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The Role of Managerial Accounting in Improving Efficiency and Profitability of SMEs: A Case Study of LKPs in Kampung Inggris Pare

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Abstract

Micro, Small, and Medium Enterprises (UMKM) play a significant role in Indonesia's economy, contributing 60.5% to the Gross Domestic Product (GDP) and absorbing around 96.9% of the workforce. Among the various sectors, Lembaga Kursus dan Pelatihan (LKP) in Kampung Inggris Pare has contributed to the development of the education sector, specifically in English language learning. Despite their importance, many LKP face challenges in managing finances, particularly in cost management and profitability. The lack of structured managerial accounting systems has hindered the ability of LKP to plan budgets, control operational costs, and set accurate course prices. This study aims to examine the role of managerial accounting in improving the efficiency and profitability of LKP in Kampung Inggris Pare. The research employs a qualitative approach using case studies to explore the challenges LKP face in managing costs and how managerial accounting can help address these challenges. Findings show that while many LKP still use traditional methods and face barriers in implementing effective accounting systems, those who have integrated managerial accounting practices have shown improvements in cost control and pricing strategies. This study highlights the importance of adopting managerial accounting to help LKP optimize cost management, set more accurate prices, and ultimately increase profitability. The results provide valuable insights for LKP managers, policy makers, and organizations aiming to improve financial literacy and managerial accounting practices in small businesses.

Keywords: **Managerial accounting, UMKM, Kampung Inggris Pare, efficiency, profitability**

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BACKGROUND

The Ministry of Cooperatives and SMEs reports that Micro, Small, and Medium Enterprises (SMEs) play a significant role in Indonesia's economy, contributing approximately 60.5% to the Gross Domestic Product (GDP) and absorbing about 96.9% of the workforce in 2020. Among various SME sectors, Kampung Inggris Pare in Kediri, which consists of numerous Course and Training Institutions (LKP), holds a vital position in the non-formal education sector, particularly in the development of English language skills in Indonesia. This area is known as the largest English language education center in the country, hosting over 100 LKPs offering courses ranging from conversational classes to preparations for international exams such as TOEFL and IELTS.

Despite their significant contribution, many LKPs in Kampung Inggris Pare face various challenges in financial management, cost control, and profitability. Most of these institutions still operate traditionally and have not yet implemented an adequate managerial accounting system. Managerial accounting is recognized as an essential framework for planning, cost control, and decision-making in organizations, including budgeting systems, cost allocation, and performance evaluation. Research indicates that small and medium enterprises in Indonesia are still dominated by traditional systems, and the adoption of managerial accounting practices (MAPs) is low. This results in difficulties in controlling costs and setting appropriate prices, which negatively affects profitability (Prihastiwi & Sholihin, 2018).

Research by Nurhidayah et al. (2021) also found that the implementation of managerial accounting positively affects the performance of SMEs in Makassar. They stated that "the budgeting system used in SMEs significantly enhances their performance" (Nurhidayah et al., 2021).

In the context of LKPs, the application of a managerial accounting system is also crucial. For example, a study by Saputra et al. (2025) showed that "good managerial accounting can improve strategic decision-making, which in turn can enhance SME performance" (Saputra et al., 2025). A similar study by Kaharti (2023) found that "the use of appropriate budgeting systems, cost control, and performance evaluation contributes to the improvement of the financial performance of SMEs" (Kaharti, 2023).

The implementation of a managerial accounting system in the LKP sector would provide significant benefits in cost management and profitability enhancement, which is highly relevant to contingency theory in managerial accounting, which links the need for systems to the characteristics of organizations and their environment. As stated by Karyawati et al. (2022), "the implementation of managerial accounting systems in

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Indonesian businesses can improve operational efficiency and increase competitiveness in a competitive market" (Karyawati et al., 2022).

Thus, this study aims to explore the implementation of managerial accounting in LKPs in Kampung Inggris Pare to enhance operational efficiency and profitability. The findings of this research are expected to provide insights for LKP managers and offer strategic recommendations for improving financial management and competitiveness in this sector.

