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STRATEGIC FINANCIAL MANAGEMENT IN MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES)

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ABSTRACT

Strategic planning impacts a company's finances, as does good management, but when the two strategies are synchronized, tools are available to achieve growth and development. Financial management as a tool that helps to have clear information and the real state of the company, on the other hand, strategic planning for setting goals, meeting goals and making good decisions. Financial management in Micro, Small and Medium Enterprises or better known as MSMEs which is characterized by bankruptcy and low liquidity, as a result of ineffective financial policies implemented by the owners-and motivated by a lack of knowledge about proper management of their resources. Another aspect analyzed in relation to SMEs is the absence of a homogeneous definition at the international level. This study finds differences in the financial management of MSMEs, because this is influenced by the goals of MSME actors in the company, so that it has a significant effect on competitiveness and sustainability in the market..

1. INTRODUCTION

The transformation process brought about by technological advances, process automation, economic development, business growth, makes it difficult for MSMEs to survive and advance in their environment (Hartono & Hartono, 2016). One of the main activities that make MSMEs sustainable over time, is good financial administration and management according to clear and reliable information from their financial reports, which is why in reading strategic planning and the advantages of its application in MSMEs are defined (Hartati, 2013). this is financial management as the main tool for business sustainability. Some authors point out that financial management consists of managing the resources at the company's disposal to ensure that they will be sufficient to cover operating costs. this. In a company this responsibility falls on one person: the financial manager who must maintain adequate and regular control over the company's income and expenses (Aisyah et al, 2020; Jatmiko, 2017).

Define the concept of financial management Brigham & Houston (2001) describe it as one of the traditional functional areas of business management, found in any organization, responsible for the analysis, decisions and actions related to the financial flows required for the activities of the organization. In addition, Wijaya (2017) explains that financial management integrates all tasks related to the achievement, use, and control of financial resources. In this financial management, Humaira & Sagoro (2018) show the determination of the need for financial resources as an approach to needs, a description of available resources, estimates of resources spent and calculation of external financing needs. However, Anwar (2019) analyzes that it is important to consider in financial management the achievement of financing according to its most profitable form, taking into account costs, other contract terms and conditions, tax conditions and the company's financial structure.

It is important to have a wise application of financial resources according to Dayanti et al (2020) is the way in which a balanced financial structure and an adequate level of efficiency and profitability can be obtained with the aim that financial analysis obtains certain answers about the company's financial situation. In the case of certain MSMEs, access to financial resources has been recognized as one of the fundamental problems. Another aspect of concern to MSMEs is the absence of a homogeneous definition on an international scale. Each organization, region or country can set classification parameters according to their respective contexts (Budiarto et al, 2018). So it is important to define what SMEs are. Al Farisi & Fasa (2022) stated that "the acronym for UMKM means micro, small and medium enterprises. There are several definitions for MSMEs, but these are classified according to their size, sales, number of employees, or capital invested."

Micro, small and medium enterprises (MSMEs) in Indonesia are a large source of livelihood and part of the gross domestic product (GDP). In this regard, Rudiatin & Ramadhan stated that MSME activities are very important for the Indonesian economy, because they contribute in a very relevant way to the country's Gross Domestic Product. However, most of these companies do not have established financial management in their consolidation. Many do not even keep their financial statements, sales, profits, debts, assets, liabilities and equity, and prefer to hide this information so that they cannot be held accountable to the State. However, hiding this information also means limiting its growth and profitability, which indicates a failure in the market due to ignorance about the real state of the company and its reasons..

2. METHOD

The method used to conduct this research is a qualitative method. According to Creswell in Somantri (2005), qualitative research is a multifaceted picture that includes scrutinizing words, thorough accounts from respondents' perspectives, and performing investigations in real settings. Qualitative research is descriptive study that employs an inductive analytical method. In qualitative research, data is collected from diverse sources using various data collection procedures (triangulation) and is collected constantly until the data achieves saturation (Sugiyono, 2001). Triangulation is a technique for verifying the veracity of data by leveraging something other than the data for the goal of verifying or comparing the data.

3. RESULT AND DISCUSSION

It is important for MSMEs to carry out a strategic plan that allows them to have a diagnosis, visualize the scenarios they have to face and the financial actions and practices that have to be implemented, with the aim of directing the company towards its growth. thrive, as poorly managed companies progressively end up without liquidity and in the worst cases, forgotten. This is why strategic planning is an important ally for MSME administrators and managers, as it prepares them for good practice in difficult times and helps them meet business goals. Most of the failures are caused by poor strategic planning and poor prospects of some companies, do not have a broad concept and analysis of the activities they carry out, especially in finance and accounting, which is a big burden for them. company in its activities. Therefore, the implementation of strategic planning and this prospective business vision must involve all areas of the company, especially finance and accounting to adopt good financial and accounting practices (Hamdani & Fatah, 2018).

