



FINANCIAL MANAGEMENT PRACTICES AND PROFITABILITY OF MICRO ENTERPRISES: A SIMPLE ACCOUNTING APPROACH

PRAKTIK MANAJEMEN KEUANGAN DAN PROFITABILITAS USAHA MIKRO: PENDEKATAN AKUNTANSI SEDERHANA

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Abstract

Micro enterprises in the Keputih area of Surabaya play an important role in supporting local economic activity, particularly through small-scale food, beverage, and daily-consumption businesses. However, many micro-entrepreneurs still face difficulties in managing their finances systematically. Financial records are often kept manually, inconsistently, or based on memory, making it difficult for business owners to clearly identify cash flow, operating costs, profit levels, and business growth potential. This study aims to analyze the financial management practices of micro enterprises in Keputih, Surabaya, identify the main challenges in applying simple accounting, and examine how basic accounting practices contribute to profitability and business sustainability. This research uses a qualitative approach through direct observation and in-depth interviews with micro-enterprise owners from different business sectors in the Keputih area. The findings show that most business owners have not yet implemented formal accounting systems, but simple practices such as recording daily income, separating business and personal funds, calculating basic costs, and monitoring stock can improve financial control and decision-making. The main obstacles include limited accounting knowledge, lack of discipline in record-keeping, and the perception that small businesses do not require structured financial reports. This study highlights the importance of simple accounting as a practical tool for strengthening profitability, financial awareness, and the sustainability of micro enterprises in local urban communities.

Keywords : Simple Accounting, Micro Enterprises, MSMEs, Financial Management, Profitability, Microbusinesses.

Abstrak

Usaha mikro di wilayah Keputih, Surabaya, memainkan peran penting dalam mendukung aktivitas ekonomi lokal, khususnya melalui usaha kecil di bidang makanan, minuman, dan kebutuhan sehari-hari. Namun, banyak pengusaha mikro masih menghadapi kesulitan dalam mengelola keuangan mereka secara sistematis. Pencatatan keuangan seringkali dilakukan secara manual, tidak konsisten, atau berdasarkan ingatan, sehingga menyulitkan pemilik usaha untuk mengidentifikasi arus kas, biaya



operasional, tingkat keuntungan, dan potensi pertumbuhan usaha secara jelas. Studi ini bertujuan untuk menganalisis praktik manajemen keuangan usaha mikro di Keputih, Surabaya, mengidentifikasi tantangan utama dalam menerapkan akuntansi sederhana, dan meneliti bagaimana praktik akuntansi dasar berkontribusi pada profitabilitas dan keberlanjutan usaha. Penelitian ini menggunakan pendekatan kualitatif melalui observasi langsung dan wawancara mendalam dengan pemilik usaha mikro dari berbagai sektor usaha di wilayah Keputih. Hasil penelitian menunjukkan bahwa sebagian besar pemilik usaha belum menerapkan sistem akuntansi formal, tetapi praktik sederhana seperti pencatatan pendapatan harian, pemisahan dana usaha dan pribadi, perhitungan biaya pokok, dan pemantauan stok dapat meningkatkan pengendalian keuangan dan pengambilan keputusan. Hambatan utama meliputi pengetahuan akuntansi yang terbatas, kurangnya disiplin dalam pencatatan, dan persepsi bahwa usaha kecil tidak memerlukan laporan keuangan yang terstruktur. Studi ini menyoroti pentingnya akuntansi sederhana sebagai alat praktis untuk memperkuat profitabilitas, kesadaran finansial, dan keberlanjutan usaha mikro di komunitas perkotaan lokal.

Kata Kunci : Akuntansi Sederhana, Usaha Mikro, UMKM, Manajemen Keuangan, Profitabilitas, Usaha Mikro.

1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in supporting local economic activity, particularly in urban communities such as Keputih, Surabaya. In this area, micro enterprises operate in various sectors, including food and beverages, small retail, household services, and daily-consumption businesses. These enterprises contribute to community income, provide affordable goods and services, and create informal employment opportunities. However, many micro-enterprise owners still face fundamental challenges in managing their finances, especially in recording income, calculating expenses, separating business and personal funds, and determining actual profit.

