

**FINANCIAL MANAGEMENT OVERVIEW ON MSME (MICRO, SMALL AND MEDIUM ENTERPRISE) IN MANADO****GAMBARAN MANAJEMEN KEUANGAN PELAKU UMKM (USAHA MIKRO KECIL, DAN MENENGAH) DI KOTA MANADO.**

By:

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**Abstract:** This qualitative research delves into the financial management practices within Micro, Small, and Medium Enterprises (MSMEs) in Manado, Indonesia. Utilizing a qualitative approach, the study explores descriptive data gathered from interviews, observations, and secondary sources. The primary data emanates from interviews with ten MSME entrepreneurs across various sectors, while secondary data encompasses documentation and literature review. The research involves both qualitative and quantitative data types, emphasizing the qualitative nature of words, images, and non-numeric expressions. Data collection methods include observation, interviews, and literature review, crucial in comprehending the landscape of financial management in MSMEs. The data undergoes qualitative descriptive analysis, involving reduction, display, and conclusion drawing, to elucidate patterns and behavioral aspects of financial management practices. Conducted in Manado over a two-month period, this study aims to shed light on the financial management nuances within MSMEs, underscoring the significance of better financial planning, control, and reporting for their sustenance and growth.

**Keywords:** MSMEs, Financial Management

**Abstrak:** Penelitian kualitatif ini menggali praktik pengelolaan keuangan pada Usaha Mikro, Kecil, dan Menengah (UMKM) di Manado, Indonesia. Dengan menggunakan pendekatan kualitatif, penelitian ini mengeksplorasi data deskriptif yang dikumpulkan dari wawancara, observasi, dan sumber sekunder. Data primer diperoleh dari wawancara terhadap sepuluh pengusaha UMKM dari berbagai sektor, sedangkan data sekunder berupa dokumentasi dan kajian literatur. Penelitian ini melibatkan jenis data kualitatif dan kuantitatif, menekankan sifat kualitatif kata-kata, gambar, dan ekspresi non-numerik. Metode pengumpulan data meliputi observasi, wawancara, dan tinjauan pustaka, yang sangat penting dalam memahami lanskap pengelolaan keuangan di UMKM. Data tersebut menjalani analisis deskriptif kualitatif, yang melibatkan reduksi, penyajian, dan penarikan kesimpulan, untuk menjelaskan pola dan aspek perilaku praktik pengelolaan keuangan. Dilakukan di Manado selama dua bulan, penelitian ini bertujuan untuk menjelaskan nuansa pengelolaan keuangan dalam UMKM, menggarisbawahi pentingnya perencanaan, pengendalian, dan pelaporan keuangan yang lebih baik untuk kelangsungan dan pertumbuhan mereka.

**Kata Kunci:** UMKM, Pengelolaan Keuangan

## INTRODUCTION

### Research Background

This research background delves into the critical role of MSMEs in the Indonesian economy, particularly in North Sulawesi, with a focus on Manado City. The MSME sector is recognized as the backbone of the national economy, contributing significantly to economic growth, job creation, and income generation. Despite their pivotal role, many MSMEs face challenges in effective financial management, leading to issues such as poor planning, recording, reporting, and control. MSMEs (Micro, Small, and Medium Enterprises) are the most

strategic sector of the national economy and concern the livelihood of many people, making them the backbone of the national economy. MSMEs also represent the largest group of economic actors in the Indonesian economy and have proven to be the key stabilizer of the national economy during economic crises, as well as a driver of economic growth post-crisis.

The government's initiative, marked by the Creative Industry Year in 2009, aimed to boost the real sector amidst global economic crises. MSMEs were identified as key stabilizers during economic downturns and drivers of post-crisis economic growth. In North Sulawesi, the thriving MSME landscape is characterized by various businesses, particularly micro-scale industries, which contribute significantly to the local economy. However, the research background highlights concerns regarding the importance of financial management, following the basic frameworks of planning, recording, reporting, and control. Principles such as accountability, meeting financial obligations, honesty, effectiveness, and efficiency are crucial for ensuring the sustainable development of MSMEs. The thriving and consistently evolving businesses in Manado City demand effective financial management. However, many MSME operators face challenges in this aspect. It is observed that numerous issues arise in MSMEs in Manado City due to poor financial management, often stemming from a lack of expertise in planning, execution, control, and financial reporting within their businesses. Despite the city's robust business environment and the proliferation of enterprises in various locations, challenges persist.

