

Production and Financial Management Training to Increase Micro-Business Productivity in Rural Areas

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Abstract

Micro-enterprises in rural areas play a vital role in supporting the local economy, yet they still face various challenges in production and financial management, resulting in low productivity. This community service program aims to enhance the capacity of micro-enterprises through production and financial management training to encourage increased productivity and business sustainability in rural areas. The program implemented a participatory approach, encompassing partner needs identification, production management training, financial record keeping, and direct mentoring for implementing business management within participating businesses. The training materials covered production planning, product quality control, raw material efficiency, production cost recording, and the preparation of simple financial reports. The results demonstrated an increase in participants' understanding of how to plan production processes more efficiently and their ability to systematically record their business finances. Furthermore, entrepreneurs began to be able to control production costs and improve product quality, resulting in increased production volume and revenue. This program also fostered awareness among entrepreneurs about the importance of professional business management to maintain business sustainability amidst increasingly competitive markets. Thus, production and financial management training is an effective strategy for increasing the productivity of rural micro-enterprises while strengthening the local economy. It is recommended that this program be continued through ongoing mentoring to ensure consistent implementation of business management practices.

Keywords: Micro-Enterprises, Production Management, Financial Management, Business Productivity, Rural Economic Empowerment

Introduction

Micro-enterprises play a crucial role in supporting rural economic growth because they leverage the potential of local resources and create productive economic activity at the community level. The presence of micro-enterprises in rural areas is a key driver of local economic activity through the production and distribution of goods and services tailored to local needs (Zabaznova et al., 2025). Furthermore, micro-enterprises tend to be more adaptable to local economic conditions because they utilize raw materials and labor from the surrounding area, thus significantly contributing to the economic stability of rural communities (Rohayati, n.d.). Therefore, strengthening the micro-enterprise sector is a crucial strategy for promoting inclusive and sustainable economic development in rural areas (Organization for Economic Co-operation and Development [OECD], 2020).

Furthermore, micro-enterprises also make a significant contribution to increasing community incomes and creating local jobs, particularly for communities with limited access to formal employment. Through micro-enterprises, rural communities gain opportunities to establish independent businesses or work for local businesses, thereby reducing unemployment and urbanization (Nainggolan et al., 2025). The role of micro-enterprises in absorbing local labor makes this sector a crucial foundation for improving the welfare of rural communities and strengthening household economic resilience. This shows that the development of micro-enterprises in rural areas not only has an impact on increasing economic productivity, but also on improving the quality of life of the community as a whole (World Bank, 2020).

The current situation of micro-enterprises in rural areas shows that productivity remains relatively low compared to similar businesses in urban areas. This low productivity is generally influenced by limitations in production management, the use of rudimentary technology, and a lack of innovation in product development. Many micro-enterprises have traditionally run their businesses using conventional production methods, making it difficult to optimally develop production capacity and product quality. This situation often causes rural micro-enterprises to face difficulties in scaling up their businesses and competing in an increasingly competitive market (Organization for Economic Co-operation and Development [OECD], 2020).

Furthermore, limited access to technology, market information, and business management training are key factors hampering the development of micro-enterprises in rural areas. Most entrepreneurs have not received adequate guidance on modern business management, resulting in traditional business models and lack of professional management, both in terms of production and financial management (Masri et al., 2026). This situation results in low business efficiency and limits the ability of entrepreneurs to develop sustainable business strategies. Therefore, increasing access to training and technology is crucial to encourage the transformation of rural micro-enterprises so that they can become more sustainable.

The solutions offered in this community service program focus on increasing the capacity of micro-enterprises through training and mentoring in production management and business financial management (Dewanto et al., 2023; Ichsan et al., 2023). Training in production planning and control is provided to help entrepreneurs organize production processes more systematically, including managing raw materials, labor, and production scheduling, so that business activities can run more efficiently (Perez-estebanez, 2018). Furthermore, training in recording production costs and business financial transactions aims to improve entrepreneurs' ability to control operational costs and more accurately assess their business financial condition. The program also includes mentoring in implementing simple production management and education on the importance of separating business and household finances to create more professional and sustainable business governance (Organization for Economic Co-operation and Development [OECD], 2020).

