

Improved Governance of Business Financial Reporting in MSMEs CV Gayatex Indo

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ABSTRACT

In addition, it is also to increase knowledge and skills in managing CV finances. Gayatex Indo complies with exist-ing guidelines. The method used in this community service activity is through the lesson study method using three stages, namely planning, implementation and reflection. The implementation method is manifested in mentoring, consultation and discussion activities. The result of this community service activity is to improve the knowledge and skills of partners in this case CV.Gayatex Indo in compiling and managing its business financial statements to be more effective and efficient so that it can help im-prove business financial performance and strengthen busi-ness position in the global market. By implementing good financial governance, it will make it easier for MSMEs to develop their business. For this reason, the importance of implementing financial statements is applied properly and in accordance with established regulations.

INTRODUCTION

MSMEs or Micro, Small and Medium Enterprises in Indonesia's history have played a major role in the economy (Kustanto, 2022; Windusancono, 2021). It is proven that when Indonesia experienced an economic crisis in 1998, many large companies went bankrupt, but MSMEs were one of the economies that remained strong. Over the years, convection MSMEs have become the backbone of the textile and fashion industry in the country. Convection MSMEs play an important role in advancing the local fashion industry by collaborating with designers and participating in fashion exhibitions, fashion shows, and so on. They are often catalysts for innovation in industries, as they combine tradition and craftsmanship from generation to generation with the latest trends and technologies. This not only stimulates local economic growth, but also determines trends in the clothing and textile industry. With the power of creativity, production flexibility and contribution to economic empowerment, MSMEs play an irreplaceable role in the global business ecosystem. In this field, many entrepreneurs start with limited capital, but have a strong determination to produce quality clothing and meet customer demand. This creates a diverse landscape in the convection industry, where each MSME brings unique nuances and ingenuity to define its brand and products. The number of MSMEs is increasing from year to year; The growth of MSMEs is only seen in terms of quantity, not quality. . The contribution made by MSMEs has not reached its peak considering that various problems are still found, including the preparation of business financial statements (Ahluwiah, et al., 2020).

The low quality of financial statements due to the absence of separation in administration, this causes difficulties for financial institutions related to credit (Purwanti, 2018). It should be a concern considering that data related to finance reflects control over the business carried out which leads to higher achievements (Ismail, 2009). MSMEs in the convection sector are currently facing increasingly severe challenges in facing global competition. One of the determining factors for MSMEs in the convection sector is low competitiveness. Although it has great potential, convection MSMEs often experience obstacles in managing their finances and reporting their finances accurately and accurately. Overall, only a small percentage of MSMEs experienced changes in their financial performance. This is because MSME stakeholders have not realized the need for good financial management (Farwitawati & Ak, 2018). Among all MSMEs in Indonesia, 77.5% do not have financial statements. Judging from the types of financial statements owned by MSMEs, only 23.2% of MSMEs have financial statements, 34.3% of MSMEs have income statements, and 34.4% of MSMEs have cash flow statements. Up to 53% of SMEs record only cash income and expenditures, which is much higher than expected.

The data above is in line with the research of Karunananda and Jayamaha (2011), which states that the main problem in MSME financial management lies in the poor recording and use of accounting information. Financial statement management is often considered too complicated and boring, so most MSMEs do not carry out financial recording and financial reporting (Safrianti & Puspita, 2021). One of the convection MSMEs that is still experiencing financial management problems is CV. Gayetex Indo is a convection company whose core business is the manufacture of various fashion products for local communities and institutions. Its business operations started in 2015 and its marketing is done online through its website and Instagram. The company's reach is quite wide with the most orders coming from other regions such as Kalimantan, NTT, Sumatra, Sulawesi, Pangkal Pinang, and Lombok. Its production volume always exceeds more than 500 pcs every month, so the revenue generated always exceeds its monthly plan.

