

## THE ROLE OF ANALYSIS FINANCIAL REPORT MANAGEMENT IN INCREASING MSME INCOMES

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### ABSTRACT

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Financial reports have a significant impact on business unit revenue. where the annual calculation must be reported every financial year. To find out how much spending and income. Corporate financial accounting continues to use logbook attachments and these little notes are used for reference in every business. This study uses a descriptive analytical research method that provides clear, objective, systematic, analytical and critical descriptions and explanations. In this study, primary and secondary methods were used as data collection techniques, collecting data through direct interviews with MSME owners in South Tangerang City and other sources such as writings, articles, writings and journals related to the research topic. All sources are collected and completed according to the needs and objectives of the research. The role of financial reporting in increasing MSME income. Based on research analyzed in South Tangerang City, it shows that financial reporting has a relative influence on income. Where financial reports can improve the performance of business units and the results themselves determine the profit (profit) of the company. There are no financial reports in the City of South Tangerang, so that MSME actors in the City of South Tangerang have difficulty making business decisions. This can affect the company's performance both in determining future costs and in determining future goals.

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### 1. INTRODUCTION

Micro, small and medium enterprises (MSMEs) are a very important sector and their development continues to grow and is quite rapid. SMEs have become the engine of the country's economy. RI Law on Micro, Small and Medium Enterprises (UMKM) No. 20 of 2008 Article 1 states that a micro business is an individual business entity that meets the criteria for a micro business. Small business is an individual company or business entity that is not part of a medium or large business that meets the criteria for small business. Medium-sized company is an individual company or a group of companies that is not part of a small or large company that has total assets or annual sales results based on this Law; A large company is a company managed by an entrepreneur whose net worth or annual turnover is greater than that of a medium-sized company. (Lohanda, 2017)

But in reality there are still SMEs that cannot manage their business properly so that it is not uncommon for SMEs to fail in their business. This failure is due to the lack of knowledge of MSME owners in business management. Management of companies that need attention is financial management. However, the problems that are often faced by MSME owners are related to product marketing, technology, quality of human resources, and financial management. Financial management is a problem in MSMEs because MSME owners do not consider financial management important. Every company is expected to have financial reports to analyze financial performance so that it can provide information about the company's financial condition, profit and cash flow that is useful for those who use financial reports to make financial decisions in order to fulfill and account for their use. resource (Lohanda, 2017).

Through the results of evaluations and reviews at business locations, information is obtained that in managing their finances, they have recorded and made financial reports. but due to a lack of helpful workforce, no time to keep records, limited knowledge possessed by MSME Business owners, and owners feel they do not need to record financial reports anymore because so far the owners feel the sales conditions are good enough. So therefore, the decision making in purchasing goods and determining the selling price is done by following the custom, so it is feared that mistakes will occur which can be detrimental, such as not knowing with certainty the amount of profit earned, the balance between costs and income, the amount

of stock available, another difficulty faced by owners is not separating personal cash from their business, so that sometimes owners use company cash for personal needs which can have an impact on hampering company activities if an error occurs in the calculations.

Financial management becomes important when applied to SMEs. According to Edraras (2010), MSMEs whose finances are managed and communicated in a transparent and correct manner have a positive impact on the MSME business itself. The positive effect of financial management is a key success factor for SMEs and can be used to maintain the continuity of their business.

Financial management can be seen through the use of budgets, recording, reporting, and control. Researchers want to look deeper into the application of these indicators. To avoid the discussion being too broad, as well as to keep from deviating from the stated research objectives. The formulation of the problem in this study is: 1) How is the presentation of financial statements. 2) What obstacles are encountered in presenting business financial statements. 3) What is the role of financial statements in increasing business income.

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

Micro, Small and Medium Enterprises in general can be interpreted as a self-established business (individual/personal) that has a wealth of IDR 200,000,000 not including land and buildings (Nayla, 2014). MSMEs (Micro, Small and Medium Enterprises) in Indonesia have been regulated in the Law on MSMEs (Tambunan, 2009). Meanwhile, the definition of SMEs (Small and Medium Enterprises) based on the Central Statistics Agency (BPS) says that small businesses have a small workforce of around 5-9 people. Meanwhile, medium-sized businesses have an employment of around 20-99 people, which differentiates small and medium-sized businesses seen from the number of workers from the place of business (Nayla, 2014).

