

# The Implementation of Financial Management at Micro, Small and Medium Enterprises (MSMEs): Case Study at Cak Ryan Fried Banana Business in Banda Aceh

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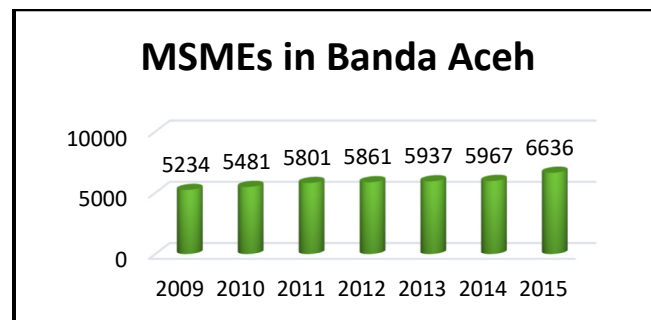
**Abstract.** This study aims to observe how the implementation of financial management at Cak Ryan fried banana business adopted through planning, recording, reporting and controlling indicators. This study employs qualitative method where the primary data is gathered from the owner of Cak Ryan fried banana business. The findings show that the implementation of planning is entirely implemented. Meanwhile, the implementation of recording is sufficiently enough which more than half indicators are adopted. Furthermore, the implementation of reporting is still less implemented which shown only half of the indicators are adopted. Eventually, the implementation of controlling is sufficiently adopted where more than half indicators are adopted well. Overall, the implementation of financial managements at Cak Ryan fried banana business are sufficiently adopted. The limitation in this study is the findings cannot be generalized since the research object is solely at Cak Ryan fried banana business.

**Keywords:** Financial Management · Msmes · Qualitative Descriptive

## 1 Introduction

MSMEs (Micro, Small and Medium Enterprises) are contemplated as alternative sources for developing economies in some countries (Fatoki, 2012; Cakmak, 2018). MSMEs receive more attention compared to large business by among international organizations since they devote potential contribution which influential for the economy. In addition, they play a pivotal role in the poverty alleviation alike cultivate initiatives to create jobs and increase additional labor-intensive products (Duncombe & Richard, 2005; Ayyagari, Thorsten & Asli, 2007; Islam et al, 2011; Bhatti et al., 2012; Talebi et al., 2012; Kazlauskaitė et al., 2015).

Manurung (2008) points out that MSMEs are small-scale business enterprises contribute to the economic development in Indonesia. Besides being a national economic booster and labors supplier, MSMEs play a prominent role in distributing development outcomes. The presence of MSMEs in Banda Aceh likewise has conferred a prominent meaning in providing the source of individuals' workplaces. Throughout the increasing number of unemployed in Banda Aceh which was around 12% has pointed MSMEs as alternative jobs in Banda Aceh (Nazaruddin, 2015:4 in Nurrahman & Fikriah, 2017:321; www.ajnn.net, 2017).



Source: *Disperidagkopukm Banda Aceh*, 2016

**Fig. 1.** Data of MSMEs Growth in Banda Aceh.

Figure 1 shows that MSMEs in Banda Aceh have been experiencing rapid growth every year from 2009 to 2015. The increasing number of MSMEs attests that those are self-employed and a propitious business for the unemployed to be employed. It prompts the entrepreneurs and MSMEs' owners to restrain in improving and competing for their business in many sectors in Banda Aceh. Hence, it is undoubted if the existence of small businesses greatly increment and scattered in many places, and unavoidable, from ten emerging commodities of MSMEs which observed, one of them is the trading sectors being popular in Banda Aceh (Serambinews.com, 2017). Mayor of Banda Aceh, Aminullah Usman voices that the emerging commodities in Banda Aceh are in the human resources which centered on the services and trading sectors (www.ajnn.net, 2017).

Interestingly, most of the MSMEs engaged in the trading sectors are preferred using *easy-to-find* or local raw materials as the main ingredients since local raw materials are more prevalent in the social circle and might attract them as consumers because of its familiarity taste. One of the culinary businesses which using local raw material is fried banana. Fried banana could be cogitated as one of the reputable snacks which only utilizing banana and flour as its main ingredients. The taste is appetizing, sweet and palatable. Likewise, its low-priced could easily tempt the consumers to buy (usahakuliner.id, 2018).

As a part of MSMEs, the existence of fried banana business is manifested by the growing business which presenting variations and innovations from "banana-based culinary" to be processed into valuable kinds of snacks, either dissimilar or similar to traditionally fried banana towards more valuable innovations, such as banana nuggets, chocolate bananas, cheese bananas and others, all prove that fried banana business is a great opportunity in Banda Aceh, hence its development could be growth rapidly (kompas.com, 2017).