Financial management is one of the steps taken by every individual or group to organize their finances. Fundamentally, as beings equipped with reason, everyone is expected to act rationally in their economic activities. This includes managing finances from the source of income to the allocation of income for expenses, savings, and investments. According to OJK in 2018, financial management is a way of managing the money earned during the productive years in such a way that today's needs and desires are met, while also preparing for future needs and desires. The negligence of financial management can lead to consequences that may not be immediately apparent. Without effective accounting methods, a business can face the risk of bankruptcy. Financial information within a business must be transparent to attract users. Many MSME operators may feel that their businesses are running normally, but they lack growth (Risnansih, 2017). This raises questions about the profitability achieved each period, intangible assets, and tangible assets owned by MSMEs. There are many interesting aspects related to MSMEs, one of which is the behavior of business operators (Kostini and Raharja, 2020). MSMEs often face challenges related to capital, a shortage of customers, a lack of knowledge, and entrepreneurial deficiencies, all of which can pose threats to their sustainability (Tanan and Dhamayanti, 2020).

The issue that arises in the field is that while Micro, Small, and Medium Enterprises (MSME) may be able to plan their budgets effectively, not many of them engage in comprehensive financial management. Among the four indicators of financial management, namely budget utilization, recording, reporting, and control, the inability to understand accounting principles can hinder the proper development of the business. Lack of ability in using accounting is one of the factors that led to the failure of small and medium enterprises to develop their business. Despite the apparent growth of MSMEs in Manado City, there is a gap in comprehensive financial management. Issues such as the lack of understanding of accounting principles hinder the proper development of businesses. This research aims to address the gap by investigating the financial overview management of MSMEs in Manado, shedding light on challenges and proposing solutions to enhance their financial capabilities. The study intends to contribute valuable insights that can aid policymakers, business owners, and other stakeholders in fostering a conducive environment for the sustainable growth of MSMEs in the region.

### **Research Objectives**

Based on the problem formulation above, the objectives research is to examine financial management is implemented by MSMEs in Manado

## **THEORETICAL FRAMEWORK**

### **Small and Medium Enterprises (SMEs) in Indonesia**

In Indonesia, the categorization of Small and Medium Enterprises (SMEs) is governed by Law No. 20 of 2008, which classifies businesses into micro, small, and medium categories based on criteria such as net worth, annual sales, and the number of employees. Micro-enterprises, with assets up to Rp. 50 million and annual sales not exceeding Rp. 300 million, small businesses with asset values ranging from Rp. 50 million to Rp. 500 million and annual sales up to Rp. 2.5 billion, and medium businesses with net worth up to Rp. 10 billion and annual sales up to Rp. 50 billion, are included in this dual classification. Micro, Small, and Medium Enterprises (MSMEs) are



integral to Indonesia's economic development, contributing around 60% to the Gross Domestic Product (GDP) in 1999. Their resilience during economic crises underscores their ability to sustain business activities, emphasizing the importance of empowering SMEs for economic stability and development, envisioning them as strong, independent entities with high competitiveness in essential goods production and distribution.

### **Financial Management**

Anwar (2019) stated that financial management is a discipline that studies the management of a company's finances from the perspective of searching for funding sources, allocating funds, to distributing the profits of the company. The functions of financial management as stated by Nurdiansyah and Rahman (2019:74) are:

1. **Financial Planning and Budgeting:** Involves all company activities related to the use of the company's budget funds for various activities and purposes. Through careful planning and consideration, it aims to maximize profits and minimize wasteful and ineffective budget allocation.
2. **Controlling:** Concerns supervisory actions in all financial management activities, both in disbursement and recording, leading to financial evaluations that serve as references for subsequent company activities.
3. **Auditing:** Encompasses all internal examinations to ensure that all financial management activities comply with accounting standards and prevent deviations.
4. **Reporting:** With financial management, annual financial reporting becomes possible, providing valuable insights for analyzing the company's profit and loss statement.

