

Petty Cash Management Analysis on Small and Medium Micro Enterprises (Study at MSME Pemuda Grafika Selayar)

Asrijal Akib¹, Ari Utomo Saputra², Amar Ma'Ruf Al-Mubaroq³, Bondo⁴

Institut Teknologi Sains dan Bisnis Muhammadiyah Selayar^{1,2,3,4}

ABSTRACT

Petty cash is the amount of cash held by a business held or managed by an employee, the treasurer whose duty is to pay or finance expenses that are usually small, regular, and immediate. The object of this research is one of the MSME located on the island of Selayar, the small MSME cash is handled by a cashier, but there are still gaps in the recording process. The aim of this study is to study how the use of small cash in a small and medium-sized micro enterprise (MSME) thus makes a good contribution to the sustainability of the enterprise. The method used in this research is qualitative descriptive method. The results of the research show that the use of petty cash in small and medium-sized micro enterprise is very supportive for business sustainability but there are still shortcomings found in small cash management at MSME i.e. in the cash control system.

Keywords: *Petty Cash, Accounting, MSME*

Corresponding Author:

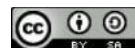
Ari Utomo Saputra
(arieutomosaputra@gmail.com)

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1. INTRODUCTION

Nowadays, the business world is very competitive. Many kinds of companies are emerging, like those in the services, trade, and manufacturing sectors, competing with each other to be the best. By 2021, the number of MSME perpetrators in Indonesia had reached 64.2 million, with a contribution to the gross domestic product (GDP) of 61.07 percent, or Rs. 8.573.89 trillion. This information can be known due to the availability of information from the Ministry of Cooperation and Small and Medium Enterprises (Kementerian UKM). It encourages different types to implement different strategies to avoid financial difficulties. For a business to grow well, it requires good management of each industry as well as control to ensure that the whole business runs as it should. Things like that are crucial for the company to maintain its survival. With good management, it is expected that companies can compete by taking advantage of the opportunities and strengths that exist and have a strategic path in their future business journeys.

Good business management is not always for large businesses, but small businesses can also be managed well by their owners, with good management of MSME expected to impact financial performance so that it can compete. When MSME has grown well, the owner can no longer do all the work on his own; in other words, the owner needs employees to help manage. Good management of MSME will result in good results. Such decisions can be made on the basis of a clear vision and mission, as well as a clear goal.

Implementing the right accounting system in accordance with the terms and conditions in force in the business can help companies provide the correct data and information management needs to make the right decisions about the control and operation of the company. Rahmayuni (2017) stated that financial statements are reports on the responsibilities of managers or managers of companies in the management of companies entrusted to stakeholders of companies, namely company owners (shareholders), the state (bank agencies), creditors (banks or financial institutions), and other interested parties.

Almost all corporate operations involve cash. Excess or lack of cash causes a variety of problems. Accounting can be understood as the process of recording, classifying, and summarizing financial information that is presented to the user. This statement is made in a book written by Zamzami and Duta Nusa (2017). According to the American Institute of Certified Public Accountants (AICPA), "accounting is the art of recording, classifying, and summarizing transactions and events, usually related to finance, in the manner prescribed in financial terms, including interpreting the results." (Wahyuni, 2020). (Bahri, 2020) stated that accounting is the identification, summary, and reporting of economic transactions in such a way and systematically, based on generally applicable standards, that interested parties can at any time know the financial status and activities of an economic entity, which can be discussed and decisions can be taken, work, and choose various alternatives to activities in the economic field. (Sudarman, 2019) stated that financial accounting involves the recording of business transactions and the preparation of periodic reports, where such reports can provide useful information to management, owners, and creditors.

Financial statements are information that describes the financial condition of a company. The information can be used as an overview of the financial performance of a corporation. (Bahri, 2020) stated that the financial report is information that depicts the financial position of a firm, and this information may be used to describe the corporate financial performance. Gade (2005) stated that management is also responsible for the resources entrusted to them for financial statements. (Zamzami & Ambuta Nusa, 2017) stated that financial statements are a collection of financial information about the company used by the parties involved as a decision-making tool. The company's financial statements consist mainly of a balance sheet, a loss report, a report on capital changes, a cash flow report, and a record of the financial report. The financial report is designed to provide information to the needy about the condition of a company from the point of view of figures in monetary units. (hidayat, 2018). Paragraph 9 (Revision 2015) states that the purpose of financial statements is to provide information about the financial position, income, and cash flows of an entity that is beneficial to most users of the report in financial decision-making. In order to achieve this goal, financial statements present information about an economic entity, which includes: assets, liabilities, equity, income, and burdens.

In the balance sheet, there is cash, which, according to Maruta (2017), is a tool to measure any financial activity of the exchange of goods and services. Every corporate activity requires settlement through exchange media. The usual medium of exchange is cash, so most of all business operations are directly or indirectly related to cash. However, these records are the basis for the evaluation and accounting of all other records.

