

The Role of Financial Planning in Improving Performance at SME UD. Sari Kelapa (Pendem Village, Junrejo District, Batu City, East Java)

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| INDEXING | ABSTRACT |
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| Keywords: Keyword 1; Financial Planning Keyword 2; Improving Keyword 3; Performance Keyword 4; SME Keyword 5; UD. Sari Kelapa | SMEs are faced with many problems such as problems in financial management, competition, and market changes. With the role of financial management, business owners can plan, organize, manage, and control company resources to minimize losses by maintaining cash flow, and the survival of their business . This study aims to determine the financial planning needed to improve performance at SME UD. Sari Kelapa in Pendem Village Kec. Junrejo Batu City, East Java. This study focuses more on financial planning owned by SMEs UD. Sari Kelapa. The data collection method used in field research is primary data using interviews, documentation, and observation of business owners, supervisors or foremen, and employees of UD. Sari Kelapa. This study findings that SMEs should implement accounting-based financial management. So it can be concluded that the role of financial planning in improving performance. It is necessary to keep systematic records to determine the progress, decline, or development of the business. The addition of employees in managing finances is important, because in UKM UD Sari Kelapa there are no employees who manage financial management. However, complete financial records to determine the profit from each sale Improve business performance through financial planning so that it can see the progress of a business in its business performance. Financial planning carried out by SME UD. Sari Kelapa For revenue planning and expenditure planning at SMEs UD. Sari Kelapa's recording is not detailed and still does not use financial recording techniques by applicable SAK. Supporting factors in this study are income planning, expenditure planning, and financial goals. The inhibiting factors in this study are the individual's understanding of the role of financial planning, and the lack of specialized labor in the management of financial planning. |

Article History

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INTRODUCTION

SMEs are faced with many problems such as problems in financial management, competition, and market changes. On the other hand, SMEs have several weaknesses that are a failure factor in their business. One of these factors is the role of financial management planning. Financial management is an activity related to planning, organizing, directing, and controlling the company's financial resources, as well as noted by Sarigül (2021), financial management is also very important for small, medium, and large businesses in addition to large companies (Dmytrenko and Kovtunov, 2020). SMEs must understand and understand how to manage their business finances to earn more money, as well as described by Nkwinika and Akinola (2023). However, the role of financial management is sometimes ignored by SMEs. With the role of financial management, business owners can plan, organize, manage,

and control company resources to minimize losses by maintaining cash flow, and the survival of their business.

Meanwhile, according to Aditia *et al* (2023), planning is a process of determining organizational goals and also presenting more clearly the various strategies, tactics, and operations needed to achieve the main objectives of the organization as a whole. Planning is very important in the part of financial management work carried out by businesses, organizing, controlling, and supervising which poses a danger to business owners so that they can apply to each employee to achieve predetermined goals. Management of total business activities is the most important component in terms of improving work requirements, working conditions, and work standards management is seen as a reformer. Management also pays attention to the principles of business organization that govern the division of labor. The perspective of small business management is slightly different from that of large-scale business management (Gunawan, 2024). These differences include the following: In established large enterprises, the responsibilities and duties of managers have been chosen according to the organizational structure and strategy, whereas in small enterprises there is no need for managers, as the founder or owner of the small enterprise is also the manager.

According to Nunes *et al* (2012), Bhatia and Awasthi (2017), and also Perkasa *et al* (2023), business performance is a measuring tool for the results of business work carried out as long as the business works with good quality and quantity. The factors that influence the performance of SMEs include the role of financial management. Therefore, financial planning has an influence on business performance where financial planning is said to be efficient if its business performance increases and is effectively carried out so that it has a positive impact on the business.

Further research is needed because there are several conditions that cause financial problems for SMEs, one of which is that they do not have transparent and organized financial information. Thus, the results can help solve the problems that will be faced by SMEs. This study aims to determine the financial planning needed to improve performance at SME UD. Sari Kelapa in Pendem Village Kec. Junrejo Batu City, East Java. This study focuses more on financial planning owned by SMEs UD. Sari Kelapa.