Financial management in the context of Small and Medium Enterprises (SMEs) involves key functions such as planning, budgeting, controlling, auditing, and reporting. These functions aim to maximize profits, allocate funds efficiently, and ensure compliance with accounting standards. The objectives of financial management include maximizing company value, maintaining financial stability, and minimizing risks. The financial management process includes planning organizational goals, systematic recording of financial transactions, summarizing financial statements, and controlling actual performance. Proper financial management administration involves tasks like receivable, payable, inventory, fixed asset, cash, and payroll administration, ensuring accurate data for effective decision-making and strategic planning within SMEs.

### **Previous Research**

Hervina, Agusdiwana and Khadja (2023) discussed financial management in Micro, Small and Medium Enterprises (MSMEs) in Takalar Regency. The main problem of this research is that SMEs do not really understand about good financial management. Where there are 4 (four) indicators in financial management, namely financial planning, recording, reporting, and control. This study aims to find out how the application of financial management is carried out by MSME actors in Takalar Regency. This type of research uses a qualitative research type, with research locations in Takalar Regency. Data collection methods used are observation, interviews and document review. Informants in this study were 10 (ten) MSME's engaged in the trading sector. The results of this study indicate that MSME actors in Takalar Regency have implemented financial management but have not maximized it. The most widely applied indicators are financial planning, recording and control. Meanwhile, reporting indicators have not been implemented properly. This is due to limited time and human resources and business actors running their own businesses. In addition, MSME's do not have an accounting background so that knowledge related to financial management is still lacking.

Wardi, Putri, and Liviawati (2020) aimed to research the importance of implementing financial management for MSMEs. The descriptive method used with the sample is MSME owners in Tenayan Raya District, Pekanbaru City, which is good. The sample in this study was taken from 25 respondents. This research is a case study. Data was collected using a questionnaire instrument and analyzed using qualitative descriptive analysis techniques. The research results show that the implementation of financial management by MSME managers is still very poor in terms of budget use, recording, reporting and control. This condition means that business continuity cannot be guaranteed.

Septiana and Novitasari (2021) describe and analyze an overview of the financial management of MSME actors in the midst of the COVID-19 pandemic, especially the Bangkalan Suramadu Bridge area. This study uses a qualitative research method with a qualitative descriptive approach and the type of phenomenological research. Respondents in the study were MSME actors in the Suramadu Bridge Area, which consisted of Madura Typical Snacks MSMEs, Madurese Knick-knacks MSMEs and Madura Batik Crafts SMEs. Data analysis used qualitative data analysis with the stages of data reduction, data presentation, and drawing conclusions/verification. The results show that the financial management of MSME actors in the midst of the COVID-19 pandemic, especially the

Bangkalan Suramadu Bridge area, is more selective in controlling sales stock, generating creativity and innovation in various kinds of products sold, and utilizing social media as an online marketing tool in the midst of a pandemic. COVID-19. This is intended so that the income of MSME actors continues to rotate, even though the turnover is not as fast as before the COVID-19 pandemic.

## RESEARCH METHOD

### Research Approach

In this study, a qualitative approach is employed. Qualitative research is a method that produces descriptive data, capturing spoken or written expressions, and observable behaviors of the individuals studied. As per Taylor and Bogdan, this research describes current events using a single variable. The main goal is to generate descriptive data about written behavioral expressions observed in the individuals under scrutiny. Following Sugiyono (2009:14) that qualitative research methods are grounded in the post-positivism philosophy, aiming to examine natural object conditions. Unlike experiments where the researcher serves as the primary instrument, qualitative research leans towards descriptive nature. Collected data take the form of words or images, emphasizing narratives over numerical values. Under this framework, qualitative descriptive research involves words, images, or photos, capturing flexible observations. Data sources encompass words and actions, complemented by additional information such as observations and documentation.

### Data Collection Method

This research employs a diverse set of data collection methods to ensure a comprehensive understanding of the subject. The combination of observation, interviews, and literature review methods aims to capture a rich and varied dataset. This approach enhances the depth and breadth of the collected information, supporting robust analysis and meaningful research conclusions.

