

# Analysis of Financial Management in Micro, Small and Medium Enterprises (MSMEs) in Takalar Regency

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## Abstract

This study discusses financial management in Micro, Small, and Medium Enterprises (MSMEs) in Takalar Regency. The main problem of this research is that SMEs need to understand better financial management. There are 4 (four) indicators in financial management: financial planning, recording, reporting, and control. This study aims to find out how the application of financial management by MSME actors in Takalar Regency. This type of research uses a qualitative research type, with research locations in Takalar Regency. Data collection methods used are observations, interviews, and document reviews. Informants in this study were 10 (ten) MSMEs engaged in the trading sector. The results of this study indicate that MSME actors in Takalar Regency have implemented financial management but have yet to maximize it. The most widely applied indicators are financial planning, recording, and control. Meanwhile, reporting indicators still need to be appropriately implemented. Due to limited time, human resources and business actors are running their businesses. In addition, MSMEs do not have an accounting background, so knowledge related to financial management still needs to be improved.

## 1. INTRODUCTION

Micro, Small and Medium Enterprises (MSMEs) have an important and strategic role in Indonesia's economic growth. This can be seen that MSMEs can survive amid the monetary crisis that hit Indonesia in 1998. There are several reasons why MSMEs can survive, this is because the small business sector is not too dependent on imported raw materials for the production process and the source of financing is basically from within the country so that it has less impact on rupiah depreciation. MSMEs also have flexible characteristics, which means that if they experience difficulties in running their business, they can easily switch to another business. (Budiarto, da 2018).

The growth and role of MSMEs can be strengthened, not only because of their resilience to economic disruptions, but also because of their ability to create jobs and overcome poverty. The investment climate and entrepreneurial spirit of MSMEs will get better

along with the government's stronger commitment. (Alansori & Listyaningsih, 2020)

According to data compiled by the Ministry of Cooperatives and Micro, Small and Medium Enterprises (MSMEs), MSMEs make up around 99.99% (or 62.9 million) of the total Indonesian business actors, while large businesses only make up around 0.01% or 5400 units . . Small businesses employ 5.7 million people (4.74%), medium enterprises employ 3.73 million people (3.11%), and micro businesses employ 107.2 million people (89.2%). During this period, 3.58 million people were added to Large Enterprises, indicating that combined, MSMEs employ around 97% of the national workforce, while large enterprises employ only 3%. (Dewi Meisari Haryanti, 2018). With these increasing numbers, it proves that MSMEs in Indonesia are growing rapidly from time to time. As well as the increasing public interest in entrepreneurship. but in fact the enthusiasm of MSME actors to always try to develop their

business is not accompanied by efficient financial management. This is certainly a serious problem for the sustainability of MSME businesses.

MSME actors in Takalar Regency have problems related to financial management. This is caused by several factors, such as the lack of accounting knowledge in MSME actors, and preferring to spend time trying to develop their business but neglecting to study financial management. Not even a few who think studying accounting will be a waste of time and complicated. Even though in reality, implementing good financial management will certainly have a good impact on the business being run. In addition, MSMEs do not really understand the application of SAK EMKM in compiling their financial reports.

According to Holmes and Johnson in (Ardiyani, 2018) good financial management is achieved by maximizing the use of accounting information. Accounting information and financial reports that serve as considerations in making decisions such as anticipating future cash needs, managing costs, measuring and increasing productivity, and supporting the production process.

MSME financial management is often faced with the inability of MSMEs to separate personal finance from business finances, which can cause difficulties in calculating the profit and loss levels for MSMEs. Even though financial management is one of the indicators that must be taken into account to determine the success or failure of a business. In addition, poor financial management makes it impossible for MSMEs to take preventive actions to prevent potential abuse in their business. (Yani Suryani, SE. et al., 2020)

According to (Kuswadi, 2013), financial analysis is the basis of finance, so that it can provide an overview of the current and past state of the company and can be used as a consideration in making decisions for a business unit. In this case, there are 4 (four) indicators of financial management: 1) planning, is the activity of setting

organizational goals and choosing the best way to achieve goals, 2) recording, is the activity of recording financial transactions chronologically and systematically, 3) reporting, is a step then after posting to the general ledger, and subsidiary ledger to the preparation of financial reports, 4) control, is the measurement and evaluation of the actual performance of each part of the organization, and improvements will be made if necessary.

The problem that occurs is that MSMEs can carry out budget planning properly. However, only a few MSME actors carry out overall financial management. Of the four indicators in financial management, namely budget planning, recording, reporting and control, only three indicators are implemented by MSME actors. Again, the lack of understanding of MSME actors in accounting causes businesses to not develop properly. (Marlina & Purba, 2021)

Under these conditions, it is difficult for MSMEs to develop. Many MSMEs whose businesses are running well but sometimes stagnate or even stop without any major developments. By implementing good financial management, especially in recording and controlling, MSME actors will easily find out about business developments and all of their problems. If financial management is not good, it is certain that the business will experience turmoil and it is possible that it will go bankrupt. (Sumodiningrat & Ali, 2015).

