



## IMPROVING MANAGEMENT THROUGH CAPITAL BUDGET IN PREPARATION FOR POST-COVID-19 PANDEMIC EXPANSION IN PEKALONGAN BATIK MSMEs

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### ABSTRAK

*Pemulihan ekonomi dunia sebagai dampak dari pandemic Covid-19 masih terus berjalan, meski di bayang-bayangi isu resesi di tahun depan. Hal ini semakin menegaskan perlunya perhatian khusus dalam pengelolaan keuangan mikro bagi para pelaku UMKM di Indonesia. Berdasarkan observasi yang dilakukan pada UMKM di Kampung Batik Wiradesa, pasca pandemic Covid 19, UMKM Kampung Batik selama ini mencoba terus bertahan dan berusaha untuk bangkit dari keterpurukan ekonomi yang disebabkan oleh pandemic berkepanjangan. Melihat hal tersebut, maka penting untuk melakukan pelatihan restrukturisasi anggaran modal pada UMKM di Kampung Batik Wiradesa, agar mereka mampu bangkit dan berekspansi di tengah melemahnya perekonomian pasca Covid-19. Selain itu diharapkan dengan pemahaman restrukturisasi anggaran modal yang baik, para pelaku UMKM disana dapat mempersiapkan apa saja yang dibutuhkan dalam melakukan ekspansi untuk bangkit dari keterpurukan bisnis. Metode yang digunakan adalah Workshop Pengabdian masyarakat pada Masyarakat. Kegiatan pengabdian masyarakat dilaksanakan, pada hari Sabtu, 23-24 Juli 2022. Narasumber kegiatan adalah Tim Pengabdian masyarakat yang menyampaikan materi "Identifikasi Strategi Kebangkitan Ekonomi dan Penghitungan Anggaran Modal untuk Persiapan Kelayakan Ekspansi UMKM Batik". Peserta kegiatan sangat antusias mengikuti kegiatan ini. Hal ini tampak pada partisipasi peserta saat narasumber mengajak dialog langsung dengan peserta. Peserta juga sangat antusias pada sesi tanya jawab.*

### ABSTRACT

The world's economic recovery due to the COVID-19 pandemic is still ongoing, even though the issue of a recession next year overshadows it. This further emphasises the need for special attention in microfinance management for MSME actors in Indonesia. Based on observations made on MSMEs in Wiradesa Batik Village, after the COVID-19 pandemic, Batik Village MSMEs have been trying to survive and rise from the economic downturn caused by the prolonged pandemic. Seeing this, it is crucial to conduct training on restructuring the capital budget for MSMEs in Batik Wiradesa Village so that they can rise and expand amid the weakening economy after COVID-19. In addition, with a good understanding of the restructuring of the capital budget, MSME actors can prepare whatever is needed to expand to rise from business adversity. The method used is a Community Service Workshop. Service activities are carried out on Saturday, 23-24 July 2022. The resource person for the activity was the Service Team, who delivered the material "Identification of Economic Awakening Strategies and Calculation of Capital Budgets for Feasibility Preparation for Batik MSME Expansion". The participants were very enthusiastic about participating in this activity. This can be seen in the participation of participants when the resource person invites direct dialogue with the participants. Participants were also very enthusiastic about the question-and-answer session.

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## INTRODUCTION

The COVID-19 pandemic has the potential to change the world economic order, marked by changes in the world trade map, as well as causing the stagnation of various business sectors. The Coronavirus pandemic is not just a health disaster; the virus known as Covid-19 has caused chaos in the economic sector. Besides large industries, the Coronavirus pandemic has made MSMEs in Indonesia nervous. Micro, small and medium enterprises (MSMEs) are one of the sectors that have been quite severely affected by the Covid-19 pandemic in Indonesia.

The existence of MSMEs is essential for the pace of the Indonesian economy. Therefore, MSMEs need special attention because they are the most significant contributors to GDP and are a mainstay in absorbing unemployment, substituting for the production of consumer goods, and substituting for the production of consumer or semi-finished goods. It was recorded that around 37,000 small and medium enterprises (MSMEs) who reported to the Ministry of Cooperatives and SMEs felt the impact of the coronavirus outbreak or COVID-19 on their businesses. From the report data, as many as 56 per cent of MSMEs reported a decline in sales, 22% admitted they had difficulties with capital, 15% said that distribution was hampered, and 4% reported problems with raw materials. The Covid-19 pandemic forced Jakarta's wholesale shops and apparel markets to close their businesses temporarily. This condition has an impact on batik cloth artisans in the region. This includes batik artisans in Pekalongan, Central Java. Around 43 thousand micro, small and medium enterprises (MSMEs) in Pekalongan Regency, Central Java, are currently affected by the COVID-19 pandemic as many local governments implement large-scale social restriction (PSBB) policies.