### Data Analysis Method

Data analysis is a crucial process that involves organizing, sequencing, and categorizing data into patterns and basic descriptive units. In this study, qualitative descriptive analysis is employed, involving three key stages: data reduction, data display, and drawing conclusions.

1. **Data Reduction:** Data reduction is a meticulous process focusing on simplifying and transforming raw data. The aim is to select pertinent information related to the utilization of Capitation funds in enhancing service quality. This stage involves sifting through informant records to extract relevant insights.
2. **Data Display:** Data presentation is the next phase, where organized information is presented in a cohesive and easily understandable form. Following data reduction, this step clarifies relationships and provides an accurate depiction of the overall data. This stage sheds light on crucial aspects of MSME financial management.
3. **Conclusion Drawing/Verification:** The final stage involves drawing conclusions based on the processed data. Conclusions represent new findings or insights that were previously unclear. These findings may take the form of descriptive depictions, interactive relationships, hypotheses, or theories. The credibility of these conclusions relies on solid supporting data. Researchers are encouraged to approach these conclusions with openness and skepticism, ensuring a robust and reliable research outcome (Ghony and Almanshur, 2012:307-309).

## RESULT AND DISCUSSION

### Result

**Table 1. Data of Respondent**

No	Informants	Type Of MSME
1	Tommy Laurens (49)	MBW / gorengan
2	Moses Kapale (29)	MBW / gorengan
3	Silvana Wongkar (41)	Silkitchen / cake
4	Injilly Rembet (23)	The scrunchies / cake
5	Cela Kumolotang (27)	Kayi snack
6	Elin (33)	MBW / Gorengan
7	Stacy Eci (34)	Djemba Taichan



8	Markus Tinungki (41)	MBW / gorengan
9	Stella Mamahit (46)	Stelkitchen / dessert cake
10	Putri (24)	Daengcu / dessert

Source: Data Processed

## Implementation of Financial Management by MSMEs in Manado

### Financial Planning

**Table 2. Financial Planning**

Statement	Implementing	%	Not Implementing	%
Making product sales planning	10	100	0	0
Creating financial plans in business	3	70	7	30
Separating personal funds from capital	4	40	6	60
Having cash reserves for unforeseen expenses	0	0	10	100
Comparing planned strategies with reality	1	10	9	90

Source: Data Processed

The provided information describes the financial planning practices of MSME (Small, Micro, and Medium Enterprises) based on responses from a group of entrepreneurs. Let's break down the key points from each description:

- 10 out of 10 respondents make financial plans for their product sales.
- 3 out of 10 respondents make financial plans for their overall business, while 7 do not.
- 4 of the respondents separate their personal funds from their business capital, while 6 respondents do not separate their personal funds from their business capital.
- 10 respondents do not have a cash reserve for unforeseen expenses related to their businesses.
- Only 1 respondent compares the plans they have made with the actual performance of their business; 9 respondents do not compare their plans with the actual performance of their businesses.

Information regarding budget planning from the interview with informant 1: "Of course, I am very focused on budget planning but not on an annual basis and to ensure the continuity and growth of our business". Overall, the importance of budget planning focused on business sustainability and growth is emphasized, while maintaining flexibility in its financial planning approach. This information is supplemented by informant 5 in budget planning: "By separating personal money from capital money for business, planning expenses is an integral part of our business financial management". The practice of separating personal funds from business capital, coupled with an emphasis on expenditure planning, constitutes positive steps in business financial management. This supports transparency, accuracy, and effectiveness in financial management, which, in turn, can contribute positively to business growth and sustainability.

### Recording

**Table 3. Recording**

Statement	Implementing	%	Not Implementing	%
Recording sales and purchase transactions	9	90	1	90%
Recording sales and purchase transactions manually	9	90	1	10%
Routinely summarizing sales and purchase transactions	6	60	4	40

Source: Data Processed

The provided information describes recording practices of MSME (small, micro, and medium enterprises) based on responses from a group of entrepreneurs. Let's break down the key points from each description:

- 9 respondents record sales and purchase transactions, while 1 respondent does not record such transactions.
- 9 respondents manually record transactions and purchases, while 1 respondent does not manually record these transactions and purchases.
- 6 respondents regularly perform a recapitulation of sales and purchase transactions.

