

# Financial Management Practices Of Msmes: A Case Study Of Jangun Marning Business In Bulukumba, South Sulawesi, Indonesia

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## ARTICLE INFO

## A B S T R A C T

### Article history:

Received November

Accepted December

### Keywords

*Financial Management,  
MSMEs, Bulukumba,  
South Sulawesi,  
Indonesia, Small  
Business Strategies*

This study aims to analyze the financial management practices of micro, small, and medium enterprises (MSMEs) in Bulukumba, South Sulawesi, Indonesia. The context of this study is based on the challenges faced by MSMEs in managing their finances, which often lead to difficulties in business planning and development. The methodology adopted in this study is qualitative, using in-depth interview techniques with business owners and using source triangulation for data analysis. The findings of the study show that many MSME owners do not have a formal financial plan, which has an impact on cash flow management and future planning. In addition, they lack the courage to invest in modern technologies that can improve productivity. The conclusions of this study highlight the importance of financial education and applied technology to improve the financial management practices of MSMEs, which in turn can support their desire to support businesses.

## 1. Introduction

This study examines the financial management practices of micro, small, and medium enterprises (MSMEs), focusing on the corn processing business in Bulukumba, South Sulawesi, Indonesia. MSMEs play a key role in Indonesia's economic development, contributing significantly to employment, income generation, and overall local economic growth [1] However, despite the importance of these businesses, many MSMEs face challenges related to poor financial management, which can hinder their ability to survive and thrive. Financial literacy is essential to avoid financial distress that can result from poor financial management [2] The corn processing business, a local snack food industry, is an important part of the Bulukumba MSME sector, but has struggled to maintain its competitive advantage and long-term viability due to poor financial planning and management. This study is significant as it examines specific financial management practices that impact the sustainability and growth of MSMEs in the food industry, particularly in the local context. The findings will provide valuable insights to policymakers, business owners, and support agencies to improve the financial literacy and management practices of MSMEs.

### 1.1 Background

The maize grain processing business in Bulukumba is a traditional snack production industry that has been a mainstay of the local economy for many years. Despite its popularity, the industry has also faced many challenges in recent years, including a decline in the number of producers and

increased competition. This decline is partly due to the lack of effective financial management strategies. Due to inadequate financial record keeping and planning, many small-scale producers face difficulties in tracking expenses, managing cash flow, and making informed decisions [3]. These financial challenges, coupled with external factors such as volatile raw material costs, increase the vulnerability of the industry. The importance of good financial management for MSMEs has been widely recognized in the literature, with research showing that businesses with better financial management practices tend to be more sustainable and resilient [4]. However, research on the financial management practices of MSMEs in rural areas or in specific local settings such as Bulukumba remains limited. This knowledge gap makes it difficult to understand the unique challenges and needs of local businesses such as maize grain processing producers.

### *1.2 Problem Statement*

The main issue discussed in this study is the lack of effective financial management practices among MSMEs in the maize farming industry in Bulukumba. Many businesses in the sector face difficulties in financial management, which affects their ability to compete, grow and be sustainable. There is a clear gap in understanding the specific financial challenges faced by maize farming businesses and how these challenges affect their long-term viability and growth. This study aims to explore the financial management practices in the sector to identify weaknesses, provide recommendations for improvement and contribute to a broader understanding of MSME financial management in a rural context.

### *1.3 Objectives and Scope*

The main objectives of this study are to investigate the current financial management practices of MSMEs in the maize processing industry in Bulukumba, identify the main financial challenges faced by these businesses, and assess the impact of these practices on business sustainability and growth. In addition, this study aims to provide recommendations for improving the financial management practices of maize processing producers in Bulukumba. The scope of this study is limited to maize processing businesses in Bulukumba, with a particular focus on the financial management practices of producers and their impact on business operations. This study does not cover other types of MSMEs in Bulukumba or industries outside the food industry. Furthermore, this study will rely primarily on qualitative data collected through interviews and observations, which may limit the generalizability of the findings to the wider population. Nonetheless, the insights gained from this study are valuable for improving the financial management of local MSMEs and can serve as a model for other similar industries.