MSMEs today find it difficult to carry out financial reports and their results and implementation are essential for their growth, combined with other aspects such as good financial and accounting practices, proper administration of material resources and human talent, strategic planning and control. financial information among the good practices that small and medium-sized companies must have for their growth are implementation of strategic plans, correct and firm decision making, constant and honest updating of financial information, process intervention with internal audit, permanent training of employees and directors, and design and implementation of financial management-oriented improvement plans. In addition, it is important to develop indicators for companies that help them determine the progress of accounting activities on a monthly basis. Also, it is important to review financial statements with vertical and horizontal analysis to determine trends, review the company's liquidity and profitability reports (Machmud & Sidharta, 2013).

As for financial information control, it should aim for clear, concise and reliable information, which is a challenge for companies that do not have the required resources, installed capacity and human talent. This is why staff should be trained in the selection of their collaborators, who must be willing to offer their knowledge to position companies with quality standards, because nowadays many MSMEs have employees with knowledge who are not professionally accredited and processes that cannot be relied on (Ariani & Utomo, 2017).

Thus, strategic planning and good finance and accounting practices, coupled with sound financial management in MSMEs, can be seen as tools to guide and improve business decision making, recognize and act decisively with internal situations, analyze scenarios that promote growth and meet needs. . goals, and address opportunities and strengths as stepping stones to progress. However, this is only possible with continuous and strategic work involving every area of the company to identify deficiencies and come up with practices that lead to the desired goals. Moreover, combined with financial information systems, they become a key area for companies, as they consolidate information for the development of proprietary action plans that enable increased productivity and growth (Ariani & Utomo, 2017).

So, when considering good financial and accounting practices and good financial management in strategic planning, they are important to determine whether it is necessary to take corrective or preventive actions for good administrative management in the company. It should be noted that MSMEs are currently under-managed. Although people have the knowledge and tools for good resource management and accelerated growth of small and medium-sized enterprises, often they do not make the right decisions because they do not know how to use the resources at their disposal. That is, they don't apply the knowledge and that's when the company doesn't grow. Some of the main drawbacks are that they do not understand strategic planning, nor do they do a financial analysis of their resources, apart from not having the methods or information to implement it in the company.

Good management of financial resources is a path for company growth and fulfills vital functions for strategic decision making and direction, it is a pillar of good administration, as it provides medium and long term vision, provides tools for day-to-day actions that normally stake company operations on operational and financial levels. It is also important in companies to identify which processes are failing to act on their improvement and in between, there are often administrative, accounting and financial activities that must be directed respectively as interdependent axes for process progress (Suyono, 2018).

Some processes that fail repeatedly are financial management and planning, without taking into account that they are a means to achieve goals and a path that leads to the fulfillment of the same vision and mission, they all have strategies, even if they are not efficient or according to their development plans, that's why planning marking step by step to guide decisions that will be aimed at improvement and growth, according to standards, proposed objectives and financial management helps keep clear information of the tasks being performed with company accounts, income, expenses, profits and losses (Remmang, 2021).

First of all, the company must make a diagnosis that allows analyzing the situation or area that presents the difficulties and shortcomings that are usually a barrier to growth and that is where it will begin with the strategic planning work that puts into practice the methods of business improvement and growth by meeting the objectives. It is important to consider the whole company panorama to establish an effective strategic plan that is consistent with the company's needs and scenarios that may be faced, to support sound decision making aimed at business growth.

Within this framework, companies compete day by day for the market and the fulfillment of their goals, which is why it is important to have, among the tools to compete, good administration, excellent personnel and dedicated planning with strategies that truly drive growth, sales. and aim for success, because those who do not meet market standards become history and financial failure. In order to avoid being part of this failure, some companies have implemented standardization of processes, planning and access to financial information, which enables growth and competitiveness, for this reason information systems have become a strategic tool that helps them to compete in the market, such as this there are many some companies have implemented standardization of processes, planning and access to financial information, which enables growth and competitiveness, for this information system has become a strategic tool that helps them to compete in the market, because there are many ways that companies use for good financial practices and strategic planning.

