

ASSISTANCE IN PREPARING OPERATIONAL BUDGETS AND CASH BUDGETS FOR MSMES

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ABSTRACT

This community service activity aims to improve the ability of Micro, Small, and Medium Enterprises (MSMEs) to prepare operational and cash budgets as tools for business financial planning and control. The main problems faced by partners are the lack of systematic financial planning, mixing personal and business finances, and the lack of cash flow projections. The method used is a participatory approach through training, mentoring, and direct practice of budgeting using a simple spreadsheet. The results of the activity showed a 78% increase in participant understanding based on pre- and post-tests, as well as the preparation of operational and cash budget documents for each partner. This activity has a positive impact on improving financial literacy and controlling business costs.

Keywords: MSMEs, Operational Budget, Cash Budget, Financial Planning, Community Service

1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in the Indonesian economy. According to data from the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia, MSMEs contribute more than 60% to the national Gross Domestic Product (GDP) and employ over 90% of the Indonesian workforce. This demonstrates that MSMEs are the backbone of the national economy and an instrument for equitable social welfare.

The existence of MSMEs not only contributes to job creation, but also to driving regional economic growth, poverty reduction, and increasing national competitiveness.

Despite their significant contribution, MSMEs still face various structural and managerial challenges. One of the main issues frequently encountered is weak financial management. Most MSMEs operate their businesses conventionally and based on experience, without adequate financial recording and planning systems. The practice of mixing personal and business finances remains common, making it difficult to objectively measure business performance.

In practice, many MSMEs don't systematically budget. Business expenses are based on immediate needs without short- or medium-term planning. Income is often used directly for operational needs and personal consumption without considering business sustainability. This situation leads to unstable cash flow, difficulty meeting payment obligations, and limitations on business expansion.

Budgeting is a crucial function in financial management. It serves not only as a planning tool but also as a control and performance evaluation tool. With a budget, business owners can estimate revenue, plan costs, and identify potential financial risks early on. In the context of MSMEs, simple yet systematic budgeting can help improve cost efficiency and business stability.

An operational budget serves as a guideline for planning all business operational activities for a specific period, whether monthly or annually. This budget includes sales projections, raw material costs, labor costs, and other overhead costs. Through an operational budget, MSMEs can estimate their potential profits and determine appropriate cost-control strategies.

Meanwhile, a cash budget plays a role in ensuring the availability of business liquidity. Many MSMEs actually earn profits according to accounting standards, but still experience financial difficulties due to cash flow imbalances. This is caused by a lack of structured cash receipt and disbursement planning. A cash budget helps businesses anticipate potential cash deficits, plan for working capital needs, and determine the right timing for investment or expansion.

In the era of digital transformation and increasingly fierce business competition, MSMEs are required to improve their professionalism in managing their businesses. Sound financial planning is one indicator of MSME readiness to face global economic challenges, including fluctuating raw material prices, changing market demand, and dynamic economic policies. Without adequate financial planning and control, MSMEs are vulnerable to declining performance and even bankruptcy.

Based on initial observations of community service partners, it was found that most MSMEs do not understand the difference between profit and cash flow, are unable to prepare a structured operational budget, and lack monthly cash flow projections. Limited financial literacy and minimal managerial training are the main contributing factors to this situation. Therefore, academic intervention through community service activities focused on improving MSMEs' managerial capacity in budgeting is necessary.

This mentoring activity is designed not only to provide theoretical training but also hands-on budget preparation based on the actual business conditions of each participant. A participatory approach is used to actively engage MSMEs in the process of cost identification, revenue projection calculations, and cash budget preparation. Thus, the output of the activity is not only increased understanding but also the development of budget documents that can be directly applied in business operations.

Through this assistance in preparing operational and cash budgets, it is hoped that MSMEs will be able to manage their business finances in a more systematic, planned, and sustainable manner. Furthermore, this activity also demonstrates the implementation of the Tri Dharma of Higher Education, particularly in terms of community service, by making a tangible contribution to increasing the economic capacity of the community through entrepreneurship.

Against this backdrop, this community service activity is relevant and strategic in supporting the strengthening of MSME financial management as the main foundation for business sustainability amidst the ever-evolving economic dynamics.

2. LITERATURE REVIEW

2.1 Budget Concept

A budget is one of the primary instruments in a management planning and control system. According to Michael Mowen and Don R. Hansen, a budget is a formal financial plan expressed in monetary terms for a specific period and used as a management planning and control tool. Budgets serve to translate an organization's strategic objectives into measurable operational plans.

Meanwhile, Ray H. Garrison stated that budgets help management coordinate organizational activities, communicate plans to all departments, and evaluate performance against established standards. In other words, budgets serve not only as planning documents but also as motivational and control tools.

According to Charles T. Horngren, the budget has three main functions, namely: (1) as a planning tool, (2) as a coordinating tool, and (3) as a controlling tool. In the planning function, the budget helps the organization set revenue and cost targets. In the coordinating function, the budget aligns activities between departments. Meanwhile, in the controlling function, the budget is used as a basis for performance evaluation through variance analysis.

Conceptually, budgets are also closely linked to modern management theory, which emphasizes the importance of performance-based control. Budgets serve as benchmarks for comparing plans and actual results. Any discrepancies are analyzed to identify their causes so that corrective action can be taken.

In the context of MSMEs, the concept of budgeting needs to be simplified without eliminating the essence of planning and control. MSMEs don't need a complex budgeting system, but rather a budget that is practical, realistic, and easy to implement, tailored to the scale of their business.