Information regarding recording in financial transactions with informant 3: "In the recording stage, every transaction is carried out, how much per day, how much profit, how much is spent, everything is recorded".

Detailed and systematic recording practices reflect a commitment to good financial management. These records provide a solid foundation for financial analysis, budget planning, and strategic decision-making in running a business. Information regarding the above is supplemented by informant 4: "Yes, recording is still done manually by writing in a book". This business still employs a traditional approach with manual recording, which may be suitable for the current scale and complexity of the business but also poses the potential for efficiency improvement through the implementation of digital recording solutions in the future. Information regarding cash recapitulation by informant 6: "Cash recapitulations are made every day and everything is recorded, but sometimes it is recorded every month". Consistent daily cash recording is a positive step in financial management, while the regularity of monthly recording may require extra attention to ensure complete and accurate financial information every month.

## Reporting

**Table 4. Reporting**

Statement	Implementing	%	Not Implementing	%
Creating Comprehensive Financial Reports	2	20	8	80
Generating balance sheets, income statements, and cash flow reports at the beginning of the month	2	20	8	80

*Source: Data Processed*

The provided information describes reporting practices of MSME (small, micro, and medium enterprises) based on responses from a group of entrepreneurs. Let's break down the key points from each description:

- 8 respondents do not create comprehensive financial reports, while 2 respondents generate complete financial reports.
- 8 respondents do not prepare financial reports (balance sheet, income statement, and cash flow) at the beginning of the month; only 2 respondents produce these reports at the start of the month.

Information regarding financial reporting by informant 7: "Reports are made as is, but every month there will be one". The information is supplemented by informant 9: "Yes, expense reports, income. Rent expenses, raw materials because it's for raw materials and of course the price, and employee salaries". The business routinely generates financial reports every month; however, there is a need to consider improvements in terms of format, consistency, and detail in the reports to support more effective financial management.

## Controlling

**Table 5. Controlling**

Statement	Implementing	%	Not Implementing	%
Having a billing process for credit sales	0	0	0	0
Creating sales invoices for every sales transaction	4	40	6	60
Archiving sales and purchase transaction receipts	4	40	6	60
Checking material stocks for product manufacturing	7	30	3	3

*Source: Data Processed*

The provided information describes controlling practices of MSME (small, micro, and medium enterprises) based on responses from a group of entrepreneurs. Let's break down the key points from each description:

- 10 respondents do not have a billing process for credit sales.
- 6 respondents do not create sales invoices for every sale; only 4 respondents generate sales invoices for each transaction.
- 6 respondents do not archive sales and purchase invoices; only 4 respondents archive these transaction invoices.
- 7 respondents perform stock checks on raw materials for product manufacturing.

Information regarding inventory control provided by informant 10: "Control is only limited to checking stock of goods, checking stock of goods is carried out every day, checking receipts is also available". The

information is supplemented by informant 8 regarding controlling: "Control is only carried out as is, only checking stock of goods because it happens to be just a personal business". While there are efforts to control inventory by checking stock daily, the business may consider improvements in inventory control systems and accuracy to support better operational growth and efficiency.

### The Financial Management Factors Applied by MSMEs in Manado

#### Source of Capital

**Table 6. Source of SME Capital**

Source Of MSME Capital	Business Age <5 years		Business Age >5 years	
	Number	%	Number	%
Own capital, retained earnings	4	100%	6	100%
Own capital, Cooperative loan	0	0	0	0
Own capital	0	0	0	0
Own capital, Inheritance	0	0	0	0
Own capital, Bank loan	0	0	0	0
Own capital, Bank and Cooperative loan	0	0	0	0
Own capital, Inheritance, Bank loan	0	0	0	0
Total	4	100%	6%	100%

Source: Data Processed

The table 6 provides information on the sources of capital used by Micro, Small, and Medium Enterprises (MSMEs) based on the duration of their business, specifically those operating for less than 5 years and those operating for more than 5 years. Here is a description and explanation of the table:

1. Own Capital, Profit Reserves: There are 4 MSMEs with a business duration of less than 5 years that obtained capital from profit reserves, contributing 100% of the total. There are 6 MSMEs with a business duration of more than 5 years that also obtained capital from profit reserves, contributing 100% of the total.
2. Other Sources of Capital: No MSMEs used other sources of capital such as cooperative loans, own capital without profit reserves, inheritance, bank loans, or a combination of capital sources.
3. Overall Total: A total of 10 MSMEs were the subjects of the study, with 4 of them having businesses of less than 5 years and 6 having businesses of more than 5 years. All capital for MSMEs comes from profit reserves. This table provides an overview of the capital structure of MSMEs in Manado based on the duration of their business, which can serve as a basis for further analysis related to the sustainability and development of small and medium enterprises.

#### Allocation Funds

The table 7 provides an overview of the business outcomes of Micro, Small, and Medium Enterprises (MSMEs) based on the duration of their business, specifically those operating for less than 5 years and those operating for more than 5 years. The description and explanation of the table are as follows:

1. Saved to meet Family Needs: There are 3 MSMEs with a business duration of less than 5 years whose business outcomes are saved to meet family needs, contributing 55% of the total respondents in this category. There are 2 MSMEs with a business duration of more than 5 years that also save their business outcomes to meet family needs, contributing 40% of the total respondents in this category.
2. Saved to Meet Family Needs, Business Capital, and Workplace Facilities: There are 2 SMEs with less than 5 years of business experience whose business outcomes include savings for family needs, business capital, and workplace facilities fulfillment, contributing 50% of the total respondents in this category. There are 2 SMEs with more than 5 years of business experience that have similar business outcomes, contributing 30% of the total respondents in this category.
3. Other Variations: No SMEs indicate their business outcomes in the category of "Saved, Meeting Family Needs, and Paying Debts. 1 SME with more than 5 years of business experience has business outcomes for saving, meeting family needs, and business capital. 1 SME with more than 5 years of business experience meets family needs and has business capital
4. Overall Total: Total of 10 MSMEs were the subjects of the study, with 5 of them having businesses of less than 5 years and 5 having businesses of more than 5 years. The distribution of business outcomes varies, including a combination of meeting family needs, business capital, workplace facility fulfillment, and debt payment.



This table provides an overview of the goals or outcomes desired by MSMEs in managing their business results and can serve as a basis for further analysis related to financial strategies and business management of MSMEs in Manado.

**Table 7. Business Outcome**

Business Outcome	Business Age <5 years		Business Age >5 years	
	Number	%	Number	%
Saved, Sufficient for Family Needs	3	55%	2	40%
Saved, Sufficient for Family Needs, Business Capital, Workplace Facility Fulfillment	2	35%	2	30%
Saved, Sufficient for Family Needs, Business Capital	0	0	1	0
Saved, Sufficient for Family Needs, Business Capital, Debt Payment	0	0	0	0
Saved, Sufficient for Family Needs, Debt Payment	0	0	0	0
Sufficient for Family Needs, Business Capital	0	0	1	20%
Total	5	100%	10	100%

Source: Data Processed

### Asset Management Activities

**Table 8. Asset Management Activities**

Asset Management Activities	Business Age <5 years		Business Age >5 years	
	Number	%	Number	%
Recording activities	2	50%	4	70%
Not recording activities	2	50%	2	30%
Total	4	100%	6	100%

Source: Data Processed

The table 8 provides an overview of asset management activities by Micro, Small, and Medium Enterprises (MSMEs) based on the duration of their business, specifically those operating for less than 5 years and those operating for more than 5 years. Here is the description and explanation of the table:

1. Conducting Record Keeping: There are 2 MSMEs with a business duration of less than 5 years actively conducting asset recordkeeping, contributing 50% of the total respondents in this category. There are 4 MSMEs with a business duration of more than 5 years also actively conducting asset recordkeeping, contributing 70% of the total respondents in this category.
2. Not Conducting Record Keeping: There are 2 MSMEs with a business duration of less than 5 years not conducting asset recordkeeping, contributing 50% of the total respondents in this category. There are 2 MSMEs with a business duration of more than 5 years also not conducting asset recordkeeping, contributing 30% of the total respondents in this category.
3. Overall Total: A total of 10 MSMEs were the subjects of the study, with 4 of them having businesses of less than 5 years and 6 having businesses of more than 5 years. A total of 6 MSMEs (60%) actively conduct asset recordkeeping, while 4 MSMEs (40%) do not.