In previous research that discussed financial management, namely from research (Wardah et al., 2022) which said that the application of MSME financial management in the pottery business of Banyumulek Village was not maximized. Each indicator has a low percentage. Where this is because pottery MSME actors feel that there is no real need to carry out financial management and they also feel bothered because it is not easy to implement it in business activities. Meanwhile, according to research (Sabiq et al., 2021) says that the implementation of financial management by MSMEs in Sumbawa

sustainable forest honey is still simple, namely only making records of incoming and outgoing money and not yet making proper and correct recording of cash flows.

Based on the background description above, the writer is interested in researching how financial management is applied to MSMEs in Takalar Regency. The results of this study can also be used as a guideline if MSMEs in Takalar have not implemented proper financial management. Therefore the title used in this study is "Analysis of Financial Management in Micro, Small and Medium Enterprises (MSMEs) in Takalar Regency".

## 2. LITERATURE REVIEWS

### 2.1 Micro, Small and Medium Enterprises (MSMEs)

#### a. Definition of Micro, Small and Medium Enterprises (MSMEs)

Based on Law Number 7 article 1 of 2021 concerning Micro, Small and Medium Enterprises, the definition of MSMEs is as follows:

- 1) According to the definition of Micro Enterprises in this Law (Article 1 point 2) productive economic enterprises are businesses owned by individuals or small business entities.
- 2) According to (Article 1 point 2), Small Business is a profitable economic business that stands alone and is run by individuals or business entities that are not subsidiaries or branch companies that are owned, controlled, or become part of a Medium or Large Business directly or indirect.
- 3) Medium Enterprises are productive economic enterprises that stand alone and are run by individuals or business entities that are not subsidiaries or business branches that are owned, controlled, or become part of a Small Business, or
- 4) Large Enterprises by completing total assets or continuous annual offerings as specified in this Regulation (Article 1 point 3). (Hanim & MS. Noorman, 2018).

#### b. Criteria for Micro, Small and Medium Enterprises (MSMEs)

- 1) The size of the business criteria used in this case is the amount of capital owned. In article 35 of the MSME Law, it explains that:

Micro Business Criteria, namely:

- a) Have business capital up to a maximum of IDR 1,000,000,000.00 (one billion rupiah) excluding land and buildings for business premises;
- b) Have annual sales results of a maximum of IDR 2,000,000,000.00 (two billion rupiah).

- 2) Small Business Criteria, namely:

- a) Have business capital of more than IDR 1,000,000,000.00 (one billion rupiah) up to a maximum of IDR 5,000,000,000.00 (five billion rupiah) excluding land and buildings for business premises;
- b) Have annual sales proceeds of more than IDR 2,000,000,000.00 (two billion rupiahs) up to a maximum of IDR 15,000,000,000.00 (fifteen billion rupiahs).

- 3) Medium Business Criteria, namely:

- a) Have business capital of more than IDR 5,000,000,000.00 (five billion rupiahs) up to a maximum of IDR 10,000,000,000.00 (ten billion rupiahs) excluding land and buildings for business premises;
- b) Have annual sales proceeds of more than IDR 15,000,000,000.00 (fifteen billion rupiahs) up to a maximum of IDR 50,000,000,000.00 (fifty billion rupiahs). (Hanim & MS. Noorman, 2018).

#### c. Classification of Micro, Small and Medium Enterprises (MSMEs)

Based on its development, MSMEs can be characterized into 4 (four) groups, namely:

- 1) Livelihood Activities, are MSMEs that provide opportunities to make a living through work, more commonly referred to



as the informal sector, such as street vendors.

- 2) Micro Enterprise, is an MSME that is a craftsman but not yet entrepreneurial.
- 3) Small Dynamic Enterprise, is an MSME that has an entrepreneurial spirit and is able to accept jobs that are exported and subcontracted.
- 4) Fast Moving Enterprise, are MSMEs that have an entrepreneurial spirit and have the potential to develop into large corporations. (Hanim & MS. Noorman, 2018).

#### d. Constraints of Micro, Small and Medium Enterprises (MSMEs)

According to (Indonesian Banking Development Institute, 2015) the following are some of the obstacles that often arise in MSMEs, namely: Internal Constraints, consisting of:

- 1) Capital, around 60-70% of MSMEs have no access to bank financing. Among the causes are geographical barriers. As well as administrative constraints, namely business management which is still managed manually and traditionally, especially in financial management.
- 2) Human Resources (HR)
  - a) There is no information about the latest creative innovations and how to control the quality of goods.
  - b) Have not been able to read market needs so that they have not been able to accurately capture the needs desired by the market.
  - c) Product marketing is still simple, namely word-of-mouth marketing.
  - d) Due to limited ability to pay, many employees cannot be involved.
  - e) MSME owners tend not to consider long-term strategic plans for their businesses because they are more involved in technical issues.
- 3) Legal, generally MSME actors are still individual legal entities.