One of the main problems faced by micro enterprises in Keputih is the limited use of systematic financial recording. Many business owners still rely on simple notes, manual records, or memory-based tracking to monitor daily transactions. As a result, they often find it difficult to identify cash flow, calculate cost of goods sold, measure profitability, and evaluate business performance accurately. Although several businesses generate stable daily revenue, the absence of structured accounting practices makes it difficult for owners to understand whether their businesses are truly profitable or merely rotating cash for daily operations.

Simple accounting is therefore relevant as a practical approach to improve financial management among micro enterprises. By recording daily income and expenses, separating business and personal funds, monitoring stock, and calculating basic profit, business owners can gain a clearer understanding of their financial condition. This approach does not require complex accounting systems, but it provides essential information for decision-making, such as determining selling prices, controlling costs, planning purchases, and preparing for business development.

The objective of this study is to analyze financial management practices among micro enterprises in the Keputih area of Surabaya using a simple accounting approach. This study aims to identify how micro-enterprise owners manage their financial records, examine the challenges they face in applying basic accounting practices, and assess how simple accounting contributes to profitability and business sustainability. The research questions addressed in this study are: how do micro enterprises in Keputih manage their finances, what obstacles prevent them from applying structured accounting practices, and how can simple accounting support better financial decisions and profitability?

This study contributes to the discussion of micro-enterprise financial management by offering a practical understanding of how simple accounting can be applied in local urban business contexts. Rather than focusing on one specific type of business, this research examines MSMEs in Keputih more broadly to capture common financial management patterns across different micro-enterprise sectors.



The findings are expected to provide useful insights for business owners, educators, local communities, and policymakers in strengthening financial literacy, improving business sustainability, and encouraging more disciplined accounting practices among micro enterprises.

Literature Review

Financial management is one of the most fundamental components influencing the sustainability and profitability of Micro, Small, and Medium Enterprises (MSMEs). In the context of micro-enterprises in urban communities such as Keputih, Surabaya, financial management practices are often conducted informally, relying on manual notes, simple calculations, or memory-based transactions. This condition reflects the limited implementation of accounting systems among micro-business owners despite the important role of accounting information in supporting business decisions. According to the concept of simple accounting, financial recording does not necessarily require sophisticated systems, but rather emphasizes practical and understandable procedures that help business owners monitor income, expenses, cash flow, and profitability. Simple accounting therefore becomes a practical financial management tool suitable for small-scale enterprises with limited resources and accounting knowledge.

The concept of simple accounting originates from basic accounting principles that focus on recording, classifying, and summarizing financial transactions systematically. In micro-enterprise settings, simple accounting commonly includes recording daily sales, operational expenses, inventory purchases, debt transactions, and profit calculations. These practices are essential because financial information serves as the basis for determining business performance and operational sustainability. Muliansyah and Irwansyah (2026) emphasize that basic accounting competencies improve financial management behavior and support better business decision-making among small enterprises. Similarly, Mulyadi and Mustofa (2020) argue that even simple financial records can strengthen internal control and increase transparency in managing business cash flow and operational activities.

In MSME studies, financial literacy is often linked to the ability of business owners to manage resources efficiently and maintain profitability. Financial literacy refers not only to knowledge about accounting procedures but also to the ability to interpret financial information for strategic purposes. Many micro-enterprise owners have limited understanding of cost calculation, pricing strategies, and profit management, resulting in ineffective financial decisions. Suroso and Ardansyah (2024) explain that low accounting literacy remains one of the primary barriers preventing micro-business owners from adopting structured financial recording systems. Consequently, many businesses experience difficulties in separating personal and business finances, calculating actual profit, and controlling unnecessary expenditures.

Previous studies consistently show that accounting practices significantly influence the growth and sustainability of MSMEs. Wahyuni and Pratama (2021) found that micro-enterprises with structured financial recording systems demonstrate stronger financial stability and better business planning compared to businesses without systematic records. The ability to monitor financial conditions in real time enables business owners to evaluate performance and make operational adjustments more effectively. Furthermore, Iradawaty and Mochklas (2025) state that simple accounting practices improve entrepreneurs' capacity to evaluate investment decisions, estimate operational costs, and plan business expansion strategies. These findings indicate that accounting practices, even in simplified forms, contribute positively to profitability and financial awareness.

