

ANALYSIS OF FINANCIAL MANAGEMENT AND CHALLENGES OF HOUSEHOLD UMKM IN KEMUNING MUDA VILLAGE

Mardiana¹, Muhammad Fauzan²

^{1,2}Management Study Program, Faculty of Economics and Business, Universitas Islam Indragiri, Indonesia

*e-mail: mardianadian2909@gmail.com

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Abstract

This study aims to describe the real conditions of household businesses in Kemuning Muda Village, Indragiri Hilir Regency. The study was conducted on three household-scale MSME actors, namely producers of tempeh chips, baked cakes, and instant rendang spices. This study used a qualitative descriptive method through semi-structured interviews and direct observation. The results of the study showed that the three business actors faced similar obstacles, including limited capital, local marketing, and the absence of planned business management. There was no business recording system or separation of household and business finances, which made business sustainability difficult. This study can be a basis for designing village MSME empowerment strategies that are in accordance with real needs in the field.

1. INTRODUCTION

Background Problem

Micro, Small, and Medium Enterprises (MSMEs) are an important pillar in the structure of the Indonesian economy, especially in rural areas. In the household scope, MSMEs are not only the main source of income, but also a form of economic adaptation of the community to limited access to formal employment. The Indonesian government through various village empowerment programs, such as Village Funds and MSME Assistance, encourages the growth of independent household-based businesses. However, in reality, many small business actors in villages still face limitations in terms of production, capital, and marketing.

At the village level, household MSMEs generally start their businesses simply, with limited production scale, manual equipment, and limited access to capital and distribution networks. Most of them run their businesses without assistance, do not yet have a strong marketing strategy, and are not yet connected to the digital market. As a result, the economic potential that should be developed sustainably is still hampered at the local scale.

Kemuning Muda Village, located in Kemuning District, Indragiri Hilir Regency, Riau, is one of the villages with local economic potential based on household businesses. Based on initial observations and interviews during the implementation of the Real Work Lecture (KKN), it was found that there were several business actors who had produced snacks and local processed foods such as tempeh chips, baked cakes, and instant rendang spices. These three products show commercial potential because they are based on local ingredients and suit the tastes of the community.

However, these business actors still face classic challenges that are common among rural MSMEs, such as limited production capacity, minimal production equipment, no business records, and marketing that is still very limited to the village scope. In this context, it is important to conduct descriptive studies that can describe in detail the conditions of household businesses in the village, as a basis for compiling assistance programs or economic interventions that are in accordance with field needs.

Micro, Small, and Medium Enterprises (MSMEs) are an important pillar in the structure of the Indonesian economy, especially in rural areas, where household businesses act as the main source of income as well as a form of economic adaptation to limited access to formal employment. Through programs such as Village Funds and MSME Assistance, the government encourages the growth of independent micro-scale businesses, but in reality many household MSME actors in villages still face fundamental challenges, such as limited capital, simple production tools, lack of financial records, and weak marketing strategies (Widodo & Mukhlis, 2022; Nugroho, 2021). Most of these businesses are run without assistance, are not yet connected to the digital market, and only rely on traditional marketing that is limited in reach. Previous studies have shown that financial literacy and digital marketing training can encourage independence and market expansion for village MSMEs (Lestari, 2023; Permata Sari et al., 2023), but research that specifically describes the actual conditions of micro-scale household businesses at the village level using a qualitative approach is still minimal.

Therefore, this study was conducted to capture in depth the business capacity, operational challenges, and marketing reach of three household MSME actors in Kemuning Muda Village as a basis for compiling an economic empowerment program based on real needs in the field.

Problem Formulation

Based on the background and focus of this research, the problem formulation in this research is:

- What are the characteristics of household businesses run by MSME actors in Kemuning Muda Village?
- What are the main challenges faced by home-based MSMEs in running their businesses?
- How are the business management practices carried out by household MSME actors, especially in terms of capital use, record keeping, and marketing?

Research Purposes

The objectives of this research are to:

- a. Describe the characteristics of household businesses run by MSME actors in Kemuning Muda Village.
- b. Identifying the challenges faced by home-based MSMEs in developing their businesses.
- c. Analyze home business management practices, especially in terms of capital management, business records, and marketing strategies.

