
Financial Management Analysis of Micro, Small, and Medium Enterprise (MSME) in the Covid 19 Pandemic Era

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ABSTRACT

This study determined and analyzed the financial management of MSME. This case study was conducted in UD. Bintang Muda during the pandemic or commonly called the new normal. A qualitative method was carried out by collecting data through in-depth interviews gradually. The data obtained were collected, studied, and analyzed. As a reference, the information discovered in the data analysis was linked to previous theories or researches. The financial management at UD. Bintang Muda in facing changes and striving to survive in the new normal included shifting to a new financial management system from manual bookkeeping to electronic bookkeeping and reviewing expenses and income for further evaluation. The impacts caused by a pandemic demand MSME players to look for new innovations to survive and to be more responsive to changes in the business climate, especially during the new normal. UD Bintang Muda implemented a new strategy by increasing the quality of packaging to compete in the high-end market.

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1. INTRODUCTION

The new normal as an adaptation in the COVID-19 pandemic is the resolution and healing stages. The stages are interpreted as efforts to improve and prevent until the world can be fully recovered. This policy started with the opening of the office, places of worship, shopping centers by following the health protocols such as wearing masks, providing handwashing facilities, limiting the number of passengers, and shifting to digital transactions. Micro, Small, and Medium Enterprises (MSME) play a role in the economy since they can absorb 97% of the workforce in Indonesia. Therefore, business actors are suggested to be

careful in making decisions for the sustainability of their business. Currently, MSME must also adapt to the new normal as consumer behavior changes. Previously, MSME players had to write financial reports following the standards to facilitate decision-making based on current conditions (Assa'diyah, 2020).

MSME is a strong business sector. This is proven by the better performance of MSME in producing a productive workforce. MSME players often improve their productivity through investment and technology. Besides, MSME is more flexible than large businesses. In developed countries, MSME players increase the contribution of exports and function as subcontractors in various large-scale business inputs while MSME is used as a source of innovation (Al-Fatih et al., 2019).

The COVID-19 pandemic throughout the world has affected the countries, including Indonesia. The first Covid-19 case was in Wuhan, China, in December 2019. This pandemic has recorded more than 200,000 cases worldwide (Fernandes, 2020). It hit the spinning wheels of the economy, including the economy in Indonesia. The government did its best to overcome this outbreak. One of the government's decisions was the "New Normal" policy. The new normal created uncertainty for business actors. Consumer's purchasing power was low and had not returned to normal. This crisis urged people to be careful in taking action and to pay attention to their financial management. Consumers become more selective in spending; they save their money (Lavinda, 2020).

This uncertainty made MSME players went out of business due to the lack of demand. It forced business actors to get out of their comfort zone and to think hard to survive in this transition period. During the new normal, competition is getting tougher with unstable market conditions. To win this business competition, business actors must try to create new markets to dominate the market. To survive in the new normal, MSME should be able to provide online services. The digital market assists the selling of their products and services within and outside their region. When the product has been marketed, business actors must evaluate the decisions taken to prevent problems in the future. Based on a study by the Ministry of Finance (Kemenkeu, 2020), the COVID-19 pandemic has had negative implications for the domestic economy such as household income decline causing a decrease in public consumption, company performance decline, and threats to the financial and banking sectors as well as the MSME. Since the beginning of 2020, the pandemic has caused massive layoffs, production suspension, and even business closure.

This situation is exacerbated by the government's policy on Large-Scale Social Restrictions (PSBB), which is currently better known as the Enforcement of Restrictions on Community Activities (PPKM). This policy has been established in large, densely populated cities. PPKM policy impacts limited economic activity such as the disrupted production, distribution, and sales, especially for the MSME. To pull through the ups and downs of MSME during the new normal, MSME players are required to innovate efforts/strategies for adaptation, one of which is improving the quality of financial management to be efficient. However, some business players do not pay sufficient attention to how to manage their business finances. Thus, expenses become greater than income earned. Most MSME players are lack of adequate financial reporting system. Hence, it is difficult to know their own business income and expenses. For this reason, it is very important to pay attention to efficient financial management to minimize undesired problems.

One of the MSME players affected by the Covid-19 pandemic is UD. Bintang Muda, Kediri, East Java, Indonesia. UD. (trading company) Bintang Muda sells various typical snacks, traditional foods, and souvenirs of Kediri. It has a partnership with a number of MSMEs around it. The impact felt by UD. Bintang Muda is quite significant, especially on the huge loss of income due to the Covid-19 pandemic. For this reason, innovation and new strategies are needed, especially In terms of financial management to cover losses to help UD. Bintang muda survive in the midst of a pandemic with new market flows. Thus, this study analyzed and described the financial management of UD. Bintang Muda toward changes of the business climate amid the Covid-19 pandemic.

