

Transformation of Financial Management in Coffee SMEs: Enhancing Competitiveness for Sustainable Global Expansion

Fitri Amalinda Harahap

*Universitas Jenderal Soedirman,
Purwokerto, Indonesia
fitri.amalinda@unsoed.ac.id*

Telma Anis Safitri

*Universitas Jenderal Soedirman,
Purwokerto, Indonesia
telma.anis@unsoed.ac.id*

Widyahayu Warmmeswara

*Universitas Jenderal Soedirman,
Purwokerto, Indonesia
widyahayu.warmmeswara@unsoed.ac.id*

Abstract

Micro, Small, and Medium Enterprises (MSMEs) contribute significantly to Indonesia's economy, particularly in the coffee industry, which has strong potential for global market expansion. However, challenges such as poor financial management, limited access to capital, and inefficient practices hinder growth. This study focuses on Databajo Coffee, a small enterprise in Labuan Bajo, East Nusa Tenggara, which produces high-quality coffee while supporting local farmers. Using a case study approach, the study analyzes Databajo Coffee's financial practices and implements a transformation strategy through mentorship, training, adoption of digital financial tools, and financial planning. The results highlight that modern financial management practices improve operational efficiency, financial transparency, and access to financing, enhancing competitiveness and scalability for sustainable global expansion. This model can also serve as a reference for other Indonesian MSMEs.

Keywords: *financial management, MSMEs, coffee industry, competitiveness, sustainability*

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are the backbone of Indonesia's economy, representing more than 99% of businesses nationwide and contributing significantly to job creation, poverty alleviation, and GDP growth. The role of Micro Small Medium Enterprises (MSMEs) in addressing

unemployment is significant, especially in OECD countries where they make a substantial contribution to employment and income (Octasyilva, 2022). Despite their importance, MSMEs face various challenges such as limited resources, marketing issues, low productivity, and lack of innovation. Within this landscape, the coffee industry stands out as one of the most promising sectors. Indonesia is the world's

fourth-largest coffee producer, with vast potential to supply the growing global demand for specialty coffee. However, while this potential is substantial, many coffee-based MSMEs face persistent challenges such as limited access to financing, inadequate financial management, and lack of technological adaptation. These issues often prevent them from scaling up and competing effectively in international markets.

Databajo Coffee, located in Labuan Bajo, East Nusa Tenggara, exemplifies both the opportunities and challenges of Indonesian coffee MSMEs. Founded by local entrepreneur Afrianus Jebaut, Databajo Coffee specializes in high-quality beans processed through semi-washed and full-washed methods to preserve distinctive flavors. Beyond producing premium coffee, the enterprise supports local farmers by providing market access and contributes to the regional economy through job creation. Situated in a rapidly growing tourist destination, the company is uniquely positioned to attract both domestic and international consumers. Despite these strengths, the absence of structured financial management practices has constrained Databajo Coffee's ability to achieve sustainable growth and global competitiveness.

Zahwa, et al (2025) confirms the crucial role of digital literacy and company resources in driving digital innovation and enhancing business performance in MSMEs, with digital innovation acting as a pivotal mediator in improving business outcomes. Financial management is a pivotal factor in determining the long-term success of MSMEs. For businesses like Databajo Coffee, weak financial practices manifest in inefficient cash flow, poor cost allocation, and limited access to credit. These constraints not only reduce profitability but also hinder the ability to invest in production, marketing, and innovation. In contrast, the adoption of modern financial strategies—including digital accounting tools, structured budgeting, and financial forecasting—can enable MSMEs to optimize operations, enhance transparency, and build credibility with investors and lenders. For Databajo Coffee, such a transformation is

essential to strengthen its competitive advantage, expand its market reach, and ensure sustainable global expansion.

Against this background, the present community service initiative is designed to support Databajo Coffee in transforming its financial management practices. By integrating mentorship, training, and the implementation of digital financial tools, the project seeks to empower the business to achieve financial resilience and long-term sustainability. Furthermore, this effort aims to serve as a replicable model for other Indonesian coffee MSMEs facing similar challenges. Strengthening financial literacy and management among coffee enterprises is not only vital for individual business success but also contributes to Indonesia's broader goal of enhancing the global presence of its coffee industry.