The COVID-19 pandemic has closed trading activities in large markets, so MSME products cannot be marketed. Several trade

centres housing batik products from Pekalongan Regency, such as Jakarta and Surabaya, have closed because the local government implemented the PSBB policy. Many MSME products cannot be marketed even though their assets reach billions of rupiah. Another impact, of course, is that workers in the MSME sector are unemployed.

Batik is the cultural heritage of the Indonesian people, which should be preserved. As a cultural heritage of a country recognised and confirmed on 2 October 2009 by UNESCO and is the heritage of this nation's ancestors, batik is touted for its existence by Indonesia so that it is not taken and claimed as belonging to another country. The meaning of batik itself is robust and closely related to this country's customs. Batik is located in Java, closely related to its very complex culture, giving batik a pure and exotic aesthetic value. So it is unsurprising that in the last few years, other countries have reported good claims due to our negligence as citizens in protecting batik. This nation should preserve this intangible cultural heritage so that future generations can enjoy and use traditional patterns and the continuity of batik, which can live from time to time as the heritage of the Indonesian nation.

There are three types of batik: written batik, stamped batik and printed batik. Written batik is traditional Indonesian batik, which has the advantage of being a differentiating factor because there are spontaneous movements carried out by the batik maker himself, so even though it is complicated, there are no repeating patterns in the batik. The processing technique is still manual, making written batik take longer than other types of batik. However, written batik seems more dynamic and flexible because it depends on the Batik maker's creations. This differs from stamped and printed batik; although the process takes a faster time and is patterned and structured, it has a more rigid impression. In terms of price, hand-written batik also tends to be more expensive. This happens because the

written batik production process is long, requires precision and creativity from the batik maker and is more manual and traditional. Therefore, many batik buyers prefer stamped or printed batik. The reason is that the price fits the pocket, and the patterns are varied. For this reason, hand-written batik entrepreneurs must compete with increasingly rapid changes, especially in the batik industry. Can work around product marketing strategies and survival strategies so that the existence of written batik continues to be successful, namely by improving the quality of the batik itself, including adding more varied, innovative patterns and updating models every week, for example, especially considering the current Covid-19 pandemic which has created a situation Hand-written batik artisans have to rack their brains to survive.

Wiradesa Batik Village was confirmed by the Pekalongan Regency Government on April 30 2009, as a tourist village. This inauguration was carried out by the Minister of Trade, Marielka Pangestu. Kemplong Village is a centre for batik artisans who have been handed down from their ancestors. This village has a comparative advantage in that the batik dye used is by the village's groundwater content. So, this area has excellent potential for developing batik artisans. The batik products produced by batik makers in Kemplong Village are famous for their fine written batik, so they are often a destination for batik fans. The work of these batik makers has also penetrated the domestic and foreign markets.

Innovation updates can widen local market share and increase specific local preferences. This sustainable competitive advantage can be seen from the company's accuracy in providing products on the market and responding to consumer complaints such as product quality, consumer needs, entrepreneurs, new markets and continuous product innovation. Now is the time for Pekalongan Batik MSMEs to rise and expand. The desire to develop MSMEs into large businesses,

controlling local, regional and global markets means business owners can no longer apply a traditional mentality. The management of a small business must also apply modern management principles without sacrificing the good things that characterise small businesses. One way is to carefully plan for the company's development over a certain period. So, planning is the starting point for developing a company.

A capital budget or capital budgeting is essential to help business owners plan. Capital budgeting is planning capital expenditures to acquire assets whose cash flows are estimated for more than one year (Brigham & Houston, 2003). Capital budgeting includes analysing projects and determining which ones will be included. In line with the opinion of Brigham & Houston, Olawale in Maroyi & Poll (2012), capital budgeting is a formulation and financing of long-term plans for investment so that capital budgeting decisions will determine the strategic direction for MSME players to decide on investments that move towards the creation of new products. , purchasing equipment and expanding new markets.