Despite the growing discussion on MSME accounting practices, most previous research focuses on formal small businesses or enterprises that already possess relatively organized management systems. Comparatively limited attention has been given to micro-enterprises operating informally in local urban environments such as Keputih, where businesses are generally family-owned, independently managed, and highly dependent on daily cash circulation. Yap and Artates (2023) note that many MSME studies still generalize small businesses without considering the diversity of operational patterns, business cultures, and financial behaviors among micro-scale enterprises. As a



result, the realities of informal micro-businesses remain underexplored in accounting and financial management literature.

Another important issue identified in prior studies concerns the persistence of manual and memory-based accounting practices among micro-enterprises. Hidayat and Siswanto (2022) explain that time constraints, limited educational background, and the perception that accounting is only necessary for large businesses discourage entrepreneurs from maintaining proper financial records. Thangaraj and Kishore (2023) further highlight that inaccurate financial recording often results in poor cost calculations, weak cash-flow management, and difficulties in measuring actual profitability. In many cases, business owners may experience high sales turnover without understanding whether their business operations genuinely generate sustainable profit.

Recent theoretical trends in MSME research also demonstrate increasing attention toward technology adoption and digital accounting systems. Frameworks such as the Technology Acceptance Model (TAM) and the Technology-Organization-Environment (TOE) framework are frequently used to analyze factors influencing digital accounting adoption among small businesses. However, these approaches often emphasize technological readiness while paying less attention to the everyday realities of informal micro-enterprises. In areas such as Keputih, many businesses still operate traditionally and have not fully adopted digital accounting tools due to limited digital literacy, financial constraints, or operational habits. Therefore, the application of simple accounting remains more relevant as an accessible transitional approach before the adoption of more advanced systems.

Methodologically, previous accounting studies on MSMEs have predominantly employed quantitative surveys to examine relationships between accounting implementation and business performance. While such studies provide measurable insights, they often fail to capture the lived experiences, behavioral patterns, and practical challenges faced by micro-enterprise owners in managing finances daily. This study adopts a qualitative approach to explore the financial management realities of MSMEs in Keputih, Surabaya, through direct observation and in-depth interviews. This approach enables a deeper understanding of how entrepreneurs interpret accounting practices, manage operational finances, and respond to challenges related to profitability and sustainability.

Conceptually, this study synthesizes financial management theory, simple accounting concepts, and MSME sustainability perspectives to build a practical analytical framework for understanding micro-enterprise financial behavior. Simple accounting is viewed not merely as a technical recording activity but as a strategic mechanism that supports business control, financial awareness, and decision-making quality. More systematic financial recording enables micro-enterprise owners to identify operational inefficiencies, estimate business profitability more accurately, and plan future financial strategies. In this context, simple accounting functions as a foundational instrument for strengthening the sustainability, resilience, and long-term profitability of MSMEs in local urban communities such as Keputih, Surabaya.

2. RESEARCH METHOD

This research follows a qualitative approach, utilizing direct observation of the financial record-keeping practices of street vendors, particularly those selling *es cincau* (a type of street-side dessert). The study aims to explore the financial management practices of these micro-entrepreneurs and assess how the implementation of simple accounting systems can enhance financial management, decision-making, and resource allocation. The research methodology emphasizes the collection of data through participatory observation and in-depth interviews with the vendors.

Research Strategy

The study employs a descriptive-analytical research strategy, focusing on understanding the day-to-day financial practices of street vendors and their challenges in maintaining accurate financial records. Through this approach, the research aims to provide detailed insights into the financial behaviors of street vendors and evaluate the impact of implementing simple accounting techniques on improving financial management practices.



Data Sources and Types

This research uses primary data, collected through in-depth interviews and direct observations of the street vendors. Secondary data is obtained from literature on accounting practices, micro-enterprise financial management, and related studies on small business owners. The primary data allows for a deeper understanding of the practical challenges faced by the vendors, while secondary data offers theoretical insights that support the findings of this study.

Data Collection Techniques and Instruments

Data collection in this study is carried out through the following methods:

1. **In-depth Interviews:** Interviews are conducted with the street vendors to identify how they manage their financial transactions, what challenges they face, and how they make financial decisions. The interviews aim to provide personal insights into the vendors' experiences with accounting and their understanding of financial management.
2. **Direct Observation:** The researcher observes the daily activities of the street vendors, focusing on their financial practices, including their methods of tracking income, expenses, and cash flow. This observation helps to understand how informal accounting systems are implemented in practice.
3. **Documentary Review:** Any informal financial records, such as handwritten notebooks or digital entries, are reviewed to assess how the vendors track their financial activities and whether they have any form of structured record-keeping.