These tools guide the effectiveness and visualization of possible scenarios that must be taken into account to act efficiently and timely, help channel the gaps imposed on the company and within the framework of growth and productivity, make decisions that help to meet institutional goals and objectives. This growth, productivity and sustainability shows the presence in the MSME market for many years and the ability they have to generate resources, it is necessary to take actions that benefit this sustainability and value-creating action plans should be guided. products and company needs. In this way, good management of financial resources, assets and liabilities, is a pillar for the proper functioning of the company, if we don't plan, we fall into the mistake of delegating activities to those who may be unsuitable or unqualified. to put it into implementation, it is important to conduct a detailed review and plan each strategy that will trigger continuous improvement and business action. On the other hand, the sustainability and growth of a company is directly related to its administration, so it is necessary to examine strategic planning as an option, as well as accounting and management processes, which aim to direct good decisions for the company's projects into the future. (Faruq & Usman, 2014).

In fact, the duration and sustainability of the company is directly related to generating profits above its expenses and this is made possible thanks to the added value that occurs during production and sales, in this case one of the added values is strategic planning, good management of financial resources and sustainable business growth. directly related to good decision making, based on possible future scenarios where strategic planning steers the wheel to identify the objectives and indicators that must be met to steer the company to the situation.

It is also important to identify the problems, threats and competencies that you have, because they provide an overview and opportunities to develop based on a pre-defined action plan with strategic planning. In other words, the market is becoming increasingly competitive and becomes a battlefield for companies where those who have the best weapons or tools will succeed and are ready to fight and make good decisions. Among the research conducted by Utami & Imron (2012), strategic planning and managerial accounting can also be seen as a trigger entity for companies in relation to sustainability in the market, accompanied by adequate control, strategic planning can be more competitive. and help them achieve the proposed goals based on collective work and the fulfillment of the proposed goals and tasks. The above-mentioned strategic planning, within the company, causes relevant impacts in the administrative, operational and financial fields, basically the most important elements for the operation and stability of the company, this planning allows to see the company in the future where different scenarios and depending on how the situation emerge on its own (Allison & Kaye, 2005).

Finally, it is important for these companies to first carry out a diagnosis and in this case establish a strategic plan to implement sound financial management in the company, reviewing the required resources, personnel, training and knowledge, and more than just the costs that must be incurred as a investment in a company that will help project itself into the future; Once what is needed is defined, responsible people and action plans are established, administrators and managers must lead the entire process to have full knowledge that enables them to direct and make related decisions, someone who is responsible for each process is determined and which goals and objectives are what we want to achieve, in this case is the application of financial indicators, software and tools that help manage accounts, assets, liabilities, financial statements, profit, loss, accounts with third parties, liquidity, resources, planning, investments and everything related. with company books; Goals and objectives are set along the way allowing weekly or monthly monitoring and control to ultimately determine the progress, relevance and feasibility of the strategic plan.

Financial management will always be closely related to strategic planning and therefore with the PHVA cycle, to implement the whole problem of planning, doing and more importantly verifying and acting, planning without prior implementation just stays on paper and in strategy, that's why the planning done must accompanied by follow-up and control actions taken around strategy and among the key issues for good financial management

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In a study on financial management, Subagyo (2017) states that MSMEs must have adequate financing to be able to carry out their projects, maintain the right balance of expenditure and income, ensure the flow of their capital and in this financing must consider training actions. to improve human resources in each company. It is necessary to implement financial and tax management guidelines that allow the creation of a safe way of working to comply with applicable regulations.

4. Conclusion

It can be concluded that, regardless of the size of the company, it is very important that strategic planning is carried out in it as a driving force towards success, generating possibilities and environment for growth and sustainability, giving impetus to the company, not only in financial management, if not in functional, administrative areas. or operations. evaluate the MSME environment and make internal diagnoses to identify needs and perform financial operations, manage growth, debt investment, income and expenses to protect company liquidity and implement strategies that provide economic solvency; You need to be very clear about the financial risks you face on a daily basis to establish prevention and action strategies. A company's sustainability is based on its liquidity and cash flow. From the analysis of the information obtained, it is possible to confirm that MSMEs are vulnerable to unexpected financial imbalances, which are characterized by bankruptcy and little liquidity, as a result of ineffective financial policies or due to the ignorance of the owners. -managers with adequate administration, planning and management of resources. It is necessary to design a diagnosis or guiding methodology that allows identifying existing problems, important variations and factors affecting financial management, MSME actors must have the right tools that allow you to detect errors and implement appropriate corrective actions, predict the future and achieve better planning.

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