Nonetheless, despite the significant increase, there are still many MSMEs owners' who confront the difficulty in managing their business. It could result in their business activities not been outing well. It often happens due to less knowledge of managing their business such as to organize financial management (Hidayat, 2008). Efficient financial management practices in MSMEs will provide a historical analysis of the performance of the business, which then is used to project potential future performance (Brijlal, Enow & Isaacs, 2014). Basing on the previous studies which conducted by

Fatoki (2012), Oktaviani (2015) and Diyana (2017) which indicated that most of MSMEs do not engage financial management well. Thus, the author actuates to do further research with the title **“The implementation of financial management at Micro, Small and Medium Enterprises (MSMEs): Case Study at Cak Ryan Fried Banana Business in Banda Aceh”**.

### **1.1 Research Objectives**

In accordance with the problem posed in this study, the objective is to identify how the implementation of financial management, including the planning of budget, recording, reporting and controlling which applied by MSMEs traditional fried banana.

## **2 Literature Reviews and Theoretical Framework**

### **2.1 Literature Reviews**

In this chapter, a discussion regarding theories and terminologies related to this study is provided. The theories and terminologies used for instances; financial management, Micro, Small and Medium Enterprises (MSMEs) and MSMEs' financial management. This chapter also provides the theoretical frameworks used in the development of analyzing of study.

#### **2.1.1 Financial Management**

##### **The Conceptualization of Financial Management**

Fahmi (2013:2) uncoils the concept of financial management as “a merger of science and art that discusses, examines and analyzes how a financial manager uses all the resources of a company to raise, manage, and distribute funds in order to afford the profit or prosperity to shareholders and business sustainability for the company”. Horne in Kasmir (2010:5) also defines that “financial management is all activities related to the acquisition, funding, and management of assets with multiple objectives entirely”. Thus entire processes are terminated to earn company revenue by minimizing costs and allocating the funds efficiently. Thereof, it could maximize the value of the company (Hartati, 2013).

##### **Financial Management Function**

Hartati (2013) dissects the functions of financial management as:

- a. Fundraising activities which aimed at investment decisions that generate profits.
- b. The activity of allocating funds which intended to manage the use of funds in the activities of the company.

Furthermore, Fred in Kasmir (2010:16) disparts the financial management into 4 functions, there are:

a. Forecasting and Planning the Finances

Financial management assists to forecast the conditions that would occur in the future and which most likely impact, either directly or indirectly to the achievement of corporate objectives. After forecasting, the planning would be primarily composed related to the business financial condition.

b. Capital, Investment, and Growth Decisions

Financial management assists to assemble the capital needed, both short-term, such as working capital needs, and as well as long-term. Long-term capital is likewise indispensable to prop up the company's growth, such as increasing the capital investment, equipment, and other assets, particularly when thus needed.

c. Controlling

Financial management assists as a controller in running the company's operations efficiently, so that, if this does not function properly, it can be controlled con direction as planned. Without control, the possibility of failure in achieving business goals is very high.

d. Relationship with The Capital Market

Financial management assists as a capital market liaison which will benefit companies because they are able to find alternative sources of funds through the capital market. As a result, the company could obtain the funds or capital needed.

### **Financial Management Objectives**

The objective of financial management is to achieve the level of efficiency and effectiveness of financial use in operating its business. Those companies are foreseen to achieve targeted goals when the efficiency and effectiveness of the value input and output are employed (Diyana, 2017). Fahmi (2013:4) classifies several objectives of financial management, there are maximizing company value, maintaining and overseeing the financial stability and minimizing corporate risks in the present and the future.

### **2.1.2 Financial Management Process**

Financial management process is a procedure/process that is performed by business managers in managing their finances to achieve efficiency and effective use of budget levels, therefore, financial managers need to analyze immediately related to the process and procedures in carrying out the objectives of financial management (Diyana, 2017). In financial management, it discuss about how entities maximize their profit by analyzing financial statement, measuring the risk and return of assets and equities, the obligation, investment and also some subjects which related to the management accounting, such as budgetting. Yet, there are four basic management frameworks which commonly used in this study by using Kuswadi (2005) in Diyana (2017) theories as the following:

a. Planning

Planning is the organizational goal-setting activities to opt the best practice of attaining the goals. Planning activities on finance are one of the annual financial goals and formulate a long-term, as well as financial budget.

b. Recording

The recording is an activity to record financial transactions that have occurred in a certain period, then the entries are recorded chronologically and systematically.

c. Reporting

Reporting is a pace taken after the transactions are posted in the journal and general ledger. Posting in the journal and general ledger will be closed at the end of the month, which it will be transferred to the summary of the financial statements as the basis for the preparation of financial statements. The financial statements consist of the Cash Flow Statement, Income Statement, and Financial Position.

