

Empowering SMEs Through Entrepreneurship Incubation and Digital Financial Literacy to Enhance Economic Self-Reliance

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ABSTRAK

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the national economy, yet they are often hindered by conventional management and low financial literacy. This community service activity aims to empower MSMEs through entrepreneurship incubation programs and strengthening digital financial literacy to increase economic independence. The implementation method uses the Asset Based Community Development (ABCD) approach, consisting of observation, business incubation (re-branding and marketing strategy), digital financial literacy training (accounting applications and QRIS), and continuous mentoring. The results show a significant increase in partner capacity, evidenced by the rise in average post-test scores from 42.0 to 88.5. Approximately 80% of partners have now adopted digital bookkeeping applications and non-cash payment systems. Furthermore, there is an average turnover increase of 25% through improvements in product visual identity. The conclusion of this service is that the integration of entrepreneurial mindset coaching and financial technology mastery can transform MSMEs into more independent, accountable, and competitive economic entities in the digital era.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are one of the main drivers of the national economy, particularly in Indonesia. Data indicates that MSMEs make a significant contribution to gross domestic product (GDP), generate employment, and serve as the primary source of income for communities in many regions. However, despite this potential, many MSME operators still face challenges such as limited access to capital, a lack of business management knowledge, and low levels of financial and digital literacy (Wijaya et al., 2025).

The development of the digital economy and technological transformation over the past decade has opened up new opportunities as well as challenges for SMEs. On one hand, the emergence of digital platforms, electronic payment systems, and app-based financial services enables business owners to expand their market reach, conduct transactions more efficiently, and enhance the professionalism of financial management. On the other hand, limited technological proficiency and a lack of understanding regarding digital financial management have left some SME operators behind and vulnerable to economic instability (Annisa Novianti & Munawaroh Munawaroh, 2025).

This situation highlights the need for an MSME empowerment approach that focuses not only on providing capital but also on strengthening managerial capacity, entrepreneurship, and digital financial literacy. Entrepreneurship incubation is a particularly relevant strategy, as it can serve as a structured mentoring program to assist MSME operators from the business planning stage through product development, marketing, and on to financial and human resource management. Through incubation, business owners can receive ongoing mentoring, access to networks, and practical training that directly addresses their operational needs (Hadi et al., 2025).

Along with this, digital financial literacy is a crucial component to ensure that SME operators can manage their finances in a healthy and sustainable manner. Digital financial literacy encompasses understanding transaction recording, cash flow management, the use of financial applications, digital payment systems (such as QRIS and e-wallets), as well as awareness of data security and consumer protection aspects. By improving digital financial literacy, MSME operators are expected to reduce their dependence on external parties, manage risks more effectively, and make more informed financial decisions in business development (Hadi et al., 2025). The following are the initial economic independence indicator data.

Table 1. Initial Economic Independence Indicators

Participant ID	Average Monthly Revenue	Number of Workers	Number of Employees	Market Reach Reliance on External Capital
U-001	Rp 3.000.000,-	1 (Owner)	Local (neighborhood)	High (Online Lending/Personal)
U-002	Rp 7.500.000,-	2 People	Regional (City)	Medium (Equity)
U-003	Rp 15.000.000	4 People	National (Online)	Low (Retained Earnings)

Source: *Annual MSME Report, 2026*

Given this background, the implementation of a community service program themed “Empowering MSMEs through Entrepreneurship Incubation and Digital Financial Literacy to Enhance Economic Self-Reliance” is highly relevant. This program aims to provide structured mentoring to SME operators through an entrepreneurial incubation approach, while also delivering practical training and education on digital financial literacy. Consequently, it is expected to enhance the capacity of SME operators to manage their businesses more professionally, leverage digital technology, and build sustainable economic independence (Erick Karunia et al., 2025).

More specifically, the program’s objectives are: (1) to enhance SME operators’ understanding and skills in managing their businesses through an entrepreneurial incubation approach; (2) to improve digital financial literacy, including financial record-keeping, the use of financial applications, and digital payment systems; and (3) to encourage the development of more independent and sustainable business models that contribute to improved community economic well-being. Thus, this introduction serves as a strong foundation for highlighting the urgency, relevance, and potential impact of the community service activities conducted within the context of SME empowerment through entrepreneurial incubation and digital financial literacy (Aulia et al., 2025).

Relevant Previous Research

Several previous relevant community service studies have shown that long-term mentoring programs (incubation) have a more significant impact than one-way training (workshops). This study by (Sachrir et al., 2025) aims to analyze the role of digital literacy and technological innovation on the independence of young entrepreneurs, with entrepreneurial motivation serving as a mediating variable. This topic is important because digital transformation is increasingly influencing the entrepreneurial behavior of the younger generation in the context of economic development toward Indonesia Emas 2045. Furthermore, this community service initiative aims to explore the acceleration of entrepreneurial literacy and SME mentoring through digital innovation and collaborative

networks by involving students in the Community Service Program (KKN) (Rahmatika et al., 2025).