The biggest challenge for written batik entrepreneurs in the new average era amidst the impact of the Covid-19 pandemic is how to maintain the existence of work so that it does not become depleted and eroded by the intense competition in the batik industry and the impact of declining sales as a result of the Covid-19 pandemic. As the years go by, written batik becomes increasingly scarce, considering the rise of printed batik products, which are more affordable and quicker to process. The public's lack of knowledge in distinguishing genuine written batik from stamped and printed batik sold on the market has made the existence of written batik increasingly weak. Therefore, written batik entrepreneurs must have a good and particular entrepreneurial strategy to preserve and maintain the existence of written batik itself. This attitude is about batik and cultural preservation so that batik

can still be enjoyed from generation to generation.

For example, this entrepreneurial strategy includes weekly innovation updates by batik entrepreneurs. This innovation can be in products, marketing or other things, provided that the quality of written batik is maintained. Apart from ensuring that it seems smooth, this is also a way to ensure that batik remains sustainable. Developing and growing in coastal areas, Pekalongan Batik has the characteristics of coastal batik, which is rich in colour and natural decoration compared to other coastal batik. This is because immigrants from China and the Netherlands heavily influenced Pekalongan Batik. To avoid similarities in motifs with Solo and Yogya batik, artisans can modify these batik motifs, which tend to be more accessible, more interesting, varied, bold in highlighting colours and have dynamic motif combinations. A popular motif from Pekalongan is the Jlamprang batik motif. Marketing of Pekalongan Batik, both inside and outside Java, is carried out according

to orders, and this batik also has the feature of always keeping up with current developments.

During the Covid-19 pandemic, sales of Pekalongan batik experienced a decline in demand. However, the artisans remain optimistic that they can survive and recover after facing the COVID-19 pandemic. Therefore, several planning strategies are needed to prepare for expansion.

**METHODS**

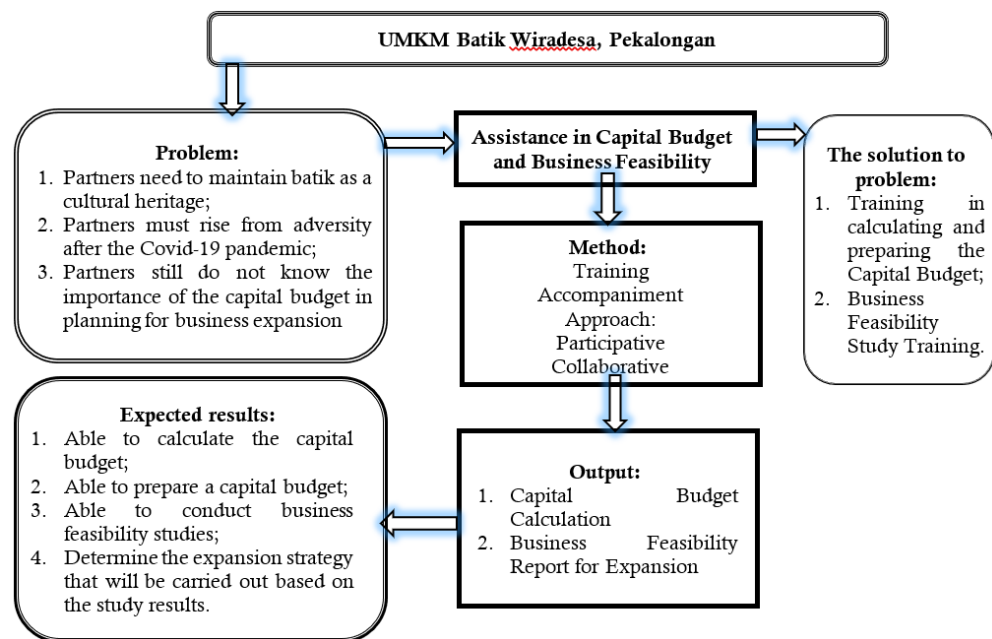
Batik as a cultural heritage is the basis for the enthusiasm of batik MSMEs to continue to survive and rise in the post-pandemic era. The determination of the batik MSMEs encouraged the service team to prepare the best method to solve the revival problem of these MSMEs. The methods offered at batik MSMEs are:

1. Lectures, questions and answers and discussions;

The community service team will provide knowledge related to business feasibility studies through lectures, including knowledge about the importance of capital budgeting and business feasibility before expanding. The community service team will present the material through the lecture method and continue with questions, answers, and discussions from the Pekalongan Batik MSME participants. With the debate, the participants will understand the material better so they can apply it to developing their business.

2. Training or Workshop

The training or workshop method will be carried out on a limited basis to representatives of each cluster, and it is hoped that these representatives can socialise with other cluster members. In this training, the community service team will provide training regarding capital budget calculations and business feasibility before expansion.