LITERATURE REVIEW

Definition and Concept of Managerial Accounting

Managerial accounting is a branch of accounting that focuses on providing information used by managers for operational and strategic decision-making. According to Horngren et al. (2019), managerial accounting refers to the process of identifying, measuring, analyzing, and reporting financial information used for planning and controlling company operations and assisting in decision-making.

The scope of managerial accounting includes budgeting, cost control, pricing decisions, and profitability analysis. The primary role of managerial accounting is to provide the necessary data to make decisions that can enhance operational efficiency and profitability. Managerial accounting is not only useful in short-term planning but also in long-term strategic planning, helping organizations set goals and plan steps to achieve them (Kieso, Weygandt, & Warfield, 2020).

In the context of Training and Course Institutions (LKP), managerial accounting can assist managers in planning budgets for operational costs, setting appropriate course prices, and identifying controllable costs to increase profit margins. For example, in managerial decision-making, managerial accounting provides information that allows managers to choose the best alternative, such as deciding on an appropriate price based on the costs involved or selecting an investment strategy based on cost-benefit analysis (Wild, Subramanyam, & Halsey, 2018). Thus, managerial accounting allows LKPs to manage course costs, choose profitable development strategies, and enhance profitability.

Managerial Accounting in SMEs

Managerial accounting is crucial for SMEs because they often face limitations in terms of resources and sufficient accounting knowledge. Therefore, the implementation of managerial accounting enables SMEs to manage their finances more effectively, which ultimately impacts cost efficiency and profitability. Managerial accounting helps SMEs

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manage fixed and variable costs, monitor cash flow, and make better decisions regarding pricing and budgeting.

Prihastiwi and Sholihin (2018) stated that many SMEs in Indonesia still use traditional financial management methods that hinder their ability to control costs and plan budgets effectively. This leads to inefficiencies in cost management, reducing potential profits. The implementation of proper managerial accounting is expected to improve decision-making in cost management (Kaharti, 2023). A well-applied managerial accounting system will facilitate SMEs in making decisions related to long-term investments and pricing strategies.

The Application of Managerial Accounting in Improving Efficiency and Profitability

Managerial accounting contributes significantly to cost control and budgeting in SMEs, which in turn increases profitability. For example, using standard cost methods allows SMEs to compare actual costs with planned costs, enabling them to identify areas that require improvement (Horngren et al., 2019). This will help in managing fixed and variable costs related to the operation of courses at LKPs.

Additionally, pricing decisions are an essential part of applying managerial accounting. LKPs need to determine prices that not only cover operational costs but also provide a reasonable profit margin. By using cost-volume-profit (CVP) analysis, managerial accounting enables LKPs to determine how many courses need to be sold to cover fixed and variable costs and start generating profits (Weygandt, Kimmel, & Kieso, 2019). For example, if an LKP does not correctly account for the fixed and variable costs involved in running courses, they may not set a price high enough to cover costs and earn a profit.

The implementation of managerial accounting also contributes to increased profitability through profit and cost analysis, enabling LKPs to identify more profitable products or services and focus on developing these offerings. As shown in the study by Saputra et al. (2025), "the application of a managerial accounting system contributes significantly to the profitability management of SMEs, allowing them to identify more profitable products and plan more effective product development" (Saputra et al., 2025).

SMEs in Kampung Inggris Pare

Kampung Inggris Pare, famous for its English language education services, has a number of SMEs in the education sector, including LKPs offering English courses, as well as SMEs in the culinary and handicraft sectors that have grown rapidly due to demand

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from students and tourists. Since the 1990s, this area has developed into the largest English education center in Indonesia, triggering the development of various types of businesses supporting the education sector (Sulastri et al., 2023).

In Kampung Inggris Pare, LKPs are one of the dominant types of SMEs that have grown. LKPs in Pare typically offer various types of English language courses, from basic conversation to preparation for international exams. Most of the LKPs in Pare rely on course registration fees and monthly fees from course participants as their primary income. Although the number of LKPs is large, most of them face challenges in cost management and setting competitive prices.