This table provides information on the extent to which MSMEs in Manado conduct asset recordkeeping. Effective asset recordkeeping can assist MSMEs in financial management and better decision-making related to the growth and development of their businesses. Further analysis can be conducted to understand the impact of asset recordkeeping activities on the performance and sustainability of MSMEs.

### Types of Financial Reports Prepared by MSMEs

Table 9 provides an overview of the preparation of financial statements by Micro, Small, and Medium Enterprises (MSMEs) based on the duration of their business, specifically those operating for less than 5 years and those operating for more than 5 years. Here is the explanation and description of the table:

1. Income statement: There is 1 MSME with a business duration of less than 5 years that prepares an income statement, contributing 20% of the total respondents in this category. There is 2 MSME with a business duration of more than 5 years that also prepares an income statement, contributing 30% of the total respondents in this category.



2. Income statement, Simple balance sheet: There is 1 MSME with a business duration of less than 5 years that prepares an income statement and a simple balance sheet, contributing 20% of the total respondents in this category. There is 1 MSME with a business duration of more than 5 years that also prepares an income statement and a simple balance sheet, contributing 20% of the total respondents in this category.
3. Not Conducting: There are 2 MSMEs with a business duration of less than 5 years that do not prepare financial statements, contributing 50% of the total respondents in this category. There are 3 MSMEs with a business duration of more than 5 years that also do not prepare financial statements, contributing 50% of the total respondents in this category.
4. Overall Total: A total of 10 MSMEs were the subjects of the study, with 4 of them having businesses of less than 5 years and 6 having businesses of more than 5 years. A total of 4 MSMEs (40%) actively prepare financial statements, while 6 MSMEs (60%) do not engage in this activity.

**Table 9. Financial Report of SME**

Financial Reports Of MSMEs	Business Age <5 years		Business Age >5 years	
	Number	%	Number	%
Income Statement	1	20%	2	30%
Income Statement, Simplified Balance Sheet	1	20%	1	20%
Not conducting	2	60%	3	50%
Total	4	100%	6	100%

Source: Data Processed

This table provides an overview of the extent to which MSMEs in Manado are involved in the preparation of financial statements such as income statements and simple balance sheets. Although the majority of MSMEs in the sample do not prepare financial statements, it is important to note that some respondents have done so. Increased awareness and support for financial management can help MSMEs improve their performance and business sustainability.

## Discussion

### Implementation of Financial Management Applied by Micro, Small, and Medium Enterprises (MSMEs) in Manado

Based on the interview results conducted by the researcher with business owners, overall, the importance of budget planning focused on business continuity and growth is emphasized, while maintaining flexibility in financial planning approaches. The practice of separating personal funds from business capital, along with an emphasis on expenditure planning, is a positive step in business financial management. This supports transparency, accuracy, and effectiveness in financial management, which can contribute positively to business growth and sustainability. Detailed and systematic recordkeeping practices reflect a commitment to good financial management. This recording provides a strong foundation for financial analysis, budget planning, and strategic decision-making in running the business. The business still employs a traditional approach with manual recordkeeping, which may be suitable for the current scale and complexity of the business but also presents potential for efficiency improvements through the future implementation of digital recording solutions. Consistent daily cash recording is a positive step in financial management, while the regularity of monthly recording may require additional attention to ensure complete and accurate financial information every month. The business routinely generates financial reports every month; however, there is a need to consider improvements in terms of format, consistency, and detail in the reports to support more effective financial management. While there are efforts to control inventory by checking stock daily, the business may consider improvements in inventory control systems and accuracy to support better operational growth and efficiency.