- 4) Accountability shows that they do not have a good financial management and administration system.

External constraints, consisting of:

- 1) The business climate is still not conducive
  - a) There is still a lack of harmony in the coordination of MSME stakeholders. Financial institutions, educational institutions, business associations and government agencies are more likely to split up.
  - b) Unfinished business entity legality, smooth licensing procedures, location planning, high transaction and business costs, infrastructure, and MSME financing policies.
- 2) Infrastructure
  - a) Restriction of offices and foundations, especially those related to mechanical equipment.
  - b) The use of MSME technology is still simple.
- 3) Access
  - a) MSMEs are forced to use low quality raw materials due to their limited access.
  - b) Acceptance of innovation, especially if the market is limited by certain business organizations.
  - c) Haven't had the option to stay alert to rapidly changing customer tastes.

## 2.1 Financial Management

### a. Definition of Financial Management

According to (Marlina & Purba, 2021) Financial management is the process of planning, organizing, directing and controlling financial activities such as procurement and utilization of business funds. According to (Mokhamad Anwar, 2019) Financial management is a scientific discipline that studies company financial management both from the aspect of finding sources of funds, as well as sharing company profits. According to experts in (Irfani, 2020) Financial management is defined as company management activities related to efforts to find and use funds

effectively and efficiently in order to achieve company goals.

### **b. Objectives and Principles of Financial Management**

According to (Mulyanti, 2017) The purpose of financial management is to realize the goals set by an entity. To acquire knowledge about capital and financial structure. There are 7 (seven) principles of financial management that need to be considered, namely:

- 1) Consistency means that the financial systems and policies of the organization must be consistent from time to time. This is not to say that the financial system should not be adjusted when changes occur in the organization. An inconsistent approach to financial management is a signal that there is manipulation in financial management.
- 2) Accountability means a moral or legal obligation attached to an individual, group or organization to explain how funds, equipment or authority has been used. Organizations must be able to explain how their resources are used and what has been achieved as accountability to stakeholders and beneficiaries.
- 3) Transparency, meaning that stakeholders must be informed about the organization's plans and activities through open communication. This includes proper, complete and ideal planning financial reports and is effectively available to partners.
- 4) Viability means the proportion of the level of security and maintenance of organizational funds. The organization shall make monetary arrangements that show how it can act in a professional manner to collect its monetary requirements.
- 5) Integrity, meaning that everyone involved in operational activities must act honestly. The completeness and accuracy of financial records must also be maintained to maintain financial reports and records.

- 6) Management (Stewardship) implies that the association must manage the wealth that has been obtained appropriately to achieve the goals that have been set. In practice, good financial management can be done by careful planning, identifying financial risks and making control systems and financial systems appropriate to the organization.
- 7) Accounting Standards means that the accounting and financial systems used by organizations must comply with generally accepted accounting principles and standards.

### **c) Financial Management Function**

According to (Mulyanti, 2017), financial management functions as:

- 1) Financial planning, meaning Financial Planning, namely making income and expenditure plans and other activities for a certain period.
- 2) Financial Budgeting is a follow-up to financial planning by detailing expenses and income.
- 3) Financial search, namely finding and utilizing existing sources of funds for company operations.
- 4) Financial Depository, namely collecting company funds and storing these funds safely.
- 5) Financial Control, namely evaluating and improving the company's finances and financial systems.
- 6) Financial Audit, namely conducting an internal audit of the company's existing finances to prevent irregularities.

### **d) Financial Management Process**

According to (Kuswadi, 2013) In managing company finances, there are 4 (four) basic frameworks for financial management, including:

#### **1) Budget Planning**

Budget planning is the activity of setting organizational goals and choosing the best way to achieve those goals. One of the financial planning activities is to formulate financial

goals and annual and long-term financial budgets. Budgeting is a process to help carry out effective planning and control functions.

Financial planning is needed in order to formulate the need for funds to finance various programs and activities. Planning is one of the parts that is difficult to do because of the uncertainty factor in the future. Planning must be carried out continuously because time is running, the company must compile and revise the previous plan.(Chorry Sulistyowati et al., 2020)

According to(Chorry Sulistyowati et al., 2020)The company's budget is a comprehensive plan that is presented quantitatively for a predetermined period of time or for a predetermined period of time. Types of comprehensive budget, namely:

- a) Production budget
- b) Sales budget
- c) Capital budget
- d) Profit budget

## 2) Recording

Recording is an activity of recording financial transactions that have occurred, writing them chronologically and systematically. The recording itself is used as a marker that there has been a transaction in that period. Notes, receipts, invoices, and other records are examples of records. Posting transactions to the general ledger and writing them in the journal is the next step. Worksheets, ledgers, and journals are examples of records.

