability. In terms of recording, all transactions are recorded daily using a simple computer system and summarized monthly to control production and operational costs. In financial reporting, the informant has prepared complete reports such as balance sheets, profit and loss, and cash flow statements that are used as a basis for evaluating the performance and financial condition of the business. Meanwhile, in financial management, there are clear collection procedures, cash disbursement controls, and systematic archiving of transaction evidence to support transparency and business evaluation.

As per the results of an interview with Muzanah, the owner of Bu Muzanah Store, regarding the financial management that was prepared in running the business, that:

*"In this business, I consistently develop financial plans because the scale is quite large and requires disciplined financial management, starting from sales planning based on orders and events, calculating profits to ensure profitability, to planning initial capital for equipment and operational needs. Each period, I compare the plan with actual results and evaluate any discrepancies. I also separate my personal and business finances and prepare cash reserves to anticipate a decrease in orders. In bookkeeping, all transactions are recorded manually daily using a simple application, then summarized monthly to monitor expenses and production costs. For reporting, I have routinely prepared financial reports such as balance sheets, profit and loss statements, and cash flow statements to monitor financial position, profit development, and the availability of operational funds. Meanwhile, in financial management, I implement a system of down payments and settlements, control cash expenditures as needed, and store and archive all transaction evidence neatly as a basis for business evaluation."*

Based on the interview results above, the owner of Bu Muzanah Store indicated that the informant has implemented financial management in a fairly comprehensive and directed manner in a large-scale culinary business. Financial planning is carried out systematically, including managing sales based on orders, calculating profits, and planning initial capital, accompanied by the separation of personal and business finances and the provision of reserve funds to face uncertain business conditions. In recording, all transactions are recorded manually daily with the support of a simple application and summarized monthly to monitor expenses and operational costs. In terms of reporting, the informant has prepared financial reports such as balance sheets, profit and loss, and cash flow periodically as a basis for evaluating the performance and financial condition of the business. Meanwhile, financial management is carried out through a system of down payments and settlements, monitoring cash expenditures, and storing and archiving transaction evidence in an orderly manner to support business control and evaluation.

As per the results of an interview with the son of the owner of the Meat Supplier regarding the financial management that was prepared in running the business, that:

*"In running my business as a raw material supplier, I always create a financial plan from the start to ensure expenses don't exceed my business's capabilities, including sales planning based on market conditions. I also routinely compare plans with actual results every month and evaluate any discrepancies. For bookkeeping, I manually record all daily sales and purchase transactions using a simple application. I then summarize them monthly to monitor my financial condition and identify the most profitable parts of my business. For reporting, I have created financial reports, albeit still simple ones, such as balance sheets, profit and loss statements, and cash flow statements, which are used to assess assets and profits, and ensure the availability of operational funds. In financial management, I implement a direct payment system or down payment for large orders, manage cash withdrawals according to cash flow, and archive all expenditure and sales receipts, both physically and digitally."*

Based on the interview results above, the owner of the Meat Supplier business indicated that the management of his business as a raw material supplier has been carried out in a fairly structured manner. Financial planning, sales, profit, and capital planning were established from the start to maintain cash flow stability, accompanied by routine monthly evaluations, as well as the separation of personal and business funds and the provision of reserve funds to address market volatility and business development plans. In financial

record-keeping, all transactions are recorded manually daily and using a simple application, then summarized monthly to monitor financial conditions and identify the most profitable parts of the business. Meanwhile, financial reporting has been carried out, although still simple, through balance sheets, profit and loss reports, and cash flow statements used to assess assets, profits, and the availability of operational funds. In terms of financial management, the informant implemented a direct payment system or down payment for large orders, regulated cash withdrawals according to cash flow conditions, and stored and archived all transaction evidence as a basis for business control and evaluation.

Based on the data obtained, it was found that most MSMEs still implement simple financial management systems that do not comply with accounting standards. To clarify this situation, the research results are summarized in Table 3 below.

