

Empowering viral microenterprises: Financial literacy and cost of goods sold strategies to enhance culinary business profitability and efficiency

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ABSTRACT

Pangdas Eonni, a new microenterprise selling the viral product 'pangdas' or spicy dumplings, has quickly gained popularity through social media, resulting in high daily sales. However, despite the impressive sales volume, the actual profits have fallen short of initial expectations, primarily due to challenges in accurately determining the cost of goods sold (COGS). This community service initiative aims to enhance the understanding of COGS strategies for microenterprises, focusing on optimizing profitability and efficiency. The program targets the employees and owners of Pangdas Eonni, located in Karang Rejo Hamlet, Bandar Village, Bireuen, through offline, face-to-face training and mentoring sessions. The training encompasses problem-solving and analysis, with materials delivered via lectures, hands-on training, question-and-answer sessions, demonstrations, and case studies. Participants are guided through the process of determining COGS, using example transactions and exploring various scenarios that impact profitability. By the end of the program, the goal is to improve financial literacy and foster a deeper understanding of effective COGS strategies, enabling the business to achieve sustainable profit growth.

KEYWORDS

Microenterprise; profitability; cost of goods sold; culinary business; financial literacy

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1. Introduction

Microenterprises are one of the key developing economic sectors in Indonesia. This sector attracts many entrepreneurs because it is easy to manage and does not require significant capital for establishment. In contributing to income distribution, microenterprises play a crucial role in supporting a country's economic growth (Hadziq & Nafis, 2017), especially during the pandemic and the post-pandemic recovery period.

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Figure 1. Pangdas Eonni products

Source: Author's documentation

Micro, Small, and Medium Enterprises (MSMEs) have become a vital solution for individuals to sustain their livelihoods through various businesses. For some income groups, microenterprises offer practical solutions to address economic and financial challenges. From the government's perspective, microenterprises generate business opportunities, increase gross domestic income, and strengthen the national economy, particularly during the pandemic and post-pandemic recovery (Abdianur & Sudjinan, 2019).

Pangdas Eonni Microenterprise has been operating since 2023. However, due to limitations in determining the COGS, its profits have not been optimized, with actual profit figures often falling short of predictions. Frequently, the profits earned are lower than anticipated. This discrepancy may be due to a lack of forecasting for factors that can reduce the available product quantity, leading to increased expenses. These increased costs can diminish profits, even if sales meet expectations.

Pangdas Eonni Microenterprise operates from 10:00 AM to 6:00 PM, Monday through Saturday. This business is bustling during lunchtime, resulting in long queues and extended wait times, even for small orders from its popular menu items. Despite meeting expected sales, having stable employee salaries, avoiding stall rental fees (since the business operates from home), and incurring no unforeseen expenses such as electricity, transportation, or shipping, the business has struggled to meet profit predictions. Prices of key ingredients like chicken, dumpling skins, and onions are expected to rise, yet the anticipated profits based on the COGS calculations remain unfulfilled (see Figure 1).

In the early stages, the owners of the microenterprise did not accurately calculate their profits. They based their pricing on market rates, selling one portion of Miew Jebew and spicy dumplings for IDR 15,000, which includes six dumplings. The COGS report was not properly maintained, and all expenses and price estimates were based on assumptions when the microenterprise first launched. However, since 2024, there has been some return on investment, though it has taken a long time and has not been optimal. The business has since started calculating COGS according to standard accounting practices, but profits still do not align with the estimates provided in the COGS report.

According to Agustian et al. (2023), financial reports are the outcome of the accounting process over a specific period. These reports result from the collection and processing of financial data, presented as summaries or statements that aid users in decision-making. Therefore, financial reporting is crucial for new businesses like microenterprises.

The objectives of the community service activities in Bandar Village, Kota Juang District, Bireuen, are to improve the knowledge and skills of employees and owners at Pangdas Eonni Microenterprise in preparing accurate COGS reports. Furthermore, it enables a more accurate estimation of expenses and potential costs involved in determining COGS.

By conducting this community service activity, it is hoped that the partners, specifically Pangdas Eonni Microenterprise, will be able to create more detailed and strategic COGS reports. This will improve their ability to estimate expenses more accurately and, in turn, achieve maximum profitability."