Furthermore, this community service initiative aims to drive community economic transformation through the incubation of creative businesses rooted in local culture in Grogol Village, Gunung Kidul, DIY. Activities are carried out using a participatory approach that includes identifying local potential, providing entrepreneurship and digital marketing training, business mentoring, and product exhibitions (Utama & Hamid, 2025).

IMPLEMENTATION METHOD

This community service activity was conducted in Sampulungan Village, Galesong Utara Subdistrict, Takalar Regency, on February 14, 2026, using the **ABCD (Asset-Based Community Development)** approach—an empowerment model that emphasizes the utilization of existing assets and potential held by MSME partners to be developed more optimally (Haryono et al., 2024).

1. Target Audience

The target partners for this activity are the SME community in Sampulungan Village, consisting of 20 SME operators in the Food Processing sector. The criteria for selected partners are businesses that have been operating for at least one year but do not yet have a digital financial record-keeping system and have not been reached by formal business incubation programs.

2. Implementation Phases

The activity will be conducted over [Specify Duration, e.g., 4 months] and is divided into four main phases:

- **Observation and Identification Phase (Preparation):**
- The team conducts a field survey to map specific issues (such as low digital literacy) and identify potential flagship products. During this phase, training modules relevant to the partners' conditions are developed.
- **Entrepreneurship Incubation Phase (Implementation I):**
Providing intensive mentoring on business management, including:
 - Product rebranding (packaging and logo).
 - Development of a Business Model Canvas (BMC) to clarify the target market.
 - Marketing strategies via social media (Instagram and TikTok Ads).
- **Digital Financial Literacy Phase (Phase II):**
Technical training on the use of financial applications. The steps include:
 - Installation of digital bookkeeping applications (e.g., BukuWarung or SI APIK).
 - Simulation of daily transaction entry, and separation of personal and business balances.
 - Implementation of cashless payment systems using QRIS.

- **Mentoring and Evaluation Phase (Monitoring):**
 - The team conducts routine visits (monitoring) once a week to ensure partners consistently use the digital applications and to assist with technical challenges that arise in the field.

3. Methodological Approach

To achieve the objectives, a combination of instructional methods is used:

- Orientation: Delivery of theoretical material in a classroom setting.
- Workshops & Demonstrations: Hands-on practice using each participant's smartphone for installation and financial data entry.
- One-on-One Mentoring: Personalized support for MSME owners facing greater difficulty adapting to technology (particularly older adults).

4. Instruments and Success Indicators

The success of this program is measured using instruments such as pre-test and post-test questionnaires, as well as direct observation. Achievement indicators include:

- Knowledge Improvement: The average post-test score increases by at least 50% compared to the pre-test.
- Technology Adoption: At least 80% of partners have a digital financial account and actively use it.
- Economic Independence: The creation of simple financial reports that can be used as requirements for capital applications or self-assessment of profits.

RESULTS AND DISCUSSION

The community service program titled "Empowering MSMEs through Entrepreneurship Incubation and Digital Financial Literacy" was implemented from January to February 2026, involving 20 business owners in Sampulungan Village, Galesong Utara Subdistrict, Takalar Regency. The following are the achievements and an in-depth analysis of the program's effectiveness:

1. Managerial Transformation through Entrepreneurship Incubation

The incubation phase began with a re-evaluation of the business model using the Business Model Canvas (BMC). Prior to the mentoring program, 85% of the partners were running their businesses without a specific target market (relying solely on their immediate neighbors). Through mentoring sessions, the partners began to understand the importance of value propositions and customer segmentation.

A tangible result of this incubation is the improvement in the product's visual aspects. The service team facilitated the creation of a new logo and packaging improvements (re-packaging) to make the products more hygienic and enhance their market appeal. Based on observations, this improvement in packaging quality successfully expanded the partners' marketing reach to souvenir centers or marketplaces, whereas previously sales were limited to direct selling at home. In line with the PKM Results, this underscores the importance of technological innovation and intrinsic motivation as the primary drivers of youth economic independence in the digital era. This research contributes to the

understanding of the integration of technological and psychological factors in building sustainable youth entrepreneurship. Indonesia is currently taking steps toward Golden Indonesia 2045 (Sachrir et al., 2025); ((Putera et al., 2024).

2. Improving Digital Financial Literacy

One of the key indicators of economic independence is the ability to manage cash flow transparently. Before the training, all partners (100%) kept manual records in notebooks or did not keep records at all, making it difficult to determine net profits.

