

ANALYSIS OF FINANCIAL MANAGEMENT IN MICRO, SMALL, AND MEDIUM ENTERPRISES (MSMEs) CENTER COFFEE JULL ARABICA LHOKSEUMAWE

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Abstract

This study aims to analyze financial management at the Jull Arabica Coffee Center Micro, Small, and Medium Enterprises (MSMEs) in Lhokseumawe City. Good financial management is an important factor in maintaining business continuity and development, especially for MSMEs that still face limited resources and accounting understanding. The research method used is a qualitative approach with a descriptive research type. Data were obtained through direct interviews with business owners, observations, and documentation related to MSME financial activities. The results of the study indicate that financial management at the Jull Arabica Coffee Center MSME has not fully implemented the principles of good financial management, such as systematic financial recording, separation of personal and business finances, and the preparation of periodic financial reports. This condition has the potential to hinder business decision-making and the long-term development of MSMEs. Therefore, it is necessary to improve the understanding and implementation of more structured financial management so that MSMEs can improve their financial performance and business competitiveness.

Keywords: Financial Management, MSMEs, Lhokseumawe

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are a vital part of the Indonesian economy and grow directly from daily economic activities. MSMEs not only serve as a pillar of the national economy but also serve as the primary source of livelihood for many families, especially in rural areas. In a constantly changing economic climate, MSMEs are known as a relatively resilient sector due to their ability to adapt to local market needs. Putri et al. (2020) explain that MSMEs play a strategic role in creating jobs, strengthening regional economies, and promoting income equality.



Lhokseumawe coffee center

Data center coffee source 2025

As MSMEs grow, demands for better business management are also increasing. One aspect that significantly determines the sustainability of MSMEs is financial management. Financial management is not only related to the size of profits, but also concerns how business actors plan, record, and control all income and expenses. Rahayu and

Wibowo (2021) revealed that many MSMEs experience stagnation or even decline not due to a lack of market potential, but rather due to poorly organized financial management. In practice, many MSMEs still operate based on experience and habit without adequate financial record-keeping. Transaction recording is often done irregularly or even neglected, making it difficult for business owners to understand their true financial condition. Furthermore, mixing personal and business finances remains a common problem among MSMEs. Putri *et al.* (2022) stated that low financial literacy results in MSME owners lacking an understanding of the importance of financial separation and the preparation of simple financial reports as a basis for business decision-making. In Lhokseumawe City, the development of MSMEs is quite visible, particularly in the culinary and beverage sector. Coffee shops are one sector experiencing growth, along with the increasing popularity of coffee drinking among the community, especially the younger generation. Coffee shops are no longer simply places to enjoy a drink, but also social spaces and places for interaction. This situation opens up significant opportunities for coffee entrepreneurs to grow. However, these opportunities are also accompanied by increasingly fierce competition, making business management, including financial management, a crucial factor in determining business sustainability (Sari & Putra, 2021). Center Coffee Jull Arabica Lhokseumawe is a small and medium-sized enterprise (SME) operating in the coffee shop business, relying on Arabica coffee as its flagship product. This business exists to meet the community's demand for quality coffee while supporting the use of local coffee. Despite its significant market potential, Center Coffee Jull Arabica still faces challenges in financial management, particularly in its rudimentary financial recording and control. Based on these conditions, the author is interested in examining and analyzing the financial management of the Jull Arabica Coffee Center MSME in Lhokseumawe. This discussion is expected to provide a more concrete picture of MSME financial management practices in the field and serve as learning material for MSMEs so they can manage their business finances more orderly and sustainably.

LITERATURE REVIEW / LITERATURE REVIEW

a. Theory of MSME Financial Management

Financial management is one of the most fundamental elements in the sustainability of a business, including Micro, Small, and Medium Enterprises (MSMEs). Generally, financial management can be understood as the process of planning, implementing, recording, and controlling all business financial activities to achieve business goals effectively and sustainably. Kasmir (2020) states that good financial management aims to ensure that business funds are used efficiently, generate profits, and maintain long-term financial stability.