## **2. Literature Review**

### *2.1 Related Work*

In the context of business sustainability, research related to financial management of MSMEs has been widely conducted. A study by [5] showed that creativity, business capital, product diversification, and government policies have a significant impact on the sustainability of MSMEs. This study highlights the importance of financial management practices in maintaining stability and growth of small businesses. Meanwhile, the study [6] emphasized that business sustainability depends on the efficiency of managing production costs and profits. Good financial management enables businesses to remain operational over the long term. In the context of the culinary business, [7] emphasized the importance of innovation and prudent financial management in the face of

market competition. These factors help businesses adapt and grow, even in a highly competitive market. A similar view was expressed by [8], who showed that capital, production costs, and labor have a significant impact on the revenue of MSMEs in the culinary industry. This study highlights the important role of financial management in maximizing the use of resources and improving the competitiveness of businesses.

## *2.2 Research Gap*

Although various studies have examined financial management in the context of MSMEs, there are still some research gaps, which are the focus of this study. First, research related to financial management practices of MSMEs is still rare in Bulukumba Regency, especially in the maize farming industry. Most existing studies focus on other regions, so this study will be a new contribution with a more specific local context. Second, previous studies have focused more on capital and innovation factors as factors that support business sustainability, but have not discussed in depth the various aspects of financial management, such as financial records, cost control, and investment strategies. Third, there is a gap in understanding the relationship between good financial practices and sustainability in traditional businesses such as maize farming. This is important because traditional businesses often face challenges in managing finances effectively in the face of modern competition. Finally, there are not many studies that link financial management of MSMEs to their contribution to the local economy. This study will fill this gap by analyzing how financial management practices in the maize farming industry can improve business sustainability while having a positive impact on the economy of Bulukumba.

## **3. Methodology**

### *3.1 Data Collection*

This study adopted a descriptive qualitative method and a case study approach to understand the financial management practices of maize farming enterprises in Bulukumba Regency, South Sulawesi Province. This approach was chosen because it was in line with the research objective, which was to gain an in-depth understanding of how financial management affects the sustainability of traditional enterprises. Data were collected from two main sources, namely primary data and secondary data. Primary data were obtained through in-depth interviews with maize farming enterprise participants, including owners and workers. The respondents were selected using a purposive sampling method based on specific criteria, namely, enterprise participants who were still actively producing and selling maize farming enterprises and had more than two years of operating experience. In addition, interviews were conducted with external parties, such as the Department of Trade, Industry, Cooperatives, SME Services of Bulukumba Regency, to obtain opinions on the development of local MSMEs. In addition to the interviews, data were obtained through direct observation at the production site. The production, packaging and sales processes of maize were observed, including the financial records performed by enterprise participants. Secondary data were collected from various sources, such as local government MSME reporting documents, previous literature, and research related to financial management and enterprise sustainability.

### *3.2 Analysis Techniques*

The data collected in this study were analyzed using Miles and Huberman's interactive model data analysis method, which consists of three major stages, namely, data reduction, data

presentation, and conclusion drawing. The data reduction stage was conducted by categorizing, summarizing, and selecting information related to the research objectives, such as financial record keeping practices, cost control strategies, and challenges faced by corn entrepreneurs. In addition, data presentation was conducted in the form of narrative descriptions to facilitate the understanding of the patterns and relationships between financial management practices and business sustainability. In the final stage, conclusions were drawn in stages based on the field findings and then validated with other data to ensure consistency of the results. In addition, to ensure the accuracy of the findings, data triangulation technique was used by comparing the results of interviews, direct observations, and secondary data. This technique aims to find consistent patterns and increase the validity and reliability of the research findings.

### 3.3 Validation

To ensure the validity and reliability of the data, this study used a variety of validation techniques such as source triangulation, peer debriefing, and member checking. Source triangulation was done by comparing the information obtained from various informants such as business owners, workers, and government parties. This technique aims to minimize bias and increase the credibility of the data. In addition, peer debriefing involves discussions with colleagues or methodologists to evaluate the research process and data interpretation. This helps to identify weaknesses in the analysis and ensure that the research findings remain objective. Member checking is done by providing the informants with interim results to ensure that the data interpretation is consistent with the reality they conveyed. Through this combination of techniques, this study is expected to produce valid, reliable, and relevant research findings aimed at understanding the financial management practices that maintain the sustainability of maize farming in Bulukumba.