Small cash is cash or cash given by a company to pay for relatively small expenses that do not need to be used with checks, such as buying stamps, paying electricity, telephone, or security. (Ningsih & Rohmawati, 2014). Saputra (2023): small cash is the amount of cash offered for business and used to cover certain expenses. (Fitriyani, 2018) stated that small cash means cash used to pay relatively small expenses and does not need to be paid by check. (Yosefhin, 2022) stated that there are some characteristics of small cash, which are as follows:

- a. The nominal value is limited, not more than or less than a certain nominal amount determined by the company's manager.
- b. Used to finance small nominal transactions that happen routinely every day, the amount is small, and there is always a fee at all times.
- c. The cashier or financial officer is the manager, the person who is responsible and keeps cash.
- d. The money returned is stored in a special place, usually in a small box called a money receivable.

- e. Small cash is periodically refilled with a certain amount in accordance with the applicable financial accounting SOP

According to Lestari (2020), funds can be managed in two ways:

1. The imprest fund method is as follows:

- a. The accountant is the host of the magazine, not the owner of the petty cash.
- b. For petty cash holders, just keep a book that's a diary.
- c. The new accounting department performs recording at the time of receipt of small cash expenditure reports and receiving proof of payment.
- d. Cash payments made in cash will be refunded on the basis of proof of payment.

Here's a journal of small cash funds recorded using the fixed-amount method: Early opening journal sentence:

Petty Cash xxx

Cash/Bank xxx

Exit journal sentences. No journal records

A sentence from the journal recharging petty cash

Expense xxx

Cash/bank xxx

A journal sentence decreasing the amount of petty cash

Pety cash xxx

Cash/bank xxx

A journal sentence increasing the amount of petty cash

Cash/Bank xxx

Petty Cash xxx

2. The Fluctuating Fund Method The fluctuation method procedure is:

- a. In the case of this method, the owner of the small cash keeps his accounts.
- b. Since the account is kept by the owner of the petty cash, the accounting no longer has to bear the cost of the owner.

Here's a journal of petty cash fund records in a variable method:

Early opening journal sentences of small cash funds

Petty cash xxx

Cash/Bank xxx

Expenditure journal sentences

Expense xxx

Petty cash xxx

Phrases journal recharge petty cash

Petty Cash xxx

Cash/Bank xxx

A journal sentence decreasing the amount of petty cash

Petty Cash xxx

Cash/bank xxx

A journal sentence increasing the amount of petty cash

Cash/Bank xxx

Petty Cash xxx.

The reason why the author wants to discuss "Analysis of Small Cash Fund Management on MSME" is to know how small cash fund management works on MSME. So it will have an impact on financial performance as well as facilitate MSME. The benefits expected for the author himself are that this research gives insight and, later, can be a solution for MSME that exists in the management of cash.

2. METHODS

This research uses a qualitative approach with methods of descriptive analysis. Where discreet research is research with methods to describe a research result, According to its name, this type of qualitative descriptive research has the purpose of providing a description, explanation, and validation of the phenomenon being studied. (Ramdhan,2021). Qualitative research aims to describe a phenomenon clearly and thoroughly by gathering data in depth so that it can show the importance of detail and the depth of the data being studied. (Saputra, A. U., Akib, A., & Rizkyanti, A. 2023).

In this study, the author uses data and data collection techniques in two ways, namely, firstly, by conducting field research, which the author does in the field study. The author takes data directly from the data source with the method of direct interview with the owner of the enterprise and an employee who serves as a cashier. The researcher also collects data from various sources, such as journals related to this research. In the data collection process, the author uses a mobile phone tool to record the conversation between the author and the source during the interview process. The author then carries out research using methods that are systematic in this research so that research can be done well and directed. Here are the research procedures that the authors applied in this study:

- a. The author starts the research, i.e. the author first defines the title of the research.
- b. After the author defines the title of the research, the author identifies any problems related to the title.
- c. Then, after identifying the problem, the author formulates the problem so that the author can focus more on the research process.
- d. After formulating the problem, the author starts collecting the data that may be needed to support the research.
- e. Then the author analyzes the collected data to determine whether it matches the theory or not.
- f. After the analysis of the data, the author can determine the results of the research so that the results are cast in the form of a conclusion. The conclusion can be a suggestion that can benefit both the author, the object of the study, and the reader.

3. RESULTS AND DISCUSSION

Small cash management is a crucial aspect of micro, small, and medium-sized enterprises (SMEs) operations that has a direct impact on business sustainability and growth. One expected outcome of effective money management is an increase in business liquidity. With adequate liquidity, MSME can meet daily operational needs such as payments of wages, purchases of raw materials, and other operational costs without difficulty.

Good small-cash management also has an impact on spending control. MSMEs that carefully understand cash flows in and out have the ability to better control their spending, identify savings areas, and prevent unnecessary waste. In addition, effective cash management provides MSMEs with the ability to cope with financial crises or emergencies by having adequate fund reserves.