In the reporting, the adjustment will be directed by looking at SAK-ETAP (*Standar Akuntansi Keuangan – Entitas Tanpa Akuntan Publik*) guidelines which guided by IAI (*Ikatan Akuntan Indonesia*). SAK ETAP became effective on January 1, 2011. SAK ETAP is a standard that describes financial regulations for small and medium enterprises. The benefits of SAK ETAP are expected with the presence of SAK ETAP, small or medium-sized companies are able to prepare their own financial statements, can use their financial statements as financial controllers (in terms of costs), standard tools for earning income in the next period, and get funds from banks) business development (Nurlela & Heny, 2016).

d. Controlling

Controlling is a process of measuring and evaluating between the planning and the actual performance of each part of the organization. It would be necessary for the improvement of a company. Controlling is able to ensure the company or organization to achieve the goals set.

### 2.1.3 Micro, Small and Medium Enterprises (Msmes)

Based on the Law of the Republic of Indonesia Number 20 the Year 2008 on Micro, Small and Medium Enterprises in Chapter 1 (general provisions) explains:

1. Micro Enterprise is productive business owned by individual and/or individual business entity fulfilling the criteria of Micro Enterprises as regulated in this Law.
2. A small business is a stand-alone productive economic enterprise undertaken by an individual or a business entity which is not a subsidiary or not a branch of a company owned, controlled, or becomes part of, directly or indirectly, of a Medium-Sized Enterprise or a Large Enterprise meet the criteria of Small Business as referred to in this Law.
3. Medium Enterprise is a stand-alone productive economic enterprise, conducted by an individual or business entity which is not a subsidiary or a branch of a company owned, controlled or becomes part directly or indirectly with a Small or Large Business with a net worth amount or annual sales proceeds as provided in this Law.

The Criteria of Micro Small and Medium Enterprises in the Law of the Republic of Indonesia Number 20 the Year 2008 are as follows:

- 1) Micro Business:
  - a. Having a net worth of at most Rp50,000,000.00 (fifty million rupiahs) excluding land and building of business premises; or
  - b. Has annual sales of at most Rp300,000,000.00 (three hundred million rupiahs).

- 2) Small Business:
  - a. Having a net worth of more than Rp50,000,000.00 (fifty million rupiahs) up to a maximum of Rp500,000,000.00 (five hundred million rupiahs) excluding land and building of business premises; or
  - b. Has annual sales of more than Rp300,000,000.00 (three hundred million rupiahs) up to a maximum of Rp2,500,000,000.00 (two billion five hundred million rupiahs).
- 3) Medium Enterprises:
  - a. Having a net worth of more than Rp500,000,000.00 (five hundred million rupiahs) up to a maximum of Rp10,000,000,000.00 (ten billion rupiahs) excluding land and building of business premises; or
  - b. Has annual sales of more than Rp2,500,000,000.00 (two billion five hundred million rupiahs) up to a maximum of Rp50,000,000,000.00 (fifty billion rupiahs).

#### 2.1.4 Msmes' Financial Management

Mubarok & Faqihudin (2011) imply that generally, the practice of MSMEs activities is operated without relying on financial information that is arranged in an orderly manner. Most MSMEs owners' are able to operate its business normally without espousing adequate financial information which usually used as a basis for decision making. Decision making is usually terminated based on intuition and habits get through the previous experience.

There are merits exposed by Mubarok & Faqihudin (2011):

- a. Understanding the information about the financial position, financial performance and changes in the owner's equity for the past.
- b. Becomes one of the decision-making considerations.
- c. Understanding the value of cash changes and their distribution.
- d. Fulfill one of the conditions in applying for credit to certain capital institutions.
- e. Become one of the manners for determining the selling price.

#### 2.2 Previous Researches

There were several studies have been conducted related to the implementation of financial management at MSMEs. Fatoki (2012) investigated the financial management practices of new microenterprises in South Africa. This research focused on six financial management practices namely financial planning and control, financial analysis, accounting information, management accounting, investment appraisal, and working capital management. The findings indicated that most new micro-enterprises do not engage in financial planning and control, financial analysis and investment appraisal. For accounting information, most new micro-enterprises keep certain accounting books such as sales book and purchases book but do not keep other books such as drawings book indicating a mixed result.