LITERATURE REVIEW

Financial Management

Financial management is planning, organizing, directing, and controlling financial activities such as funding and utilizing business funds. Financial management is related to financial management such as budgeting, financial planning, cash, credit, investment analysis, and efforts to obtain funds. Thus, financial management is an important part of overcoming economic problems, both individual, family, and corporate economic problems, as well as described by Karadag (2015), Barr and McClellan (2018), and also Hadita and Wufron (2022).

Financial Planning

Financial planning as making or organizing plans to achieve future goals. Financial plan is a strategy that a person carries out in helping to achieve a financial goal in the future. Financial planning is an activity of estimating future income and expenses such as recording income and expenses so that the objectives in financial planning can be met and run well according to what has been planned previously. Setting short and long-term goals is also

necessary for any financial planning that will be made. Business actors carry out planning by identifying there is a readiness in the business being run to face the possibilities that occur in the future, as well as described by Mayorova *et al* (2020) and Ulan *et al* (2021).

Financial planning is the goal of SMEs carried out through a well-organized financial plan over a long period. If financial planning is planned and utilized properly it will result in increased revenue. The key to operating a successful business is to increase revenue and minimize expenses so that the business survives and the leader must oversee every employee's work to keep working efficiently and effectively in carrying out tasks (Karadag, 2015). Indicators of financial planning are as follows:

1. Determining SME goals, determining long-term and short-term goals in the business being run.
2. Determining the activities of the company, with activities that are right on target can minimize the financial expenditure of SMEs for the future. Thus, every business's financial expenditure becomes clear and directed and avoids unnecessary operational activities.
3. Looking for sources of income, in the company's activities need a source of income to carry out the goals that have been determined. Such as from investors or clients and sales. The number of clear sources of income can be a benchmark for spending on every activity that will be carried out.
4. Determining expenses, executing each activity to be carried out, and finding some expenses that will be incurred according to business financial planning. Try to make the right calculations so that there is no waste of company finances in carrying out planned activities. So that it can determine activities that work effectively and not for consideration of better activities in the future.
5. Recording business finances, by recording every expense and income properly, can make it easier to monitor every turnover of the company's financial flow.

Performance of SMEs

Performance is the value of a series of worker behaviors that contribute, either positively or negatively, to the completion of organizational goals, as well as concluded by Latham (2023). Meanwhile, according to performance is a way to ensure that individual workers or teams know what will be expected of them and they remain focused on effective performance by paying attention to goals, measures and research. From the above understanding, it can be concluded that performance is the result of a job, both positive and negative, which is expected by a company or business. In Franco *et al* (2016) and Chepngetich (2022), the indicators used to measure SME performance are as follows:

1. Sales growth of SMEs as expected
2. Sales growth among competitors
3. Growth in profit or profit as expected
4. Growth in profit levels of competitors
5. Increase in the number of employees
6. Increase in the size of new markets
7. Level of Growth
8. Sales Volume

RESEARCH METHOD

This research was conducted in the UD. Sari Kelapa is a business engaged in the industry of making tofu and tempeh made from soybeans. This research was conducted using a type of qualitative research that is descriptive and uses in-depth analysis. The sampling method in this case is informants or sources, namely Purposive sampling. This Purposive sampling method is based on criteria that have been determined by the researcher. The data collection method used in field research is primary data using interviews, documentation, and observation of business owners, supervisors or foremen, and employees of UD. Sari Kelapa. Literature research in the form of secondary data collection from other sources, such as literature studies, and journal articles related to the case to be studied. Data were collected based on observation, documentation, literature study, and in-depth interviews. The triangulation method was used to strengthen the validity of the data by collecting data from various sources, such as user interviews, direct observation, and document analysis, as well as implemented by Eppich *et al* (2019) and Hussain *et al* (2022).