## 4. Results and Discussion

### 4.1 Key Findings

The jagung marning businesses in Bulukumba face significant challenges in financial management. One of the primary issues is the lack of formal financial planning and budgeting. Many business owners do not create detailed financial plans or budgets, which results in difficulty managing cash flow, forecasting expenses, and preparing for future financial needs. Most entrepreneurs rely on traditional methods without using modern financial tools or strategies, which limits their ability to grow sustainably. As one business owner mentioned

*"Yes, the capital is definitely large and it takes a process to get in, especially since it definitely requires expertise to design the packaging" (Informan 7)*

Another significant challenge is the reluctance to invest in modern machinery and technology that could improve production efficiency and product quality. Many owners fear the upfront costs associated with upgrading equipment or training employees, which prevents them from scaling their operations. One owner expressed

*"Yes, but it doesn't have any effect because we usually want to try it but it never gets done because we don't have any employees, only the two of us are assisted by 1 (one) person who is also old so it's difficult" (Informan 2)*

This highlights the financial limitations faced by small business owners who struggle to implement changes that could enhance productivity. Revenue has also been declining over the years, leading some business owners to reduce production or explore other business opportunities. The combination of reduced sales and poor financial management practices contributes to this financial instability. One owner revealed

*"To be honest, I have actually started to reduce production, I want to try selling by partnering with other producers, I want to stop making it because purchases are decreasing day by day" (Informan 5)*

This indicates that declining sales are pushing some owners to reconsider their business operations altogether. Price sensitivity is another factor contributing to the financial difficulties faced by these businesses. Many owners are hesitant to increase their prices, even when the costs of raw materials rise, fearing that customers will turn to cheaper alternatives. One business owner stated

*"Changes in packaging and flavor variations will only increase capital while people's purchasing power will not increase because there are many other choices with the same price, I'm afraid that if the price is increased, people will just choose to buy something else" (Informan 1)*

This reluctance to adjust prices affects their ability to maintain profitability. Finally, the lack of formal financial record-keeping and financial monitoring is a major hindrance. Most business owners do not track their expenses, income, or profits systematically, which makes it difficult to assess the financial health of their businesses. This informal approach to financial management also affects their ability to secure loans or make informed financial decisions. One owner said

*"If you say that we often participate in training, but how is that, we are used to traditional methods, especially since we are not assisted by employees, so for our age group, we usually don't use modern methods, the important thing is that it sells, even if it's a little" (Informan 3)*

This highlights the tendency of business owners to stick to traditional methods rather than adopting more modern and effective financial management practices. In conclusion, the jagung marning businesses in Bulukumba face significant financial management challenges. Limited financial planning, reluctance to invest in technology, declining revenue, price sensitivity, and poor financial record-keeping all contribute to the financial instability of these businesses. Implementing more structured financial management practices could help these businesses improve profitability and ensure long-term sustainability.

The following table presents a list of informants interviewed in this study, which provide insights into their financial management practices:

**Table 1.1 Informant Data**

No	Informant	The Year of a Business	Name of The Business	Interview duration
1	1	10 years	Jagung Marning Business Actors Melati Rahmat	45 minutes
2	2	8 years	Jagung Marning Business Actors Cap Bunag Melati	45 minutes
3	3	5 years	Jagung Marning Business Actors Pinishi	45 minutes
4	4	6 years	Jagung Marning Business Actors Dua Jambu	45 minutes
5	5	7 years	Jagung Marning Business Actors Marning Tasty	45 minutes
6	6	9 years	Jagung Marning Business Actors Golden Corn	45 minutes
7	7	11 years	Jagung Marning Business Actors Best Corn	45 minutes

#### 4.2 Interpretation of Results

The findings of this study indicate that the lack of systematic financial management practices is one of the main reasons for the stagnation and declining sustainability of the maize farming industry in Bulukumba County. Simple financial records and minimal control over expenses make it difficult for business actors to assess their financial performance. This not only affects the inability to determine potential profits but also hinders strategic decisions related to business development. These findings confirm that good financial management plays an important role in maintaining business sustainability, in line with the objectives of the study

The sustainability of the maize farming industry requires better financial management practices, including the implementation of more structured financial records, evaluation of production costs, and investment planning for product development. The importance of innovation, such as product diversification and packaging improvements, is also a support factor that needs to be prioritized so that businesses can compete in local and regional markets. In addition, government support through training and mentoring must be more targeted at improving the financial literacy of business actors. Education on the separation of personal and business finances and the importance of cash flow analysis can help business owners to better plan their finances. Therefore, the findings of this study outline that strengthening financial management practices can be a major solution to improve the sustainability of maize acquisition businesses in Bulukumba.