## 3) Reporting

After posting to the ledger and subsidiary ledgers, the next step is reporting. At the end of the month, all items in the general ledger and subsidiary ledger will be closed and transferred to the summary financial statements as the basis for the financial statements. Statement of Financial Position, Statement of Profit and Loss, and Statement of Cash Flows are examples of financial statements.

## 4) Control

Control is the process of measuring and evaluating the actual performance of each part of the organization, if necessary improvements will be made. The purpose of control is to ensure that the business or organization will be able to achieve its stated goals. Preliminary control, continuous control and feedback control are three types of controls.

## e) Financial Management for Micro, Small and Medium Enterprises (MSMEs)

According to(Purba et al, 2021)Financial management for MSMEs will encourage MSMEs to develop with the right management, here are tips that can be done, among others:

### 1) Separating Personal Finance and Business Finance

MSMEs often mix personal and business finance in their daily lives. The most common error is that one. especially if the costs are incurred personally using the money from the business.

### 2) Plan Financial Use

Even if you have a lot of money, you still need to plan how to use it carefully. Expenditure plans must be in sync with sales and revenue goals. Spending money has to make a profit, so if it's not in your capital plan, you shouldn't do it. In addition, do a profit and loss analysis.

### 3) Create Financial Records

Keeping Financial Records It is very important to record the income and expenses of the company because complete records will show where the money is used. Recording should be possible in a cash book that records approaching and active cash. In addition, do daily balance matching with notes. Accounting software will make the process of recording finances easier than using a book.

### 4) Accelerate Cash Flow Turnover

Managing cash flow and profit turnover must be a priority in business operations. Similarly, financial administration is also a

way to manage accounts receivable and stock.

#### 5) Set Business Goals and Evaluation

Company Evaluation As an MSME player, a person's personal needs can be a benchmark for determining the company's salary and future turnover targets. To find out whether or not the company's operational activities are feasible and what improvements are needed to increase efficiency, periodic business evaluations are needed.

## 2.2 SAK EMKM (Small Micro and Medium Entity Financial Accounting Standards)

### a. Definition of SAK EMKM

The Financial Accounting Standards Board and the Indonesian Institute of Accountants prepared and ratified the Financial Accounting Standards for Micro, Small and Medium Entities (SAK EMKM) in 2016 to assist MSMEs in meeting their financial reporting requirements. The existence of SAK EMKM ranks fifth in the Bookkeeping Guidelines used in Indonesia.

Micro, small and medium entities are entities without significant public accountability, as defined in the Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP), which meet the definitions and criteria for micro, small and medium enterprises as stipulated in the applicable laws. In Indonesia, for at least 2 consecutive years.

SAK EMKM is an easier financial accounting standard than SAK ETAP because control transactions are often carried out by EMKM and because estimates only use verifiable costs, EMKM only records resources and liabilities as well as additional costs. The presence of SAK EMKM is expected to be able to help entertainer MSMEs in Indonesia in summing up financial reports so that it will make it easier for entertainer MSMEs to get access to subsidies from financial institutions.

### b. Financial Report Based on SAK EMKM

According to the Financial Accounting Standards for Micro, Small and Medium Entities (SAK EMKM 2018) the purpose of financial reports is to provide information on the financial position and performance of an entity that is useful to a large number of users in making economic decisions by anyone who is not in a position to request special financial reports to meet their needs. information.

In the statement of financial position information there is information presented which consists of assets, liabilities and equity of the entity. Based on SAK EMKM there are elements that can define this, including the following:

#### 1) Financial Position

Information on an entity's financial position consists of information about assets, liabilities and equity at a particular date and is presented in the statement of financial position. These elements are as follows:

- a) An asset is a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.
- b) Liabilities are present obligations of the entity arising from past events, the settlement of which will result in an outflow of cash from the entity's resources embodying economic benefits.
- c) Equity is the residual in terms of the entity's assets after deducting all of its liabilities.

#### 2) Performance

Information on the entity's financial performance consists of information about income and expenses during the reporting period, and is presented in the income statement. These elements are as follows:

- a) Income (Income) is an increase in economic benefits during the reporting period in the form of cash inflows or an increase in assets, or a decrease in liabilities resulting in an increase in equity that is not derived from investment contributions.
- b) Expenses are decreases in economic benefits during the reporting period in the

form of cash outflows or decreases in assets, or increases in liabilities resulting in a decrease in equity that is not caused by distributions to investment.

### 3. RESEARCH METHODS

#### 3.1 Data analysis method

Data analysis is the process of searching for and compiling data systematically from the results of interviews, field notes, and documentation. This includes organizing data into categories, describing it into units, synthesizing it, organizing it into patterns, choosing what is important and what to learn, and drawing conclusions that are easy for oneself and others to understand.(Sugiyono, 2019)

The components in the data analysis method are as follows:

##### a. Data Reduction

Data reduction is the process of summarizing, sorting out the most important things, focusing on the most important things, and looking for data pattern themes. Because reducing information can make it easier for experts to get a clearer picture of complex information and make it easier to gather more information.(Sugiyono, 2019). Data In Takalar Regency, documentation data will be used as evidence regarding MSME financial management.