Further, Oktaviani (2015) conducted research on *analisis manajemen keuangan pada UMKM (Usaha Mikro, Kecil dan Menengah) klaster konveksi di wilayah Kecamatan Kota Kabupaten Kudus* which investigated the problems that occur in overall SMEs convection generally associated with business expansion or business

solely to survive, this research reveals that working capital requirements are one of the obstacles to the development of SMEs. Another limiting factor in the development of SMEs is in the form of financial information. SMEs in Kudus have not had a financial report, this happens because of the lack of financial management on Micro, Small and Medium Enterprises (SMEs). The findings showed that SMEs Convection in Kota District Kudus regency uses two sources of funding, namely internal and external sources of funding.

### 2.3 Theoretical Framework

Financial management is undertaken to obtain maximum profits by allocating funds efficiently. The allocation of funds is set in budgeting as a part of planning. The planning is necessary to drive the company's motion both internally and externally and become a management evaluation tool. Afterward, the recording intends to record the transaction occurs within a period proven by some of the pivotal documents. For MSMEs traditional fried banana, as a micro-size business, the recording activities might have in a simple manner such as recording in a mini-book with the simple information. In the reporting process, it would be necessary for MSMEs traditional fried banana to possess clarity its total profit by having an income statement. Furthermore, controlling is necessitated to control and evaluate between the planning made and the actual.

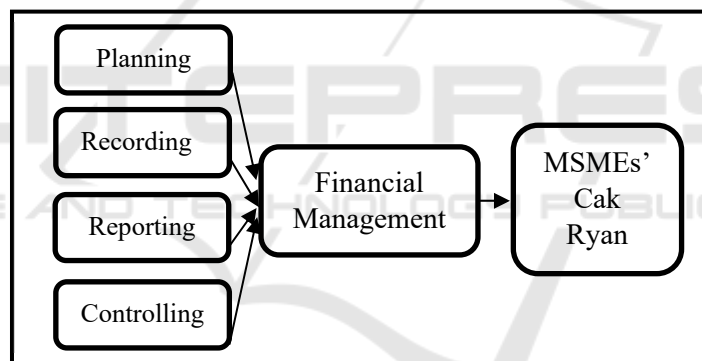


Fig. 2. Theoretical Framework.

## 3 Research Methodology

### 3.1 Research Design

Regarding the object and method of analysis used, this paper focuses on the qualitative descriptive study. This is a case study with the minimal intervention level since it solely gathers data by interviews and uses data from financial reports owned by Cak Ryan fried banana. The unit of analysis in this study is on business entity, there is solely at Cak Ryan fried banana business in Banda Aceh. The cross-sectional time horizon is employed in this study since the data only once collected from Cak Ryan fried banana

in a certain period through semi-structured interviews. The semi-structured interviews are used to provide the interviewees which allows them to respond and be questioned with a degree of freedom, as well as to allow them to explain their thoughts in greater depth in order to gain more in-depth information (Rahim and Goddard, 2003 in Basri, Siti & Shabri, 2016).

### **3.2 Respondent Chosen Method**

Since this paper employs a case study, the respondent chosen is solely at Cak Ryan fried banana business which has five branches in Banda Aceh. The respondent of this study is sharpen directly to the owner of Cak Ryan fried banana business to provide the information regarding business deeply.

### **3.3 Source of Data and Collection Method**

In this study, the data are gathered both from the primary and secondary data. The primary data are data which obtained from the actual event occurs while secondary data are data which obtained from the available resources before the research is conducted. The primary data in this study was obtained directly by interviewing Cak Ryan fried banana business owner who were sampled in this study. While secondary data related to financial management is obtained from documents owned by Cak Ryan business owner directly.

Data collection techniques used in this study were carried out by semi-structured interviews, observation and documentation. Cak Ryan's owner will be interviewed to see responses to the implementation of financial management. The researcher also uses documentation data collection techniques to obtain financial report data that has been made.



