

Sustainable Development Of MSMEs Of Nogosari Knitting Center Through Digital Financial Literacy In Wukirsari Village, Yogyakarta, Indonesia

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Abstract.

The strategic role of Micro, Small and Medium Enterprises (MSMEs) is to support economic growth, but many MSMEs entrepreneurs face challenges in managing their finances. MSMEs are still conventional and various weaknesses of MSMEs include the inability to find capital for the business, lack of knowledge about access to donations, and simple transaction recording. Lack of financial literacy knowledge will have an impact on business sustainability. On the other hand, MSMEs have a role to play in achieving the SDGs. Low financial literacy skills can also hinder business growth and sustainability of MSMEs. This Community Service and Empowerment Program aims to provide knowledge about financial literacy to MSMEs entrepreneurs at the Nogosari Knitting Center in Wukirsari Village, Bantul Regency, Jogjakarta. This international service activity involved 25 knitting MSMEs entrepreneurs who have been producing knitting for many years. The method of implementing service activities is to provide financial literacy assistance and training. Socialization of financial literacy to MSMEs entrepreneurs in an interactive manner and providing direct assistance in making business funding strategies and training in compiling simple financial reports and good financial planning and management. Some of the materials presented include financial management knowledge, access to capital through financial institutions, and recording financial transactions through simple accounting reporting. The result of this service activity is an increase in knowledge from MSMEs entrepreneurs both the Company's funding strategy, financial management knowledge and financial reporting. MSMEs entrepreneurs also gain insight into the various financial risks faced and look for solutions to the problems that occur. Through the financial literacy assistance program, it is hoped that MSMEs entrepreneurs can improve the performance of MSMEs. This program provides opportunities for MSMEs to participate in the achievement of the Sustainable Development Goals (SDGs), namely creating jobs and increasing economic growth globally.

Keywords: *SDGs; Digital financial literacy; MSMEs; Financial management; Economic growth.*

I. INTRODUCTION

Strengthening Micro, Small and Medium Enterprises (MSMEs) is one of the government's efforts to improve people's welfare. MSMEs play an important role in the Indonesian economy. One of them is to expand job opportunities and jobs in Indonesia. Regarding the achievement of the *Sustainable Development Goals*, other roles of MSMEs are to encourage poverty alleviation, and increase inclusive and sustainable economic growth. According to Alisjahbana (2018:44), the

important thing of sustainable development is the internalization of the impact of every social and economic action on the environment. This means that every social and economic activity needs to avoid/prevent or take into account its impact on environmental conditions, so that the environment can continue to carry out its function to support life now and in the future. The main focus of sustainable development is the target of achieving development success in all countries. So far, environmental impacts have not been considered, those responsible for environmental impacts are not entrepreneurs but communities. The community is indirectly responsible for their lives.

The Sustainable Development Goals (SDGs) are a global agenda adopted by United Nations (UN) member states in 2015. The main goal of the SDGs is to achieve sustainable development around the world by 2030. The SDGs have 17 Development goals that cover various aspects of sustainability. This aspect of sustainability includes the goal of alleviating poverty, health, education to a conducive environment. William (2023) stated that the SDGs have become a global and national commitment in an effort to prosper the community. All countries in the world must be able to be an intermediary in achieving the SDGs goals through empowerment and capacity building of MSMEs. These SDGs are a global and national commitment in an effort to prosper the community, empowering MSMEs as a medium to achieve the SDGs aims to be able to maintain the welfare and economic stability of the community in a sustainable manner and maintain the social life of the community. This program aims to maintain the quality of the environment and carry out inclusive development and the implementation of governance that can maintain the improvement of the quality of life from generation to generation. Sari&Nugraheni (2024).

According to Pinem (2021), MSMEs in Indonesia are a very important part of an economy because they can absorb a high workforce and can survive during economic crises. Number of MSMEs (Micro, Small, and Medium Enterprises). in Indonesia, the development of the number of MSMEs in May 2025 will reach 66 million business units. MSMEs play a crucial role in the Indonesian economy, contributing more than 60% to the Gross Domestic Product (GDP) and absorbing almost 97% of the workforce. The number of MSMEs continues to grow, and the government continues to encourage MSMEs to upgrade and increase their contribution to exports. The ability of MSMEs to increase the number of exports will increase national income growth. The number of MSMEs continues to increase but is not in line with the development that is still slow and stalled due to various problems such as limited capital, inadequate use of information and technology, and low financial literacy in managing company finances. Financial literacy is one of the key factors that MSMEs actors must have to facilitate the management and development of their business. Ali and Li (2021) stated that adequate financial literacy of MSMEs factors will be able to make the right management and financial decisions to improve business performance and sustainability. Financial literacy affects the performance and sustainability of MSMEs. Yojana et al (2023) Micro, Small, and Medium Enterprises (MSMEs) in Indonesia are one of the economic heroes that are the government's priorities in national economic development. The government makes various efforts in developing MSMEs because technology and capital support are one of the keys to the success of MSMEs.

