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## Financial Management Strategies in Small and Medium Enterprises (SMEs) in Rural Areas: A Qualitative Study in Kuningan

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### ABSTRACT

**Keywords:**

SME  
financial management;  
Financial Literacy;  
digital technology;  
financing

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Small and Medium Enterprises (SMEs) play a crucial role in Indonesia's economy, particularly in rural areas such as Kuningan Regency. However, many SMEs face challenges in financial management that can hinder their business development. This research aims to analyze the financial management strategies implemented by SMEs in rural areas and identify relevant challenges and solutions. A qualitative approach with an exploratory descriptive research type was used in this study, which involved in-depth interviews and observations of 20 SMEs in Kuningan. The results of the survey indicate that most SMEs in Kuningan manage their finances in a straightforward yet unstructured manner. Many SMEs rely on manual recording or do not record expenses and income regularly. The main challenges faced include limited access to formal financing and low financial literacy. Additionally, the use of technology for financial management remains limited, despite the increasing adoption of digital technology. This study suggests that increasing financial literacy, improving access to financing, and providing training on the use of digital technology can be effective solutions to enhance the efficiency of financial management among SMEs in rural areas.

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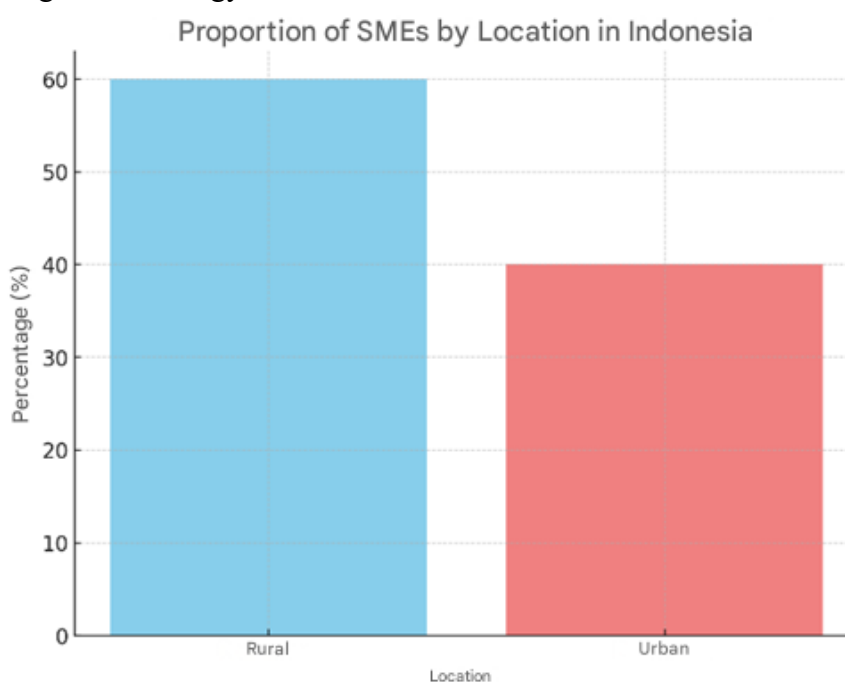
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### 1. INTRODUCTION

Small and Medium Enterprises (SMEs) play a crucial role in the global economy, particularly in developing countries like Indonesia. According to data from the World Bank, the SME sector accounts for between 60-70% of total employment and approximately 40% of the Gross Domestic Product (GDP) in many developing countries. Despite this, SMEs often face significant challenges in financial management that can hinder their growth. A

report from the International Finance Corporation (IFC) revealed that more than 50% of SMEs in developing countries lack adequate access to formal financing, resulting in difficulties in expanding their businesses and improving operational efficiency.

In Indonesia, SMEs also play an essential role in the economy, especially in rural areas. According to the Central Statistics Agency (BPS), approximately 60% of Indonesia's total SMEs are based in rural areas. In Kuningan Regency, SMEs are the primary source of income for the local community, particularly in the agricultural, handicraft, and trade sectors. However, many SMEs in Kuningan face significant challenges in terms of sound financial management, ranging from unsystematic financial recording to difficulties in planning and allocating business budgets. The results of interviews with several SMEs in Kuningan indicate that most of them lack a strong understanding of the importance of an effective financial management strategy.



**Graph 1. Proportion of SMEs by Location in Indonesia**

Graph 1 illustrates the distribution of SMEs by location in Indonesia, where approximately 60% of SMEs are located in rural areas and 40% in urban areas. This graph supports the fact mentioned in the introduction, specifically the importance of sound financial management for SMEs in rural areas, particularly in Kuningan Regency. This graph illustrates the significant contribution of rural SMEs to the Indonesian economy, highlighting the need for special attention in financial management strategies within this sector.