##### b. Data Presentation (Data Display)

After the information is reduced, the next stage is displaying the information. Presentation of data in qualitative research is

usually in the form of brief descriptions, charts, relationships between categories, flowcharts, and other similar formats. This can make it easier to understand what happened and plan future work based on what has been understood by displaying the data.(Sugiyono, 2019)

##### c. Conclusion Drawing (Verification)

In qualitative research, new findings that have never been seen before are called conclusions. This new discovery can be in the form of a causal relationship, hypothesis, or theory, or it can be a brief description or description of an object that was previously unclear.(Sugiyono, 2019).

### 4. RESULTS AND DISCUSSION

#### 4.1 Research result

The results of the study regarding MSME financial management used 4 (four) indicators, namely budget planning, recording, reporting, and control by adjusting to the results of observations and interviews that researchers had conducted with MSMEs in Takalar Regency. As for the results of the interviews that have been conducted can be seen as follows:

##### a. Financial planning

Planning is an activity in determining organizational goals and choosing the best way to achieve these goals. One of the financial planning activities is to formulate annual and long-term financial goals and financial budgets. Budget preparation is a process to help carry out effective planning and control functions.



Table 3.1 Results of Financial Planning

| Statement   | Apply |     | Do not apply |    | Total | %   |
|---|-------|-----|--------------|----|-------|-----|
|   | Total | %   | Total        | %  |       |     |
| Always make financial planning in business  | 8     | 80  | 2            | 20 | 10    | 100 |
| Making plans in business sales  | 8     | 80  | 2            | 20 | 10    | 100 |
| Create a profit plan  | 8     | 80  | 2            | 20 | 10    | 100 |
| Make an initial capital plan to set up a business                                 | 9     | 90  | 1            | 10 | 10    | 100 |
| Comparing the plans made with reality   | 4     | 40  | 6            | 60 | 10    | 100 |
| Evaluate if there is a discrepancy between the actual budget planning and reality | 2     | 20  | 8            | 80 | 10    | 100 |
| Separate personal money from business money                                       | 9     | 90  | 1            | 10 | 10    | 100 |
| Have cash reserves for unexpected expenses  | 10    | 100 | -            | -  | 10    | 100 |
| Make program plans for the future   | 7     | 70  | 3            | 30 | 10    | 100 |

Based on the table above, there are at least 8 (eight) MSMEs that implement good financial planning. Starting from initial capital planning, sales planning and profit planning as well as separating personal finance and business finance. The MSMEs include Punggawa Printing & ATK, Grepink Gallery, Aifah Shop, Baihaqi Gorden, Mandiri ATK & School Uniforms, Budijaya Takalar Shop, Nazma Textile & Tailor, and Edelweiss Parfume. Meanwhile, the other 2 (two) MSMEs, namely Toko Ikhsan and Miftah Cosmetics, have not implemented financial planning properly.

Based on an interview with Ms. Haslianti Nurfatima who said that:

*"Of course I make financial planning. And that starts with planning business capital, targeting sales every month. I also understand more or less about financial management. Apart from that, of course, business finance and personal finance are separated, they cannot be mixed because later you will get confused yourself."*

(Results of interview with Haslianti Nurfatima on 13 September 2022)

Based on the results of the interview, it is known that Ms. Haslianti Nurfatima carried out

financial planning because she had already implemented business capital planning and also targeted sales and profits every month and separated personal and business finances.

*"I planned many things before starting a business, one of which was financial planning because if I wasn't afraid I would get confused in the middle of the road. How much profit do I target every month? Did it exceed the target or not at the end?"* (Result of interview with Ms. Hardiyanti on 13 September 2022)

Based on the results of an interview with Mrs. St. Hardiyanti, it can be seen that she admits that she has implemented financial planning in running her business and is targeting profits every month.

*"There must be a financial plan, but I don't know whether my method has been effective or not, because to be honest, I have no educational background in economics, let alone accounting, so I plan my business finances soberly according to my abilities. I also separate business money from personal money because that's the most important thing"* (Results of Afriana's interview on September 13, 2023)

From the results of the interview with Ms. Afriana, she admitted that she did financial planning only with her knowledge. Even so, he

realized that it was important to separate business finance from personal finance.