Inclusion and Exclusion Criteria

- **Inclusion Criteria:** Vendors who engage in micro-business activities, particularly street vendors selling food and beverages, are selected for this study. The focus is on vendors who do not employ formal accounting systems, but rather rely on manual or informal methods of financial management.
- **Exclusion Criteria:** Large-scale businesses with formal accounting systems and financial management practices are excluded from this study. Additionally, businesses with no financial record-keeping practices at all are also excluded.

Unit of Analysis

The unit of analysis in this study is individual street vendors, specifically those who sell *es cincau* and similar food and beverage products. The study examines how they manage their financial activities, including income, expenses, and profitability. The research also looks at the impact of implementing a simple accounting system on their ability to make informed decisions and manage resources effectively.

Data Analysis Techniques

The collected data is analyzed using qualitative techniques:

1. **Content Analysis:** The qualitative data from interviews and observations are coded and categorized into themes to identify patterns in the financial practices of the vendors. Content analysis is used to extract insights into how simple accounting practices are applied and their impact on the vendors' financial decision-making.
2. **Systematization:** The data is organized to facilitate a clear understanding of the effectiveness of simple accounting practices and how they relate to the financial management and profitability of street vendors. This helps identify the barriers to implementing these practices and the potential benefits they bring.
3. **Triangulation:** The study uses triangulation by combining data from different sources (interviews, observations, and document reviews) to validate the findings. This approach strengthens the reliability of the results and provides a comprehensive view of the financial management practices of street vendors.



By using these methods, the research aims to uncover the practical challenges and opportunities in adopting simple accounting practices, thereby providing valuable insights into how micro-entrepreneurs can improve their financial management and profitability.

3. RESULT AND DISCUSSION

This section presents the findings of the study regarding financial management practices among Micro, Small, and Medium Enterprises (MSMEs) in the Keputih area of Surabaya. The findings were derived from direct observations, in-depth interviews, and documentation of several micro-enterprise owners operating in culinary, retail, and small-service sectors. The analysis focuses on patterns of financial management, accounting practices, financial challenges, and the role of simple accounting in supporting business profitability and sustainability.

Financial Management Practices among MSMEs in Keputih

The findings reveal that the majority of MSME owners in Keputih still manage their business finances using informal and unstructured approaches. Most respondents do not maintain formal accounting records or standardized bookkeeping systems. Financial transactions are commonly recorded using simple handwritten notes, mobile phone reminders, or memory-based estimations. Daily sales and expenditures are sometimes documented, but the records are often incomplete, inconsistent, and not systematically organized.

Several business owners stated that they only record major purchases such as raw materials, inventory supplies, or utility payments, while smaller operational expenses are frequently ignored. In many cases, business income and personal expenditures are mixed within the same cash circulation. As a result, respondents often experience difficulties in identifying actual operational costs, measuring net profit, or evaluating monthly business performance accurately.

The study also found variations in financial recording practices among MSMEs. Some business owners had started implementing simple accounting methods such as daily cash books, income-expense tables, or basic digital recording applications. These businesses generally demonstrated better awareness regarding cash flow, inventory purchases, and operational budgeting. However, the implementation remained highly dependent on the owner's consistency and understanding of accounting principles.

Patterns of Income and Operational Expenditures

Observation results indicate that MSMEs in Keputih generally operate with relatively stable daily cash turnover. Culinary businesses, coffee stalls, beverage sellers, snack vendors, and small retail shops reported daily revenues ranging from moderate to high depending on customer volume and operational hours. Businesses located near student housing, campuses, and public access areas showed stronger sales performance due to consistent customer demand.

Operational expenditures were dominated by raw material purchases, utility costs, employee salaries, internet services, transportation, and inventory replenishment. Several respondents identified raw materials and consumable products as the largest recurring expenses affecting daily profitability. Businesses with more organized financial records were able to estimate operational costs more accurately and adjust purchasing decisions according to sales trends.

Despite generating consistent revenue, many respondents admitted that they rarely calculate total monthly profit systematically. Profit estimation was generally based on remaining cash after operational spending rather than detailed accounting calculations. This condition made it difficult for business owners to distinguish between revenue growth and actual profitability improvement.