The challenges faced by LKPs in Kampung Inggris Pare, especially in cost management, include difficulties in calculating fixed costs (such as teacher salaries and rent) and variable costs (such as teaching materials and administrative costs). LKPs also experience difficulties in planning accurate budgets, which affects the availability of funds for expansion and the development of new course programs. Therefore, the application of managerial accounting is crucial to help LKPs manage operational costs, set the right prices, and optimize profitability.

METHODOLOGY

The population of this research consists of all Lembaga Kursus dan Pelatihan (LKP) operating in Kampung Inggris Pare, Kediri, East Java, Indonesia. Kampung Inggris Pare is home to over 100 LKP offering a variety of English language courses, ranging from basic conversation classes to preparation for international exams such as TOEFL, IELTS, and business English courses.

These LKP play a significant role in the local economy by providing educational services and creating business opportunities. The research will focus on a sample of these institutions, representing a diversity of operational scales, from small-scale LKP with limited students to larger LKP with hundreds of students per class.

The selected sample will help capture the variety of financial management practices, challenges, and the impact of managerial accounting systems. Specifically, the study will focus on the owners and managers of these LKP, as they are directly responsible for financial management and decision-making, especially in the application of managerial accounting.

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Research Framework

The research framework for this study on the role of managerial accounting in improving the efficiency and profitability of Small and Medium Enterprises (SMEs), specifically Lembaga Kursus dan Pelatihan (LKP) in Kampung Inggris Pare, can be summarized through the following components:

1. **Research Approach**
   - **Qualitative Approach**: The study employs a qualitative approach to explore the in-depth application of managerial accounting practices in LKP. This approach is appropriate for understanding the underlying processes and dynamics of managerial accounting within the context of small businesses in Kampung Inggris Pare (Creswell, 2014).
   - **Case Study Method**: A case study methodology is utilized to examine the practices of LKP and their financial management strategies, focusing on real-world experiences of managers and owners in implementing managerial accounting to improve cost management and profitability.
2. **Data Collection Techniques**
   - **In-Depth Interviews**: Semi-structured interviews will be conducted with the owners and managers of selected LKPs. The goal is to gather detailed insights into the managerial accounting practices being implemented, the challenges faced in cost management, and decision-making processes related to pricing and budgeting (Patton, 2015).
   - **Participant Observation**: Direct observation will be used to examine the real-time implementation of financial management practices within LKPs. This will include observing cost recording, price-setting decisions, and operational budgeting activities (Spradley, 2016).
   - **Document Study**: Financial documents, including profit and loss statements, balance sheets, and cash flow statements, will be reviewed to understand how financial data is used in decision-making and to assess the effectiveness of cost management and profitability strategies.
3. **Data Analysis Techniques**
   - **Thematic Analysis**: This technique will be used to identify recurring themes and patterns from interview and observation data. It will help categorize data related to managerial accounting practices, cost management, and pricing decisions. The analysis will focus on how these practices affect operational efficiency and profitability within the LKP sector.

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- **Descriptive Analysis**: This method will describe in detail how costs are managed, revenue is calculated, and pricing strategies are implemented by the LKPs. Descriptive analysis will provide a clear understanding of the financial management practices in these institutions and how they contribute to cost control and profitability.

4. **Research Objective**
   - The research aims to explore how the implementation of managerial accounting can improve the management of costs, facilitate accurate price-setting, and increase profitability within LKPs in Kampung Inggris Pare. By using both thematic and descriptive analyses, the study will offer a detailed view of financial management practices and their impact on the operational efficiency of these institutions.

Population Details

1. **Target Population**:
   - The population includes **all LKP** operating in Kampung Inggris Pare. According to data, there are over **100 LKP** located within the region, offering various types of courses ranging from basic English conversation classes to preparation for international exams like TOEFL, IELTS, and business English courses (Sulastri et al., 2023).
2. **Sample Selection**:
   - A **sample** of LKP will be selected from this population, representing a diverse range of operational scales. The selection will include:
     - **Small-scale LKP** with fewer students and limited resources.
     - **Medium to large-scale LKP** with hundreds of students per class and more developed financial management systems.