Better financial planning is another positive result of effective small-cash management. By understanding short- and long-term financial needs, MSMEs can plan investments, product development, or even business expansion more accurately, reduce risk, and increase their chances of success. Operational efficiency can also be enhanced through prudent cash management, with MSMEs able to optimize debt collection cycles and evaluate business processes that require excessive spending.

By having good cash management, MSME can improve their credibility in the eyes of lenders, business partners, and customers. It opens up opportunities to gain additional sources of funding, build better cooperation, and gain the trust of customers. Ultimately, the main outcome of effective small cash management is business sustainability and growth potential. MSME can maintain financial stability, respond to market opportunities, and open the door to larger business expansion or diversification.

Based on the results of interviews between the author and the source, some information can be obtained, i.e., a general picture of MSME, financial workflows, and information related to small cash management. This MSME is located in the Selayar Islands District of South Sulawesi Province. This MSME produces a lot of products. In the interview, the author also found that the financial management of this MSME is managed by the owner, assisted by a cashier who is responsible for the management of the financial business. Owners make some policies related to the financial workflow of their business, among others: there is a special place to pay for small daily cash expenses, so that any small transactions can be handled quickly and conveniently, so there is no need to pay through the bank. Such charges can be transportation costs, the purchase of office supplies, telephone charges, and so on. In the third policy, the business owner stipulates that small cash funds are owned and managed by a special officer commonly called a treasurer.

The fourth policy is that the cashier should not hold more than Rs. 5 million. Workflow is a small fund that is formed with an initial balance of Rp5,000,000. Cashiers have to pay for every small daily expenditure. After that, the cashier is always asked to pay attention to the amount of small cash balances because if small cash is significantly reduced, then the cashier is asked to hand over extra small cash to the financial manager. In addition, the cashier is asked to record all payment transactions through a small cash register. In this study, the author also found some errors in the process of financial management, especially with small cash, where filling small cash does not match the amount and schedule specified, i.e., there is no time limit, whether filling every 2 weeks or not. Then don't use the receipt/payment proof. Based on the information provided, the author can conclude that SMMEs has implemented the separation of tasks and performed documentation well based on records in the diary kept by the cashier.

Analysis of small cash management at MSME revealed that small money management is good because small cash is stored in a safe place to handle all cash transactions. Using small cash management with fluctuative methods, this method is used to record any small cash expenditure. In addition, MSME also determines the amount and time of recharge of small cash funds. But it did not detail the amount of funds or the recharge time. So it's going to be difficult to control. In the case of small cash expenditures, MSME still has not used proof of expenditures such as nita, receipts, and so on, so the cash out is uncontrolled. This is the weakness in the management of MSME that is the object of research.

4. CONCLUSION

Based on the results of the study on the efforts of UMKM then concluded the following conclusion and suggestion:

1. Conclusion

The analysis of small cash management in micro, small and medium enterprises provides a clear picture of the important role of financial management in business survival and growth. From this analysis, some crucial conclusions can be drawn:

- a. The effectiveness of small cash management greatly affects the liquidity and financial resilience of UMKM. Adequate liquidity enables to meet day-to-day operational obligations without difficulty, while financial durability creates resistance to economic changes or financial crises.
- b. Expenditure control and careful monitoring of cash flows make a major contribution to business survival. A UMKM capable of identifying and limiting excess spending can increase operational efficiency and prevent potential waste that could jeopardize financial stability.
- c. Good cash management gives UMKM the ability to plan finances better. Mature financial planning helps reduce risk and enables to respond to business opportunities or overcome challenges with measurable strategies.

- d. Operational efficiency can be improved through prudent cash management. Optimum debt management and continuous evaluation of business processes that require excessive spending can provide a competitive advantage for UMKM.
 - e. Analysis indicates that good cash management supports increased business credibility. This creates opportunities to gain easier access to additional funding sources, build stronger partnerships, and gain the trust of customers.
 - f. The main outcome of effective cash management at UMKM is business sustainability and growth potential. Byining financial stability, UMKM can be better prepared to face challenges and take advantage of opportunities, opening the door to greater expansion or diversification in a competitive market. Therefore, small cash management at UMKM not only optimizes operational survival but also opens up opportunities towards achieving larger growth goals.
2. Advice
- For UMKM's sustainability, it's good to monitor cash flows carefully. Do a routine analysis of cash resources and usage to understand the company's cash flow patterns. It helps identify areas that can be optimized and ensures adequate liquidity. Then you can consider using software or financial applications that can help monitor and manage cash more efficiently. Technology can simplify the recording process, minimize errors, and provide real-time insight into the financial situation, evaluate cash management strategies and adapt to changing economic or business conditions. Flexibility and readiness to adapt are key toing the financial health of UMKM.

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