METHOD

The methodology of this community service project was designed to address the specific financial management challenges faced by Databajo Coffee and to implement practical solutions that could enhance its competitiveness and sustainability. A participatory and case-based approach was employed, combining observation, mentorship, training, and the application of digital tools. The following steps outline the core components of the methodology:

1) Case Study Approach

A case study method was adopted to provide an in-depth understanding of Databajo Coffee's financial practices and challenges. Data were collected through:

- a. Interviews with the owner and staff to identify current practices, problems, and expectations.
- b. Document analysis, including review of financial records, sales data, and operational reports.
- c. Observation of daily business operations, especially in relation to financial transactions, procurement, and distribution.

This approach allowed for a

comprehensive diagnosis of the company's financial condition, including strengths, weaknesses, opportunities, and threats.

2) *Needs Assessment and Gap Analysis*

Based on the data collected, a needs assessment was conducted to identify gaps between existing financial management practices and industry best practices. The analysis focused on cash flow management, bookkeeping, budgeting, cost efficiency, and access to financing. This step provided the foundation for developing tailored solutions suited to Databajo Coffee's context.

3) *Financial Mentorship and Capacity Building*

A structured mentorship program was implemented to strengthen the financial literacy and management capacity of Databajo Coffee. This included:

- a. Workshops and training sessions on bookkeeping, budgeting, cost allocation, financial forecasting, and profitability analysis.
- b. Hands-on practice using the company's real financial data to apply learned concepts.
- c. Mentorship sessions where experts guided the business owner and staff in decision-making and problem-solving related to financial issues. The aim was to ensure that the knowledge and skills acquired could be applied sustainably within the business.

4) *Implementation of Digital Financial Tools*

To improve accuracy, efficiency, and transparency, modern accounting software was introduced and customized for Databajo Coffee's needs. The steps included:

- a. Selection of user-friendly software appropriate for small businesses (e.g., QuickBooks, Xero, or Zoho Books).
- b. Installation and configuration of the system to fit Databajo Coffee's operations.

- c. Training sessions for the owner and staff on how to input transactions, generate reports, and analyze financial statements.

The integration of digital tools was aimed at reducing errors, improving real-time decision-making, and increasing credibility with external stakeholders.

5) *Financial Planning and Budgeting Development*

Together with the owner, the project team developed a structured financial plan and detailed budgets for key areas such as production, marketing, and expansion. Forecasting techniques were introduced to anticipate future cash flow needs and investment opportunities. Special attention was given to designing a financial strategy aligned with the company's long-term goal of expanding into international markets.

6) *Facilitating Access to Financing and Partnerships*

The project supported Databajo Coffee in preparing professional financial documentation—including financial statements and growth plans—to improve its eligibility for loans or investment. Networking with local banks, cooperatives, and development organizations was also facilitated to expand opportunities for financing and collaboration.

7) *Monitoring and Evaluation*

A monitoring and evaluation framework was established to measure the effectiveness of the interventions. Key performance indicators (KPIs) included improvements in financial record-keeping, cash flow management, cost efficiency, profitability, and access to external financing. Regular follow-up sessions ensured continuous improvement and allowed adjustments to be made as necessary.

RESULT AND DISCUSSION

1) Improved Financial Literacy and Skills

One of the most significant outcomes of this community service project was the

enhancement of financial literacy among the owner and staff of Databajo Coffee. Through mentorship and training sessions, participants gained a stronger understanding of fundamental concepts such as cash flow management, budgeting, cost allocation, and financial forecasting. Prior to the program, financial records were limited and inconsistently maintained, making it difficult to track profitability and plan for expansion. Following the training, the staff demonstrated the ability to create simple yet accurate financial statements, manage daily transactions systematically, and evaluate operational costs more effectively. This improvement aligns with previous studies emphasizing that both digital and financial literacy have a significant positive effect on the business performance of MSMEs (Azizah, et al, 2022). By equipping business owners with knowledge and practical tools, MSMEs can better manage risks, identify opportunities, and make informed decisions that support long-term growth.

2) *Adoption of Digital Financial Tools*

The introduction and implementation of accounting software significantly transformed Databajo Coffee's financial management practices. Before the project, financial records were largely manual, prone to errors, and time-consuming to prepare. With the use of digital tools such as accounting software, the business is now able to generate real-time financial reports, track income and expenses efficiently, and monitor cash flow on a daily basis.

This digital transformation not only improved operational efficiency but also increased transparency and accountability, which are crucial for building trust with external stakeholders such as banks, investors, and suppliers. Similar findings were highlighted by Balboa, et al (2024), who noted that digital financial tools improve MSME credibility and provide a solid foundation for securing financing.