2. RESEARCH METHOD

This study used a qualitative approach. Qualitative research is a dialogue between texts and the realities around us by referring to a theoretical perspective. Dialogue reflects a process that is constantly changing and being questioned in the construction of assumptions about the truth of a statement allowing the creation of new theories (Kholifah & Suyadnya, 2018). The data from this study were obtained from the owner and manager of UD. Bintang Muda. The business is located on Jl. Hos Cokroaminoto Pare. Data collection was done using in-depth interviews.

Qualitative data analysis can be interpreted as the in-depth processing of data derived from observations, interviews, and literature. The advantage of this method is the depth of the results. Qualitative data analysis methods are more widely used in the fields of social science, law, sociology, and politics. However, social fields do not always use qualitative methods. The data analysis technique used was qualitative analysis through four stages including data

collection, unnecessary data sorting, data presentation and analysis, and conclusion drawing. Data analysis includes data reduction, data display, and conclusion drawing/verification.

Data reduction refers to data simplification by choosing the main things and focusing on the important things, looking for themes and patterns, and removing unnecessary ones. Hence, in reducing the data, the researcher selected and sorted out the appropriate data. The data from interview notes were simplified in the form of points that are easy to understand. After data reduction, the next step was data display or data presentation. By displaying data, it made it easier for researchers to understand what happened and plan further work based on what has been understood. In displaying data, researchers must test the progression of hypothetical data. If after a certain period of data collection the formulated hypothesis is supported by data, the hypothesis is proven and is developed into a grounded theory. Grounded theory is an inductive theory based on data found in the field and was tested through continuous data collection. The third step in qualitative data analysis was conclusion drawing. Researchers drew preliminary conclusions that were initially temporary. It would change if no strong evidence was found to support the next stage of data collection. However, if the conclusions drawn at an early stage are supported by valid and consistent evidence, the conclusions are deemed as credible conclusions (Afifah, 2015).

3. RESULTS AND ANALYSIS

In general, MSME is a productive business run by either individuals or business entities that have the criteria for Micro, Small, and Medium Enterprises (Anggraeni, 2017). MSME has an important role in the country's economic development by creating community independence and increasing employment and community welfare. MSME is expected to help the country in dealing with an economic crisis that can occur at any time. Currently, the Indonesian government gives high appreciation to emerging regional MSME products.

Referring to the Law of the Republic of Indonesia No. 20 of 2008 concerning Micro, Small and Medium Enterprises (Kemenkumham, 2008), in Chapter I Article 1 General Provisions that reads

1. Micro Enterprises shall be productive businesses owned by individual persons and/or individual business entities that meet the criteria of Micro Enterprises as provided for herein.
2. Small Enterprises shall be productive economic businesses standing alone, done by individual persons or business entities not constituting subsidiaries or not constituting

company branches owned, controlled, or becoming direct or indirect portions of Medium or Large Enterprises that meet the criteria of Small Enterprises as intended herein.

3. Medium Enterprises shall be productive economic businesses standing alone, done by individual persons or business entities not constituting subsidiaries or not constituting company branches owned, controlled, or becoming direct or indirect portions of Small or Large Enterprises with the number of net assets or annual sales proceeds as provided for herein.

Criteria for Micro, Small and Medium Enterprises in the Law of the Republic of Indonesia No. 20 of 2008 concerning Micro, Small and Medium Enterprises, Chapter IV Article 6 that reads:

1. The criteria of Micro Enterprises shall be as follows:
 - a. Having maximum net assets of Rp.50,000,000.00 (fifty million Rupiah), exclusive of land and building of their place of business; or
 - b. having maximum annual sales proceeds of Rp.300,000,000.00 (three hundred million Rupiah).
2. The criteria of Small Enterprises shall be as follows:
 - a. Having net assets of more than Rp.50,000,000.00 (fifty million Rupiah) up to a maximum amount of Rp.500,000,000.00 (five hundred million Rupiah), exclusive of land and building of their place of business; or
 - b. Having annual sales proceeds of more than Rp.300,000,000.00 (three hundred million Rupiah) up to a maximum amount of Rp.2,500,000,000.00 (two billion and five hundred million Rupiah).
3. The criteria of Medium Enterprises shall be as follows:
 - a. Having net assets of more than Rp.500,000,000.00 (five hundred million Rupiah) up to a maximum amount of Rp.10,000,000,000.00 (ten billion Rupiah), exclusive of land and building of their place of business; or
 - b. Having maximum annual sales proceeds of more than Rp.2,500,000,000.00 (two billion and five hundred million Rupiah) up to a maximum amount of Rp.50,000,000,000.00 (fifty billion Rupiah).