Several previous studies have discussed financial management in SMEs, both in Indonesia and in other countries. Research by Sitorus (2018) revealed that SMEs in Indonesia often face difficulties in accessing formal financing due to a lack of financial literacy and a high risk perception of the sector. Haryanto (2019), in his research in Yogyakarta, found that implementing a structured yet straightforward financial recording system can improve the efficiency of financial management in SMEs. In addition, Purnama

(2020) in his research in Surabaya stated that the use of digital technology in financial management has been proven to help SMEs in increasing financial visibility and access to financing. Research by Taufik (2017) examines the influence of financial management training on the ability of SMEs to plan budgets, while Dewi (2021) found that external factors, such as government and financial institution support, significantly affect the success of SME financial management.

This research has high urgency because effective financial management is crucial for the sustainability and development of SMEs, especially in rural areas such as Kuningan. Although considerable research has been conducted in major cities, there has been limited research on the financial management of SMEs in rural areas, where social, economic, and resource access conditions differ significantly. This research aims to provide a deeper understanding of the challenges and appropriate financial management strategies for SMEs in Kuningan, which can make a significant contribution to local economic development policies.

The novelty of this study lies in its focus on SMEs in rural areas, especially in Kuningan, which has not been discussed much in previous research. This research not only focuses on the internal factors of SMEs, such as budget management and financial records, but also considers external factors that influence them, including access to financing and government support. Additionally, this research will also examine how digital technology can enhance the financial management efficiency of SMEs in Kuningan.

Based on the above background, the purpose of this study is to analyze and describe financial management strategies implemented by SMEs in rural areas, especially in Kuningan Regency. The benefit of this study is that it provides new insights into the importance of effective financial management for the success of rural SMEs. This research is expected to contribute to the development of local economic policies that are more favorable to SMEs, as well as provide a basis for more targeted financial management training for SMEs. Additionally, this research can serve as a reference for future studies that explore other aspects of SME management, particularly in rural contexts.

## **2. METHOD**

### **Types of Research**

This study uses a qualitative approach with an exploratory descriptive research type. The qualitative approach was chosen because it aims to provide an in-depth understanding of the phenomenon that occurs in financial management among Small and Medium Enterprises (SMEs) in rural areas, particularly in Kuningan Regency. This research focuses on the subjective understanding of SMEs regarding their experiences and challenges in managing business finances, as well as the strategies they employ to overcome these issues.

### **Population and Sample**

The population in this study consists of all SMEs operating in Kuningan Regency that are registered with the Kuningan Regency Cooperatives and SMEs Office. Based on the data obtained, there are approximately 1,500 SMEs in Kuningan Regency, spread across various sectors, including agriculture, trade, and handicrafts. The sample in this study consisted of 20 SMEs who were selected by purposive sampling, based on specific criteria, such as:

1. SMEs that have been operating for at least 2 years.
2. SMEs that have a variety of business types, such as handicrafts, food, and trade.

3. SMEs that are active in participating in training or economic empowerment programs from the government or financial institutions.

With the purposive sampling approach, it is hoped that in-depth information can be obtained about financial management in various types of businesses.

### **Research Instruments**

The research instruments used were in-depth interviews and observations. Interviews will be conducted using semi-structured interview guidelines, which focus on the following aspects:

1. Financial management strategies implemented by SMEs.
2. Challenges faced in business financial management.
3. The influence of external factors such as access to financing and government support.
4. The use of technology in financial management.

In addition to interviews, direct observations were conducted to assess the financial conditions and practices employed by SMEs, including financial recording, payment system utilization, and cash management.

### **Data Collection Techniques**

The data collection technique in this study involves two main ways:

1. In-Depth Interview: Interviews are conducted face-to-face with SMEs using interview guidelines that have been prepared in advance. Each interview will last 30-45 minutes and is recorded for easy transcription.
2. Participatory Observation: The researcher will be directly involved in the day-to-day activities of some SMEs to observe their financial management. Observations were carried out to understand the dynamics that occur in cash management and daily transactions.

### **Research Procedure**

The research procedure is carried out in several stages:

1. Research Preparation: This stage includes research planning, including the creation of interview instruments, sample selection, and logistical preparation.
2. Data Collection: The researcher will conduct in-depth interviews with SMEs and observe their financial management in the field.
3. Data Transcription and Analysis: Data from interviews and observations will be transcribed and analyzed qualitatively using thematic analysis techniques.
4. Preparation of Research Report: After the data is analyzed, the researcher will compile a report on the results of the research that includes findings on the financial management strategy of SMEs in rural areas.

### **Data Analysis Techniques**

The data analysis technique used in this study is thematic analysis. The data analysis process will be carried out with the following steps:

1. Data Organization: The data obtained from interviews and observations will be organized based on specific categories, such as financial management strategies, challenges faced, and external factors.

2. **Data Encoding (Coding):** The researcher will code data that is relevant to the existing theme or subtheme. This code will help researchers identify patterns or trends that emerge in SME financial management.
3. **Theme Grouping:** Once the coding is complete, the data will be grouped into key themes, such as cash management strategies, access to financing, and the role of technology.
4. **Conclusion Drawn:** Based on the results of the thematic analysis, the researcher will conclude the most effective financial management strategies for rural SMEs, as well as the challenges and solutions that can be implemented.