2. LITERATURE REVIEW

Home Business in Rural Areas

Home businesses are a form of MSMEs run by families, using home equipment and space to produce goods or services. In rural areas, this type of business is the main alternative to overcome high unemployment and low formal employment opportunities (Kemenkop UKM, 2022). However, research by Widodo & Mukhlis (2022) in Karangtalun shows that most village MSME actors still run businesses with traditional management and limited innovation, so that business development is very limited.

Challenges of Household MSMEs

Rural household MSMEs face various structural and managerial obstacles that repeatedly emerge in field studies. Nugroho (2021) classifies these challenges as “classic problems” that continue to hamper the growth of micro-enterprises, namely:

a. Limited Capital

Most of the business funds come from previous sales without any business reserves or access to formal financing such as cooperatives or banks. Dependence on daily cash inflows makes the business very vulnerable to declining demand or urgent needs. It also limits the possibility of reinvestment to expand the business scale or improve product quality.

b. Simple Production Tools

Due to limited capital and technological knowledge, business actors only rely on ordinary household appliances such as gas stoves, traditional frying pans, or small ovens. These tools limit production capacity and complicate the process of standardizing product quality.

c. Lack of Managerial and Financial Literacy

Many business actors do not have the habit of recording daily transactions, determining the cost of goods manufactured (COGS), or planning fixed and variable costs. Recording is considered troublesome and unnecessary. In fact, without recording, business actors cannot evaluate their business performance objectively (Hilgert & Hogarth, 2003; Lestari, 2021).

d. Lack of Training and Mentoring

Household MSMEs often operate based on inherited experiences or informal learning. Business actors tend not to be touched by systematic entrepreneurship training, such as digitalization, packaging, or product branding training. As a result, they have difficulty adapting to market changes.

Household and MSME Financial Management

Good financial management is an important prerequisite for the sustainability of household MSMEs. Basic financial literacy includes skills to:

- a. Record daily income and expenses regularly
- b. Separating personal and business finances
- c. Managing business capital and avoiding excessive consumption of profits
- d. Planning short and medium term finances

A study in Karanganyar by Puji Astuti & Mardayanti (2024) showed that training in recording and using simple accounting applications (such as BukuKas and TemanBisnis) can improve the ability of business actors to read financial situations and formulate business strategies. Business actors who initially only relied on "feeling" to manage capital, after training became more rational and structured in making decisions.

This study reinforces the findings of Hilgert & Hogarth (2003) who emphasized the importance of separating business cash flow from household cash flow. Thus, good financial management not only helps business actors avoid losses, but also facilitates the business evaluation process and strengthens the family's financial resilience.

Marketing of MSME Products in Villages

In the village context, marketing of MSME products is generally still very limited and relies on traditional patterns, such as:

- Direct sales to neighbors or regular customers
- Consign products to stalls or small shops around the village
- Word of mouth (*word of mouth*) or via personal WhatsApp status

This strategy is indeed practical, but it is not able to reach a wider market. Therefore, digital marketing training-based interventions have begun to be widely carried out to increase the capacity of MSME actors. Several studies have mentioned positive results, including:

a. Kuncen Village (Faried et al., 2022)

Digital marketing training helps actors understand the importance of social media as a means of promotion, as well as building an attractive brand image through Instagram and Facebook.

b. Truko Village (Pinem et al., 2024) and Sukaimut, Kuningan (Watulandi & Gunawan, 2022)

Business people are starting to actively use WhatsApp Business and learn about local e-commerce to expand product distribution.

c. Pangadegan Village, Sumedang

MSMEs are given training to open stores on Shopee and Bukalapak, followed by a month of mentoring to ensure that they can independently manage their online sales.

However, there are still challenges such as limited internet signal, low smartphone ownership, and limited digital knowledge. Therefore, training must be carried out in stages and combined with medium-term mentoring.

3. RESEARCH METHODS

Types and Approaches of Research

This study uses a descriptive qualitative method with a case study approach. This approach was chosen to deeply understand the practices of household businesses, the challenges faced by MSMEs, and the adaptation and marketing strategies used in the context of village life. Case studies allow researchers to explore the social and economic dynamics of each business actor contextually. This study also provides an indirect picture of business management practices, including financial aspects that are carried out informally by household MSME actors.

Location and Time of Research

The research was conducted in Kemuning Muda Village, Kemuning District, Indragiri Hilir Regency, Riau Province, which is a rural area with the potential for developing household-based MSMEs. This location was chosen because the researcher was implementing a Community Service Program (KKN) in the village, thus

allowing direct interaction with the community for a fairly long time. The research was conducted during the period July to August 2024, in conjunction with the implementation of KKN activities.