**Table 1.** Research Questions, Interview Questions, and Sources and Data Collection Methods.

<b>Research Questions</b>	<b>Interviews Questions</b>	<b>Source and Data Collection Methods</b>
How does Cak Ryan set the plannings in order to maximize the profit and expand the business?	<p>How do you plan funding or initial capital to start a business?</p> <p>How do you plan for sales and production cost?</p> <p>How do you plan for marketing improvement?</p> <p>What is the other plans do you have for your business?</p>	<p>Data sources:</p> <ul style="list-style-type: none"> <li>• Primary</li> </ul> <p>Data Collection Methods:</p> <ul style="list-style-type: none"> <li>• Semi-structured Interviews</li> </ul>
How does Cak Ryan record the transactions occur while operating its business?	<p>How do you record for every transaction occurs? Could you show the recording you have?</p> <p>Do you think recording activities is prominent to your business? Why?</p>	<p>Data sources:</p> <ul style="list-style-type: none"> <li>• Primary</li> <li>• Secondary</li> </ul> <p>Data Collection Methods:</p> <ul style="list-style-type: none"> <li>• Semi-structured Interviews</li> <li>• Financial Report</li> </ul>
How does Cak Ryan deliver its reporting?	<p>How do you report for every transaction occurs? Could you show the reporting you have?</p> <p>How will it benefit for your business improvement?</p>	<p>Data sources:</p> <ul style="list-style-type: none"> <li>• Primary</li> <li>• Secondary</li> </ul> <p>Data Collection Methods:</p> <ul style="list-style-type: none"> <li>• Semi-structured Interviews</li> <li>• Financial Report</li> </ul>
How does Cak Ryan’s owner control its business within the operational period?	<p>How do you control between the planning and the actual costs? Do you think controlling is prominent in your business?</p> <p>How do you separate between the personal cash and business cash? Do you think separating them is prominent in your business?</p>	<p>Data sources:</p> <ul style="list-style-type: none"> <li>• Primary</li> <li>• Secondary</li> </ul> <p>Data Collection Methods:</p> <ul style="list-style-type: none"> <li>• Semi-structured Interviews</li> <li>• Financial Report</li> </ul>

Source: Data processed, 2018

### 3.4 Research Instruments

This study desires to gather data by distributing semi-structured interviews as research instruments to Cak Ryan’s owner. The semi-structured interviews are used to provide

the interviewees which allows them to respond and be questioned with a degree of freedom, as well as to allow them to explain their thoughts in greater depth in order to gain more in-depth information (Rahim and Goddard, 2003 in Basri, Siti & Shabri, 2016). Bungin (2013) explains that the interview method is the process of obtaining information for research purposes in the manner of questioning while face to face between the interviewer and respondent, with or without using interview guidelines. Meanwhile, the semi-structured interviews are figured to resist inflexible on each questions item. The author desires to elaborate and situate them on condition whereas they are utilized as the guidelines.

In this study, the interviews are spotted into some parts, there are: part I is about the general information of respondents, part II is about the general information of business and part III is about financial management of business. Research instrument in this study is arranged regarding Kuswadi (2005) in Diyana (2017) who disparted the indicator of financial managements into four basic frameworks, there are; planning, recording, reporting and controlling.

### **3.5 Data Analysis Method**

The data analysis technique used for this study is qualitative descriptive analysis. To answer the formulation of the problem “how the implementation of financial management at MSMEs by Cak Ryan fried banana”, the following stages of analysis will be carried out as follows:

1. Doing an interview the owner of Cak Ryan fried banana business by giving a semi-structured interview.
2. Semi-structured nterview will be written on point.
3. The semi-structured interview process will be assisted by stationary and voice recorder, so it can provide the accurate data related to the research.
4. The result of semi-structured interview will be analyzed
5. The result of analysis of semi-structured interviews will be described.
6. Regarding to the indicators, the financial notebook will be overlooked comprehensively.
7. From the results of analysis, the overall assumption will be drawn which apply to the case study research sample.

## **4 Result and Discussion**

### **4.1 Result**

#### **4.1.1 Business Description**

In this study, the data are gathered sirectly from the owner of Cak Ryan fried banana business. Cak Ryan fried banana business was established in 2013 by a single owner, namely Safrijal who completed his study from diploma-II (D-II). The establishment of Cak Ryan began after the owner worked for several years and decided to retire from a private company where he spent dedication before. Seeing the family economic-

condition was unable to sustain and also aggravated by the number of unemployment in the surroundings, thus incited the owner decided to have his own business. By utilizing the amount of initial capital that approximately Rp40,000,000.- which saved during working in the private company, later, the owner established his first business which located in Prada, Banda Aceh and offered jobs for the people around.