3) *Development of a Structured Financial Plan and Budgeting System*

Another important result was the establishment of a structured financial plan and budgeting framework. Databajo Coffee, for the first time, prepared detailed budgets for production, marketing, and operations. This allowed the business to allocate resources more strategically, reduce unnecessary expenditures, and set measurable financial goals. The forecasting component also helped the company anticipate seasonal demand fluctuations and plan for long-term investments.

The presence of a comprehensive financial plan marks a significant shift from reactive decision-making to proactive financial management. As suggested by Mahmudin (2024), effective strategic management practices are a significant predictor of business performance for MSMEs, businesses that implement comprehensive and well-structured strategic management are more likely to see improved performance metrics.

4) *Enhanced Access to Financing and Partnerships*

Through improved financial documentation and credibility, Databajo Coffee is now in a stronger position to access external financing. With professional financial statements and a clear growth strategy, the company has initiated discussions with local financial institutions to secure loans for scaling production and expanding distribution. Additionally, the business has explored partnerships with tourism stakeholders in Labuan Bajo, leveraging the region's growing reputation as an international destination.

This outcome underscores the importance of transparent and reliable financial records in enhancing MSME access to capital. As highlighted by Yeung (2011), banks and investors are more willing to support businesses that demonstrate accountability and structured planning.

5) *Positive Impact on Local Community and Farmers*

Beyond financial improvements, the project has had a positive spillover effect

on the local community. By strengthening Databajo Coffee's capacity to expand, more opportunities are created for local farmers who supply coffee beans. The company's ability to scale its operations translates into higher demand for raw materials, thus increasing farmer incomes and contributing to local economic sustainability. This reflects the broader role of MSMEs as drivers of inclusive development in Indonesia.

Discussion

The outcomes of this project clearly highlight that effective financial management is not only an operational requirement but also a strategic tool for MSMEs seeking sustainable growth. The experience of Databajo Coffee illustrates how financial mentorship, adoption of digital tools, and structured planning can transform a small enterprise into a more resilient and competitive business. This transformation is particularly relevant given the dual role of MSMEs in Indonesia: as key drivers of local economic development and as potential contributors to the global value chain.

First, the improvement in financial literacy and skills among Databajo Coffee's owner and staff supports the growing body of literature that emphasizes the importance of capacity building in MSME sustainability. Studies such as those by Yakob, et al (2021) and Esiebugie, et al (2018) have consistently shown that financial literacy correlates strongly with improved financial performance. The results from Databajo Coffee affirm this finding, as training and mentorship directly enhanced the business's ability to manage cash flow, prepare budgets, and analyze profitability. These skills not only improve day-to-day operations but also equip the business with tools for long-term planning and risk management.

Second, the adoption of digital accounting tools represents a significant step toward modernization and professionalization. In the Indonesian MSME context, where manual bookkeeping is still prevalent, digital solutions provide an avenue for efficiency, transparency,

and data-driven decision-making. Balboa, et al (2024), noted that MSMEs that integrate accounting software tend to experience reduced errors and increased credibility with lenders. For Databajo Coffee, the transition to digital tools has already streamlined its reporting processes and provided real-time insights into financial health, positioning the business to better respond to market changes. This is especially critical in the competitive coffee industry, where margins are tight and operational agility is essential.

Third, the development of a structured financial plan and budgeting system has shifted Databajo Coffee from a reactive to a proactive approach in managing its resources. Mahmudin (2024) argues that financial planning enables MSMEs to anticipate challenges, allocate resources strategically, and create sustainable pathways for growth. For Databajo Coffee, the introduction of detailed budgets and forecasting has provided a roadmap for scaling production, expanding marketing efforts, and pursuing global opportunities. The ability to anticipate seasonal fluctuations and manage costs effectively enhances competitiveness, particularly in markets where consistency and reliability are valued.

Another key aspect is access to financing and partnerships. Yeung (2011) emphasize that limited access to capital is a primary barrier for MSMEs. By maintaining accurate financial records and demonstrating accountability, Databajo Coffee is now in a stronger position to secure external financing. This is vital not only for expanding production capacity but also for investing in infrastructure and marketing strategies necessary for global expansion. The ability to present credible financial documents has already opened opportunities for dialogue with financial institutions and potential business partners.