Research Subject

The subjects in this study were three household business actors who run micro-scale MSMEs in the village environment. The subject selection technique used purposive sampling, namely by setting certain criteria as a reference:

- a. It is a micro or home business actor that is managed independently.
- b. The production process is carried out from home with simple equipment.
- c. Never received large-scale business assistance or formal incubation.
- d. Does not have a formal financial management or record keeping system.

The types of businesses of the three research subjects are:

- a. Homemade Tempeh Chips
- b. Traditional Baked Cake
- c. Instant Rendang Seasoning

These three businesses were chosen because they are representative of the characteristics of household MSMEs in rural areas, especially those operating in the processed food sector.

Data Collection Techniques

Data was collected using several techniques as follows:

- a. Semi-structured interviews, conducted directly with business actors to explore information related to business motivation, obstacles faced, marketing strategies, and informal business management practices. The interview guide is open-ended so that respondents can provide more exploratory answers.
- b. Direct observation, carried out during the implementation of KKN activities by observing daily business activities, production processes, customer interactions, and business financial management habits.
- c. Documentation, including field records, photos of business activities, and other supporting documents such as product packaging, production tools, and informal notes from business actors.

Data Analysis Techniques

Data analysis was conducted using the interactive model of Miles and Huberman (1994), which includes three main stages:

- a. **Data Reduction**
Sorting and selecting relevant data from interviews, observations, and documentation to obtain focused information.
- b. **Data Presentation**
Compiling data in the form of a systematic thematic narrative according to the research focus, such as business challenges, marketing, and business management practices.
- c. **Drawing Conclusions and Verification**
Identify patterns and relationships between data found to produce valid and contextual conclusions in the field.

Validity of Data

To ensure the validity and credibility of the data, researchers applied several validation techniques as follows:

- a. Source triangulation, by comparing information from three different business actors to identify similarities or differences in findings.
- b. Member check, namely asking respondents for direct confirmation regarding the interpretation of data or findings written by the researcher.

- c. Field reflection, conducted through KKN diary notes and personal observations of researchers during social interactions in the village to avoid interpretation bias and enrich the data context.

4. RESULTS AND DISCUSSION

Overview of Home Business

The results of interviews with three household MSME actors in Kemuning Muda Village showed that all businesses were run on a micro scale and were household-based. The three types of businesses, namely tempeh chips, baked sponge cakes, and instant rendang seasoning, were born from family economic motivation, not from business plans or strategic planning. They utilize simple equipment, limited space such as the kitchen or terrace of the house, and labor resources from family members themselves.

There is no structured production system or innovation in packaging, distribution, or management. Products are only produced based on local demand, without a long-term business development strategy. This finding shows that household businesses are still in the survival economy zone, namely running a business solely to survive, not to grow.

This condition is reinforced by the research results of Widodo & Mukhlis (2022), which stated that most household MSME actors in villages such as Karangtalun, Kediri, still run their businesses conventionally, based on family experience, with low financial and managerial literacy. In their study, the majority of business actors did not have business planning, transaction recording, or development strategies.

Challenges in Business Management

a. No Separation of Business and Personal Finances

All respondents stated that they used the proceeds from the sale to meet daily needs, without separating which money was for business and which was for family consumption. As a result, business actors cannot measure net profits, do not have reserve funds, and have difficulty when they need to increase business capital.

This phenomenon was also found by Afkar et al. (2025), who explained that low financial literacy causes the integration of personal and business finances to be a major obstacle in MSME management. This has an impact on irregular cash flow and failure to prepare financial plans.

b. No Financial Recording

When asked about profit or loss, business actors only answered based on memory or rough estimates of remaining materials and sales volume. There were no cash books, stock records, or daily sales reports. Prasetya et al.'s (2021) study confirmed that simple financial records, such as recording daily expenses and income, can increase the financial resilience of micro-enterprises. After recording training in fostered villages, MSME actors were better able to manage expenses and make more rational business decisions.

c. Capital from Previous Sales

The three UMKM actors rely on capital from previous sales without having reserve funds or business savings. If sales decline or there is an urgent household need, production is forced to stop. There is no access to formal financial institutions such as cooperatives or banks, let alone productive loans.