**Table 3.**

**Conditions of Financial Management of Micro MSMEs in Gresik Regency**

No	Financial Management Aspects	Category	Frequency	Percentage (%)
1	Financial Planning	Unstructured	15	50%
2	Financial Recording	Manual	16	53.33%
3	Financial Reporting	Not Keeping a Journal	14	46.67%
4	Financial Control	Not yet consistent	15	50%

Based on Table 3, it can be seen that most business owners are still at a relatively simple and unstructured stage of financial management. This is evident in the financial planning aspect, where 15 respondents (50%) have not yet implemented structured planning. This indicates that half of business owners still rely on informal planning, such as based on experience or daily needs, potentially leading to inefficiencies in business fund management.

In terms of financial record keeping, 16 respondents (53.33%) still use manual methods. This indicates that most business owners have not yet utilized digital technology for transaction recording. While manual record keeping is relatively easy, it has limitations in terms of accuracy, data security, and efficiency in preparing financial reports.

Furthermore, regarding financial reporting, 14 respondents (46.67%) had not yet created financial journals. This indicates that nearly half of business owners have not systematically implemented basic accounting processes. The lack of journal entries results in incomplete financial information and complicates the preparation of more comprehensive financial reports, such as income statements and balance sheets.

Regarding financial control, 15 respondents (50%) stated that controls were not implemented consistently. This indicates that oversight of cash flow, expenditures, and the use of business funds is still suboptimal. Inconsistency in control can increase the risk of waste and errors in financial management.

Finally, regarding financial separation, 13 respondents (43.33%) had not separated personal and business finances. While this percentage is not as high as in other areas, this figure still indicates that some business owners have not implemented basic financial

management principles. This lack of separation can make it difficult to accurately assess the business's financial condition, particularly when calculating profits and cash flow.

Overall, the results of this table indicate that business financial management is still in its infancy, with unstructured and inconsistent practices predominating. This indicates the need for improved financial literacy and assistance in implementing a more robust and systematic financial management system.

**Table 4.**  
**Financial Management Conditions of Small MSMEs in Gresik Regency**

No	Financial Management Aspects	Category	Frequency	Percentage (%)
1	Financial Planning	Structured	24	80%
2	Financial Recording	Some Are Already Digital	25	83.33%
3	Financial Reporting	Have Created a Journal	22	73.33%
4	Financial Control	Consistent	23	76.67%
5	Financial Separation	Implemented	26	86.67%

Based on Table 4, it can be seen that the majority of business owners have demonstrated a good and relatively mature level of financial management. Regarding financial planning, 24 respondents (80%) have conducted structured planning. This indicates that the majority of business owners are able to develop more systematic financial plans, both in managing capital use, estimating operational needs, and planning business targets, thereby minimizing financial risk.

Regarding financial record-keeping, 25 respondents (83.33%) have used record-keeping, some of which is digital. This indicates advancements in the use of technology to support financial management. The use of digital systems helps improve record-keeping accuracy, simplifies data storage, and speeds up the processing of financial information compared to manual methods.

Furthermore, regarding financial reporting, 22 respondents (73.33%) had created financial journals. This indicates that most business owners understand the importance of basic accounting processes as a foundation for preparing financial statements. Journals make financial information more systematic and can be used to prepare reports such as income statements and balance sheets more accurately.

Regarding financial control, 23 respondents (76.67%) have consistently implemented controls. This reflects the majority of business owners' awareness of monitoring cash flow, controlling expenses, and ensuring funds are used according to plan. Consistent controls are crucial for maintaining financial stability and avoiding potential losses.

Finally, regarding financial separation, 26 respondents (86.67%) have separated personal and business finances. This is the highest percentage across all aspects, indicating that most business owners have implemented basic financial management principles

effectively. This separation facilitates accurate financial reporting, accurate profit calculations, and increased transparency in financial management.

Overall, the results of this table indicate that business actors' financial management is considered good, with a predominance of structured, documented, and controlled practices. This reflects an increased understanding and application of financial literacy in running a business.

This situation aligns with research showing that most MSMEs still do not implement structured financial planning and recording, thus impacting business decision-making limitations (Putri & Rahmawati, 2021). Furthermore, other research also shows that low financial literacy is a major factor in suboptimal financial reporting in MSMEs (Sari et al., 2022). Irregular recording and the lack of transaction grouping can also result in inaccurate financial information (Hidayat, 2023).