Overall, these findings support the theory that effective financial management is an important foundation for maintaining stability and growth in SMEs. If financial management practices are well implemented, the maize processing business in Bulukumba has great potential to grow further and make a significant contribution to the local economy.



## 5. Discussion

### 5.1 Comparison with Prior Research

The results of this study indicate that financial management practices in Bulukumba maize processing enterprises remain simplistic and suboptimal, which is consistent with the findings of [9], which noted that capital, production costs, and management constraints are often the main barriers faced by SMEs in the culinary industry. Manual financial records without a structured system can make it difficult to monitor cash flow and profits, and [10] also noted that financial management efficiency has a significant impact on business sustainability. However, these results differ from the study of [11] which highlights the importance of government policies and product diversification in supporting the sustainability of SMEs. Although local government provides regular training, this study found that the implementation of such training remains rare, especially in more formal and strategic financial management. This suggests that the problem lies not only in access to training, but also in the understanding and motivation of business actors to apply the knowledge gained. The results of this study also highlight the need for product and packaging innovation to improve the competitiveness of maize processing businesses. This supports the study by [12] which states that product innovation and good financial management play an important role in business sustainability, especially in the culinary sector. Therefore, this study adds new insights by highlighting that good financial practices must be combined with innovative strategies to support the sustainability of traditional businesses such as corn processing.

## 6. Conclusion

This study aims to analyze the financial management practices of maize farming small and medium enterprises (MSMEs) in Bulukumba Regency, South Sulawesi. The main issue identified is the lack of systematic financial management, including financial record-keeping, cost control, and investment planning. This study adopted the descriptive qualitative method of Miles and Huberman, combining in-depth interviews, direct observation, and interactive data analysis. The findings reveal that most business actors lack adequate financial recording systems, relying instead on manual notes of income and expenses. Moreover, raw material price fluctuations and limited product innovation present significant challenges to business sustainability.

The study also found that while the local government has provided training and assistance, the implementation rate of the knowledge gained remains low. These findings emphasize that good financial management such as cash flow monitoring, production cost analysis, and long-term financial planning is essential for sustaining traditional businesses like maize farming. This study contributes to a deeper understanding of the financial management challenges faced by small businesses and highlights how improved financial practices can enhance competitiveness and long-term sustainability. Additionally, it serves as a valuable reference for formulating effective financial management strategies for MSMEs, particularly in the traditional food processing sector.

## 7. Recommendation

Based on the findings of the study on financial management practices in the maize kernel business in Bulukumba, several recommendations can be made. First, business participants need to improve their financial management capabilities by implementing a more structured system for recording finances. Using simple technology, such as mobile-based financial applications, can help monitor cash flow, calculate profits, and plan expenses more effectively. Second, it is

recommended that local governments and relevant agencies strengthen guidance and training programs that focus on financial literacy and practical practices for managing business finances. Such guidance should include strategies for how to differentiate between personal and business finances, cost control, and investment planning for business development.

Third, product innovation and improved packaging quality need to become a priority for business participants in order to compete in an increasingly competitive market. Product diversification, more flavors, and more attractive packaging will increase the appeal of maize kernels locally and regionally. Finally, for future research, quantitative studies with wider sample coverage can be conducted to measure the specific impact of financial management practices on business performance. In addition, further research can explore the role of digital technology in supporting the financial management of MSMEs. By implementing these recommendations, it is hoped that the maize procurement business in Bulukumba will become more sustainable, develop, and make a significant contribution to the local economy.

### Acknowledgement

The researchers sincerely thank all individuals and organizations who have provided support and contributions toward the successful completion of this study, whether directly or indirectly. Particular gratitude is extended to our parents for their steadfast support, prayers, and motivation throughout this journey. Their guidance and encouragement have been instrumental in achieving this milestone. The researchers also appreciate the valuable input and assistance from various parties, which have significantly contributed to the preparation and completion of this research.

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