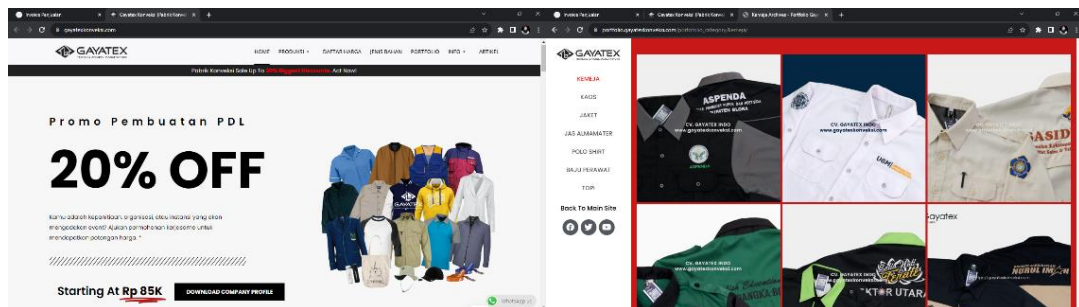
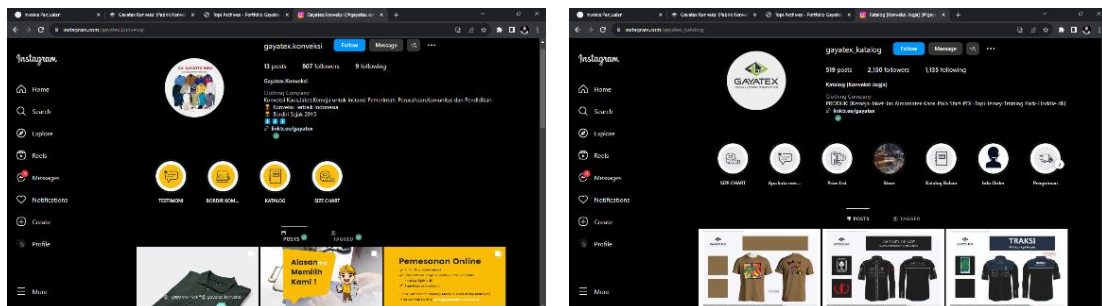


Figure 1. CV Gayetex Indo website



Picture 2. Business activities at Urban Perfume Point

For convection small and medium enterprises (MSMEs), good financial reporting governance is very important because it will help business owners make informed decisions and gain access to better sources of financing. In addition, good financial reporting governance can help a convection business increase its credibility, strengthen its position in the global market, and improve its position. Improving the governance of convection MSME financial reporting can be done by improving the quality of financial statements, increasing transparency and accountability, and strengthening internal supervision and control. There are five important areas in financial management for MSMEs including accounting information systems, financial reporting and analysis, working capital management, fixed asset management and capital structure management (Sooriyakumaran et al., 2022).

All these practices are essential for the implementation and performance of efficient financial management in organizations, including MSMEs. Financial governance is critical to the success of small businesses (Wolmarans & Meintjes, 2015) and the decision of MSMEs to expand business scale (Jenifer & Dennis, 2015). Safrianti & Puspitasari (2021) mentioned several basics in financial governance, namely:

1. Financial Planning, which considers sales, profits, as well as marketing alternatives and production strategies needed in determining the costs needed.
2. Financial Recording, namely the collection and recording of transaction evidence sequentially according to time.
3. Financial Reporting, consisting of balance sheet, notes to financial statements, cash flow statements, statements of changes in capital, income statements, and
4. Financial Control, namely the process of monitoring and assessing financial performance related to business budget plans.

According to Novieta in Dewanto (2022), Indonesian MSMEs must at least know what costs they must bear for their business, the amount of operational costs and the amount of profits obtained. However, accounting and financial reporting often receive less special attention from MSME stakeholders. In fact, the preparation of financial statements according to standards can facilitate decision making for MSMEs, which will certainly affect business growth and allow it to develop. It is true, MSME stakeholders are more focused on operational issues than financial issues.

Some MSME players say that business can still run smoothly and always earn profits without accounting records. Many of them feel that their business is running normally, but in fact they are not experiencing development. They cannot answer the question of the amount of profit earned each time but rather with tangible assets such as land, machinery, or vehicles. In addition, such assets are obtained not only from company funds, but also from personal property. Such assets are sometimes used for personal gain, and no distinction is noted between the two. This causes the company's development to be unclear, especially about financial performance. MSME actors find it difficult if they have to use accounting in their business activities. This is because there are no guidelines that can be used as a reference to learn to manage MSME finances. One of the disadvantages of CV. Gayatex Indo in terms of financial management has not implemented a good and correct accounting recording system. Recording is still done manually, there is no good and correct financial transaction procedure so that it is difficult to measure the expected profit.

