

MSMEs Financial Management during the Pandemic

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Abstract

The Covid-19 pandemic has disrupted supply chain businesses, forcing many companies, especially small and medium enterprises (MSMEs), and individuals to face enormous pressures in terms of lack of capital (Guo et al., 2020). MSMEs need to be considered in the midst of the Covid-19 pandemic like this so that they can survive in declining financial conditions. Assessment of financial performance for MSMEs is very important to do, this is used to measure and evaluate so that an overview of MSMEs financial conditions is obtained as a whole. (Sasmita, Ikhwan, Suyanto, & Chongsuvivatwong, 2020). Kampoeng Rajoet Binong Jati is a MSMEs in Bandung City that is located in Binong Village, Batununggal District. The focus production are knitting. The problems faced by the craftsmen in Kampoeng Rajoet Binong Jati are that the craftsmen still have difficulty using social media in introducing and marketing their knitted products, the preparation of financial reports for their businesses is still traditional and mixed with family finances and financial management during the Covid-19 pandemic. For businessmen, especially small and medium enterprises, financial strategy is an important factor that must be considered in an effort to maintain stability and develop business in a better direction. For this reason, businessmen must strictly implement a good financial strategy in accordance with the right systems to keep the business running in the midst of this Covid-19 Pandemic.

Keywords

Financial Management, MSMEs

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Preliminary

At the end of 2019, a new virus began to spread throughout the world, namely Corona virus disease 2019 (SARS-Cov) or also known as (COVID-19). Covid-19 is an infectious disease that can cause death in humans. The Covid-19 pandemic has had economic, social, and political implications for all countries, including Indonesia (Muqorobin & Rais, 2020). In 2020 during Covid-19, The World Trade Organization (WTO) estimates that the volume of world trade globally is likely to decline by around 32%. Various efforts to deal with the Covid-19 pandemic, such as large-scale social restrictions, have resulted in significant economic losses and a decline in people's incomes (Gopalan & Misra, 2020). The sectors affected during the Covid-19 pandemic are transportation, tourism, trade, health and other sectors, but the economic sector most affected by Covid-19 is the household sector.

Covid-19 has also had an economic impact on the Micro, Small and Medium Enterprises (MSMEs) sector. This is because MSMEs have a great influence and a strategic position in the economy in general. Including the small businesses that have been most affected by the Covid-19 pandemic, many have temporarily closed their businesses, and furthermore faced cash flow constraints (Baker & Judge, 2020). The OECD (2020) states that MSMEs are currently in the center of an economic crisis due to the COVID-19 pandemic, even with conditions more severe than the 2008 financial crisis. The crisis due to the pandemic will affect MSMEs with serious risks where more than 50% of MSMEs will not survive several years. next month. The collapse of MSMEs broadly can have a strong impact on the national economy and global growth prospects, on perceptions and expectations, and even on the financial sector.

The Covid-19 pandemic has caused supply chain businesses to be disrupted, forcing many companies, especially small and medium-sized enterprises (SMEs), and individuals to face immense pressure in terms of capital shortages (Guo et al., 2020). MSMEs need to be considered in the midst of the Covid-19 pandemic like this so that they can survive in declining financial conditions. Assessment of financial performance for MSMEs is very important to do, this is used to measure and evaluate so that an overview of MSMEs financial conditions is obtained as a whole (Sasmita et al., 2020).

One of the MSMEs in Bandung City, Kampoeng Rajoet Binong Jati, is located in Binong Village, Batununggal District. The focus of this industry is to produce various types of yarn made using a flat knitting machine. The problems faced by the craftsmen in Kampoeng Rajoet Binong Jati are that the craftsmen still have difficulty using social media in introducing and marketing their knitted products, the preparation of financial reports for their businesses is still traditional and mixed with family finances and financial management during the Covid-19 pandemic.

The company's financial condition describes the health of the company because the worse the financial condition of a company, the more likely it is that the company will bankrupt (Ariffin, 2021). Management ability is an important factor in improving the company's financial performance, because management determines where the company is going and what strategies will be carried out to achieve MSMEs goals (Sasmita et al., 2020). Another factor that is no less important in maintaining a business amid the Covid-19 pandemic is financial strategy. Financial strategy is the use of financial resources to support business strategies, both long-term and short-term which include capital acquisition strategies, capital allocation, dividend allocation and working capital management (Sasmita et al., 2020). Good financial management supports the survival of MSMEs (Karadag, 2015). MSMEs should be encouraged by financial institutions to retain accurate and up-to-date accounting records so that they are aware of their financial performance and financial condition, as well as their ability to create cash (Alangã, Kiplagat, & Owembi, 2017). The main purpose of financial strategy is to increase the value of the company through investments supported by funding, and discipline in carrying out financial strategies is the main task of a financial manager (Chauhan & Singh, 2019).

Capital acquisition usually involves consideration of a reasonable cost of capital, the proportion of short-term and long-term debt, the desired balance between external and internal funding, risks and restrictions on ownership and the level and form of lease and purchase that must be used (Sasmita et al., 2020).