Financial Literacy and Accounting Awareness

The findings demonstrate that financial literacy remains one of the primary challenges affecting accounting implementation among MSMEs in Keputih. Many respondents possessed only basic understanding regarding bookkeeping, profit calculation, and financial reporting. Several business



owners perceived accounting as complicated, time-consuming, or only necessary for larger enterprises.

A significant number of respondents stated that they had never received formal accounting training or financial management education. Consequently, they relied heavily on practical experience and intuition in managing business operations. Financial decisions related to pricing, stock purchases, and operational spending were generally made based on habit, market observation, or previous sales experiences rather than financial analysis.

Although accounting literacy was limited, most respondents recognized the importance of financial recording after experiencing operational difficulties such as cash shortages, untracked expenses, or declining profits. Business owners who had attempted simple accounting practices reported greater confidence in evaluating business performance and planning future operational decisions.

Challenges in Financial Management

The study identified several major challenges preventing MSMEs from implementing more structured accounting systems.

1. Limited Financial Knowledge

Most respondents lacked understanding of basic accounting concepts such as cost allocation, cash-flow management, profit margins, and financial reporting. This limitation reduced their ability to maintain systematic records and evaluate business performance comprehensively.

2. Inconsistent Record-Keeping Practices

Financial recording practices were generally inconsistent. Respondents often forgot to record transactions during busy operational periods, particularly during peak customer hours. Some transactions were documented after business hours based solely on memory, increasing the risk of inaccuracies.

3. Mixing Personal and Business Finances

A recurring issue identified across respondents was the absence of clear separation between personal and business finances. Business cash was frequently used for household expenses, transportation, or personal consumption. This practice complicated profit calculations and weakened financial control.

4. Time Constraints

Most MSME owners personally handled operational activities such as production, sales, purchasing, and customer service. Due to limited time, accounting activities were considered secondary priorities. Financial documentation was often postponed or ignored altogether.

5. Low Perceived Urgency of Accounting

Several respondents believed that simple businesses did not require formal financial systems because transaction volumes were relatively small. Accounting was often perceived as unnecessary complexity rather than a managerial necessity.

Impact of Simple Accounting Practices

Although accounting implementation remained limited, the findings indicate that MSMEs applying simple accounting practices experienced several positive outcomes. Businesses that maintained regular income and expense records demonstrated improved awareness regarding operational efficiency and profitability patterns.

Respondents using simple bookkeeping methods reported that they could monitor cash flow more clearly and identify unnecessary expenditures more easily. This enabled them to control operational costs, reduce waste, and improve purchasing strategies. Some business owners also stated that financial records helped them determine more accurate selling prices and estimate future inventory needs.

Businesses implementing simple accounting practices also showed better capability in managing employee salaries, supplier payments, and operational budgeting. Furthermore, they were



more capable of identifying periods of high and low sales activity, enabling them to adjust production and stock management accordingly.

Several respondents who separated personal and business finances reported improved financial discipline and stronger confidence in evaluating business sustainability. These findings suggest that even basic accounting practices can significantly improve financial transparency and managerial decision-making among micro-enterprises.

Variations in Financial Management Among MSMEs

The results reveal that MSMEs in Keputih demonstrate varying levels of accounting awareness and financial management maturity. Businesses with longer operational experience and larger customer bases tended to show more structured financial practices compared to newly established micro-enterprises.

For example, some businesses had begun using daily financial recap tables, calculating approximate monthly profits, and separating operational cash from personal funds. These enterprises generally demonstrated stronger operational control and better financial planning capabilities. In contrast, businesses relying entirely on informal recording methods experienced greater uncertainty regarding profit levels and cash availability.

Nevertheless, both groups shared similar concerns regarding accounting complexity, limited accounting knowledge, and operational workload. This indicates that accounting adoption among MSMEs is influenced not only by business scale but also by financial literacy, managerial awareness, and practical accessibility of accounting tools.

Profitability and Business Sustainability

The findings indicate that MSMEs with more organized financial management practices tended to demonstrate stronger profitability awareness and greater business sustainability potential. Simple accounting practices allowed business owners to identify profitable products, evaluate operational costs, and make more informed pricing decisions.