Afterward, the amount of initial capital was utilized for renting a building, purchasing equipment, and raw materials, paying the bills and other overheads and spending for research and development of products. The detail of the initial capital used for the first phase is shown in table 2 as follows:

**Table 2.** Detail of Initial Capital Used.

No.	Account Name	Costs
1.	Building Rental for a year	Rp19,000,000,-
2.	Equipments	Rp16,500,000,-
3.	Raw Materials	Rp1,500,000,-
4.	Bills and other overheads	Rp2,000,000,-
5.	Research and Development	Rp1,000,000,-
<b>Total</b>		<b>Rp40,000,000,-</b>

Source: Cak Ryan, 2018

## 4.2 Discussion

### 4.2.1 The Implementation of Financial Management

The indicator for financial management in this study is disparted into 4 basis framework by following the theory from Kuswadi (2005) in Diyana (2017), there are planning, recording, reporting and controlling.

#### 1) Planning Indicator

Planning is a tool to plan and control the earnings (Adisaputro and Anggraini, 2011). Planning is one of the main indicator of financial management observed.

Planning Indicator	The Implementation
Sales and Production Budget	The owner prepares for sales and production planning based on the current market situation. i.e; location, consumers demand and the sessions.
Capital Needs Planning; a. Start-up b. Operations	The initial capital prepared approximately Rp 40,000,000, - and was utilized without taking any loans; while the financing for the operations, the capital needs are planned related to the historical costs.
Marketing Planning	The owner serves the products freshly after frying to the consumers. The owner also consistently improve the product quality for the taste and texture.
Other plans related to the business.	For the next period, the owner has some plannings for instances; expanding to the bigger scale business and packaging product to compete for better quality.

Source: Cak Ryan, 2018.

The above table shows that the implementation of planning indicator for Cak Ryan fried banana business has been comprehensively implemented as he positively claimed to have applied all the information items.

In addition, in the sales and production planning item, the owner clarified that he has already carried out the planning of the budgets issued during the business operations. To plan how to sales the fried bananas and reach the consumers, the owner sees the strategic locations for the business.

## 2) Recording Indicator

According to Andreas (2011), recording or bookkeeping is an activity in accounting to record daily transactions. The recording indicator is important in order to assist the owners to prepare its financial management daily and make decisions for the business. Afterwards, the owners prepare the financial statements based on the recording results.

Recording Indicator	The Implementation
Recording the sales transactions.	Sales transactions are recorded along with the income statement.
Sales transactions are recorded regularly.	Sales transaction are recorded along with the income statement.
Recording of purchase material transactions.	Purchase material transactions are recorded for each transaction and put at the income statement infoermentation
Tracking of purchase material transactions regularly.	The owner clarified that this action is done regularly
Recapitulating the cash receipts.	Due to the materials are bought at the traditional market, it was not possible to have and recapitulate the receipts for transactions.
Cash receipts are recapitulated regularly.	Due to the materials are bought at the traditional market, it was not possible to have and recapitulate the receipts for transactions.
Sales and purchase recorded are able to help business financial management.	The owner uses the transaction recorded to overlook the busines progression.
Other transactions record	No other transaction is recorded.

Source: Cak Ryan, 2018.

The owner of Cak Ryan claimed mostly implemented the recording indicator statements. It was revealed by the owner's explanation, for instances; in sales transactions, owner Cak Ryan always records every transaction of fried bananas that occurs on the daily, weekly and monthly as regularly. The owner confirmed that the recording prepared is very useful for calculating profits and estimating business sustainability and further helping the owner to manage business financially.

However, in the recording process, owner Cak Ryan admitted that it was difficult to collect valid document transactions on sales and purchase of raw materials and overheads. This is because the typical market own is on small scale business, and the owner confirmed that it is quite difficult to provide receipts for each sales transaction occurs since only selling fried banana. Nevertheless, to adress it, the owner regularly write on his notebook for every expense and the total money earn in a day and make the assumption about how much fried bananas have been sold daily.

### 3) Reporting Indicator

According to Kuswadi (2005) in Diyana (2017), the usefulness of reports prepared is not just written numbers, yet, thus have prominent information. This is also in accordance with the results of interviews with the owner of Cak Ryan that the report prepared can be utilized to overlook the information of business and its sustainability.

<b>Reporting Indicator</b>	<b>The Implementation</b>
The income statement is prepared	The income statement is prepared in a simple manner.
The income statement is utilized to asses business progress.	The income statement is usefull to asses the business progress.
Balance sheet report is prepared	Balance sheet report is prepared in a simple manner.
Balance sheet report is utilized to asses business progress.	Balance sheet report is utilized to overlook the asset owned.
Cash flows statement is prepared.	Due to improper accounting education, this part is missing.
Cash flow statement is used to asses business progress	Cash flow statement is not provided.
Statement of Changes Equity is prepared	The owner clarified he did not know how to prepare this part.
Statement of Changes Equity is utilized to asses business progress.	The owner did not know how to utilize the statement of changes equity in the business.