The financial strategy is used as a description of the company's capital requirements, sources

of funds, estimated revenues, and costs of the business. The purpose of this financial strategy is to determine the company's ability to return its initial capital or investment and also to measure the company's ability to earn profits which will lead to an increase in the welfare of the shareholders (stakeholders). Financial planning will follow the stages of the business cycle and a manager must understand the business cycle (Gopalan & Misra, 2020). For businessmen, especially small and medium enterprises, financial strategy is an important factor that must be considered in an effort to maintain stability and develop business in a better direction. For this reason, businessmen must strictly implement a good financial strategy in accordance with the right systems to keep the business running in the midst of this Covid-19 Pandemic.

Method

The implementation of this Community Service (PKM) activity is carried out using the lecture, tutorial, and discussion methods. The stages of implementing this service activity are as follows:

Lecture Methods and tutorials

Participants are given insight into the importance of understanding proper financial management during the Covid-19 pandemic and provide examples of making financial reports and digital marketing training in the form of making facebook ads. The first step is held through lectures and tutorials for 60 minutes via zoom.

Methods of Discussion

Training participants were given the opportunity to discuss issues related to the business they were already running or things they wanted to ask about starting a business. The second step was held for 30 minutes. After the training is carried out, it is necessary to have an approach method. Goals, objectives, participants are then involved in the process of developing an application pattern as the output of their understanding of financial management, which will also support the improvement of the value economy and their creativity in communicating with their customers. The pattern of implementation is the approach taken by the implementing team of the community service program to the target audience, in order to achieve the target effectively and efficiently. The implementation of community service was carried out online on July 31, 2021 through the Zoom Application as shown in Figure 2. Evaluation of the implementation of this community service program was carried out in the form of: distributing questionnaires to the MSMEs entrepreneurs involved, to see their changes in their understanding and ability to manage finances. Their MSMEs are in a pandemic condition.

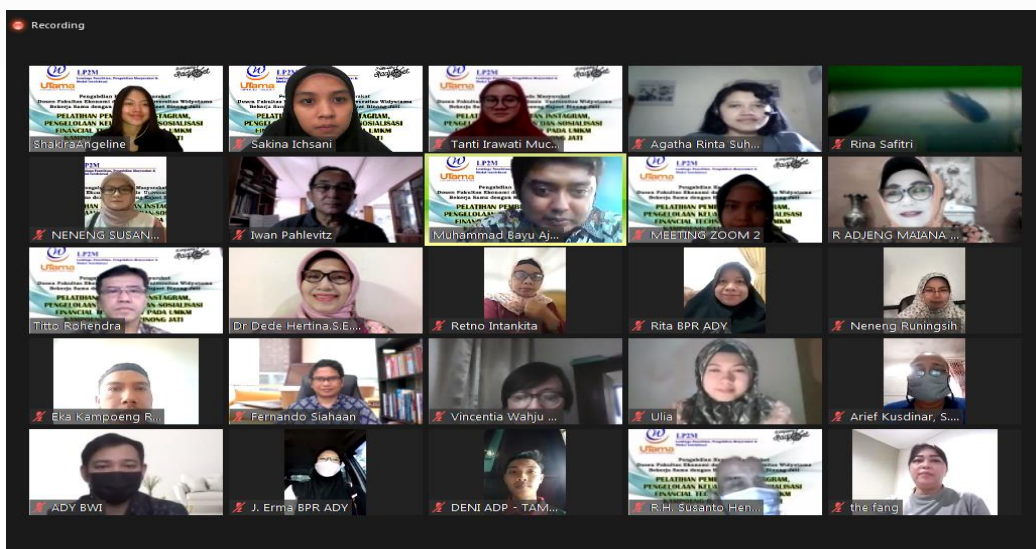


Figure 1. Community service through the Zoom application

Results and Discussion

With the emergence of the global disaster of the Corona virus or Covid-19, it caused an overall economic crisis. Because this virus forces people to keep themselves at home by staying at home and doing self-quarantine to break the chain of the spread of COVID-19. During the quarantine period, many sectors were suspended, such as the tourism sector, and the education sector, this led to a decline in the income of most people. Many are experiencing economic difficulties due to the death of their livelihoods. The Covid-19 pandemic has hit the Indonesian economy, including micro, small and medium enterprises (MSMEs). One of the impacts is the decline in sales, which is almost felt by all MSMEs. The following is data and information on declining sales of the MSMEs sector from Bappenas obtained:

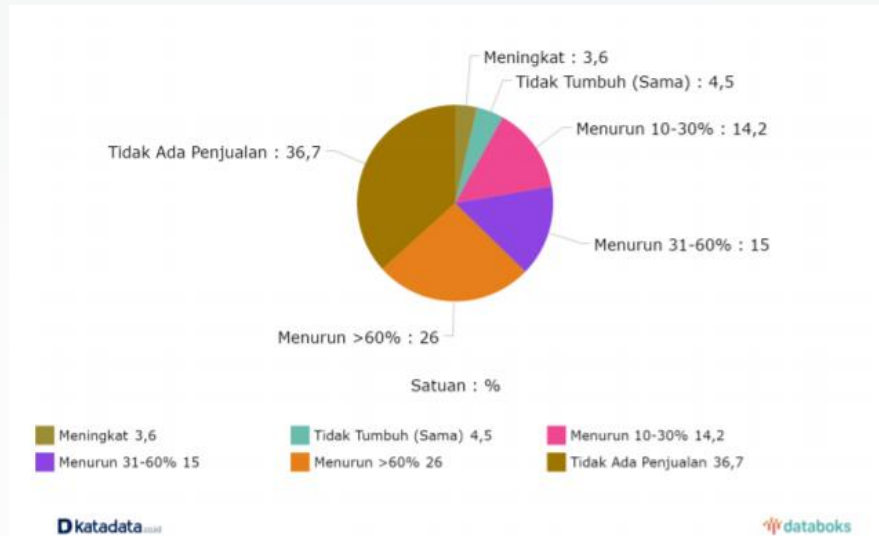


Figure 2. Declining Sales of the MSMEs Sector Due to Covid-19

Source: Indonesian Business Development Service Association, Ministry of National Development Planning (Bappenas),

Covid-19 pandemic has had a significant impact on the growth of MSMEs in Indonesia. The picture above shows the magnitude of the decline in the level of sales of the MSMEs sector as a result of the pandemic that occurred in the last few months. As many as 36.7% of MSMEs are threatened with bankruptcy due to the absence of sales in their businesses, and only 3.6% have increased sales. There are 4.5% who cannot carry out business development. Not only that, many MSMEs experienced a decrease in sales levels by up to 60% and some even exceeded that figure. So this shows that there is a need for new efforts that can help the MSMEs sector to survive, given that MSMEs have an important role in the community's economy. The role of MSMEs is very important for small communities, including as a means of alleviating the community from poverty, as a means of leveling the level of the people's economy, and providing foreign exchange for the country.

Financial management behavior is something that must be considered during this COVID-19 pandemic. This is because the COVID-19 outbreak has greatly affected finances in various sectors, one of which is Micro, Small and Medium Enterprises (MSMEs) which can certainly experience a decrease in income, both active income and passive income. Financial management behavior or financial management behavior is the expertise or ability of each individual in managing finances including: planning, budgeting, checking, managing, controlling, disbursing, and storing financial funds on a daily basis (Primasari, Magfiroh, & Sudjono, 2020).

In financial management behavior, a person can be led to be able to manage, organize and allocate good financial funds which can be useful in minimizing one's mistakes. Financial management behavior is an approach that explains that the human condition can influence actions related to financial decisions or financial decisions (Damayanti & Indriayu, 2020). With

this, a person must be wise in using the income or salary he earns, where this is very influential in financial decisions that are useful in everyday life.

Therefore, we have the idea to provide training to MSMEs so that they can continue to exist in the midst of this covid-19 pandemic. If they ignore the recording of financial statements, this can reduce the financial performance of their business. Because it is not recorded properly. The implementation of this community service activity begins with the provision of material prior to training. Providing material in the form of a basic understanding of financial management, as well as financial management tips during the Covid-19 Pandemic.

In managing finances, there are two things that need to be understood, namely income and expenses. The first material given is about the problems that are often experienced by MSMEs in general to how to find solutions or suggestions so that participants can face the problems that have been described. Next, explain the importance of preparing financial statements. The second material is training in compiling simple MSMEs financial reports, recording cash out and cash in, but previously conveyed the importance of compiling these financial reports to them. And they also stated that they did not understand how to prepare financial statements. When they explained how to prepare financial reports, they were enthusiastic about listening carefully to the material given. Because so far the participants feel that they do not need to record financial statements because they feel it is not so important and very inconvenient. So that after getting an explanation of the importance of preparing financial statements, they are aware of the importance of understanding and recording and preparing financial statements for their business. This service program that has been implemented is expected to increase knowledge about the importance of financial management applied in MSMEs around Kampung Rajoet.

Conclusion

The development of MSMEs in West Java as well as in Indonesia shows a good pattern. The existence of support from the government in certain ways affects the growth rate of the number of micro, small and medium enterprises. The conclusion that can be drawn from community service activities in the form of training and assistance in financial management of MSMEs during this pandemic is that these activities can be carried out properly. The results of the training and mentoring provide an increase in MSME financial literacy through the preparation of simple financial reports. MSME actors ultimately have an understanding that financial statements can reflect the real conditions of a business, furthermore financial reports can be used as a means of making business decisions. It can be seen that this community service activity increases the awareness of MSMEs that it is important to be able to separate personal finance and business finance. However, the constraints related to human resources that concurrently serve in all functions in MSME business activities make the inability to carry out business bookkeeping, in addition to the educational background of each MSMEs actor who is different, making a difference in understanding and implementing simple bookkeeping. Given.

There needs to be an effort to continue training activities and the need for mentors on an ongoing basis to get optimal results. In addition, for further activities, larger funds are needed. In addition, time is very limited due to the busyness of the participants, it is expected that those who wish to conduct training on recording and preparing financial reports are carried out more than one day. So that there will be more time to be able to explain this, so that participants can understand optimally.

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