Small and medium enterprises are independent productive business units controlled by individuals or entrepreneurs. Basically, the distinction between Micro Enterprises (UMI), Small Enterprises (UK), Medium Enterprises (UM) and Large Enterprises (UB) is usually based on the original assets of each business unit excluding buildings and land. However, SMEs have different definitions from country to country because it is very difficult to compare SMEs between different countries (Tambunan, 2009).

### **Financial statements**

Financial reports are the result of the process of recording transactions (accounting) which are used as a communication tool with interested parties regarding the financial position and operational results of the business (Jumingan, 2006). Financial statements are a method of recording and as evidence of a company's performance. In a simple sense, financial statements can be interpreted as reports that can show the company's financial position in a certain period, which means that the financial statements show the current conditions regarding the company's finances on a certain date (balance sheet) and a certain period (income statement) (Kasmir, 2018).

According to Handoko (2017), management or administration is work with people to determine, interpret and achieve organizational goals by carrying out the functions of planning, organizing, preparing staff, directing and leading and directing. Hartati (2013), on the other hand, the whole process is set to generate company revenue by minimizing costs, and in addition, company value can be maximized through the use of funds and effective allocation.

The objective of financial management is to achieve financial efficiency and effectiveness. Effective financial management is reflected in the ability to maximize input and output, in finance means receiving and spending money. Effective financial management means how well the company can achieve its goals. According to the research results of Agustinus (2014), with the implementation of all the right programs and the right financing, effective and operational financial management is also achieved. Managing reports is the next step after entering them into general ledgers and subsidiary ledgers. The general ledger and subheadings are closed at the end of the month, after which they are transferred to the summary financial statements as the basis for preparing the financial statements.

### **Financial Statement Analysis**

Financial statement analysis is the process of assessing the value and economic risk of a business entity. The analysis is carried out such as company performance analysis, analysis, environmental analysis. Analysis in business is needed in making decisions by those who need the process of making decisions in business activities including investment, credit, and decision making by management for the continuity of the company.

By analyzing the financial statements so that those with an interest in the company's financial statements can obtain accrual and reliable information, making it easier for those who need it to make decisions. So that the analysis of financial statements is able to reveal the uncertainties faced by parties in making decisions (Puspitasari, 2014).

### **MSME Financial Management**

According to Husnan (2000) financial management or financial management is the arrangement of financial activities within an organization. Financial management involves business planning activities, cash management and control of financial activities. This financial management is carried out to manage finances in small businesses, starting from funding, cash management, and the need for business development (Husnan, 2015).

The company's internal needs for financial reports as a performance evaluation tool, to assist decision making, as a condition for applying for credit to banks or creditors, while external needs are the company's accountability to candidates or investors/creditors, accountability to the public. Management is useful as a controller in spending money, it will generate profits, so as to be able to finance the business. This financial management needs to be implemented by actors in MSME, it is expected that later it will reduce the risk of business losses.

### **Income**

Revenue has a huge impact on business survival. The higher the income, the greater the company's ability to finance all expenses and activities needed by the company. Profit, result, gain or benefit can be defined in two ways, the first is result is defined in pure economic terms as an increase in investors' wealth due to their investment after deducting the costs associated with the investment.

## **2. METHOD**

This study uses a qualitative approach with a qualitative descriptive orientation. This approach was chosen because in this study it leads to a detailed description of the actual conditions in the field. Qualitative research is research with data in the form of words, sentences, schemes and pictures. The process and meaning are emphasized and the theoretical basis is used as a reference so that the research focus is in accordance with the facts in the field.

The data sources in this study are:

1. Primary Data: Primary data is original data collected by the researcher himself with the instruments prepared and the results processed by himself to be able to answer the proposed research problem (Poltak Sinambebe, 2014). Primary data in this study were obtained directly from the owner in South Tangerang City which includes: owner profile, business processes, characteristics of MSMEs, as well as data related to financial processing such as sales turnover, production costs, products produced and others.
2. Secondary Data: Secondary data is supporting data obtained from other sources, namely writings, articles or literature related to MSME management.

This study used a survey method, with simple descriptive analysis, using primary data, secondary data from MSME players (taken from the South Tangerang City SME Cooperative Office and MSME Stakeholders, by way of interviews).

In collecting data or materials, the authors use several methods in data collection. Among them:

1. Observation. The method of collecting data in research is by making direct observations of the activities carried out by MSME businesses in the city of South Tangerang.
2. Interview. Research data collection method, in which researchers conducted interviews with MSME business owners in South Tangerang City. As well as competent parties related to research.
3. Literature study. The research data collection method is carried out by obtaining the data through reading books, documents, references and others that have something to do with the research material, so that it can solve research problems.