There are several problems that partners must solve based on this presentation: they do not know how to carry out financial governance in recording activities and financial reporting; they have not been able to utilize recording media to facilitate recording and reporting; And they do not yet have procedures for financial transactions in production and sale. The purpose of this community service activity is to improve CV Gayatex Indo's financial governance by using effective and efficient financial statements. In addition, to improve knowledge and skills in managing the finances of small and medium enterprises (MSMEs) in accordance with existing guidelines.

IMPLEMENTATION AND METHODS

The description of the implementation method is by the lesson study method whose implementation is the same as classroom action research with three stages:

1. Phase I: Planning

Planning begins with communication and coordination with partners, namely the Owner of CV Gayatex Indo, the author explains the work program implementation plan while coordinating the time and place of implementation, training methods and data needed. This is done until all aspects are fully ready to the implementation stage so that there are no more obstacles or obstacles related to the preparation. At this stage, it is also expected that there will be good coordination between the author and partners.

2. Stage II : Implementation

Based on the analysis of situations and problems identified from MSME partners CV Gayatex Indo, the stages of implementation are given through 2 (two) approaches:

Assistance

To improve operational support for MSME partner businesses, training related to business management and financial management is needed. Assistance to MSME partners is carried out through the use of communication tools to discuss various aspects of MSME partners' business operations to improve the efficiency of their financial management. Revamping business management is a step of concern because business management is an effort to regulate all aspects of a business carried out to achieve the desired goals. In addition, revenue, sales, and quality of products made will be influenced by business management. The success of a company, especially MSMEs, depends on the correct application of business management. Conversely, financial management is a process that regulates financial activities or activities in a business, including planning, analysis, and financial control. For MSME partners who have not recorded books and are encouraged not to have adequate knowledge about bookkeeping, financial management training is very important. Bookkeeping is very important for evaluating and knowing business development, to find out profits and losses, and as a basis for business development. With financial management assistance and training, MSME partners are expected to be able to carry out financial management well.

Consultations and discussions are carried out regularly in an effort to contribute suggestions to MSME partners to make operational improvements, especially related to financial management in order to support business operations.

3. Stage III : Reflection

By using this method, partners can gain a deeper understanding of the financial governance of their business. This stage is expected to be able to manage their business management and manage their financial statements well so as to increase competitiveness. This can be done by providing opportunities for partners to try to practice making financial statements.

RESULTS AND DISCUSSION

CV Gayatex Indo is one of the MSMEs engaged in convection manufacturing services focusing on the production of shirts, t-shirts, suits, polo, hoodies, boompers, hats, jackets and vests. CV Gayatex Indo became one of the MSMEs that survived the pandemic despite experiencing a decline in sales of up to 40%, but the company was still able to survive well because of the sales system carried out online through the website. Currently, the company is still trying to develop its business by strengthening its sales activities on the website. Has a wide reach and good sales but has problems faced, namely not understanding financial governance, not being able to do simple recording. In this activity, financial governance assistance and simple financial recording are carried out. :

1. Application of Financial Statements Through Excel Accounting Program

Support in the preparation of financial statements is one of the successes of business development because financial statements can be the basis for business actors to make strategic decisions such as investment, market growth, or both. Financial statements can also be used to obtain financing from creditors and serve as guidelines for future business supervision and planning. According to Mulyaga (2016) by making financial statements in accordance with SAK EMKM, business owners can also open opportunities to borrow capital from banks. Because one of the important requirements for applying for access to funding from a bank is that the business has prepared financial statements.

During mentoring, MSME partners are not aware of the importance of financial statements, which is supported by a lack of knowledge about the necessary recording and financial reporting techniques. When MSME partners develop businesses that require funds or financing from creditor institutions, the impact of this problem can cause problems. However, creditor institutions provide financing approval based on Financial Statements and business prospect information. One way to solve this problem is to provide training on how to make financial statements in an interactive way and use the material provided. Recording and preparing financial statements are included in the training material.

2. Making Production and Finance SOPs

Based on the process carried out in the convection business of CV Gayatex Indo, there are several stages of the process, namely ordering made by consumers, receiving consumer deposits, procuring materials, purchasing materials, storing materials, production, and repayment. The business that partners run can run well and benefit if this SOP is designed and implemented. The preparation of good and neat financial procedures aims to ensure that partners and teams know how financial processes are running, prevent data loss or loss and most importantly, will make it easier for partners to control financial mechanisms to improve their business performance.