"As for financial planning, we have to make it because even though this is our own business, it must be planned as well as possible financially. In fact, at first I was a bit overwhelmed because it turned out to be too much what I had budgeted for in reality with my finances, but over time I learned how to plan good finances." (Results of interview with Ms. Nengsih on September 17, 2022)

From the results of the interview, he admitted that he had done financial planning in starting his business and learned from business experience so he could plan finances better in the future. In addition to planning capital and profits, MSMEs can also separate personal money from business money by separating business and personal accounts. However, there are 2 MSME actors who have not implemented financial planning properly, namely Mrs. Hj Herlianty and Mrs. Rezky Amaliyah. Where the following is the result of an interview with Mrs. Hj Herlianty:

"At the beginning we had capital planning but you could say it wasn't too big. We don't have a target if we have to sell goods per month. In terms of finances, it can actually be said that they are not separated because if there is a need, I will definitely buy something in the drawer in the shop" (Result of interview with Mrs. Hj Herlianty on September 15, 2022).

From the results of an interview with Mrs. Hj Herlianty, she does not carry out profit

planning and also does not separate her personal finances from her business finances.

"As for business capital, of course we plan, lia also separate store money from personal money. But when it comes to profit planning, we don't make it" (Result of interview with Mrs. Rezky Amaliyah on September 15, 2022)

Based on the results of an interview with Ms. Rezky Amaliyah, she plans the initial capital for her business, separates personal and business finances but does not carry out profit planning. Based on the table above, it can be seen that 9 out of 10 MSME actors implement financial planning in their business activities, both sales planning and profit planning as well as planning initial capital to start a business. From this it can be seen that MSME players more or less understand and are aware of financial planning in business. Sales planning is used to predict the number of items sold, the profit earned and to estimate further sales.

## b. Recording

Recording is a series of activities to record financial transactions that have occurred, the writing is done chronologically and systematically. Recording is used as a marker that there has been a transaction in that period. Examples of records can be notes, receipts, invoices, etc. The next step is writing transactions in the journal, then posting them to the ledger

**Table 4.4 Recording results**

| Statement   | Apply |     | Do not apply |    | Total | %   |
|---|-------|-----|--------------|----|-------|-----|
|   | Total | %   | Total        | %  |       |     |
| Record sales and purchase transactions                                  | 10    | 100 | -            | -  | 10    | 100 |
| Record sales and purchase transactions manually                         | 8     | 80  | 2            | 20 | 10    | 100 |
| Routinely record sales and purchase transactions                        | 8     | 80  | 2            | 20 | 10    | 100 |
| Routinely recapitulate cash receipts and disbursements every month      | 8     | 80  | 2            | 20 | 10    | 100 |
| Recording sales and purchase transactions can help financial management | 10    | 100 | -            | -  | 10    | 100 |

Based on the table above, it shows that the 10 MSME actors who were sampled in this

study recorded transactions, both sales and purchases. Although 8 of them are still

recorded manually. Like the interview conducted with Ms. Afriana, she said that:

"Recording of transactions in stores is still manual using a journal. Apart from that, it is also reported in the whatsapp group every time there is a transaction. Actually there is a cash register, but not all goods have been inputted, so it's recorded manually first. What is clear is that we will recap at the end" (Results of interview on 16 September 2022).

Based on the interview results from Mrs. Afriana, it can be seen that she still records sales and purchase transactions manually and routinely recapitulates.

Meanwhile, from the results of the interview, Ms. Hardiyanti Astuti said that:

"...I haven't used the cash register yet, I only use the application in the Playstore, namely the cash book. Every employee holds his account so if there is a transaction, it will be inputted immediately" (interview results on September 16, 2022).

From the results of the interview above, it can be seen that the recording carried out on his business activities already uses the system, namely the cash book application available on the playstore. When he had not used the application, he admitted that he was tired because he had to record manually and had to recap after the store closed.

"We are at the shop, the records still use duplicate notes. But we routinely do recapitulation at the end of each month to find out just a few of the benefits we get" (Interview with Mr. Budi Permana on 19 September 2023)

From the results of the interview above, it can be seen that Mr. Budi Permana routinely records sales and purchase transactions using duplicate notes and always recapitulates at the end of the month.

"I always record transactions at the store, if someone buys it, I will definitely record it. But I haven't been able to consistently recap every month because sometimes I'm too lazy to go back to opening the notes archive to re-record." (Results of interview with Ms. Hj Herlianty on 15 September 2022)

Based on the results of the interview above, it can be seen that Mrs. Hj Herlianty routinely records sales transactions but is not consistent in recapitulating.

"When it comes to recording, of course every time we have a transaction we record it but it's very rare for us to do a recap because there is no time and it's also a bit complicated in my opinion" (Interview with Mrs. Mendi Marshela on September 20, 2022)

Based on the results of the interview above, it is known that Mrs. Mendi Marshela records every transaction but rarely does a recapitulation at the end of the month.

From this it can be seen that the recording is done only about income and expenses. This is caused by a lack of understanding of MSME actors about making detailed records of transactions that occur. In addition, only 8 out of 10 MSME actors did the recapitulation, while 2 of them did not. This is also caused by a lack of awareness of the importance of recapitulating the records that have been made.

### **c. Reporting**

Reporting is made to provide information about the financial position of an entity and can be addressed to users of financial statements. The following is data from the results of interviews with 10 MSME actors in Takalar Regency.