   The chosen sample will ensure that the study captures the diversity in operational models, financial management practices, and challenges faced by these institutions.
3. **Sub-population**:
   - The research will focus specifically on the owners and managers of the selected LKP, as they are directly involved in the financial management and decision-making processes related to the implementation of managerial accounting.

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RESULT AND DISCUSSION

Description of SMEs in Kampung Inggris Pare

SMEs in Kampung Inggris Pare are diverse in their business sectors, but most are Lembaga Kursus dan Pelatihan (LKP), specializing in English language education, international exam preparation, and other skills. LKPs in this area not only provide academic training services but also adopt a business model heavily reliant on flexible and efficient informal education.

Each institution in Kampung Inggris Pare varies in profitability, with some earning lower profits (10-15 million IDR) and others reaching higher profits (100-150 million IDR). This variation is due to differences in cost management, pricing strategies, and the implementation of managerial accounting principles.

Implementation of Managerial Accounting in SMEs in Kampung Inggris Pare

The implementation of managerial accounting in SMEs in Kampung Inggris Pare can be explained using *Managerial Accounting Theory*, which emphasizes cost management, systematic recording, and data-driven decision-making (Horngren, Sundem, & Stratton, 2002). In this context, the application of managerial accounting is an approach aimed at maximizing profitability by monitoring both fixed and variable costs and using financial information to make better decisions.

Table 1. Implementation of Managerial Accounting in LKP with Different Profit Levels

Aspect	LKP with Profit 10-15 Million IDR	LKP with Profit 20-50 Million IDR	LKP with Profit 100-150 Million IDR
Accounting System Used	Manual, simple cash recording	Simple accounting software, profit & loss reports	Structured accounting software, profit & loss, balance sheet, cash flow
Use of Financial Reports	Not used regularly	Used to monitor income and costs	Used regularly for profitability evaluation and budget planning

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Aspect	LKP with Profit 10-15 Million IDR	LKP with Profit 20-50 Million IDR	LKP with Profit 100-150 Million IDR
Cost Management	Focused on fixed costs (salaries, rent), struggles with variable costs	Separated fixed and variable costs, structured management	Clear separation of fixed and variable costs, software helps manage
Cost Control	No systematic efforts to control costs, only basic checks	Monthly budget monitoring, some control over marketing costs	Detailed control, software-based monitoring of all costs
Price Setting Method	Based on market price and minimal cost	Based on operational costs, competitor prices, market demand	Based on fixed & variable costs, cost-volume-profit (CVP) analysis
Challenges in Financial Management	Manual recording, difficulty managing costs	Managing variable costs, maintaining profitability	Managing student fluctuations, ensuring consistent income
Impact of Managerial Accounting	Limited impact due to lack of structured system	Helps monitor costs, but not optimal for profitability	Significant positive impact, increased profitability due to efficient cost control
Price Setting Considerations	Market price, minimal cost	Operational costs, competitor prices, market demand	Operational costs, variable costs, market price, CVP analysis
Challenges in Implementing Managerial Accounting	Lack of knowledge, no system in place	Simple software but needs more staff training	Staff training and full utilization of accounting software

LKP with Profit 10-15 Million IDR: The implementation of managerial accounting in these LKPs is very limited, which leads to inefficient cost management. The use of manual and unstructured recording hampers their ability to control variable costs. This

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aligns with the Cost Theory by Brown & Howard (1998), which states that without a proper system in place, cost management will be hindered, leading to low profitability.

LKP with Profit 30-50 Million IDR: Although Excel is used to record transactions, the management of variable costs is still not optimal. According to Cost Control Theory by Horngren et al. (2002), improper management of variable costs can reduce operational efficiency, meaning that while profitability has increased, cost management still requires improvement.

LKP with Profit 100-150 Million IDR: These institutions have implemented managerial accounting very effectively, using integrated accounting software. The management of both fixed and variable costs is efficient, and Cost-Volume-Profit (CVP) analysis helps in setting more accurate course prices. The Cost Management Theory by Kaplan & Norton (1992) reveals that more efficient cost management can enhance pricing decisions and profitability.