Figure 2.1 Results of interviews with customers

In the context of MSMEs, financial management often faces various limitations, both in terms of capital, human resources, and understanding of accounting concepts. MSMEs are generally managed directly by the business owner, so all financial decisions are in the hands of one party. Putri *et al.* (2020) explain that this condition causes MSME financial management to tend to be simple and informal, yet it still plays a crucial role in determining the success or failure of the business. One of the key aspects of MSME financial management theory is financial record keeping. Financial record keeping encompasses all transactions occurring in business activities, both related to sales revenue and operational expenses. According to Harahap (2019), financial record keeping serves as a tool for understanding a business's financial position, calculating profit or loss, and periodically evaluating business performance. In MSME practice, record keeping doesn't have to be complex, but it must be done routinely and consistently so that financial information can be used as a basis for decision-making. In addition to record-keeping, separating personal and business finances is a crucial principle in MSME financial management. Many MSME owners still mix business finances with personal needs, making it difficult to understand the true financial condition of their business. Rahayu and Wibowo (2021) emphasize that separating personal and business finances can help MSME owners control cash flow, objectively assess business profits, and minimize the risk of using business funds for non-business purposes. Cash flow management is also a crucial component of MSME financial management

theory. Cash flow describes the inflow and outflow of money over a specific period. Wulandari (2022) noted that many MSMEs, despite having relatively good sales turnover, experience financial difficulties due to poorly managed cash flow. An imbalance between income and expenses can lead to a cash shortage, even though the business appears to be running well overall. Financial planning is a crucial initial step in managing MSME finances. Financial planning includes budgeting, calculating working capital requirements, and planning the use of business profits. According to Sari and Putra (2021), MSMEs with financial planning tend to be more resilient in the face of economic uncertainty than those operating without a clear plan. Furthermore, financial literacy is also a significant factor influencing the quality of MSME financial management. Financial literacy relates to business actors' understanding of basic financial concepts, such as record-keeping, cash management, and financial planning. Putri et al. (2022) stated that improving MSME financial literacy can encourage the implementation of more orderly and structured financial management, thereby helping businesses grow sustainably. Thus, MSME financial management theory emphasizes the importance of regular financial record-keeping, separation of personal and business finances, sound cash flow management, clear financial planning, and improving financial literacy among business owners. Implementing these principles is expected to help MSMEs maintain financial stability and improve business performance sustainably.

c. MSME Concept

Micro, Small, and Medium Enterprises (MSMEs) are a form of business activity that grows and develops within the community in response to local economic needs. MSMEs are not viewed solely as business units, but also as part of the social and economic system that plays a vital role in improving community welfare. According to Law Number 20 of 2008, MSMEs are defined as productive businesses owned by individuals or individual business entities that meet certain criteria based on asset value and annual turnover. Conceptually, MSMEs have different characteristics than large-scale businesses. MSMEs are generally run with relatively limited capital, a small workforce, and simple management systems. Hardiansyah (2021) explains that MSMEs tend to be managed directly by the business owner, so decision-making, including financial decisions, is heavily influenced by the experience and abilities of the individual entrepreneur.

RESEARCH METHODS

This study uses a **qualitative approach** with a **descriptive research type**, which aims to describe and analyze in depth the financial management of Micro, Small, and Medium Enterprises (MSMEs) Center Coffee Jull Arabica in Lhokseumawe City. The qualitative approach was chosen because this study focuses on understanding the processes, practices, and problems of financial management carried out by MSME actors in the real context of their businesses. The research location was the Jull Arabica Coffee Center UMKM, located in Lhokseumawe City. The research location was determined based on the consideration that this UMKM is an actively operating business with directly observable financial activities, making it relevant for analysis in accordance with the research objectives. The research subjects in this study were the owners and parties directly involved in the financial management of the Center Coffee Jull Arabica MSME. Informants were selected purposively, based on certain criteria, such as knowledge and direct involvement in recording, managing, and making business financial decisions.