2. Method

The service activities begin with several stages. First, a FGD is conducted prior to the start of the activities to ensure coordination between the service team and partners. During the FGD, the service team presents material on creating COGS reports for microenterprises, covering both theoretical and technical aspects. Next, a briefing is held to deliver theoretical content related to the service activity program. This content is presented in discussions or presentations to business partners.

The demonstration phase involves hands-on training, where the implementation team provides practical guidance on how to create and compile a COGS report. They also demonstrate strategies for determining COGS, including estimating factors that may affect final expenses and profits.

A question-and-answer (Q&A) session follows, allowing participants to resolve any issues or difficulties they may encounter. The primary target of this service is Pangdas Eonni Microenterprise, located in Karang Rejo Hamlet, Bandar Bireuen Village, Kota Juang District. As an active microenterprise, Pangdas Eonni plays a significant role in local economic activities and contributes to the community by hiring employees from the surrounding area.

Pangdas Eonni Microenterprise partners in Bandar Bireuen Village, Kota Juang District, actively contribute to and participate in service activities. They provide facilities, such as venues for discussions, training sessions, and program implementation. Additionally, they take part both as training participants and as business actors, engaging fully in the program.

3. Results and discussion

The Community Service Program Implementation Team conducted the community service program, comprising faculty members from the Faculty of Economics and Business at Universitas Islam Kebangsaan Indonesia. The stages of the program—listening, understanding, trying, and practicing—were delivered in simple language. Rizal (2024) stated that community empowerment programs by higher education institutions can increase creativity and community welfare.

Before the activities commenced, an FGD was held to ensure coordination between the service team and the business partners. During the FGD, the service team presented material on creating simple financial reports for small and medium-sized enterprises (SMEs), covering both theoretical and technical aspects.

The program continued with a lecture, during which theoretical material on the service activity program was presented using PowerPoint slides. Following the lecture, a demonstration was conducted where the team provided hands-on practice.

Participants learned how to create and compile financial reports in a simplified manner using a chart of accounts provided by the community service team. A Q&A session followed, allowing participants to resolve any issues and clarify any difficulties they encountered during the training. Documentation of the activities was also done, including photographing and recording key moments during the event (see Figure 2).

The program was carried out on May 27, 2024, over a single day. It took place at Pangdas Eonni Microenterprise, located on Jalan H. Kol. M Syah Asyek in Karang Rejo Hamlet, Bandar Bireuen Village, Kota Juang District. Each activity session lasted for two hours at the designated community service location.

The employees of Waroeng Empek-Empek in Bandar Bireuen Village, Kota Juang District, Bireuen Regency, successfully learned how to create accurate COGS reports. They are now able to correctly determine the COGS, considering all potential expenses, such as spoilage of dumpling skins, raw material price increases, and waste from stale ingredients. As a result, expenditure management has improved significantly.



Figure 2. Demonstration and Q&A during FGD
Source: Author's documentation

4. Conclusion

Financial reports are a crucial aspect of running a business. With accurate financial reports on the COGS, a business can clearly understand, control, and monitor the effectiveness of the resources it manages. The COGS report also enables microenterprises to predict their profits accurately, allowing for careful planning of other needs. Implementing effective strategies for determining COGS is essential for increasing profits and minimizing potential expenses. A robust approach to calculating COGS can enhance the longevity of microenterprises, aligning with the aspirations of all microenterprises aiming for sustainable operations.

However, several challenges arise when microenterprises determine their COGS. These challenges include overlooking certain costs, setting prices based on market rates without considering incurred expenses, and failing to account for unexpected costs such as damaged dumpling skins, fluctuations in raw material prices, stale products, and rotting chilies in storage. Therefore, the primary objective of this community service initiative is to ensure financial accountability by clearly establishing COGS reports and effectively implementing strategies for determining COGS. This will facilitate better management and control of microenterprise resources.

The partners' response to participating in this activity was overwhelmingly positive; they felt well-equipped and supported in preparing reports and learning strategies for calculating COGS, along with real examples from Pangdas Eonni Microenterprise activities. Partners have suggested providing further training to ensure the sustainability of microenterprises. They expressed gratitude for the support received and hope for continued cooperation.

Disclosure statement

The authors declare that there is no conflict of interest regarding the publication of this paper.

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