Table 3.2 Reporting Results

| Statement  | Apply |    | Do not apply |    | Total | %   |
|--|-------|----|--------------|----|-------|-----|
|  | Total | %  | Total        | %  |       |     |
| Make complete financial reports                                      | 1     | 10 | 9            | 90 | 10    | 100 |
| Make regular balance reports   | 1     | 10 | 9            | 90 | 10    | 100 |
| Using balance reports in assessing business progress                 | 1     | 10 | 9            | 90 | 10    | 100 |
| Make a profit and loss report  | 1     | 10 | 9            | 90 | 10    | 100 |
| Routinely make profit / loss reports                                 | 1     | 10 | 9            | 90 | 10    | 100 |
| Using the income statement in assessing the progress of the business | 1     | 10 | 9            | 90 | 10    | 100 |
| Create cash flow reports   | 5     | 50 | 5            | 50 | 10    | 100 |
| Make regular cash flow reports                                       | 3     | 30 | 7            | 70 | 10    | 100 |
| Using cash flow statements in assessing business progress            | 1     | 10 | 9            | 90 | 10    | 100 |

The table above shows that only 1 MSME actor has a complete financial report, namely the Grepink Gallery. This was conveyed by Mrs. St. Hardiyanti Astuti

"... because I use this application, financial reports for my business will automatically appear. So I just monitor the application" (interview results on September 16, 2022).

From the results of an interview with St. Hardiyanti Astuti, she used the "Cash Book" application to assess her business finances. Because the application automatically provides financial reports at the end of each month.

"I have never done any reporting in my financial management. Because I don't understand how to structure it and how to apply it in my business" (Result of interview from Mr. Rahmat Hidayat on September 23, 2022)

From the results of the interview above, Mr. Rahmat Hidayat does not understand anything about financial reporting, because while carrying out business activities he has never made financial reports.

*"I never make financial reports because it's too complicated and I also don't have much time to learn how to prepare financial reports because besides running a business, I'm also a housewife who has to take care of my*

*family"*(Results of interview from Ms. Haslianti Nurfatima on September 13, 2022)

From the results of interviews with Mrs. Haslianti Nurfatima it is known that she has never done financial reporting because she admits that it is complicated and has not been able to learn how to prepare good financial reports.

"I don't report on financial management because I don't understand how to do it. I always make decisions in business not based on reports in financial management but only by using analysis results from daily transaction records" (Interview with Mr. Sumarno on 23 September 2022)

From the results of interviews with Mr. Sumarno, it was found that he did not report financial management. Because according to him, he always makes business decisions not based on reports but based on analysis results from daily transaction records.

There are 9 other MSME actors who do not make financial reports. The causative factor is that MSMEs do not provide relevant information about business finance and do not understand the procedures for making financial reports considering they do not have an educational background in accounting. In addition, most people think that financial reports are made only for companies, so if you are only a business yourself, you do not need

complete financial reports. The knowledge of MSME actors is only limited by understanding logically by calculating income minus costs incurred. So if you have returned the capital, there is no need for financial reports.

#### d. Control

Control is the process of measuring and evaluating the actual performance of each part of the organization, if necessary improvements will be made. Control is carried out to ensure that the company or organization is able to achieve the goals that have been set.

**Table 4.6 Control Results**

| Statement   | Apply |     | Do not apply |    | Total | %   |
|---|-------|-----|--------------|----|-------|-----|
|   | Total | %   | Total        | %  |       |     |
| Have billing procedures for credit sales                          | 2     | 20  | 8            | 80 | 10    | 100 |
| Have a cash withdrawal procedure                                  | 3     | 30  | 7            | 70 | 10    | 100 |
| Archiving notes from the use of cash that has been issued         | 4     | 40  | 6            | 60 | 10    | 100 |
| Make a sales memorandum for each sales transaction of merchandise | 10    | 100 | -            | -  | 10    | 100 |
| Archiving all invoices of sales of merchandise                    | 7     | 70  | 3            | 30 | 10    | 100 |

Based on the data obtained, 2 (two) out of 10 (ten) MSMEs sell on credit. These UMKM are Toko Budijaya Takalar and Grepink Gallery. This was conveyed by Mr. Budi Permana namely

"For credit sales, we provide. Considering that we sell electronic devices that can be paid in installments too, of course there is a procedure. Here we use home credit financing" (interview with Mr. Budi Permana on 18 September 2022)

From the results of an interview with Mr. Budi Permana, he has a credit collection procedure using home credit financing. Apart from that, it can also be said that the application of financial control carried out by MSME actors is quite good by giving notes to buyers and archiving sales notes. It's just that the drawback is that only some are aware of keeping notes on the use of cash that has been issued. Which should be proof of the transaction must be stored with the aim that it can be evidence that bookkeeping is carried out in accordance with the provisions of the record.