Source: Cak Ryan, 2018

The data obtained show that the implementation of reporting indicator is considered sufficient enough because the owner of Cak Ryan claims that his business prepares the income statement and balance sheet regularly and uses both as a tool to posses the business progress. In addition, Cak Ryan's Owner explained that "reporting made is useful as a supporting document if the business requires capital for the future business expansion". The owner also claimed that the income statement and balance sheet prepared based on the guideline and information gathered from the internet, considering he does not have proper knowledge about accounting nor training.

However, the owner did not prepare a report on changes in equity and cash flow statements as he does not have any information about the prominancy of changes in equity and cash flow statements and nor training in how to prepare good financial statements so that the component was ignored, while the statement of changes equity and cash flow statements are the essential part which guided by SAK-ETAP for MSMEs. Cak Ryan owner hopes that he will immediately get information or provided sufficient training about financial management, notably on reporting indicator because it is deemed necessary for business progress.

#### 4) Controlling Indicator

Handoko (2011) defines that controlling is a tool to guarantee that the plan has been implemented in accordance with the initial planning. Planning that is prepared at the beginning of the business operation, will be evaluated after the business operations are completed for daily, weekly, monthly or even yearly. The controlling can be executed by comparing the planning and the actual cost results.

Controlling Indicator	The Implementation
Notes for cash issued is collected.	The owner clarified that no any notes for cash issued as considered as small business scale.
Notes for cash issued is checked regularly.	The owner does not implement this part.
The owner compares between planning and actual.	The owner admitted that he compares the differences between them.
The owner evaluates between planning and actual.	The comparison between planning and actual is regularly evaluated and incited the owner to operate it better.
Separation of personal cash and business cash is undertaken.	The owner always separates between the personal cash and business cash to have a clear amount of income.

Source: Cak Ryan, 2018

Cak Ryan fried banana shows that its business simply applies controlling indicators. The owner explained that the controlling process was merely directed by himself without involving any other labors, occasionally he was assisted by his wife in the operation of the business. The owner admitted that it was difficult to collect records of cash received due to the small size of the business, so such records were not necessary. However, related to this, the owner always routinely checks between the amount of cash and records with gross estimation which prepared periodically to determine the estimated gross profit earned.

As for the other controlling indicators, the owner claimed that he simply compares between the plans prepared to the actual costs that occurred resulted in the variance numbers, and evaluated them to make decisions for the improvement in the next sales operation.

## **4.2.2 Analysis of the Implementation of Financial Management**

### **1) Planning Indicator**

From the data above, it shows that the owner has implemented the planning indicators entirely. It is manifested as in the sales and production budget, the owner has prepared sales budget forecasted, direct and indirect materials and also overhead costs which needed as the essential parts of the budget. While in the capital needs planning, the owner has clearly defined the capital needs for starting-up the business in the beginning and also the financing during the operations of the business. From the data, the owner clarified that “Cak Ryan fried banana uses historical costs to determine the operating costs”.

For marketing planning, the owner decided to have the traditional concept which deadly serves the fresh fried banana to the consumers. In the next period, the owner has planning to open the business in the large scale and offers in the packaging model. Overall, although the planning prepared does not contain the complete information, yet, Cak Ryan fried banana has comprehensively implemented the indicators of planning.

### **2) Recording Indicator**

As one of the prominent parts at the financial management, the recording indicator is necessary to be implemented. From the data analyzed, the owner has implemented about 5 out of 8 recording indicators. The owner’s clarification shows that the sales and purchasing transaction are recorded as regularly. The owner affirmed that “the preparation of recording for sales and purchasing transaction are beneficial to assist the business progression financially”. While 3 out of 8 indicators are still not implemented yet due to the business scale which still compete as the small level. The overall, the recording indicators implemented by Cak Ryan fried banana is sufficient enough although there are implemented in the simply manner.

### **3) Reporting Indicator**

It reveals that the owner merely fair in preparing the reporting indicators. As guided in SAK-ETAP which directed by IAI, it is 4 out of 8 which has been implemented simply which manifested through the preparation of income statements and balance sheet, whereas the changes equity and cash flow statement do not prepare due to lack of knowledge on how to prepare those reports. In preparing the reporting indicators, the owner considered that he still needs an adequate training as its a prominent part in the financial management. Hence, it hopes the preparation of reporting indicator in the next operation period will be better.