Rofiqoh (2024:60-61) said that a large population accompanied by an increasingly high average level of education is also a potential for human resources that can be developed to become entrepreneurs who have the ability to be creative, innovative, and network development and access

to productive resources in order to increase the competitive advantage of national businesses. These entrepreneurs can create jobs through the establishment of MSMEs. Natural resources owned and Indonesia's very strategic geographical location as international trade traffic is a strategic factor of the flow of economic goods and services which is also one of the strategic factors to increase entrepreneurial growth which will facilitate MSMEs' access to information, technology, markets, and capital. In the current era of the knowledge-based economy, knowledge is very important and strategic to increase prosperity. Every country is required to develop the ability to create and use new knowledge on an ongoing basis. Knowledge of financial literacy is very important for MSMEs entrepreneurs in Indonesia. Although MSMEs are the main pillars in creating inclusive and sustainable economic growth, many MSMEs actors face major challenges in effective financial management. These challenges include difficulties in recording transactions, managing business capital, and understanding basic financial knowledge such as numeracy, inflation and risk diversification. (Anugrah, 2024).

All the successes that have been achieved have weak points that must be resolved immediately in order to find the best solution. The weaknesses faced by the MSMEs actors of the Nogosari Knitting Center in improving business capabilities are very complex and include various indicators. Some indicators of the weaknesses of MSMEs of the Nogosari Knitting Center are: lack of capital, both in quantity and source, lack of managerial ability and operating skills in organizing and limited marketing. In addition to these factors, there is also competition with similar industrial centers that are able to produce higher quality products. In addition, limited resources and economic pressure result in a narrow and limited scope of business. This concern is based on the fact that Indonesia is also facing the era of digital society 5.0. and the industry 4.0 era so that MSMEs must be able to survive and have an advantage in global competition. Financial literacy is basic knowledge that understands managing finances wisely in how to use funds for production expenses, insurance, savings, and investment. (Arianti & Azzahra, 2020). Financial literacy is an individual's ability to obtain information and make the right decisions regarding the use and management of MSMEs finances. According to Anderson and Robinson (2022), some people as MSMEs actors have never planned their finances well, tend not to have savings and do not think about investing for the future.

Various financial management problems faced by MSMEs at the Nogosari knitting center can have a negative impact on business growth. Nugraha et al (2024) said that if knitting entrepreneurs do not have knowledge and understanding in managing finances (financial management), knitting MSMEs entrepreneurs will face the risk of difficulties in managing capital. In addition, entrepreneurs will have difficulty accessing funding sources and will not be able to face increasingly dynamic economic changes and challenges. The results of Lanciano et al.'s (2025) research show that MSMEs entrepreneurs who do not have strong financial literacy insights will hinder the competitiveness of the products produced. Local products of knitting center MSMEs will have difficulty penetrating a wider market share. Based on data in the field, the Nogosari knitting center is indeed less competitive with similar products produced by MSMEs centers outside the Wukirsari Village area, Jogjakarta. The inability to market products by adapting digital businesses is the main obstacle in developing the Nogosari knitting center business. Based on this, efforts to increase financial literacy are an urgent need for MSMEs entrepreneurs to survive and thrive in increasingly fierce business competition (Graña et.al (2022).

Yakob et al (2021) MSMEs capability improvement programs that are often carried out in order to improve human resource capabilities are the development of financial literacy for MSMEs entrepreneurs. The development of MSMEs aims to increase business independence, business ability and leadership spirit in the MSMEs sector, so that it is expected to increase the competitiveness and operational quality of MSMEs. Clark et al. (2024) stated that a good understanding of financial concepts will help business actors in managing income, avoiding unproductive debt, and making more mature business planning.

The assistance program for MSMEs entrepreneurs at the Knitting Nogosari center provides training and education is a very relevant and important solution to be carried out in overcoming various financial management problems. According to Wibowo & Aumeboonsuke (2020), this financial literacy assistance program aims to improve financial understanding and skills for MSMEs, so that they can manage their businesses more professionally and sustainably. With this program, business actors are expected to better understand the basic concepts of financial management, have a strategy in accessing capital from formal and non-formal financial institutions, and have digital-based financial recording technical skills. This program will also provide direct assistance for MSMEs in compiling simple financial reports and designing better financial planning strategies.