## 4.2 Discussion

### a. Financial planning

Based on the results of interviews conducted by researchers with 10 (ten) MSME actors, there were 8 MSME actors who had carried out financial planning well in their business activities. Starting from business capital planning and sales planning. In addition, MSMEs are also aware of how important it is to separate business finances from personal finances. However, there are 2 MSME actors who have not fully implemented financial planning properly. This is evident because there are still people who do not separate personal and business finances. Besides that, they still don't understand how to compare financial plans with reality and 8 out of 10 of them do not accept sales on credit.

### b. Recording

From the results of research on recording indicators, researchers found that 10 informants had recorded transactions, both sales and purchase transactions. Although there are some who do not routinely do recapitulation. According to MSME actors, it is very important for them to apply records in their business because registration can help

MSME actors to separate business money and personal money, help make important decisions in their business, and help to find out whether their business is making a profit or a loss.

### c. Reporting

From the results of research on reporting indicators, researchers found that the application of financial reporting is still relatively low. This can be seen from 1 MSMEs that have financial reports in their business using the "Cash Book" application. This is caused by several factors that become obstacles for MSMEs such as not having sufficient knowledge and understanding to be able to make financial reports and also the lack of awareness of MSME actors to assess business financial performance by preparing financial reports.

### d. Control

From the results of research on control indicators, researchers found that the implementation of controls can be said to be quite good because MSME actors have the awareness to archive notes from sales and purchase transactions to be used at the end to be able to recapitulate. However, only 2 out of 10 MSME actors accept credit sales. This is because MSME actors do not have the courage to take the risk of bad credit and also because of the limited business capital.

From the results of the research on the four indicators studied on MSME actors, it can be said that MSME financial management in Takalar Regency cannot be said to be perfect. This is because the 10 SMEs that were sampled in this study did not apply indicators in overall financial management. The most widely applied indicators are budget planning, recording and also control, although they are not optimal yet. However, the reporting indicators have not been fully implemented considering several factors that become obstacles for MSMEs such as not having sufficient knowledge and understanding to be

able to make financial reports and also the lack of awareness of MSME actors to assess business financial performance by preparing financial reports.

The results of this study are in line with previous research conducted by Sofiati Wardah, Agus Khazin Fauzi, and Sigit Ary Wijayanto (2022) regarding MSME financial management in the pottery business in Banyumulek Village. Where the results of his research show that financial management has not been carried out optimally. This can be seen from the percentage of each indicator which is still below 50%. This low indicator is because pottery MSME actors feel that financial management is not really needed and feel bothered so that it is not easy to implement this in their business.

The results of this study are also in line with previous research conducted by Khadijah and Neni Marlina BR Purba (2021) regarding financial management of MSMEs in Batam City. Where the results of his research show that financial management of MSMEs in Batam City is still simple and only applies simple planning, recording and controlling indicators. Implementation of reporting indicators on business finances that are still not effective.

## 5. CLOSING

### 5.1 Conclusion

Based on the results of research conducted on MSME actors in Takalar Regency using qualitative research methods, it can be concluded that MSME actors in Takalar Regency have implemented financial management, although not optimally.

- a. Financial planning indicators are indicators that are most widely applied. This shows that 8 (eight) out of 10 (ten) MSMEs in Takalar Regency have implemented financial planning properly. By planning the initial capital of the business, planning sales and profits and separating between personal finance and business finance.
- b. Recording indicators have been implemented even though they are not optimal. 10 (ten) MSMEs have recorded



sales and purchase transactions, but not all MSMEs routinely recapitulate at the end of each month.

- c. Reporting indicators are indicators that have not yet been implemented. Of the 10 (ten) MSMEs, only 1 (one) MSME has financial reports on its business activities. This is due to limited time and human resources and business actors running their own businesses. In addition, MSMEs do not have an accounting background so that knowledge related to financial management is still lacking. Control indicators show that MSMEs have awareness to archive notes from sales and purchase transactions to be used at the end to be able to recapitulate. However, only 2 out of 10 MSME actors accept credit sales. This is because MSME actors do not have the courage to take the risk of bad credit and also because of the limited business capital. The limitations in this study are that many MSMEs are no longer active and the MSME actors are less open in providing detailed information about their business finances. Given the financial information of a business is a sensitive matter so researchers have difficulty obtaining detailed information.

## 5.2 Suggestion

Based on the limitations in this study, it can be suggested several things as follows:

- a. For MSME actors, they can further increase their knowledge of financial management so that they can apply it properly. In order to evaluate business performance and make financial management a measuring tool in making decisions.
- b. It is hoped that the government from the relevant agencies can provide training or counseling regarding good financial management for MSMEs so that they can add insight and knowledge so that they can prepare financial reports in their businesses regardless of small and large scale businesses.

- c. For future researchers, there are still many shortcomings in this research. So it is hoped that further research based on supporting factors, variables, number of samples and conducting research in different places.

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