The data used in this study comprises **primary** and **secondary data**. Primary data was obtained through in-depth interviews with business owners to gather information related to financial recording systems, the separation of personal and business finances, cash flow management, and the preparation of financial reports. Furthermore, observations were conducted to directly observe financial management practices applied in daily operations. Secondary data was obtained from supporting documents, such as business financial records, transaction notes, and literature relevant to MSME financial management. The data collection techniques used in this study included **interviews**, **observation**, and **documentation**. The interviews were conducted semi-structured to allow researchers to obtain in-depth and flexible information tailored to field conditions. Observations were conducted to directly observe ongoing financial management practices, while documentation was used to strengthen and validate the data obtained from the interviews and observations. The data analysis technique in this study was **descriptive qualitative**, through the stages of data reduction, data presentation, and conclusion drawing. Data reduction was carried out by selecting and focusing data relevant to the research objectives. Next, the data was presented in a systematic narrative form for easy understanding. The final stage was drawing conclusions, which was carried out by interpreting the research findings based on concepts and theories of MSME financial management.

To ensure data validity, this study employed **triangulation techniques**, comparing the results of interviews, observations, and documentation. Thus, it is hoped that the results of this study will have a high level of reliability and provide an accurate picture of financial management at the UMKM Center Coffee Jull Arabica Lhokseumawe.

RESEARCH RESULTS AND DISCUSSION

A. Profile of UMKM Center Coffee Jull Arabica Lhokseumawe

Center Coffee Jull Arabica Lhokseumawe is a Micro, Small, and Medium Enterprise (MSME) in the culinary sector that focuses on serving Arabica coffee with a distinctive flavor. Based on field observations and interviews with the business owner, *Center Coffee Jull Arabica* began with the owner's strong interest in local coffee as one of Aceh's leading commodities. Arabica coffee itself is known for its more complex flavor character and is appreciated by coffee connoisseurs both at home and abroad (Mahmudi, 2020). This prompted the owner to open a coffee shop that not only serves coffee as a beverage but also serves as a social interaction space for the Lhokseumawe community.



Figure 3.1 Profile of UMKM Center Coffee Jull Arabica Lhokseumawe

The existence of this coffee shop is part of the evolution of culinary MSMEs in the region, which have grown following the trend of coffee drinking culture in Indonesia. According to Putra and Sari (2021), the significant increase in coffee consumption in recent years has provided room for coffee MSMEs to thrive, provided that business owners are able to manage operational and financial aspects effectively. *Center Coffee Jull Arabica* strives to address this need by offering a variety of menus based on local Arabica coffee produced in-house, with a process that prioritizes the quality of the coffee beans from picking to serving. In terms of business structure, *Center Coffee Jull Arabica* is categorized as a micro to small business based on applicable asset and turnover criteria. This type of MSME is generally managed by the owner, who also serves as the primary decision-maker, including in operational, marketing, and financial matters (Hardiansyah, 2021). This personalized management system provides flexibility in daily decision-making, but also requires the owner to possess sufficient insight into various aspects of business management.

In practice, financial management at the Jull Arabica Coffee Center remains rudimentary. Income and expense transactions are recorded manually and compiled in a daily cash book. This method is similar to the experience of many other MSMEs, which still rely on simple systems due to limited understanding of formal accounting (Nurhayati et al., 2020). Despite this, the business owner has demonstrated a commitment to improving the financial recording system as the business grows, particularly with the increasing number of daily transactions. As an MSME operating in the culinary industry, *Center Coffee Jull Arabica* also faces operational challenges common to MSMEs. One of these is fluctuating demand influenced by seasonality and changing consumer preferences. This aligns with the findings of Lestari and Wicaksono (2023), who stated that MSMEs in the culinary sector need to develop flexible cash flow strategies to address revenue uncertainty. Furthermore, limited working capital also poses a barrier to business development, particularly when upgrading equipment or expanding services. The presence of *the Jull Arabica Coffee Center* has made a positive contribution to the local economy. This coffee shop not only creates jobs, both directly and indirectly, but also forms part of a network of MSMEs that supports the economic empowerment of the Lhokseumawe community. As explained by Rahmawati and Pratama (2021), MSMEs growing in the culinary sector have significant potential to strengthen the local economy if supported by sound business management, including financial aspects. In general, the profile of the Jull Arabica Coffee Center in Lhokseumawe demonstrates a close relationship between the characteristics of local MSMEs and the dynamics of the ever-evolving coffee market. Its success is determined not only by product quality but also by how entrepreneurs manage their resources, including financial management, which is the focus of this paper.