The data analysis technique used in this study is a qualitative descriptive analysis. To answer the formulation of the problem "What is the role of financial reports in increasing business income in the City of South Tangerang?" The stages of analysis will be carried out as follows:

1. Interviewing owners or managers of SMEs according to the list of questions. The interview used a tool in the form of a voice recorder so that the interview activities could provide complete data according to research needs.
2. The results of the interview will be transcribed into a list of questions and their answers. The interview transcripts were used as an initial survey regarding the role of financial statements in increasing MSME income.

### 3. RESULT AND DISCUSSION

Based on the research findings that researchers get in the field, the researchers find some data that researchers need. In the research that researchers conducted on buk isma owners from South Tangerang City. Researchers obtained data about the role of financial reports on MSME income, in South Tangerang City.

Based on the problems and research objectives that have been put forward, namely to analyze the role of financial report managers in increasing MSME income, in South Tangerang City. For this reason, guidelines for obtaining research data have been prepared which can be used as interview guidelines. To interpret the data obtained from the interview results, the following will describe the research data on the role of financial statement management in increasing MSME income, in South Tangerang City.

To get answers to the research questions above, several questions were asked to MSME owners in South Tangerang City. One UMKM owner said he had opened a business for 7 (seven) years in his own house. And until now it has increased. Based on the results of the interviews, it can be seen that the income from the business is in the range of 20 million before production costs are incurred. And the average net income after production costs are about 15 million. And we know that we produce an average of 600 kg of raw materials every week. Means about 2400kg per month. These are raw materials that are ready to be processed and are not yet finished products.

Production costs by adding up production items such as: raw materials, labor and then recording them in the book. The cost incurred per week is 5 (five million). so it can be ascertained that the costs incurred per month are around 20 (twenty million).

In marketing his products by visiting souvenir shops around towns and villages, these shops have now become his customers. In addition, it has its own shop. For financial reports, the business has had financial reports and those who recorded the financial statements were their own children.

Based on the findings obtained from the research conducted at the research location, a discussion can be put forward based on the research objective, namely an analysis of the role of financial statements in increasing MSME income, in South Tangerang City.

In this section, we will discuss the importance of recording the finances of a business unit. Of course, financial records also function in preparing financial reports. These financial records function as (1) knowing in detail the development of the business, with detailed recording the MSME business owner will know the extent of the development of the business they have. Is it increasing?, declining, or in a stagnant condition. (2) knowing business finances, so that the owner can find out the financial condition from month to month, as well as from year to year. (3) as decision-making, financial records can be used as a decision-making tool. Because business decisions can be taken from the financial condition that is being run. If for one month the company suffers a loss, the owner can determine what targets can be made to increase sales in the next period.

How important is a financial record for the survival of a business unit. By having financial records, MSME business owners can make strategic decisions for the progress of the business being undertaken.

Based on the results of the interviews stated above with MSME actors, matters related to income are as follows:

1. Revenue is formed by the occurrence of all company activities
2. When sales is the prime time and the standard for revenue recognition.
3. Good human resources (HR) will influence higher work productivity.
4. Good financial records will have an impact on making the right decisions.

Accounting is an information system, determining profit, recording transactions as well as accountability. Accounting was born and developed in accordance with the demands of society. Meanwhile, Islam is an order of values that must be upheld, such as justice and truth. In South Tangerang City the values of justice and truth have been implemented even though not fully. The truth value is the honesty and correctness of a report that aims to achieve higher trust. This has not been fully implemented by South Tangerang City. Which financial records only use small notes. So it is less effective if used as:

1. Become evidence of the transaction that forms the basis for the next issue.

2. Ensure that there is no manipulation or fraud in obtaining transaction results (profit).

#### 4. CONCLUSION

Based on the research findings and discussion of the research results, it can be concluded that the analysis of the role of financial statements in increasing MSME income, in Sanjai Minang Maimbau. It has a relative impact, because Sanjai Minang is not very good at making financial reports. The financial statements do not have a direct impact on revenue. However, it affects business performance. The better the financial records, the better the performance of a company can be ascertained. And good performance will certainly bring good income.

The owner's limited knowledge of financial reports makes Sanjai Minang Maimbau's business performance less productive. The owner does not know in detail the monthly production costs, the unit price of goods to be sold, the financial condition of the business. This will affect decision making and the difficulty of determining targets to be achieved by the company. And these conditions will be very vulnerable to the influence on revenue and survival of the company.

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