Businesses maintaining regular financial records also showed greater readiness for future business development, including inventory expansion, employee recruitment, and investment planning. In contrast, businesses operating without systematic records often relied solely on short-term cash availability without clear understanding of long-term financial conditions.

Overall, the results suggest that simple accounting practices play an important role in strengthening financial management, improving operational transparency, and supporting profitability among MSMEs in Keputih, Surabaya. Although accounting implementation remains relatively basic, the findings demonstrate that even simple financial recording systems can contribute positively to managerial decision-making and business sustainability in micro-enterprise environments.

Discussion

This study demonstrates that financial management practices among MSMEs in the Keputih area of Surabaya remain largely informal and unstructured despite the important role of financial management in supporting business sustainability and profitability. The findings reveal that most micro-enterprise owners still rely on memory-based calculations, handwritten notes, or irregular recording systems to manage daily transactions. This condition affects their ability to identify actual profits, monitor cash flow, separate operational and personal finances, and evaluate long-term business performance. Nevertheless, the results also indicate that the implementation of simple accounting practices, even at a basic level, contributes positively to financial awareness, operational control, and managerial decision-making among MSMEs.

The findings reaffirm that simple accounting serves as an accessible and practical financial management tool for micro-enterprises with limited resources and accounting literacy. In the context of MSMEs in Keputih, simple accounting practices such as recording daily income and expenses, separating business cash from personal use, and monitoring operational costs helped business owners gain better understanding of their financial conditions. This supports the conceptual perspective that accounting is not merely a technical administrative activity but also a strategic instrument that enables



entrepreneurs to evaluate business performance and improve operational efficiency. The study therefore confirms that even simplified accounting systems can contribute significantly to strengthening business sustainability in informal economic environments.

From a theoretical perspective, the findings align with the principles of financial management theory for MSMEs, which emphasize the importance of transparency, accountability, and control over financial resources. Financial information functions as a foundation for operational planning, pricing strategies, inventory management, and profit evaluation. MSMEs implementing basic accounting practices demonstrated stronger financial discipline and greater ability to identify inefficient spending patterns. This finding supports the argument of Muliansyah and Irwansyah (2026), who emphasize that accounting competencies improve managerial behavior and support more rational financial decision-making among small businesses. Likewise, the findings reinforce the argument of Mulyadi and Mustofa (2020) that simple bookkeeping systems improve internal financial control and operational transparency within micro-enterprises.

The study also highlights that low financial literacy remains a major structural barrier limiting accounting implementation among MSMEs. Most respondents perceived accounting as complicated, time-consuming, or unnecessary for small-scale businesses. Such perceptions are strongly influenced by educational background, business culture, and the dominance of informal operational patterns within local micro-enterprise environments. This finding corresponds with previous studies showing that micro-business owners often prioritize operational survival over administrative management. In practice, entrepreneurs tend to focus more on sales generation and daily cash turnover than on systematic financial evaluation. Consequently, businesses may appear financially active while lacking clear information regarding actual profitability and long-term financial health.

The results are consistent with previous studies emphasizing the relationship between financial recording practices and MSME performance. Wahyuni and Pratama (2021) found that businesses with more structured financial records demonstrate stronger growth opportunities and better financial stability. Similarly, Iradawaty and Mochklas (2025) explain that simple accounting improves entrepreneurs' capacity to evaluate operational costs and make investment decisions more effectively. The present study strengthens these findings by demonstrating that simple accounting remains relevant even within highly informal micro-enterprise contexts such as those found in Keputih, Surabaya. Unlike previous studies that focused predominantly on formal SMEs, this research provides a more contextual understanding of accounting behavior among community-based micro-enterprises operating with limited managerial infrastructure.

In contrast, several previous studies argue that the adoption of accounting systems among MSMEs is increasingly influenced by digital technology and technological readiness. Approaches such as the Technology Acceptance Model (TAM) and Technology-Organization-Environment (TOE) framework have been widely used to explain accounting digitalization among SMEs. However, the findings of this study indicate that many MSMEs in Keputih are still positioned at a preliminary stage of accounting adoption, where the primary issue is not digital transformation but the absence of basic financial recording culture itself. This suggests that digital accounting implementation may remain ineffective unless entrepreneurs first develop basic accounting awareness and financial discipline through simpler recording practices.