The development of MSME in Indonesia is currently a solution to overcome unemployment and poverty by absorbing labor. There are now many developing MSME in regions that are directly supported by local governments. Small businesses at the village level are emerging. The government is aggressively providing socialization and training on MSME

and the implementation of independent businesses. MSME activists from young or millennial generation give color to the innovative and creative MSME sector (Suci, 2017).

Financial management is one of the important aspects to know the progress of the company. Financial management produces important information for decision-making. In addition, MSME players can find out the financial performance of the company, can identify, sort, and distinguish between company assets and owned assets. MSME can identify funds, sources, and funds allocation. In addition, MSME can calculate and find out the flow of funds during a certain period (Fatwitawati, 2018). Financial management is all activities related to acquisition, funding, asset management with several thorough objectives (Kasmir, 2010).

The process of financial management is carried out for company income by minimizing costs or expenses. Besides, it is also a company strategy in the use and placement of funds efficiently to achieve company goals. Financial management in the company must be properly structured based on proper financial planning, budgeting, recording, reporting, disbursement, storage, control, and supervision. A company's financial manager whose task of managing the company's finances to be allocated appropriately is needed. Good corporate financial management determines the short and long-term continuity of the company.

The company's financial planning is required to make plans for income and expenses as well as plans for company activities that require funds which are usually carried out annually. With financial planning, the company will more easily control the expenditure for the short and long-term activities. In planning, there is a budgeting function to determine the details of the company's expenses and income so that there is no excessive reduction in company funds. In budgeting these funds, a company manager must really ensure that the company's income and expenses following the financial planning made (Mulyanti, 2017)

Recording of each transaction is required in the company's financial management. The recording is an activity carried out by the company to record all financial transactions, income, and expenses with chronological and systematic writing. In this case, the recording starts with the collection of evidence such as purchase or sale receipts, notes, invoices, receipts, or other transaction that provides evidence of the income or expenses in the company. Furthermore, the recording of these transactions can be recorded in general journals, ledgers, or other accounting applications that facilitate the recording of more effective financial management. The recording of all financial transactions is very necessary since it can be used as evidence to support the company's expenses and income.

Financial reporting in the company is carried out at the end of the month or the end of the year based on the recording of all transactions that have been prepared in the general ledger. Cash flow statements, income statements, and balance sheets are recorded in the company's financial statements. This financial report is used for decision-making in achieving the future company's goals. The reporting stage also affects the company's financial planning in the next period so that the company can survive. Thus, in this case, it is necessary to control function of evaluating the performance of each part of the company, including all assets that need to be fixed in the company. With this control, the company will be able to achieve the goals that have been set (Diana, 2017).

Financial management aims to create a more structured financial management system in all processes of planning, budgeting, recording, as well as effective and efficient financial control. Effective and efficient company financial management can be seen from the ability to maximize all expenditure and income appropriately. With expenditure or income that is not excessive, it will help the company to achieve its target or goal. In this case, effective and efficient financial management is an important thing in achieving company goals.

Financial management in MSME includes the process of planning, cash management, routine recording, and controlling all financial activities. Even though MSME players are only involved in small and medium enterprises, they must be able to carry out proper financial management to develop well and minimize losses due to improper management (Diana, 2017). In the future, MSME is expected to develop into big businesses with proper financial management. MSME must implement good financial management, conduct periodic evaluations, and make periodic financial reports as early as possible. Thus, MSME business can be glimpsed by investors and creditors so that the business becomes big business. Because a large number of emerging MSME provide employment.

Often small business players do not understand financial management or recording business transactions properly. They tend to combine personal funds with their business funds resulting in excessive use of money for personal purposes. Therefore, MSME players need to implement simple financial management that can be done by separating personal finance from business finance (Diana, 2017). Personal finance is only used for daily personal needs and business finance is only for business development purposes. Separating personal finance from business finance is very important.

Planning spending should pay attention to the funds that must be spent on the business with the number of funds available. Avoiding the use of money with unclear planning by pay

attention to the needs will ensure that the money is not used in vain. Expenses should follow the plan and provide clear benefits for the business.

In managing business finances, MSME players are advised to make financial records, at least a cash book that records all expenses and income and notes payables and receivables as well as assets owned. It is also necessary to ensure that the same amount of physical money and the money in the notes. The smallest expenses and income are better recorded. Although financial management is simple, it is effective. It is essential to ensure the calculation of profits correctly in accordance with the costs incurred, assets or cash depreciation, and tax or interest expenses if any. In addition, it is necessary to manage accounts payable and inventory. This makes it easier to calculate future business profit and loss.

Another thing to note is that MSME players must use a few percent of their profits to develop their businesses. They should go outside their comfort zone. MSME players must develop a bigger business to attract investors and establish cooperation. MSME players are demanded to make good financial records or reports. In the future, financial management will be more effective and the effectiveness of financial management shows the company's achievements (Diana, 2017).