Furthermore, the lack of comprehensive financial reporting makes it difficult for business owners to evaluate their overall business performance (Pratama & Nugroho, 2021). This is reinforced by research that indicates that financial reports play a crucial role as a basis for decision-making and future business planning (Wibowo, 2024). Furthermore, the mixing of business and personal finances indicates a lack of application of the economic entity concept, which can impact the clarity of a business's financial condition (Lestari & Dewi, 2022).

Overall, recent research also confirms that the implementation of sound financial management in MSMEs, including planning, recording, reporting, and financial management, significantly impacts business sustainability and development (Ardiansyah et al., 2023). Therefore, increased understanding and training related to financial management are needed to enable MSMEs to develop more effectively and sustainably.

Furthermore, this study also examined financial management practices carried out by MSMEs, including planning, recording, reporting, and financial control. Observations and interviews revealed that MSME financial management practices are still relatively simple, as summarized in Table 4 below.

**Table 5.**  
**MSME Financial Management Practices**

Aspect	Micro MSMEs	Small MSMEs
Financial Planning	Unstructured	Structured
Financial Recording	Manual (book)	Some are already digital
Financial Reporting	Simple profit and loss, balance sheet and changes in equity have not been made	Profit and loss, balance sheet, changes in equity complete
Financial Control	Not consistent yet	It's been consistent
Financial Separation	Not yet implemented	Already implemented

Based on the comparison table between micro MSMEs and medium MSMEs in terms of financial management, it can be explained that there are quite significant differences in financial management practices at both business scales.

In terms of financial planning, micro-SMEs generally lack structured planning. Planning is carried out simply based on daily experience without systematic calculations. This situation results in lack of direction in financial management. In contrast, medium-sized MSMEs have implemented more structured financial planning, both in the form of budgets and business targets, which are compiled periodically, allowing for better cash flow control and minimizing financial risk.

In terms of financial record-keeping, micro-SMEs still use a manual system, typically a simple ledger. This record-keeping is often incomplete and inconsistent, resulting in inaccurate financial data. This contrasts with medium-sized MSMEs, which have begun using digital systems or accounting applications, resulting in neater, faster, and easier-to-analyze record-keeping for business decision-making.

Furthermore, regarding financial reporting, micro-SMEs are generally only able to prepare simple income statements, often based on estimates. Other reports, such as balance sheets and changes in equity, are not yet prepared due to limited accounting knowledge. Meanwhile, medium-sized MSMEs are able to prepare comprehensive financial reports, including income statements, balance sheets, and changes in equity. This indicates that medium-sized MSMEs have a better ability to assess their business's overall performance and financial position.

In terms of financial control, micro-SMEs still lack consistent controls. Expenditures are often made without strict planning, potentially leading to waste or cash imbalances. In contrast, medium-sized MSMEs have implemented better control systems through budgeting, routine record-keeping, and periodic evaluations, resulting in more efficient and targeted use of funds.

Finally, regarding financial separation, micro-SMEs generally don't separate personal and business finances. This makes it difficult to determine the true net profit of the business. Meanwhile, medium-sized MSMEs have implemented a clear financial separation, allowing for more transparent and professional monitoring of business cash flow.

Overall, the main difference between micro and medium-sized MSMEs lies in the level of systematization and discipline in financial management. Medium-sized MSMEs demonstrate more structured, modern, and accurate management compared to micro MSMEs, which remain simple and habit-based. This demonstrates that increasing business scale is directly proportional to improving the quality of financial management.

## **CONCLUSION**

From the analysis, it can be concluded that financial management in small MSMEs in Gresik Regency has shown quite good progress and is more mature than in micro MSMEs. This is evident in the majority of business owners who have implemented structured financial planning, maintain record-keeping, some of which is digital, prepare financial reports, although not yet fully detailed, and implement consistent financial controls and separate personal and business finances. This condition indicates an increase in financial literacy and awareness of the importance of systematic financial management in supporting business sustainability.

However, several limitations remain, particularly in the preparation of financial reports, which are not yet fully comprehensive and in accordance with accounting standards.

Therefore, further efforts are needed to improve accounting understanding, provide financial training, and optimize the use of financial technology to ensure that small MSMEs' financial management is more professional, accurate, and able to support more effective business decision-making.

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