Another important finding concerns the persistent mixing of personal and business finances among MSMEs. Many respondents admitted that operational cash was frequently used for household expenses or personal consumption, making profit calculations increasingly difficult. This issue reflects weak financial separation and limited understanding of business capital management. The inability to distinguish between business and personal expenditures often creates financial ambiguity and increases the risk of cash shortages despite stable sales performance. Businesses applying simple accounting practices demonstrated better capacity to control this issue by introducing separate cash allocation systems and daily transaction records.



The study further demonstrates that simple accounting contributes positively to profitability awareness and operational sustainability. Businesses with more organized financial records were better able to identify profitable products, estimate operational expenses, manage stock purchases, and evaluate periods of high or low customer demand. Such financial visibility enabled business owners to make more informed pricing and operational decisions. This finding supports the broader view that accounting information serves not only administrative functions but also strategic managerial purposes within small businesses. More importantly, the study indicates that accounting practices strengthen entrepreneurs' confidence in assessing business viability and planning future development.

The contribution of this study lies in its contextual examination of MSME financial management practices within a local urban community environment. Rather than focusing exclusively on one business category such as street vendors or specific culinary products, this research captures broader financial management patterns among various micro-enterprises operating in Keputih. By doing so, the study extends existing MSME accounting literature through a more grounded understanding of how accounting practices are interpreted and implemented in everyday business realities. The study also contributes practically by demonstrating that accounting adoption among MSMEs does not necessarily require sophisticated systems; rather, gradual implementation of simple recording methods can already generate meaningful managerial improvements.

Several limitations should nevertheless be acknowledged. First, the study was conducted within a relatively limited geographical scope focusing on MSMEs in the Keputih area of Surabaya. Therefore, the findings may not fully represent financial management practices among MSMEs operating in different economic, social, or regional contexts. Second, the qualitative nature of the study relies heavily on participants' self-reported experiences and observed practices, which may contain subjective interpretations regarding profitability and financial conditions. Third, the study primarily focuses on simple accounting implementation and does not deeply explore external factors such as government support, financial inclusion, taxation systems, or digital financial ecosystems that may also influence accounting adoption among MSMEs.

The findings generate several practical implications for policymakers, educational institutions, and MSME development organizations. Programs aimed at strengthening MSME sustainability should prioritize practical financial literacy training emphasizing simple bookkeeping, cash-flow management, and separation of personal and business finances. Accounting education for micro-enterprises should be designed in practical, accessible, and non-technical forms appropriate for informal business environments. Furthermore, community-based mentoring systems and digital accounting assistance programs could help entrepreneurs gradually transition from informal financial practices toward more structured financial management systems.

Future research may expand this study by involving larger samples across multiple urban and rural regions to compare accounting behavior among different categories of MSMEs. Quantitative approaches may also be employed to measure statistically the relationship between accounting practices, financial literacy, and profitability levels. In addition, future studies could investigate the effectiveness of digital accounting applications, financial literacy interventions, and community mentoring programs in improving accounting adoption among micro-enterprises. Comparative research across sectors such as culinary businesses, retail trade, service industries, and creative enterprises would further enrich understanding regarding financial management dynamics within Indonesia's MSME ecosystem.

4. CONCLUSION

This study concludes that financial management practices among MSMEs in the Keputih area of Surabaya are still largely informal, simple, and not fully structured. Many micro-enterprise owners continue to rely on memory-based calculations, handwritten notes, or irregular financial records in managing daily business transactions. This condition often makes it difficult for them to identify actual income, operational costs, cash flow, and net profit accurately. Nevertheless, the findings show that



the adoption of simple accounting practices can improve financial awareness, strengthen business control, and support more informed decision-making among MSME owners.

The study also emphasizes that financial literacy plays an important role in improving the sustainability and profitability of micro-enterprises. Simple accounting practices, such as recording daily income and expenses, separating personal and business funds, monitoring stock, and calculating basic profit, provide practical benefits for MSMEs without requiring complex accounting systems. These practices help business owners understand their financial position more clearly and manage operational resources more efficiently.

This research suggests that MSME owners in Keputih should gradually adopt simple and consistent financial recording practices as part of their daily business routines. Support from educational institutions, local communities, and policymakers is also needed through practical training, mentoring, and simple digital bookkeeping assistance. Future studies may explore the use of digital accounting tools, compare MSMEs across different regions, and examine the relationship between financial literacy, simple accounting adoption, and business profitability more deeply.

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