### **4) Controlling Indicator**

In the controlling indicator, there are 3 out of 5 indicators which applied by the owner. It displays that the owner has sufficiently supervised the business progress. The comparison and evaluation made are beneficial to overlook the business improvement, in addition, the sufficient controlling preparation is shwon by the separation between the personal cash and business cash which prepared enough.

Overall, Cak Ryan fried banana business has adopted 16 of 25 points of financial management indicators. From the data gathered, it can be concluded that Cak Ryan

fried banana has comprehensively implemented the planning indicators. Regarding the recording and controlling indicators, although have not entirely implemented yet, Cak Ryan fried banana has mostly adopted required indicators. Afterward, the reporting indicator is the less implemented among others, which solely 4 of 8 indicators are positively prepared while the others are not. One of the factors that compels the reporting indicator quite low compared to the other indicators merely because the owner has lack knowledge in financial management.

#### **4.2.3 Financial Management Benefits**

During the adoption of financial management, as stated at chapter 2 that financial management has prominent benefit to the business, there are also some confirmation given by the owner of Cak Ryan fried banana business related to the financial management benefit during the operation of business. Regarding the planning, the owner stated that “the planning indicators are very useful because they can help to determine what actions need to be planned before conducting business operations. By deciding a good planning, it means we can estimate the amount of income and expenditure close to the real value”.

The recording indicator has also given the benefits as stated by the owner that “obviously, recording is very important to do, so that we know how much income is earned and expenses spent on a single operation. That way, the amount of net income can be well known.”

While in expanding the business, the reporting indicator is being an essential part to espouse the business in getting loan from the credit institution, such as Bank. the owner confirmed that “when a business needs to take loan from the Bank, the essential part to ensure the Bank given the loan is depending on the financial report prepared”.

The controlling indicator is also useful to be adopted in the business, though, the owner also clarified that “the controlling is clearly useful because it becomes an evaluation tool for the business and knows what deficiencies still need to be improved, both in terms of planning strategies, costs, and others”.

As berdesa.com suggested that separating between personal cash and business cash is necessary to the business, it is also manifested by the owner through the statement “separating between personal cash and business cash has already known by the owner of a business as its very important to be implemented. Because if there is no separation, we do not know the real cash earned from the business”. Overall, the financial management has big benefit and positive impact to the business in the operation, it also includes for MSMEs, Cak Ryan fried banana business.

## **5 Conclusion, Limitations and Recommendation**

### **5.1 Conclusion**

After conducting research on the implementation of financial management at Cak Ryan fried banana business for the indicators of planning, recording, reporting and controlling, it can be concluded that:



- 1) In the planning indicator, Cak Ryan has comprehensively implemented its part of financial management in the business.
- 2) In the recording indicator, Cak Ryan has sufficiently implemented its part of financial management in the business.
- 3) In the reporting indicator, Cak Ryan shows less implemented on it. The reporting indicators neither sufficiently well implemented nor based on SAK-ETAP.
- 4) In controlling indicators, Cak Ryan has sufficiently implemented its financial management in the business.

## 5.2 Limitations

Some limitations might be found in this study, there are:

- 1) The research was carried out merely taking samples in one business unit, namely in the Ryan Fried Banana business. The results obtained cannot be generalized in general.
- 2) The results of the study are limited to research on the application of financial management with indicators based on the theory of Kuswadi (2005) in Diyana (2017) with the retrieval of planning, recording, reporting and controlling indicators.
- 3) Data obtained in this study may not have an accuracy level of 100% because of the limitations of Cak Ryan's owner in carrying out the financial management activities of his business.

## 5.3 Recommendation

Based on the research that has been done and the results obtained from data analysis, the author wants to provide some recommendations as follows:

- 1) As it is known that the implementation value of the reporting indicator gets the lowest percentage and falls into the less implemented criteria, the authors suggest Cak Ryan's owner to continue to deepen his knowledge about better financial management, especially on reporting indicators. In addition to being useful as a benchmark for business performance, by doing good reporting, Ryan Fried Banana's business will be easier in terms of administration if in the future a loan is needed to expand its business to existing credit institutions.
- 2) Cak Ryan's owner should arrange the business structure by using a better system, so that the five branches can be more efficiently controlled. This is because the Ryan fried banana business has 5 branches, but 2 of the 5 branches that are owned do not operate optimally or are disabled.
- 3) For further research that examines the implementation of financial management at MSMEs, it is better to take more research samples, expand the scope of research, and further examine the implementation of MSMEs.

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