The project's impact also extends beyond the enterprise itself. By strengthening Databajo Coffee's capacity, the project indirectly benefits local farmers who supply coffee beans. This creates a positive feedback loop, as increased demand for high-quality raw materials

generates higher income for farmers, supports rural livelihoods, and promotes sustainable agricultural practices. Thus, the transformation of financial management at the enterprise level contributes to broader community development and aligns with Indonesia's pursuit of inclusive economic growth.

However, it is important to acknowledge that challenges remain. Sustaining digital financial practices requires consistent discipline, ongoing training, and adaptability to technological changes. Furthermore, while access to financing is now more feasible, it remains contingent on maintaining profitability and market competitiveness. Global expansion also brings challenges related to quality control, branding, and compliance with international standards. Therefore, while financial transformation provides a strong foundation, it must be complemented with continuous innovation in production, marketing, and supply chain management.

From a theoretical perspective, the case of Databajo Coffee underscores the alignment between financial management practices and competitive advantage theories. Porter's (1985) framework highlights cost efficiency and differentiation as key sources of competitiveness. By adopting structured financial practices, Databajo Coffee can achieve both: cost efficiency through better resource management and differentiation by investing in quality improvement and market positioning. This dual strategy enhances the company's readiness to compete in global markets.

In sum, the results and discussions affirm that transforming financial management is not only a technical intervention but also a strategic enabler of resilience, growth, and sustainability. For MSMEs like Databajo Coffee, the integration of financial literacy, digital tools, and structured planning provides a replicable model that can be applied in other sectors and regions. The broader implication is that strengthening financial management capacity at the grassroots level can accelerate the overall competitiveness of Indonesian MSMEs in the global economy.

Practical Implications

The experience of Databajo Coffee provides several practical implications that are valuable not only for the company itself but also for other MSMEs and stakeholders involved in supporting small businesses in Indonesia:

- 1) **Financial Literacy as a Foundation for Growth.** Strengthening financial literacy among MSME owners and staff is essential for improving decision-making and ensuring long-term sustainability. Even simple training on bookkeeping, cash flow management, and budgeting can produce measurable improvements in efficiency and profitability.
- 2) **Digital Transformation for Efficiency and Credibility.** The adoption of accounting software demonstrates that digital tools can drastically improve efficiency, accuracy, and transparency. This shift enables businesses to build trust with banks, investors, and partners, which is crucial for accessing financing and scaling operations.
- 3) **Financial Planning as a Strategic Roadmap.** Structured financial planning and budgeting allow businesses to allocate resources more effectively, anticipate challenges, and align daily operations with long-term goals. For MSMEs operating in competitive industries such as coffee, this provides a clear path toward achieving sustainable competitiveness.
- 4) **Community and Supply Chain Impact.** Improvements in financial management at the enterprise level have spillover effects on local communities, particularly suppliers such as farmers. As MSMEs grow, they generate employment, stimulate local economies, and contribute to inclusive development.

CONCLUSION

The transformation of financial management at Databajo Coffee demonstrates the crucial role of structured financial practices in enhancing the competitiveness and sustainability of MSMEs in Indonesia. Prior to this initiative, the business faced challenges typical of small enterprises, including poor record-keeping, inefficient cash flow management, and limited access to financing. Through financial mentorship, the adoption of digital tools, and

the development of structured financial planning and budgeting systems, Databajo Coffee significantly improved its operational efficiency and financial transparency. These improvements have strengthened its credibility with external stakeholders, expanded its opportunities for financing, and provided a solid foundation for future growth.

Beyond the internal benefits to the business, this transformation has generated positive spillover effects on the local community by creating opportunities for coffee farmers and supporting the local economy in Labuan Bajo. As the company scales its operations, the demand for locally sourced coffee will grow, further contributing to inclusive and sustainable development.

This project highlights that strengthening financial literacy and management among MSMEs is not only vital for individual business success but also strategic for Indonesia's broader economic development and participation in global markets. The case of Databajo Coffee provides a practical model that can be replicated by other MSMEs facing similar challenges. However, sustaining these improvements requires continuous commitment, regular monitoring, and adaptation to changing market dynamics.

In conclusion, effective financial management is not merely a technical necessity but a strategic enabler of growth. By adopting modern financial practices, Databajo Coffee is better positioned to compete both domestically and internationally, ensuring long-term sustainability and contributing to the advancement of Indonesia's coffee industry on the global stage.

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