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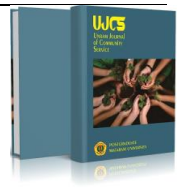

Improving the Competitiveness of Micro and Small Enterprises through Production Cost and Business Feasibility Training: Synergy between Academics and the Cooperatives Office

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Abstract: This community service program aims to improve MSMEs' understanding of calculating the cost of goods manufactured (HPP) and to analyze business feasibility. The focus is tailored to the needs of the target community. In the micro and small economic sector, Managerial and financial strengthening are often overlooked keys to increasing competitiveness. This activity was conducted face-to-face at the East Java Provincial Cooperatives Office using an interactive, simulation-based training approach and post-test evaluation. The results of the community service activity showed a significant increase in participants' understanding, demonstrated by their success in compiling cost of goods sold (COGS) calculation reports and analyzing business feasibility aspects. This activity represents the synergy between academics and the Cooperatives Office in fostering sustainable micro and small businesses.

Keywords: Cost of Goods Sold, Business Feasibility, Cooperative, Community Service, MSME.

Introduction

The micro and small enterprise (MSME) sector plays a vital role in supporting the national economy, having proven resilient to the 1998 crisis and providing an alternative to the current job shortage. According to data from the Ministry of Cooperatives and SMEs (2023), MSMEs contribute more than 60% to Indonesia's Gross Domestic Product (GDP) and employ approximately 97% of the total national workforce. This means that the sustainability and growth of MSMEs and cooperatives directly impact economic stability and public welfare. While MSMEs make a significant contribution, this sector still faces a number of fundamental challenges that hinder its performance and competitiveness, particularly in financial management, pricing, and structured business planning. (Rahmana & Riyanto, 2021) One crucial problem frequently encountered is a weak understanding of the concept of Cost of Goods Sold (COGS). Many Micro, Small, and Medium Enterprises (MSMEs) set their product prices based on intuition, following competitors' prices, or even without calculating costs at all. As a result, the prices set do not reflect actual costs and the expected profit margin. This not only results in business losses but also leads to unstable cash flow, difficulty competing in the market, and even potential bankruptcy in the long term.(Sulistyowati, 2022). Besides pricing issues, another equally important challenge is the cooperatives' lack of ability to systematically evaluate business feasibility. A business feasibility analysis ideally encompasses market, technical, financial, managerial, and legal aspects, ensuring that a business activity not only operates but is also sustainable and adaptable to changes in the business environment.(Gittinger, 1982)Unfortunately, MSMEs operate their businesses conventionally without going through a feasibility

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analysis. This situation is exacerbated by limited access to applicable training and technical assistance from competent institutions.

In response to this urgency, the Faculty of Economics of Maulana Malik Ibrahim State Islamic University of Malang, through its team of lecturers, held a community service activity in the form of training on calculating cost of goods sold (COGS) and analyzing business feasibility. This training was designed to bridge the gap between theory and practice in MSE business management and to actualize the Tridharma of Higher Education, specifically the pillar of community service, by directly providing applicable material tailored to the participants.

This activity was held offline at the East Java Provincial Cooperatives Office and was attended by approximately 40 participants from assisted MSMEs. The training method used was interactive lectures, real-life case simulations, and evaluation through pre- and post-tests, ensuring participants gained not only conceptual understanding but also practical skills in applying it.

Through this training, it is hoped that participants will be able to:

- Identify business cost elements in detail and accurately.
- Compile production cost calculations for various types of businesses.
- Analyze business feasibility from market and financial aspects.
- Make business decisions based on measurable information.

With needs-based training and an andragogical approach, this community service is expected to improve the managerial literacy of cooperative actors and strengthen their institutional capacity in the long term.

Cost of Goods Sold (COGS) is the total cost incurred to produce a product or service until it is ready for sale. The main components of COGS include direct materials, direct labor, and factory overhead (Mulyadi, 2016). An accurate understanding of COGS is crucial for businesses and cooperatives to determine fair selling prices and maintain business profitability. In the cooperative context, ignorance of the cost structure often leads to losses or uncompetitive selling prices in the market (Siregar & Fatmasari, 2021). Accurately determining the cost of goods sold (COGS) can improve production efficiency, aid decision-making, and provide fundamental information for preparing accountable business financial reports. This also contributes to maintaining business continuity, especially amidst increasingly dynamic market competition (Suhartini, 2020). Meanwhile, Business Feasibility Analysis is a systematic process to assess whether a business is feasible to run from various aspects, including technical, market, financial, legal, and managerial aspects (Gittinger, 1982). According toKusumawati & Mustikawati (2022) SMEs that understand and apply business feasibility analysis tend to be better able to face risks and make more strategic business decisions. This process generally includes market demand analysis, break-even point calculations, cash flow projections, and Net Present Value (NPV) or Internal Rate of Return (IRR) calculations to assess long-term profitability. In practice, the business feasibility analysis approach has been proven to help SMEs avoid losses due to inappropriate investment decisions and also serves as a basis for business planning and expansion (Yusri & Prihadi, 2021). In fact, according toZizlavsky (2016)The success of small businesses in developing countries is largely determined by the ability to comprehensively assess business feasibility before making investments. On the other hand, needs-based training is an effective method for improving the managerial and operational capacity of cooperatives and MSMEs. This training is contextual and based on the participants' real needs, making it more applicable to everyday business practices. A study byLee *et al.* (2020)This study demonstrates that practice-based training tailored to local conditions can increase the effectiveness and productivity of MSMEs in Indonesia. This aligns with the principles of andragogy (adult education), which emphasizes the importance of participant experience as a primary resource in the learning process (Knowles *et al.*, 2012). By combining an understanding of HPP and business feasibility analysis in a participatory and applicable training, it is hoped that cooperative actors will be able to conduct comprehensive business evaluations and increase their competitiveness amidst complex economic challenges.