Standard Operating Procedures (SOPs) are outlines of guidelines established to regulate the processes carried out by a business. The existence of standard operating procedures (SOPs) for finance and production can help MSMEs reduce errors in their operations. Increase productivity by optimizing the use of available resources. With standard operating procedures (SOPs), small and medium enterprises (MSMEs) can ensure consistency at every stage of production or service provision. It helps maintain the quality of goods or services provided to customers, increasing customer confidence. SOPs also play a role in security risk management.

MSMEs can reduce the likelihood of human error, prevent regulatory violations, and maintain overall operational security by implementing clear and documented measures. Small and medium businesses (MSMEs) see increased team productivity and process efficiency through the implementation of standard operating procedures (SOPs). Teams that have clear guidance are better able to complete tasks quickly and precisely, reducing waste of time and resources SOPs that are constantly updated also help MSMEs to be more responsive to changes in the business environment. They can quickly adjust their procedures to meet changing market demands and take more informed decisions.

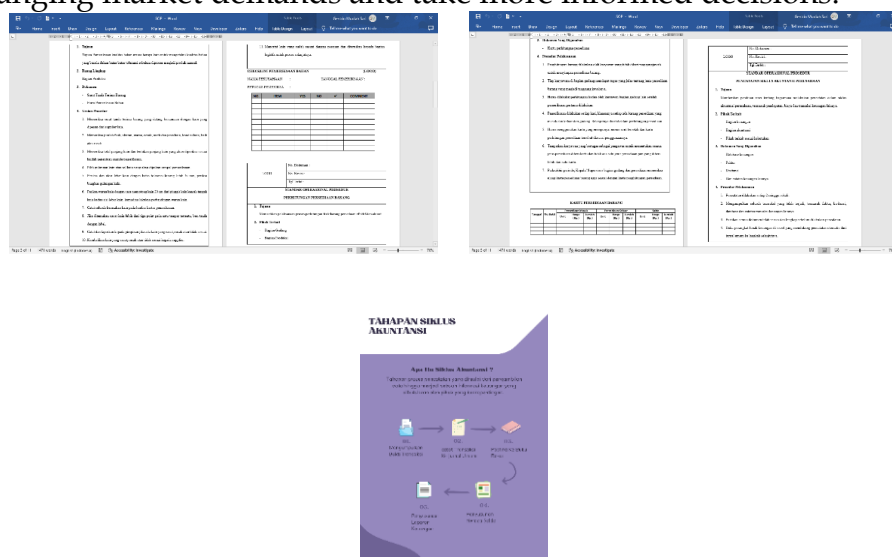


Figure 6. Standard Operating Procedures



Figure 10. Discussion with Director CV. Gayatex Indo

CONCLUSIONS AND RECOMMENDATIONS

The owner of CV Gayatex Indo is very open to new insights and skills to advance the business so that it is very worthy to be a partner in this community service activity. Based on the explanation described above, it is concluded that CV Gayatex Indo has many financial problems that arise, especially financial management and preparation of financial statements. In accordance with the planned program objectives, this internship activity went smoothly. The activity is carried out in three methods, namely mentoring, consultation and discussion. During the implementation of mentoring and training provided to MSME partners, several activities have been achieved, including: (1) In supporting their business activities and in order to find out how much profit they get every month, MSME partners begin to have an understanding of the importance of the role of financial management in accompanying business operations carried out. MSME partners have prepared periodic financial statements by recording business financial transactions and recording profit / loss statements. (2) In order to maintain continuous expenses and income, partners have implemented regular recording through the format of daily transaction recording, which partners apply to avoid missing even the slightest transaction. (3) In order to facilitate the assessment of financial performance every month, partners apply the use of cash flow statements every month to make it easier to monitor the source and use of cash in daily operations. (4) In order for the company's operations to run well, especially related to production and finance, partners implement the SOPs that we have discussed in order to minimize errors. (5) Partners implement receivables recording to make it easier to monitor the flow of receivables transactions that occur and also to identify high-risk customers. The recommendations given for the development of CV Gayatex Indo are as follows: the need to provide further training and mentoring on good financial governance in order to improve skills and understanding related to finance.

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