II. METHODS

The method of implementing the MSMEs service and empowerment program includes socialization, interactive training, and intensive assistance in the application of the financial concepts that have been taught. Through this method, participants will gain direct experience in managing their business finances, so that it is expected to be easier to understand and apply the concepts that have been learned. In addition, this program also involves financial management lecturers who have certifications in the field of finance and risk management, so that participants can obtain accurate and relevant information about financial services available for MSMEs. Community Service activities are international in nature because of the collaboration of 36 universities in Indonesia and from abroad. This International Community Service activity was attended by 263 lecturers and students in the Special Region of Jogjakarta. The theme of this activity is "Sustainable International Community Service" and is a medium for collaboration between universities in sustainable international community service. The implementation of international community service activities was held for 3 days, namely Monday-Wednesday 19-21 May 2025.

The financial literacy improvement program for MSMEs entrepreneurs at Sentra Rajut Nogosari aims to encourage financial independence and provide an understanding of access to funding from formal financial institutions available to MSMEs. Direct assistance activities for knitting center MSMEs entrepreneurs were carried out on Tuesday, May 20, 2024 with a systematic approach that included an initial survey of collecting data on financial literacy problems through interviews with several knitting center MSMEs entrepreneurs. This activity is to measure knowledge and understanding of financial literacy in running their business. Furthermore, mentoring activities with comprehensive material delivery and direct practical training. This activity ended with an interactive discussion session and question and answer session to find a solution. After the presentation of financial literacy material and financial management exercises

and simulations, the next step is to evaluate the achievement of this international community service activity through a post-test on financial literacy knowledge. The following are the stages of implementing financial literacy assistance for Sentra Rajut MSMEs entrepreneurs:

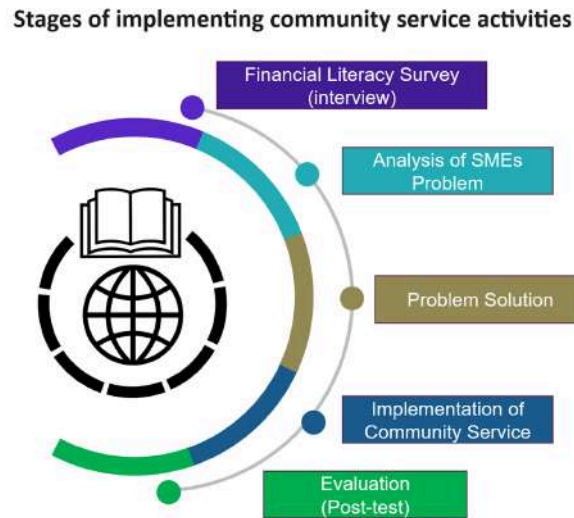


Figure 1. Stages of Community Service Activities

The results of this international community service program are expected to have a significant positive impact on the growth of MSMEs at the Nogosari Knitting Center in Wukirsari Village, Bantul Regency, Jogjakarta. The next goal is to increase entrepreneurs' understanding of the importance of financial recording and business capital planning will help business actors in managing their finances better. In addition, some participants are expected to start implementing more systematic financial records as well as showing greater interest in accessing formal financial services. With this increase in financial literacy, MSMEs are expected to develop their businesses more sustainably and increase competitiveness in the wider market. (Yakob et al., 2022, Fitriani et al., 2024)

For the long-term target, international community service activities through financial literacy assistance can support government programs in achieving the Sustainable Development Goals (SDGs) goals according to the targets set by the United Nations (UN).

In particular, this program supports several SDGs achievements, namely poverty alleviation, health and prosperity, and overcoming the unemployed by increasing decent employment. Financial literacy knowledge is expected to be able to improve the performance of MSMEs so as to support the achievement of economic growth and financial inclusion (Anderson & Robinson, 2022)

III. RESULT AND DISCUSSION

International community service activities were attended by various universities in Indonesia and universities from several countries. The first day was held with the opening, scientific meeting and signing of an international community service consortium. On the first day (Monday, May 19, 2025) the opening ceremony at the Novotel Hotel as well as the formation of a community service consortium between domestic and foreign universities. The role of universities in developing MSMEs is very large, through social responsibility by assisting the community

through various fields of science will have a positive impact on the welfare of the community. (Harprayudi et al. (2023).

The following is the documentation of the Consortium of Universities in international community service collaboration:



Figure 2. ICS Partnership Charter 2025



Figure 3. ICS 2025 Collaboration

The Community Service (PkM) activity aims to increase financial literacy for MSMEs actors at the Nogosari Knitting Center in Wukirsari, Bantul Regency, Jogjakarta. Many MSMEs centers in the Jogjakarta area provide opportunities for academics to implement science in community empowerment. in the area of Wukirsari Village, Imogiri, Bantul, there are a lot of small businesses that are then managed so that later the small business becomes large.

This activity was held with a focus on strategic MSMEs partnerships, supporting the vision and mission of the campus to contribute to society.