Method

This community service activity uses a participatory training approach based on andragogy, which emphasizes the active involvement of adult participants in the learning process. This method was chosen because it aligns with the characteristics of the participants, most of whom are cooperative and MSME entrepreneurs with diverse business backgrounds and experience (Knowles *et al.*, 2012). This training method is complemented by a simulation approach and case studies to provide contextual practical experience. In addition, to measure the effectiveness of the training, evaluative instruments are used in the form of pre-tests and post-tests. This evaluation aims to see the increase in participants' understanding before and after the training activities. The activity was carried out offline at

the East Java Provincial Cooperative Office, Jl. Raya Juanda No. 22, Sawotratap, Gedangan, Surabaya, on July 23, 2025. A total of ± 40 participants consisting of cooperative managers and MSMEs assisted by the East Java Cooperative Office actively participated in this activity.

Implementation Steps:

1. Identify participant needs based on the results of initial discussions with the Cooperatives Service.
2. Preparation of training materials by a team of lecturers tailored to field needs (HPP and business feasibility).
3. Providing material through interactive lectures, discussions, and questions and answers.
4. Live simulation with case studies of participants' businesses (COGS calculations and feasibility analysis).
5. Post-test to measure participants' understanding.
6. Joint reflection and closing.

This methodology prioritizes contextual learning and learning by doing as the main strategy so that participants not only understand the concepts theoretically, but are also able to apply them directly in managing their businesses**.**

Result and Discussion

This training activity was held offline on July 23, 2025, at the East Java Provincial Cooperative Office, Jl. Raya Juanda No. 22, Sawotratap, Gedangan, Sidoarjo. Participants consisted of approximately 40 people who are active cooperative administrators and micro and small business actors assisted by the Cooperative Office. Participants came from various business sectors such as snack production, handicrafts, fashion, services, and trade. Before the training began, participants were divided into small groups based on their business sectors. This division aims to facilitate mentoring during the simulation process, as well as allow participants to share similar experiences and real-life problems.

The training activities consist of four main sessions, namely:

1. Interactive presentation of material regarding the basic concept of HPP and the importance of business feasibility analysis.
2. Discussions and case studies based on participants' business problems.

Simulation of preparing HPP and feasibility analysis based on participant business data.

Figure 1. Implementation of Training

Based on the results of the qualitative and quantitative evaluations carried out by the community service team, several main achievements were found as follows:

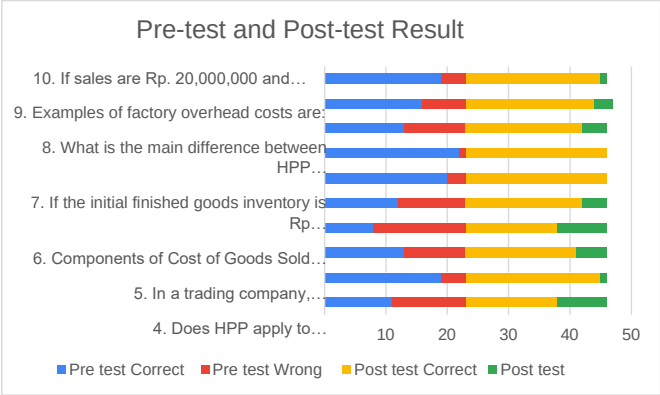

Figure 2. Graph of Pre-Test and Post-Test Results for COGS Calculation

Based on the results of the pre-test and post-test, it can be concluded that 23 training participants showed an increase in understanding of the analysis of calculating the cost of production.