The Covid-19 pandemic has an impact on all sectors, including MSME. Hence, transformation is inevitable in the business world. Based on data from the Ministry of Cooperatives, the average turnover of MSME had decreased drastically. The number of micro-businesses was 62,106,900, small businesses were 757,090, medium businesses were 58,627, and large businesses were 5,460. 98% of the total MSMEs are affected by the pandemic (Juminto, 2020).

UD. Bintang Muda has been established since 2000. It is located on Jalan Hos Cokroaminoto Pare, in front of the Pare terminal. UD. Bintang Muda sells various typical snacks, traditional foods, and souvenirs of Kediri. As time goes by, this trading business is improved. It follows current trends such as improved packaging, marketing with social media, to having resellers expand the marketing reach. In terms of marketing, UD. Bintang Muda is also supported by the Department of Communication and Information of the Kediri Regency. UD. Bintang Muda does not have branches. However, the system used is in partnership with MSME. UD. Bintang Muda has several production houses of its own and there are also production houses owned by others. This trading unit has twenty-five MSME business partners and facilitates their product marketing. UD. Bintang Muda labels new MSME products as well as being a supplier for shops and supermarkets. Product delivery from UD.

Bintang Muda covers the area of Pare, Kediri, Madiun, Mojokerto, Nganjuk, Wonogiri and even to Bali.

The profit was 20% of the product price. The turnover before the pandemic was around five to ten million rupiahs. During the pandemic, there was a considerable loss since 85% of goods could not be sent to partner shops due to the lockdown and the closure of the tourism sector. Losses suffered by UD. Bintang Muda ranges from 50-70 million rupiahs. Several production houses were working with this trading unit were forced to stop operating due to losses of up to hundreds of millions of rupiah.

Currently, the government has implemented new normal for the spinning wheel economy. For MSME, the government through the Ministry of Communication and Information has asked MSME players to start selling products through digital platforms. MSME players must innovate and create the products they sell. This will be a good and profitable synergy for MSME players (Juminto, 2020).

The new normal is not a guarantee for the increase in the turnover due to many returns of goods due to the lockdown of tourist attractions. The owner and manager of UD. Bintang Muda must find new strategies to increase their turnover so that they can cover losses during the pandemic. Meanwhile, the owner of this trading business can only innovate product packaging of professional packaging for the high-end market.

Financial management at UD. Bintang Muda still used manual bookkeeping of the basic accounting equation ledger. It made the flow of incoming goods and goods returns per week to see how much nominal generated for decision making every week. UD. Bintang Muda has tried electronic bookkeeping. However, it still waited for the IDM legality certificate. In the future, each product from this trading unit will use a barcode in each package.

Financial management makes it easier for business owners to see how much loss they experience. Financial management in UD. Bintang Muda is not very detailed, but it is still in the stage of improvement in its recording. This financial management can also be a reference for future decision-making so that there are no further losses. The decision-making of this trading unit to lay off its employees and reduce production during the pandemic is wise enough to minimize the increasing losses.

The financial management in UD. Bintang Muda in the new normal is to review the financial changes in expenditure and income to identify the next steps, especially regarding employees and production. UD. Bintang Muda is aggressively promoting its goods online. Thus sales targets can be met.

4. CONCLUSION

Financial management is all activities related to the acquisition, funding, management of assets with several overarching goals. The financial management process starts from proper financial planning, budgeting, recording, reporting, disbursing, storing, controlling, and monitoring company funds properly. Even though MSME players are only involved in small and medium businesses, they must be able to carry out proper financial management to develop well and minimize losses due to improper management. The MSME has an important role in the country's economic development by creating community independence and increasing employment and community welfare. In 2020, Covid 19 stopped all activities outside through the implementation of WFH (Work From Home) to PSBB in a number of areas. The impact of the COVID-19 pandemic has caused the Indonesian economy to be shaken, as well as the MSME sector which is struggling to maintain its products. The New Normal is here to bring updates to the MSME system with digital business.

Financial management at UD. Bintang Muda still used manual bookkeeping of the basic accounting equation ledger. It made the flow of goods arriving and goods returns per week to see how much nominal is generated. It can be used as decision-making consideration every week. Financial management in UD. Bintang Muda is not very detailed and less effective and efficient. However, it is still in the stage of improvement in its recording. The decision making during the pandemic were laying off employees and reducing production. This can be said to be a wise decision to minimize losses. For future financial management, UD. Bintang Muda strives for electronic and digital-based bookkeeping. It is currently still waiting for IDM legality certificates because each product from this trading unit will use barcodes in each packaging. This research is expected to increase knowledge regarding financial management for MSME. Financial management in a business is crucial to support financial stability. It can be used as a decision-making tool for business progress. In this case, UD. Bintang Muda must improve financial management by carrying out more structured bookkeeping and digital financial management.

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