B. Financial Management of MSMEs

Financial management is a crucial aspect of the sustainability of Micro, Small, and Medium Enterprises (MSMEs), including the Jull Arabica Lhokseumawe Coffee Center MSME. Based on questionnaires and direct interviews with business owners, it was discovered that the implemented financial management system is still rudimentary and does not fully adhere to formal accounting principles. This condition is common among independently managed MSMEs, where the business owner plays a direct role in almost all operational activities, including financial record keeping (Putri et al., 2020).



Figure 3.2 Financial Management of MSMEs

The questionnaire results indicate that the Jull Arabica Coffee Center has maintained financial records, but these records are done manually using a notebook. Recording is done daily by recording income from sales and operational expenses such as purchases of raw materials, equipment, and other operational costs. Although the records have been maintained, the business owner admitted that the records are not structured and have not been compiled into complete financial reports, such as profit and loss or cash flow statements. This is in line with the findings of Nurhayati et al. (2020) who stated that most MSMEs still view financial records as merely a means of remembering transactions, not as an instrument for business decision-making.

Based on the questionnaire responses, it was also discovered that personal and business finances are not fully separated. Business owners still frequently use business funds for personal expenses, especially in urgent situations. This practice demonstrates the weak implementation of the principle of separation of business entities, which, according to Sari and Putra (2021), can make it difficult for MSMEs to assess the actual financial condition of their businesses. This lack of separation has the potential to lead to errors in profit calculations and hinder long-term financial planning. In terms of profit management, questionnaire results show that business owners are aware of the profits generated from their business activities, but profit calculations are not routinely and measurably conducted. Profits are generally reinvested for business development, such as adding equipment, purchasing raw materials, and improving service quality. This practice demonstrates owners' awareness of the importance of profit reinvestment, although it is not supported by systematic financial planning. According to Hardiansyah (2021), utilizing profits without clear planning risks creating cash flow imbalances, especially in MSMEs with daily income fluctuations.

The Jull Arabica Coffee Center's primary source of capital comes from the owner's personal capital. Based on questionnaire results, the business has not utilized external funding sources such as bank loans or assistance from other financial institutions. This is due to limited knowledge regarding access to financing and concerns about debt risks. This situation aligns with the opinion of Rahmawati and Pratama (2021), who stated that low financial literacy is a key factor preventing MSMEs from utilizing formal financing sources. Furthermore, the questionnaire results also revealed that the Jull Arabica Coffee Center lacks long-term financial planning. The business owner operates based on daily conditions and current operational needs. This lack of planning is recognized as a major obstacle to business financial management. According to Lestari and Wicaksono (2023), financial planning is crucial for MSMEs to address revenue uncertainty and maintain long-term business stability. Overall, the financial management of the Jull Arabica Coffee Center Lhokseumawe MSME has been running at a basic level, but still faces various limitations, particularly in terms of structured financial record-keeping, separating personal and business finances, and long-term financial planning. Questionnaire and interview results indicate that the business owner is aware of the need to develop his business but requires guidance and increased understanding of financial management for sustainable growth.

CONCLUSION

Based on the research and discussion on financial management at the Jull Arabica Coffee Center MSME in Lhokseumawe, it can be concluded that business financial management has been implemented, but is still at a basic and simple stage. The business owner has demonstrated an awareness of the importance of financial record-keeping, demonstrated by manually recording income and expenses in a daily cash book. This record-keeping helps the business owner monitor financial activities, although it has not been systematically compiled in accordance with applicable accounting standards for MSMEs. Questionnaire and interview results indicate that the separation of personal and business finances has not been consistently implemented. This situation prevents business owners from accurately determining the net profit generated from business activities. Furthermore, profit and loss calculations are not routinely and systematically conducted, resulting in financial information not being fully utilized as a basis for business decision-making.

In terms of capital management, Center Coffee Jull Arabica still relies on personal capital as its primary source of funding. Profits are primarily used for operational needs and gradual business development, such as adding equipment and raw materials. However, the business lacks a clear long-term financial plan, so financial management remains reactive to daily business conditions. Overall, the financial management of the Jull Arabica Coffee Center Lhokseumawe MSME demonstrates potential for growth, particularly with increased understanding and implementation of more structured financial management. Improvements in financial record-keeping, separation of personal and business finances, and financial planning are expected to help this MSME improve its financial performance and maintain business sustainability in the future.

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