RESULT AND DISCUSSION

Company Profile

SME UD. Sari Kelapa is a business engaged in the industry of making tofu and tempeh made from soybeans. UD. Sari Kelapa was established in 2014. UD. Sari Kelapa is located on Langsep Street Number 98, Pendem, Junrejo Sub-Regency, Batu City, East Java, Indonesia. The beginning of the establishment of this place of business was the request of the child of the owner of UD. Sari Kelapa wants to develop his talent in business and wants to improve his standard of living for the better. Before this place of business became a factory, it was originally built as a building shop. Over time the son of the owner of UD. Sari Kelapa also developed an idea by building a factory for tofu and tempeh businesses that use basic ingredients in the form of soybeans.

The Role of Financial Planning in Improving Performance at SME UD. Sari Kelapa in Pendem Village Kec. Junrejo Batu City

In a business, financial planning is very important, namely helping or organizing financial plans to achieve future business goals. Financial planning is an activity of estimating future income and expenses such as recording income and expenses so that the objectives in financial planning can be met and run well by what has been planned before. Furthermore, researchers will present some data on financial planning procedures at SMEs UD. Sari Kelapa, namely, income planning, expenditure planning, and determining financial goals. The results of interviews with Mr. Moh. Yahya and Mr. Toni as supervisors indicate that accounting-based financial management can provide benefits to SMEs, therefore SMEs should implement accounting-based financial management. So it can be concluded that the role of financial planning in improving performance at SME UD. Sari Kelapa that is:

1. Need a complete financial record to know the progress and development of the business. But in UKM UD. Sari Kelapa's financial management has not run optimally because the recording is still not by SAK.
2. Need additional financial management employees
3. To find out the profit from each sale.
4. To increase revenue and improve business performance. From financial planning can see the progress of a business from its good performance.

Factors of Financial Planning Role in Improving SME Performance UD. Sari Kelapa

Financial planning is making or organizing plans to achieve future goals. Financial planning is carried out to estimate income and expenses for the future so that the role of financial planning is fulfilled and runs well as planned and expected. The extent to which business performance increases is a goal that has been set as a benchmark for the role of good financial planning. However, to assess business performance is to see how well a business is in making or organizing income planning, spending, and determining financial goals. From this theory, it is relevant from the data obtained from the results of the research that has been done, on financial planning in SMEs UD. Sari Kelapa includes several things, namely: income planning, expenditure planning, and financial goals.

Business performance is an achievement that results from the impact of the various roles that function in a business. So performance is used as a way to ensure that individual workers or teams know what is expected of them and stay focused on effective performance. The performance of a business can be seen from the process of increasing sales growth, profit growth, increasing employees, and strategies to deal with competitors in the market.

So the role of financial planning in improving performance at SME UD. Sari Kelapa based on the following findings:

1. It is necessary to keep systematic records to determine the progress, decline, or development of the business. But in UKM UD. Sari Kelapa is still not running optimally because of the recording done by UKM UD. Sari is still not by SAK. This is by the theory according to Rochmi explaining that business continuity is the ongoing process of good business including growth, development, and strategies to maintain business continuity.
2. The addition of employees in managing finances is important because in UKM UD Sari Kelapa there are no employees who manage financial management.
3. Complete financial records to determine the profit from each sale. This is in accordance with the theory of Senduk (2004) which explains that a business must have financial planning as a way of structuring the balance of income on the one hand with expenses on the other.
4. Improve business performance through financial planning so that it can see the progress of a business in its business performance. This is in accordance with the theory according to Rochmi explaining that business continuity is a good business process including growth, development, and strategies to maintain business continuity.

CONCLUSION

Financial planning carried out by SME UD. Sari Kelapa For revenue planning and expenditure planning at SMEs UD. Sari Kelapa's recording is not detailed and still does not use financial recording techniques by applicable SAK. Supporting factors in this study are income planning, expenditure planning, and financial goals. The inhibiting factors in this study are the individual's understanding of the role of financial planning, and the lack of specialized labor in the management of financial planning.

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