**Figure 1.** Service Implementation Method.

**RESULTS AND DISCUSSIONS**

This community service activity was conducted from July 23 to 24, 2022, at Wiradesa Pekalongan Batik Village and was attended by Pekalongan Batik MSMEs. The description of the stages of implementing this community service activity is as follows:

1. Microfinance outreach and training

The socialisation of the program was carried out immediately after receiving permission from the management of the Batik Village Association, Kemplong Village, Kec. Wiradesa, Kab. Pekalongan. Next, an online discussion was held via WhatsApp with the artisans and community members participating in this training program. In this socialisation, an agreement can be made regarding the timing of program implementation and other matters related to the details of this community service program. Before the socialisation, we held several discussions via WhatsApp with the Batik Village Association, Kemplong Village, Kec. Wiradesa, Kab. Pekalongan. This is done to discover the problem and determine alternative problem-solving and the approach method used. Community service discussion stages:

### **Discussion 1: Integration, Action Research**

At this stage, the team held a first discussion with the Wiradesa Batik Village UMKM Association to convey the aims and objectives of the community service team, where the team will carry out socialisation and financial administration training. The team also discussed the model and design of program implementation so that it could be adapted to programs the community had implemented.

The community service team also asked about the problems faced by the community to find out more deeply whether the program planned by the community service team was appropriate to the issues they faced. After discussion, it was discovered that they were facing several obstacles related to capital and post-pandemic expansion opportunities. The community's two problems can be minimised if the Batik Village MSMEs know how to calculate and prepare capital budgets. Based on information from the Department and association administrators, some of its members did not continue their education at university, and they needed more knowledge about calculating and preparing a reasonable capital budget. This is unfortunate because entrepreneurs can expand their businesses after this pandemic with good capital planning and management and business feasibility studies.

### **Discussion 2: Ensuring the Implementation of the Work Program**

Following up on the first meeting, the community service team found harmony between the problem and the work program the community service team proposed. Therefore, the community service team ensures the implementation of workshops on calculating and preparing capital budgets and business feasibility studies. This second discussion discusses equipment and supporting materials that must be ready for this activity.

On 23-24 July 2022, a workshop on calculating and preparing a capital budget and a business feasibility study was carried out by the community service team for the MSMEs of Wiradesa Batik Village.



**Figure 1 . Wiradesa Batik Village UMKM Training Participants and Service Team**

Batik Village MSMEs members gathered to participate in the workshop while implementing health protocols such as wearing masks. In the practice of this community service activity, the workshop material is divided into three sessions, namely:

- a. The basic concept of working capital includes understanding, benefits/ effectiveness, and the importance of good working capital management.
- b. Introduction to Capital Budgeting Calculation Methods, which includes:
  - 1) *Break Event Point*
  - 2) *Payback Period*
  - 3) *Net Present Value (NPV)*
  - 4) *Profitability Index*
- c. The practice of preparing a simple and reasonable capital budget.

- d. The basic concept of a Business Feasibility Study includes important business development factors, understanding, characteristics, benefits and aspects of a business feasibility study.
- e. The practice conducts business feasibility studies to support MSME expansion.



**Figure 2.** Practice Calculating and Preparing Capital Budgets accompanied by the Service Team

## 2. Monitoring

As a follow-up to this activity, after the workshop on calculating and preparing capital budgets, as well as business feasibility studies, the service team carried out monitoring via WhatsApp to the Batik Village MSMEs so that they could help members who experienced difficulties in the practice of calculating and preparing capital budgets and business feasibility studies.

## 3. Evaluation

The activity evaluation was conducted to see how interested the members of the Batik Village MSMEs were in the program carried out by the community service team and how the community members' businesses developed after attending the workshop. With this evaluation, the community service team can implement even better programs in the future.

## CONCLUSION

Seeing the enthusiasm of the participants in the workshop on calculating and preparing capital budgets, as well as business feasibility studies, shows that the members of Kampung Batik MSMEs have realised the importance of preparing capital budgets and business feasibility studies. However, they still need help putting capital budgets and feasibility studies into practice because they need more knowledge. With the socialisation of participants' interest in learning, it will be easier for the service team to attract participants to participate in this program. Even though most of

the training participants are already running businesses, they admit that the businesses they run still need help in implementation. This was realised because they could have managed their capital budget while running their business better. Following this training, they realised they had to prepare a better and more structured capital budget and a business feasibility study to expand their business after this pandemic. This program must be maintained and developed to improve capital management and business development capabilities. In the future, capital budgeting training and business feasibility studies can be set for the younger generation and communities around the Kampung Batik MSMEs interested in learning about it.

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