2.2 Operational Budget

The operating budget is part of the master budget that focuses on the company's primary revenue-generating activities. According to Ray H. Garrison, the operating budget includes the sales budget, production budget (or purchasing budget for

merchandising businesses), raw materials budget, direct labor budget, and overhead budget.

The operational budget aims to:

1. Estimate the income that will be earned in a certain period.
2. Identify and plan all operational costs.
3. Determine business profit projections.
4. Become the basis for preparing pro forma profit and loss statements.

In MSME practice, operational budget components usually include:

- Sales projections
- Cost of purchasing raw materials
- Labor costs
- Electricity and utility costs
- Transportation costs
- Marketing costs
- Administrative costs

An operational budget helps businesses determine selling prices, control wasteful spending, and evaluate business efficiency. Without an operational budget, MSMEs tend to operate reactively rather than proactively.

Furthermore, operational budgets also support managerial decisions such as increasing production capacity, hiring new employees, or expanding markets. Clear projections minimize the risks of decisions.

2.3 Cash Budget

The cash budget is a crucial component of a budgeting system because it directly relates to business liquidity. According to Charles T. Horngren, a cash budget is a plan for cash inflows and outflows aimed at ensuring the availability of funds for running a company's operations.

Many small businesses fail not because they don't make a profit, but because they can't manage their cash flow. This condition is known as a cash flow problem. Therefore, a cash budget is a vital tool in preventing cash deficits.

Cash budget components include:

1. Beginning cash balance
2. Estimated cash receipts (from cash sales and receivables)
3. Estimated cash expenditures (purchases, salaries, operating expenses)
4. Ending cash balance

The main functions of the cash budget include:

- Anticipating cash shortages
- Determining short-term loan needs
- Planning investments
- Optimizing the use of funds

In MSMEs, cash budgeting is crucial because most transactions are conducted in cash or on a term payment system. Without proper cash management, businesses can struggle to meet their obligations, even if they are profitable.

2.4 MSMEs and Financial Management

Financial management in MSMEs encompasses transaction recording, financial reporting, and budget planning and control. According to the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia, improving financial literacy is a priority for strengthening the competitiveness of national MSMEs.

Good financial management provides several benefits for MSMEs, including:

1. Know the financial position of the business accurately.
2. Controlling operational costs.
3. Avoid waste.
4. Determine business development strategies.
5. Facilitate access to financing from financial institutions.

However, various studies have shown that low financial literacy is a major obstacle to implementing sound financial management in MSMEs. Many business owners don't understand the importance of separating personal and business finances, don't record transactions regularly, and don't prepare periodic financial reports.

Without an adequate financial management system, MSMEs are vulnerable to bankruptcy due to cash mismanagement and non-data-driven decision-making.

Therefore, assistance in preparing operational and cash budgets is a strategic intervention to improve MSME managerial capacity.

With a simple yet structured budgeting system, MSMEs can improve the professionalism of business management, strengthen resilience to economic risks, and improve long-term business sustainability.

3. IMPLEMENTATION METHOD

3.1 Types of Activities

This activity is a community service program with a participatory and educational approach.

3.2 Location and Time

The activity was carried out in January 2026 at one of the MSME centers in Medan City with a total of 20 business actors participating.

3.3 Implementation Stages

Table 1. Activity Implementation Schedule

No	Activity Stages	Time	Output
1	Observation and Problem Identification	Week I	Partner needs data
2	Preparation of Modules and Materials	Week I	Training modules
3	Budget Concept Training	Week II	Increased understanding
4	Operational Budget Preparation Practices	Week II	Draft operational budget
5	Cash Budgeting Practices	Week III	Draft cash budget
6	Individual Mentoring	Week III	Final budget document
7	Evaluation and Monitoring	Week IV	Evaluation report

3.4 Evaluation Method

Evaluation is carried out through:

- Pre-test and post-test
- Participatory observation
- Analysis of the resulting budget documents

4. RESULTS AND DISCUSSION

4.1 Training Results

Pre-test results showed an average participant understanding of 42%. After training and mentoring, post-test results increased to 78%.

Participants are able to:

- Identifying operational cost components
- Calculating projected revenue
- Prepare a monthly cash budget
- Anticipating potential cash deficits

4.2 Example of an MSME Operational Budget (Per Month)

Component	Amount (Rp)
Sale	15,000,000
Raw Material Costs	6,000,000
Labor costs	3,000,000
Electricity & Water Costs	750,000
Transportation costs	500,000
Miscellaneous expense	750,000
Total cost	11,000,000
Operating Profit	4,000,000

4.3 Cash Budget Example

Information	Amount (Rp)
Beginning Cash Balance	2,000,000
Cash Receipts	15,000,000
Total Cash Available	17,000,000
Cash Disbursement	11,000,000
Ending Cash Balance	6,000,000

4.4 Impact of Activities

- Participants begin to separate personal and business finances.
- Participants have a cash projection for the next 3 months
- Awareness of the importance of cost control is created

This assistance strengthens the function of the budget as a planning and control tool, in accordance with modern financial management theory.

5. ACTIVITY COST BUDGET

Table 2. Cost Budget Plan (RAB)

No	Description	Amount (Rp)
1	Participant Consumption (20 people x Rp. 50,000)	1,000,000
2	Modules and ATK	750,000
3	Team Transportation	1,000,000
4	Speaker's Honorarium	2,000,000
5	Documentation	500,000
6	Rent	750,000
	Total Cost	6,000,000

6. CONCLUSION

The operational and cash budget preparation mentoring program for MSMEs was successful and effective. Participants' understanding and skills in budgeting have significantly improved. Partners now have operational and cash budget documents to use as business planning and control tools. This program is recommended for ongoing implementation to improve the professionalism of MSME financial management.

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