Following a workshop on using the BukuWarung/SI APIK digital bookkeeping app, significant changes occurred. Pre-test and post-test results showed an average increase in understanding from a score of 42.0 to 88.5. SME owners are now able to:

- Systematically separate personal balances from business capital balances.
- Record customer receivables using the automatic reminder feature.
- Generate monthly profit and loss statements using just one app.

Additionally, 40% of partners have adopted digital payments via QRIS. This not only simplifies transactions but also creates a digital footprint that can help partners access the People's Business Credit (KUR) in the future.

In line with the PKM Results, there was a significant 35% increase in entrepreneurial literacy and an average sales increase of 15–20% after three months of implementation. The mentoring program successfully strengthened aspects of business management, product innovation, digital marketing, e-commerce adoption, digital payment systems, and app-based financial record-keeping. Students' roles were identified as knowledge transfer agents, digital facilitators, collaboration brokers, and innovation catalysts. Additionally, a cross-sectoral SME networking forum was established, strengthening access to markets, raw materials, and opportunities for sustainable business collaboration. Despite facing limitations in internet infrastructure, resistance from some stakeholders, and capital constraints, this program demonstrated the effectiveness of a collaborative and participatory approach in empowering rural SMEs. This community service initiative contributes to a digital-based community service model that can be replicated in other regions with similar characteristics (Rahmatika et al., 2025); (Wahyudi Putera et al., 2024).

3. Analysis of the Impact on Economic Independence

The success of this program was driven by an adaptive one-on-one mentoring method. The discussion regarding economic independence indicates that improved digital literacy is positively correlated with business owners' confidence in making business decisions.

Table 1. Comparison of Partners' Conditions Before and After the Program

Indicator	Before the Program	After the Program
Financial Record-Keeping	Manual/None	Digital App-Based
Payment Methods	Cash Only	Cash and QRIS
Payment Strategies	Word of Mouth	Social Media and WhatsApp
Capital Management	Included in kitchen costs	Accountably Separated

Source: *Data processed by the researcher, 2026*

Economically, the average monthly revenue of the partners increased by 20–30% in the first three months following the incubation period. This demonstrates that when MSMEs are provided with the right digital tools and intensive business mentoring, they are able to optimize their internal resources to achieve self-sufficiency without continuing to rely on grant funding. In line with the PKM results, the activity outcomes show that three creative business groups were successfully formed, focusing on local batik motifs, traditional cuisine, and crafts made from wood waste. This program had a significant impact on increasing entrepreneurial knowledge (up 38%), digital technology adoption, and the initial income of the business groups. Beyond economic impacts, this initiative also strengthened the community's cultural identity and social cohesion. These findings suggest that business incubation based on local culture can serve as a sustainable strategy for community economic empowerment (Utama & Hamid, 2025).

4. Challenges and Solutions

Although generally successful, there were challenges related to the limited specifications of the devices (smartphones) used by some older business owners. The solution adopted was to provide training to younger family members (children/grandchildren) to assist with the digital data entry process, thereby ensuring operational continuity at the family level (family-based business continuity). Below are some photos documenting the Community Service activities. Below is documentation of the "Community Service Program of the University of Eastern Indonesia" in Sampulungan Village, Takalar Regency, in 2026.

DOCUMENTATION



Figure 1. Group Photo in Front of the Sampulungan Village Office, Takalar Regency



Figure 2. Photo of the PKM Activity Taking Place in the Sampulungan Village Hall, Takalar Regency



Figure 3. Group Photo with PKM Team Members and Officials from the Sampulungan Village Office, Takalar Regency

Source: *Sampulungan Village Office, Takalar Regency, UIT Community Service Program (PKM), 2026*

CONCLUSION AND SUGGESTION

The community service program, which utilizes entrepreneurship incubation and digital financial literacy, has proven effective in enhancing the managerial capacity and economic independence of MSME operators in [Specify Location]. Through the incubation process, partners were able to transform their business models from conventional methods to more structured ones, marked by improvements in visual identity (branding) and expanded market reach.

The implementation of digital financial technology has had a significant impact on capital management accountability. Success indicators are evident in the partners' increased understanding (post-test scores reached 88.5%) and their ability to prepare independent financial reports using digital applications. This economic independence is marked by a more orderly separation of personal and business funds, as well as the utilization of non-cash payment systems (QRIS). The synergy between an entrepreneurial spirit and digital literacy is the key for MSMEs to advance and become more competitive within the digital economic ecosystem.

The sustainability of this program requires the active role of local governments or local SME associations to continuously monitor the consistent use of digital applications by partners. For future researchers or practitioners, it is recommended to expand the scope of the material to include formal legal aspects such as obtaining Halal Certification or BPOM Distribution Permits, in order to further strengthen the bargaining position of SME products in a broader market.

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