The program is designed to achieve the primary objective of improving the production management and financial management capabilities of micro-

enterprises in rural areas, enabling entrepreneurs to run their businesses more efficiently and productively. With improved business management capacity, entrepreneurs are expected to be able to increase production volume, maintain product quality, and optimize business profits through better cost control. The expected long-term impact is increased productivity and income for rural micro-enterprises, which ultimately strengthens the local economy. The World Bank (2020) emphasized that strengthening small business management capacity through training and mentoring is an effective strategy in increasing the sustainability and competitiveness of micro-businesses in developing countries.

Research Methods

This community service activity uses a participatory approach, providing training and direct mentoring to micro-entrepreneurs in rural areas. The activity begins with identifying partner needs through field observations and interviews to assess the current state of production management and business finances. Production management training is then provided, covering production planning, controlling raw material usage, and improving production process efficiency. Furthermore, participants are provided with hands-on training in recording production costs and business finances, enabling them to implement a simple yet systematic transaction recording system in their daily business activities.

The next stage involves mentoring the implementation of production management and business finances directly at the participating business units. This mentoring ensures that entrepreneurs are able to implement the training materials, including separating business finances from household needs and preparing simple financial reports. Evaluation of the program involves measuring changes in participants' understanding and skills before and after the program, as well as monitoring the implementation of business management practices in daily operations. This method is expected to sustainably increase the productivity of rural micro-entrepreneurs by strengthening their production and financial management capacity.

Result and Discussion

The results of the community service program indicate that production and financial management training has had a positive impact on increasing the capacity of micro-entrepreneurs in rural areas. Prior to the program, most entrepreneurs operated without a clear plan, resulting in inefficient use of raw materials and labor. After the training and mentoring, participants began to be able to plan production based on market demand, manage raw material use, and consistently improve product quality. This impact was seen in the increased stability of production volume and output quality.

Further findings indicated changes in business financial management. Prior to the training, many entrepreneurs had not recorded production costs and were still mixing business finances with household expenses. After the training, participants began recording business costs and transactions regularly and separating business and household finances, allowing entrepreneurs to more accurately assess business

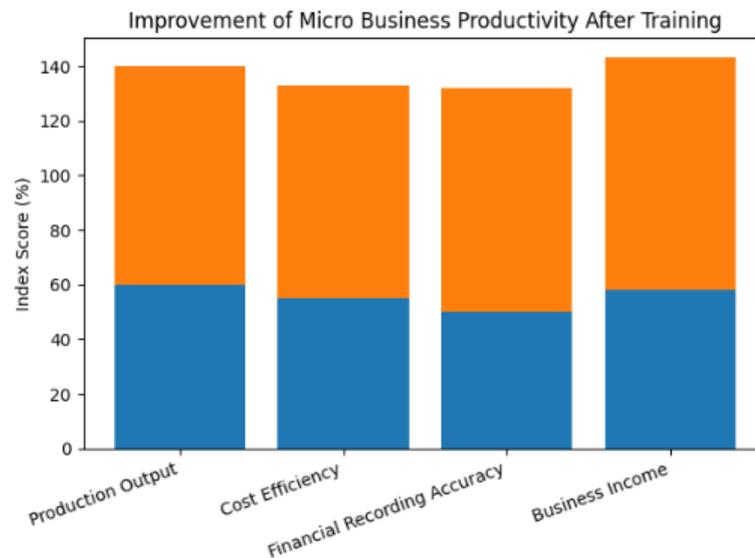
profits. This improved entrepreneurs' ability to plan business development and control operational costs.

The program also resulted in increased business efficiency, as evidenced by entrepreneurs' ability to reduce raw material waste and optimize production time. Furthermore, improved product quality made micro-enterprises more competitive in the local market. Increased production capacity and product quality resulted in increased sales volume and revenue, significantly improving the productivity of micro-enterprises in rural areas.