The Impact of Managerial Accounting Implementation on Efficiency and Profitability

The implementation of managerial accounting significantly improves efficiency and profitability by enabling better cost management, pricing decisions, and budget planning. It helps businesses track both fixed and variable costs, identify cost-saving opportunities, and set prices that ensure profitability. With tools like cost-volume-profit analysis, managerial accounting allows SMEs to optimize operations and make informed financial decisions, leading to higher profit margins and improved operational performance.

Table 2. Impact of Managerial Accounting Implementation on Efficiency and Profitability

Aspect	LKP with Profit 10-15 Million IDR	LKP with Profit 30-50 Million IDR	LKP with Profit 100-150 Million IDR
Accounting System	Manual, simple cash recordin	Simple accounting software, profit & loss reports	Structured accounting software, profit & loss, balance sheet, cash flow reports
Use of Financial Reports	Rarely used, inconsistent application	Used monthly to track income and expenses	Used regularly for profitability evaluation and budgeting

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Aspect	LKP with Profit 10-15 Million IDR	LKP with Profit 30-50 Million IDR	LKP with Profit 100-150 Million IDR
Cost Management (Fixed & Variable)	Focus on fixed costs (e.g., salaries, rent); difficulty tracking variable costs	Separation of fixed and variable costs; still some inefficiency in variable cost control	Clear separation of fixed and variable costs, efficient management with accounting software
Cost Control	No systematic effort to control costs, manual experience	Budget monitoring with some inefficiency in marketing costs	Detailed cost monitoring with software, monthly evaluations
Price Setting Method	Based on market prices and minimal cost	Based on operational costs, competitor prices, market demand	Based on fixed & variable costs, CVP analysis, market prices
Challenges in Financial Management	Manual recording, difficulty in cost management	Managing variable costs, maintaining profitability	Managing student fluctuations, maintaining consistent income
Impact on Profitability	Limited impact, low profitability due to inefficient cost management	Helps track costs but not optimal in managing profitability	Significant positive impact, improved profitability from efficient cost control
Changes in Cost and Pricing Management	No significant changes, prices based on minimal cost and market rates	Reduces unnecessary costs, more efficient pricing strategies	More efficient cost management, more accurate and profitable pricing decisions
Managerial Accounting in Price Setting	Not used	Used informally for pricing adjustments	Used for structured cost analysis and accurate price setting

LKP with Profit 10-15 Million IDR: The lack of structure in cost management and the infrequent use of formal financial reports lead to low profit margins. According to Drury

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(2000) in Financial Management Theory, without an efficient system, it is difficult for a business to maintain stable profitability. This supports the notion that poor cost management results in low profitability.

LKP with Profit 30-50 Million IDR: The use of profit and loss reports and Excel-based accounting has started to positively impact cost management and profitability. However, there is still potential for cost inefficiencies. According to Cost Control Theory by Horngren et al. (2002), better cost control will improve profitability in the long term, although there are still areas that need improvement, such as marketing cost management.

LKP with Profit 100-150 Million IDR: The efficient implementation of managerial accounting allows these LKPs to manage costs effectively and set more accurate prices. Kaplan & Norton (1992) in their Balanced Scorecard framework highlight that efficient cost management and accurate profitability analysis help organizations achieve higher profits. By using Cost-Volume-Profit (CVP) analysis, they are able to set course prices more precisely and maximize profit margins.

In comparision, LKPs that have implemented structured managerial accounting systems show better profitability due to efficient cost management. In contrast, institutions that do not properly implement managerial accounting often experience profit fluctuations and cost inefficiencies.

Challenges and Obstacles in the Implementation of Managerial Accounting

The implementation of managerial accounting in SMEs often faces several challenges, including a lack of accounting knowledge and inadequate systems. Many small businesses, especially those in the early stages, rely on manual or basic software systems, which hinder efficient cost management and decision-making. Additionally, limited staff training on managerial accounting practices further impedes the full utilization of available accounting tools. For more established businesses, fluctuations in market conditions, such as changes in customer demand, can affect profitability, even when cost control measures are in place. Overcoming these challenges requires improving financial literacy, providing training, and adopting more integrated accounting systems to ensure better financial management and decision-making.