Tabel 1. Evaluation Eligibility Business

Aspect Market And Marketing	**Yes**	**No**	**Total**
1. Is the target market clear and specific?	18	5	23
2. Is there sufficient demand?	13	10	23
3. What are the conditions of competition in similar businesses?	18	5	23
4. Is the marketing strategy effective?	18	5	23
5. Is the price in line with market purchasing power?	23	0	23
Aspect Technical /Operational			
6. Is the business location strategic?	20	3	23

7. Is the production process efficient?	20	3	23
8. Are the technology and tools adequate?	17	6	23
9. Are the raw materials easy to obtain?	22	1	23
Aspect Management /HR			
10. Is the organizational structure clear?	14	9	23
11. Is the organizational structure clear?	20	3	23
12. Is the management system running well?	18	5	23
Aspect Legality /Law			
13. Does the business have an official permit?	19	4	23
14. Is the trademark registered?	16	7	23
15. Does the business meet standards and regulations?	22	1	23
Aspect Social and Environmental			
16. What is the business?have a positive social impact?	22	1	23
17. Is it environmentally friendly and waste managed?	21	2	23
Aspect Finance			
18. Is initial capital available?	20	3	23
19. Does the business make a profit?	23	0	23
20. Is it time to break even (BEP)?	19	4	23
21. Is the business cash flow healthy?	16	7	23

Based on the results of the business feasibility evaluation, the business was generally deemed feasible for development, receiving a majority of positive responses across almost all aspects. Regarding the market and marketing aspect, most respondents stated that the target market was clear, the marketing strategy was effective, and the price was within purchasing power, although there were still doubts about the magnitude of demand. Technical aspects indicated a strategic location, efficient production processes, and readily available raw materials, but there were still shortcomings in the adequacy of technology and equipment. From a management and human resource perspective, the organizational structure and management system were deemed quite good, although there were slight inconsistencies in the assessment. Legal aspects showed that the business had official permits, complied with regulations, and most trademarks were registered. Social and environmental aspects were deemed very good because the business had a positive social impact and paid attention to environmental sustainability. Meanwhile, from a financial perspective, initial capital was available, the business was already profitable, and most stated that the business had reached BEP, although cash flow conditions still needed further attention.

Improving Understanding of Material

Participants' understanding was measured through pre- and post-tests conducted before and after the training. The analysis showed an average increase of 34% in understanding. Initially, most participants did not understand the basic concept of COGS, particularly the distinction between direct and indirect costs. After the training, participants were able to understand how to structure production costs and use this information to determine a reasonable selling price.

These findings indicate that the simulation- and case study-based delivery method significantly improved participants' understanding. This was further reinforced by discussions during the training sessions, which demonstrated participants' ability to relate the material to their respective business contexts.

Practical Skills in Calculating Cost of Goods Sold

One of the main outputs of this training was the participants' ability to prepare COGS calculations based on real-life cases. In the simulation session, participants were asked to prepare a COGS format based on their business, starting from identifying raw materials, direct labor, and overhead costs. Observations showed that approximately 85% of participants were able to independently prepare COGS using the correct format and steps. Some participants even demonstrated initiative in evaluating their product selling prices based on these calculations. This training successfully shifted participants' mindsets from intuition-based pricing to data- and analysis-based pricing.

Understanding Business Feasibility Aspects

The business feasibility analysis material was introduced with a simple yet applicable approach, covering four main aspects: market, technical, managerial, and financial. Participants engaged in a feasibility study simulation using their own business examples. One of the instruments used was a break-even point analysis and a simple Net Present Value (NPV) calculation. In calculating the break-even point, participants needed to understand the cost points of their respective businesses. Participants showed high enthusiasm in this session, as many had never conducted this type of analysis before. Some participants admitted to only recently realizing that their businesses had not yet reached break-even or were even experiencing hidden losses due to a lack of record-keeping or evaluation.

Participant Response and Engagement

Participant engagement during the training was quite high. Participants actively engaged in discussions, shared challenges, and asked critical questions about the material presented. Many participants brought their own business data for practice, demonstrating a commitment to learning and improving their business management systems. A satisfaction evaluation conducted through a final questionnaire showed that 92% of participants found the training very useful and applicable, and that they intended to participate in further training covering topics such as preparing cooperative financial reports, digitizing financial records, and digital marketing strategies. Several participant testimonials also noted that they felt this training differed from other formal training programs due to its down-to-earth approach and its adaptation to their business circumstances. This reinforces the importance of needs-based training and adult learning (andragogy) in cooperative and MSME training.

Conclusion

This community service activity successfully achieved its primary objective, namely improving the capacity of micro and small business owners in terms of technical mastery of production cost calculation and the ability to conduct business feasibility analysis. Participants gained a deep understanding of cost

structures, COGS formats, and systematic business evaluation approaches. The simulation-based training method and case studies proved effective in improving participants' practical skills. Post-test results significantly improved participants' understanding of COGS calculations and business feasibility analysis. In the future, similar activities can be developed with further training such as preparing cooperative financial reports based on SAK EMKM, digitizing financial recording systems, and utilizing digital technology in marketing cooperative products. Synergy between universities and local governments needs to be strengthened to create a sustainable MSME empowerment ecosystem.

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