Figure 4. Implementation of Community Service activities in Wukirsari village, Bantul, Jogjakarta



Figure 5. Implementation of International Community Service at MSMEs of the Nogosari Knitting Center

Knitting is a job of making crafts using knitting yarn. The crafts made can be in the form of bags, shoes, hats, and so on. The tool needed for knitting is a knitting needle or what is commonly called a haakpen in Dutch. While the material itself is knitting yarn. Knitting yarn has several types, including nylon, poly, siet, and cotton. In Wukirsari Village itself, the products that are produced from this knitting craft are shoes, sandals, brooches, bags, and wallets. The widely used yarn for these products is nylon yarn, which has strong and waterproof properties. Hamlets in Wukirsari that

have the potential to develop knitting crafts include Nogosari 1 and Nogosari 2. Knitting in Wukirsari first entered these two hamlets around 2000 and continues to develop to this day. Many households are interested and motivated to run a knitting business.



Figure 6. Knitting Products



Figure 7. Knitting Products

The process of this activity began with a question and answer about financial management activities with knitting entrepreneurs, this was done to find out how much financial literacy knowledge is in running their business. Then the next step is with financial literacy training, and ends with a post-test. The post test was conducted to measure the improvement of financial literacy understanding after being given training. MSMEs entrepreneurs gain an understanding of financial management, numeracy, inflation, and risk diversification (Hasler et al. 2022). Furthermore, participants participated in mentoring with the delivery of financial literacy materials that covered various basic aspects of financial management, such as inflation, interest rates, risk diversification, and compound interest. The series of training activities began with the presentation of material and continued with a financial literacy simulation. Financial literacy education is then provided to MSMEs entrepreneurs to improve their understanding of managing business finances. The activity ended with a discussion and question and answer session, where participants could ask questions and share experiences in applying the concept of financial literacy.

A direct approach between MSMEs entrepreneurs is an effective way to improve financial literacy understanding. Overall, the PKM activities carried out at the Nogosari knitting center MSMEs went very well and received positive responses from the training participants. This is reflected in the results of the evaluation carried out with the results of the evaluation followed by the participants of MSME entrepreneurs. The material presented, especially related to financial literacy such as understanding numeracy, inflation, and risk diversification, received a good response from the participants. Participants understood the presentation of financial literacy material and after participating in this activity, MSMEs entrepreneurs from knitting centers have knowledge of financial management by adapting technological changes. This activity is considered to be in accordance with the needs of MSMEs in the Nogosari Knitting Center and has succeeded in increasing their understanding of basic financial management. With this increased understanding, it

is hoped that the income and business sustainability of MSMEs actors at the Nogosari Knitting Center can increase and product output and performance increase significantly. The following is the documentation of financial literacy mentoring and training activities:



Figure 8. MSMEs Entrepreneur Interview Activity



Figure 9. Financial Literacy Training Activities

IV. CONCLUSION

This community service and empowerment program has given significant results in improving the skills of entrepreneurs at the Nogosari Knitting Center in Wukirsari village, Jogjakarta. Financial literacy training at the Nogosari knitting center in Wukrisari village is needed on an ongoing basis considering the low skills they have in managing their business finances. The literacy of entrepreneurs is still weak, especially the skills of obtaining capital sources and recording financial transactions. Assisting MSMEs by providing financial literacy insights can improve the performance of MSMEs at the Nogosari Knitting Center can improve performance.

Mentoring and training can improve the skills of MSMEs entrepreneurs. Entrepreneurs have to make various business decisions and one of the very important business decisions is the financial decisions of the business. Entrepreneurs are able to improve their financial literacy skills by understanding the concept of financial management, including strategies for obtaining capital sources, debt policies, savings, investments, and financial management. Financial decision-making by entrepreneurs can help MSMEs analyze costs and profits, minimize the risk of losses in investing, reduce administrative costs, reduce internal and external conflicts, reduce employee turnover, and be able to increase profits and welfare of owners, employees and the surrounding community.

MSMEs entrepreneurs can make financial decisions objectively and rationally by considering various financial information. Through financial literacy skills, MSMEs entrepreneurs can increase their business so that sales increase and maximize profits. The performance of MSMEs will increase significantly and this will support the achievement of the Sustainable Development Goals.

So important is financial literacy for MSMEs entrepreneurs, it is better to have the participation of various parties, so the government in accelerating the achievement of the SDGs needs to create various programs to educate entrepreneurs, especially entrepreneurs in areas that are still minimal in understanding financial literacy. The pentahelix synergy between the government,

academics, communities, and the media can improve the performance of MSMEs. With the cooperation of various parties, of course, entrepreneurs have an adequate level of financial literacy in managing their business.

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