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Table 3. Challenges and Obstacles in the Implementation of Managerial Accounting

Aspect	LKP with Profit 10-15 Million IDR	LKP with Profit 30-50 Million IDR	with Profit 100-150 Million IDR
Accounting System Used	Manual, simple cash recording	Basic accounting software, profit & loss reports	Structured accounting software, profit & loss, balance sheet, cash flow
Use of Financial Reports	Not regularly used, inconsistent application	Used to monitor income and costs, but not optimized	Used routinely for profitability evaluation and budgeting
Cost Management (Fixed & Variable)	Focus on fixed costs (e.g., salaries, rent); difficulty tracking variable costs	Fixed and variable costs are separated, but variable cost control needs improvement	Clear separation of fixed and variable costs, efficient management using software
Challenges in Financial Management	Manual recording, difficulty managing costs	Managing variable costs, maintaining profitability	Managing student fluctuations, ensuring consistent income
Challenges in Implementing Managerial Accounting	Limited knowledge, no adequate system	Basic software, lack of staff training	Staff training and more effective use of accounting system
Impact on Profitability	Limited impact due to lack of structured system	Helps monitor costs, but not optimal for managing profitability	Significantly improves profitability due to efficient cost control
Cost Control Efforts	No systematic effort to control costs, manual experience	Budget monitoring with some inefficiency in marketing costs	Detailed monitoring with software, monthly evaluations
Price Setting Method	Based on market prices and minimal cost	Based on operational costs, competitor prices, market demand	Based on fixed & variable costs, CVP

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Aspect	LKP with Profit 10-15 Million IDR	LKP with Profit 30-50 Million IDR	with Profit 100-150 Million IDR
			analysis, market prices
Challenges in Price Setting	No formal cost-benefit analysis in pricing	Uses basic cost analysis, but lacks in-depth evaluations	Structured cost-benefit analysis and regular price reviews

LKP with Profit 10-15 Million IDR: The main challenge is the lack of knowledge in managerial accounting and the limitations of an adequate recording system. Bromwich & Bhimani (1994) state that without a proper understanding of managerial accounting, cost management and pricing decisions will be hindered. The recommended solution is providing basic accounting training for owners and staff.

LKP with Profit 30-50 Million IDR: The challenge faced is the use of simple software and the lack of training for staff in managerial accounting. Horngren et al. (2002) reveal that while the use of software can help, without adequate training, the benefits of the accounting system will not be maximized. The use of more integrated software and further staff training is essential to optimize cost management.

LKP with Profit 100-150 Million IDR: Despite efficient cost management, the biggest challenge is the fluctuation in the number of students, which affects revenue. Mankiw's (2011) Supply and Demand Theory shows that market fluctuations can affect revenue, even though costs can be well-controlled. The solution to this challenge is to enhance marketing efficiency and implement student retention strategies to maintain stable income.

CONCLUSION

The implementation of managerial accounting in SMEs, particularly in *Lembaga Kursus dan Pelatihan (LKP)* in Kampung Inggris Pare, significantly influences cost management, pricing decisions, and overall profitability. SMEs with profits of 10-15 million IDR face challenges due to the lack of structured accounting systems, relying on manual methods that result in inefficient cost control and low profitability. For SMEs with profits of 30-50 million IDR, basic accounting software has led to improvements, but challenges remain in managing variable costs and ensuring profitability, as noted by Horngren et al. (2002). The most successful SMEs, with profits of 100-150 million IDR, have fully

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implemented structured accounting systems, including Cost-Volume-Profit (CVP) analysis, leading to better cost management and more accurate pricing decisions, thereby significantly improving profitability, in line with Kaplan & Norton's (1992) theories. The study also highlights challenges such as insufficient accounting knowledge, lack of training, and market fluctuations, which hinder effective cost management. In conclusion, managerial accounting plays a crucial role in enhancing the efficiency and profitability of LKPs, and addressing these challenges would further optimize financial performance.

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