This is in line with the findings of Nugroho (2021), who noted that rural MSMEs often do not have access to formal financing sources and run their businesses fluctuatingly, depending on daily market conditions. This creates a cycle that is difficult to break, where businesses never grow because they do not have adequate and sustainable working capital.

d. Lack of Training and Production Tools

The business is run with simple equipment, manual frying, home oven, and ordinary kitchen utensils. There is no additional skills training or counseling on product development. MSME actors do not have knowledge about production costs, profit margins, or operational efficiency.

Bahari & Elvira (2025) found that after MSME actors in Sukaraja Village received basic digital marketing and financial training, there was a significant increase in their ability to determine selling prices, manage stock, and create marketing strategies. Therefore, training and counseling are crucial elements in building business resilience.

Marketing Strategies Implemented

Marketing is done with a traditional approach: selling directly to neighbors or regular customers, consigning products to nearby stalls, and utilizing personal WhatsApp or Facebook for promotion, but not routinely or on a schedule. There is no pricing strategy, market segmentation, or efforts to expand the market such as entering souvenir shops, e-commerce, or collaborating with resellers.

A study by Enjen et al. (2023) in Bangbayang Village, Brebes, found that micro-scale MSMEs still rely on word-of-mouth marketing due to limited digital knowledge and internet access. When business actors are unable to utilize digital marketing channels, they will continue to rely on narrow local demand. As a result, turnover is low and fluctuating, and business actors find it difficult to make business plans or product expansions.

This shows that to expand market reach, MSMEs need to be introduced to digital media that is easy to use and tailored to their capacity.

Reflection on Household MSME Financial Management

Overall, the condition of household MSME business and financial management in Kemuning Muda Village is still in the early stages, very informal, and dependent on intuition. There are no basic management instruments such as financial separation, cash recording, or business performance evaluation. In fact, many business actors do not realize the importance of knowing how much production costs or profits are generated.

Widodo & Mukhlis (2022) stated that the success of MSMEs is not only determined by production skills, but also by the ability to manage finances simply. Research by Bahari & Elvira (2025) and Prasetya et al. (2021) confirms that good financial literacy can increase the stability of micro-businesses and prevent business failure due to mismanagement.

Therefore, empowering household MSMEs is not enough with the help of tools or funds. An integrated approach based on:

- a. Simple financial literacy training, such as recording expenses and income, and separating business money from personal money.
- b. An introduction to basic digital marketing strategies, using familiar platforms such as WhatsApp Business or Facebook Marketplace.
- c. Provision of small-scale production tools, in accordance with the capabilities and needs of business actors, through BUMDes or village programs.
- d. Continuous mentoring, to assist business actors in implementing changes gradually.

With this approach, household MSMEs can develop from subsistence businesses into independent, structured, and sustainable village economic entities.

5. CONCLUSION

Based on the results of research on three household MSME actors in Kemuning Muda Village, it can be concluded that their business management is still traditional and has not been supported by an adequate business or financial management system. The business is run informally, based on the family's economic needs, and has not been directed towards long-term development.

The main challenges faced include the lack of separation of personal and business finances, the absence of financial records, limited capital, minimal production equipment, and very limited marketing strategies. This hampers productivity and sustainable business growth.

Reflection on these conditions shows that strengthening household MSMEs cannot be done only with capital assistance, but requires a comprehensive approach, such as basic financial literacy, business assistance, utilization of simple digital marketing, and provision of production facilities that are appropriate to the scale.

6. SUGGESTION

Based on the findings and conclusions of this study, several suggestions that can be given are as follows:

- a. For household MSMEs, it is expected to start getting used to separating personal and business finances, and to make simple records related to cash inflow and outflow. This small step is important to help them evaluate business performance and plan future development more systematically.
- b. For village governments and BUMDes managers, it is recommended to provide basic business management training programs, including financial records, capital management, and local marketing strategies. Periodic mentoring activities are also needed so that business actors not only get material, but also get help in the implementation process in the field.
- c. For related agencies such as cooperative services, community empowerment institutions, and universities, it is necessary to design empowerment programs that do not merely provide assistance in the form of equipment or capital, but also focus on strengthening the capacity of business actors through training, mentoring, and partnerships that are relevant to village potential.
- d. For further researchers, it is recommended to expand the scope of the research with a larger number of respondents and in-depth, as well as examine financial aspects in more detail, such as production cost structure, financing strategies, and the use of financial technology in the context of rural MSMEs.

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