### Financial Management Factors Applied by MSME (Micro, Small, and Medium Enterprises) in Manado

The results of qualitative research indicate that, fundamentally, the financial management applied by the majority of MSMEs in both age groups (< 5 years and > 5 years) is similar. Based on their capital sources, some MSMEs, both with less than and more than 5 years of operation, rely on personal funds, while others come from retained earnings and inheritance. One slight difference in capital sources between the two groups of MSMEs is the presence of capital from debt (bank, cooperative) owned by MSMEs with more than 5 years of operation.

1. Capital Sources for MSMEs: From the interview result, it is evident that all respondents, regardless of whether their businesses are less than or more than 5 years old, rely on personal funds and retained earnings as their

main capital sources. None of them use other capital sources such as cooperative loans, bank loans, or inheritance. Most MSMEs in Manado tend to rely on internal capital, indicating financial independence and potentially limited access to external capital.

2. Allocations of Business Results: The majority of MSMEs use their business results to meet family needs, both those with less than 5 years and more than 5 years of operation. The number of respondents saving for business capital, workplace facility fulfillment, and debt payment is limited. The primary priority for MSMEs' business results is to meet family needs, while the allocation for business development is more limited.
3. Asset Management Activities: Most MSMEs, especially those with more than 5 years of operation, actively engage in asset recording. However, some also do not maintain asset records. Although most MSMEs have recognized the importance of asset recording, there are still some who have not implemented it. This could be a potential area for improving their financial management areas
4. Preparation of Financial Reports: The majority of MSMEs, whether less than 5 years or more than 5 years old, do not prepare financial reports such as income statements or simple balance sheets. Only a small portion actively prepares financial reports. The involvement of MSMEs in preparing financial reports is still low. Efforts are needed to increase awareness and understanding of the benefits of financial reports for business growth. The sustainability of MSMEs can be enhanced by more actively participating in financial management, including asset recording and financial report preparation. Education and training on financial management need to be strengthened to provide better understanding to business owners. The tendency to use internal capital indicates the potential limited access to external capital; therefore, efforts to improve access to external capital supporting growth should be considered.

## **CONCLUSION AND RECOMMENDATION**

### **Conclusion**

Based on interviews with MSME practitioners, it can be concluded that budget planning focused on business continuity and growth is crucial. Practices such as separating personal funds from business capital and emphasizing expenditure planning are positive steps in business financial management.

1. Detailed and systematic recordkeeping reflects a commitment to good financial management, even though it is currently done manually. However, potential efficiency improvements through the future implementation of digital recording solutions can be considered.
2. The business routinely generates financial reports every month; however, there is a need to consider improvements in terms of format, consistency, and detail in the reports to support more effective financial management.
3. Efforts to control inventory by checking stock daily demonstrate awareness of inventory management, and improvements in inventory control systems and accuracy can help support better operational growth and efficiency.
4. The majority of MSMEs in Manado tend to rely on internal capital, indicating financial independence and possibly limited access to external capital.
5. The primary priority for MSMEs' business results is to meet family needs, while the allocation for business development is more limited.
6. While most MSMEs have recognized the importance of asset recording, there are still some who have not implemented it. This could be a potential area for improving financial management.

### **Recommendation**

1. Considering the continued use of manual recording, it is advisable to consider the implementation of digital recording solutions. The use of financial software or applications can enhance efficiency, accuracy, and accessibility of financial data.
2. Although financial reports are prepared every month, improvements in terms of format, consistency, and detail in the reports should be considered. Clear and well-structured reports facilitate analysis and decision-making.
3. To support growth and operational efficiency, optimization of inventory control systems should be considered. The implementation of technology or inventory management software can help minimize the risk of inaccuracies and inventory loss.
4. Given the trend of digitalization, MSME practitioners may consider developing their digital skills. Training or resources related to technology can help them leverage digital solutions more effectively.



5. Building networks with other MSME practitioners or seeking business collaborations can open new opportunities and expand market access. Exchange of experiences and knowledge with fellow MSME practitioners can provide positive benefits.
6. Regularly reviewing and updating business processes, especially in terms of financial management, is crucial. Needed changes can be identified and implemented to ensure the business remains adaptive to environmental changes.

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