### **3. RESULTS AND DISCUSSION**

#### **1. SME Financial Management Strategy in Rural Kuningan**

Good financial management is the key to success for SMEs, including those in rural areas. The results of interviews with 20 SMEs in Kuningan Regency indicate that most SMEs manage their finances in a straightforward yet unstructured manner. Based on the data obtained, only about 40% of SMEs have a neat and organized financial recording system. Most others still rely on manual recording or do not even record expenses and income regularly.

Research by Sitorus (2018) indicates that SMEs in Indonesia frequently encounter challenges in financial management due to limited financial literacy. This finding aligns with the results of this study, which indicate that a lack of knowledge about the importance of financial recording hinders the development of SMEs. Haryanto (2019) also revealed that SMEs in Yogyakarta that implement simple but structured financial recording can improve operational efficiency.

To overcome this problem, some SMEs in Kuningan have begun to adopt simple financial recording applications. However, they are still limited to daily transactions and do not include more complex financial statements, such as income statements or balance sheets.

#### **2. Challenges in SME Financial Management in Rural Areas**

Most SMEs in Kuningan face significant challenges in accessing financing, both from banks and other financial institutions. These findings align with Purnama's (2020) research, which found that funding is one of the primary obstacles for SMEs in Indonesia. The majority of SMEs in Kuningan rely on loans from families or informal institutions, which have high interest rates and limited repayment periods.

Taufik (2017) stated in his research on financial management training that many SMEs lack access to information about available financing products, particularly in rural areas. This study found that a lack of understanding of financing products and low levels of trust in formal financial institutions are significant obstacles to the development of SMEs.

Additionally, external factors such as less supportive government policies and inadequate financial facilities are significant obstacles. Some SMEs in Kuningan complained about the complicated procedures and demanding requirements they must meet to access formal financing.

### 3. The Role of Technology in SME Financial Management

The use of technology in SME financial management in Kuningan has been increasing. Some SMEs have begun using smartphone-based financial applications to track daily transactions and plan budgets. Dewi (2021) stated that the use of technology can improve the efficiency of financial management and expand SMEs' access to better financial services.

In this study, it was found that 30% of SMEs in Kuningan have started using digital-based applications for their financial management. This app helps them to control their expenses and monitor their profits in a more structured and measurable way. The use of this technology also speeds up the financial recording process and reduces the risk of human error.

However, there are still challenges in terms of adopting new technology. Many SMEs struggle to understand how financial applications work or believe that the technology is not suitable for their small business needs. Therefore, training on the use of financial technology needs to be encouraged among SMEs in rural areas.

**Table 1. The Use of Technology in SME Financial Management in Kuningan**

Types of Technology	User Percentage (%)
Financial Recording Applications	30%
Digital Payment Apps	15%
Website for Marketing	10%

### 4. The Influence of Financial Training on SME Financial Management

The results of interviews with SMEs who have participated in financial management training show that they have improved their ability to plan budgets and manage financing. Purnama (2020) stated that training in financial management can improve the financial literacy of SMEs and help them become more disciplined in managing their finances.

In this study, it was found that SMEs who received financial management training were able to increase their spending and income recording by up to 40%, and most of them began to understand better the importance of maintaining accurate financial reports. This training also helps them manage debt and plan investments for business development.

However, the biggest challenge is the limited availability of training and the government's lack of support in expanding access to financial training for all SMEs, especially in rural areas.

### 5. Solutions to Improve the Financial Management of SMEs in Rural Areas

Based on the findings of this study, some solutions that can be applied to improve the financial management of SMEs in rural Kuningan include:

1. Improving Financial Literacy: More intensive training programs on financial management, both face-to-face and online, need to be carried out to improve the understanding of SMEs.
2. Ease of Access to Financing: The government and financial institutions need to provide easy access to financing with more flexible terms for SMEs in rural areas.

Use of Digital Technology: Increase training and mentoring for SMEs in using digital-based financial applications, as well as provide technical support for technology adoption.

#### 4. CONCLUSION

This study aims to analyze financial management strategies in rural SMEs, especially in Kuningan Regency, and identify relevant challenges and solutions to improve financial management efficiency. The results of the study show that most SMEs in Kuningan still manage their finances, without a well-structured system. Despite this, some SMEs are beginning to adopt technology and seek financial training to enhance their financial management. The main challenges faced are limited access to formal financing and low financial literacy, which hinder the growth of their businesses. Therefore, workable solutions include improving financial literacy, providing easier access to funding, and support in adopting digital technologies for financial management.

The future contribution of this research is crucial for the development of policies that better support SMEs in rural areas, particularly in terms of more efficient financial management. This research is expected to serve as a reference for the government and financial institutions in designing programs that better align with the needs of SMEs in rural areas, such as more structured training, provision of more flexible access to financing, and development of technology that is more friendly to SMEs. In addition, this study provides insight into the importance of improving financial management systems for SMEs as a crucial step towards achieving sustainability and more inclusive economic growth at the local level.

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