The program evaluation graph shows an increase in business productivity indicators after the training, including increased production output, cost efficiency, accurate financial records, and increased business revenue. These improvements demonstrate that the combination of production and financial management training is an effective strategy for improving the performance of rural micro-enterprises. Overall, the program findings demonstrate that locally-based business management mentoring can improve business actors' ability to manage production and finances more professionally. This contributes to increased business productivity while strengthening the rural economy through strengthening the micro-enterprise sector, as seen in Figure 2.



Figure 2. Socialization



Grafik. Improvement of Micro Business Productivity After Training

The graph above illustrates the increase in micro-business productivity following the implementation of a production and financial management training program in rural areas. The four main indicators measured include production output, production cost efficiency, accurate financial records, and business income. Prior to the program, all indicators showed relatively low scores, particularly in financial record-keeping, which was not yet systematically maintained by business owners. After the training and mentoring, all indicators increased, indicating improvements in business management among program participants.

The most significant improvement was seen in the accuracy of financial records and business income, indicating that business owners were beginning to control costs and better understand their financial condition. Furthermore, efficient use of raw materials and increased production capacity also contributed to the increase in business output. Overall, the graph demonstrates that production and financial management training significantly increased micro-business productivity, positively impacting business performance and the well-being of business owners in rural areas.

Discussion

The discussion of this research indicates that production management training has a positive impact on improving the ability of micro-entrepreneurs to plan and control production processes (Ssendi & Anderson, 2015). Prior to the training, most entrepreneurs operated traditionally without adequate capacity planning and quality control, resulting in low business productivity. After the training and mentoring, entrepreneurs began implementing more systematic production planning, including more efficient use of raw materials and labor. This finding aligns with the OECD (2020) report, which states that improving production management skills in small businesses can increase operational efficiency and strengthen business competitiveness in the local market (Evinita et al., 2025).

Furthermore, the business finance training program also demonstrated a significant impact on changing the financial management behavior of micro-entrepreneurs. Training participants began to routinely record production costs and business transactions, enabling them to control expenses and more accurately assess business profits. Improved financial management helps entrepreneurs plan and make more rational business decisions. This finding aligns with research by Lusardi and Mitchell (2014), which confirms that improving financial literacy and management skills plays a crucial role in enhancing the sustainability of small businesses (Rayhan & Rahmadhinta, 2025).

The following discussion shows that simultaneously improving production capacity and financial management directly impacts the productivity of micro-enterprises. Efficient use of raw materials and controlling production costs enable businesses to increase production volume without significantly increasing costs. Furthermore, better maintained product quality helps businesses expand their markets and increase consumer confidence in local products. The World Bank (2020) states that strengthening small business management capacity is a crucial factor in increasing business growth and community welfare, particularly in rural areas.

Overall, the research findings confirm that production and financial management training is an effective strategy for increasing the productivity of micro-enterprises in rural areas. The mentoring program can improve business governance and enhance entrepreneurs' abilities to face increasingly dynamic market competition (Rohayati, n.d.). Therefore, collaboration between universities, the government, and the community needs to be continuously developed to expand access to training and business mentoring so that the impact of increased micro-enterprise productivity can be felt more broadly and sustainably (OECD, 2020).

Conclusion

The conclusion of this study indicates that production and financial management training accompanied by mentoring can improve the capacity of micro-entrepreneurs in rural areas to manage their production and financial processes more effectively and systematically. Improved production planning skills, efficient use of raw materials, and the implementation of more organized financial records have resulted in increased productivity and income for program participants. This program also encourages entrepreneurs to manage their businesses more professionally, thereby increasing product competitiveness in the local market. Therefore, the implementation of ongoing training and mentoring programs is a crucial step in strengthening the sustainability of micro-enterprises while supporting the improvement of the economic welfare of rural communities.

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