

## **Analysis Of Working Capital And Financial Management Income Of Business Actors Receiving Capital Assistance**

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### **ABSTRACT**

Working capital in a company has a very important role in supporting the activities of a company because working capital is needed by every industry in supporting its daily operational activities.. Data collection techniques with interviews and observations. Interactive data analysis using the Miles and Hubberman model, namely data collection, data reduction, data presentation, drawing conclusions. Checking the validity of data with triangulation of sources and techniques. The results of the study obtained 1) The business capital of MSME actors comes from bank loans and some from independent capital. Efforts made by MSME actors in managing working capital so that it can run well are with mature financial planning, strict management of receivables and efficient inventory management. 2) Financial management implemented by MSMEs includes: Cash Flow Management, Receivables Management, Debt Management. Constraints experienced by MSMEs in financial management: Limited financial resources, Lack of understanding of financial management, Irregular financial records. 3) The production results obtained are in accordance with expectations and can meet daily needs. Efforts made by MSMEs to increase their production results are: Evaluation of the Production Process, Improving Product Quality, Investment in Technology and Equipment.

### **INTRODUCTION**

According to (Fauzan Haqiqi et al., 2020) in a company or MSME, it turns out that not all of them experience positive developments, business development can also have negative impacts or problems that are often faced in the business world in general are lack of capital, partnerships, and business opportunities. These problems can hinder the growth and development of a business. To achieve success in business, sufficient funds are needed. One alternative to achieving success requires good financial management which starts from the arrangement of initial capital. Alternatives to achieving success require good financial management which starts from the arrangement of initial capital. According to (Tanan & Dhamayanti, 2020) MSMEs are present because they provide opportunities that are utilized by MSME actors in providing for the needs of the community, businesses that are currently viral and provide business opportunities, tastes, prices that are affordable for the general public, the existence of consumers who become loyal customers, the availability of raw materials that open up business opportunities, and so on. All of these are opportunities for the development of businesses carried out by MSME actors. However, in addition to business opportunities, MSMEs also face problems in running their businesses such as capital problems, lack of customers, lack of knowledge and entrepreneurial skills, lack of good business financial management, moving business locations, lack of adequate facilities, and so on. All of this is certainly a threat to the development of their businesses.

By conducting a case study on the Kediri City Trade and Industry Service, it is hoped that the results of this study can contribute to the development of more effective capital assistance policies and provide recommendations to business actors in improving their financial performance. Through an in-depth understanding of the relationship between working capital, financial management, and business income of capital assistance recipients, it is hoped that it can help related parties in designing more appropriate strategies to support the growth and sustainability of actors in Kediri City.

The economic development of a region can be measured by the strong growth of the trade and industry sector. Kediri City as the center of trade and industry activities in this region faces various challenges in supporting local economic growth. One of the efforts made by the Kediri City Government is to provide capital assistance to business actors in the trade and industry sector through the Trade and Industry Service. The capital assistance provided is expected to increase the competitiveness of business actors, encourage growth in the economic sector, and ultimately increase business actors' income. However, the success of business actors

In the current era of globalization, good economic development is one of the awards for the government's success in carrying out its duties. A program with the concept of a people's economy is a program implemented by the government to support economic growth and strength. For example, opening opportunities for people to open businesses because the development of MSMEs for the country is very important and MSMEs have a fairly large role for the country, one of which is in Indonesia because it can be a place to have the opportunity to open up employment opportunities for the community, and as one of the main ones in national economic development, the city of Kediri wants a people's economic system and also its goal is not only to reduce a problem of inequality or between groups, income and business actors, or eradicating misery and absorbing labor but also being able to expand the economic base that can make a significant contribution to accelerating structural change and contributing to improving the national and regional economy, especially in the city of Kediri. The problem of MSMEs in Indonesia is the low performance of MSMEs which can be seen from the profit.

## **LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT**

### **Working Capital**

According to (Lestari, 2017) Working capital is a major problem and important topic that often occurs and is often faced by every MSME, because almost all attention is paid to managing working capital and current assets which are a very large part of assets. The definition of Working Capital according to (Fadillah, 2023) is funds that must be available in the company and used to finance the company's daily operational activities which are expected to return to the company in a short time. Working capital must be available in sufficient quantities to create optimal profits and allow the company to run economically.

### **Financial Management**

Financial management according to (Risna et al., 2023) is the activity of managing money in everyday life carried out by individuals or groups who have the goal of achieving financial well-being. The main task of money management is the budgeting process, with the aim of ensuring that individuals are able to manage financial obligations in a timely manner

using the income earned in the same period. Financial management is part of personal management activities which is the process of a person or individual to meet their living needs through activities to manage financial resources in an organized and systematic manner (Putri et al., 2017). Family financial management is a person's ability to organize planning, budgeting, searching, managing, checking, and saving money and controlling activities in a family (Risna et al., 2023).

### **Income**

Income in the management dictionary (Fitroh & Fauziah, 2022) is money received by individuals, companies and other organizations in the form of salaries, wages, rent, profits, interest, commissions, and costs. Income is income obtained from various sources to meet needs (Brilianti & Lutfi, 2020). Family income can be interpreted as income obtained from several sources of income including the combination of husband's income and wife's income. According to (Kenale Sada, 2022), income is all the results received by a person or individual, either in the form of money or goods from work in the service or production sector, which is obtained daily, weekly or monthly according to the initial employment contract.

### **METHODS**

Qualitative research method with a descriptive analysis approach. The informants in this study were micro, small and medium enterprises (MSMEs) at the Kediri City Trade and Industry Service. Data collection techniques with interviews and observations. Interactive data analysis using the Miles and Hubberman model, namely data collection, data reduction, data presentation, drawing conclusions. Checking the validity of data with triangulation of sources and techniques

### **RESULTS**

#### **1. Working capital of business actors and its influence on the income of business actors receiving capital assistance**

The business capital of UMKM actors who received capital assistance from the Kediri City Trade and Industry Service came from bank loans and also from independent capital that had been passed down in their families. In developing their businesses, UMKM actors did not experience difficulties in capital. This is because in addition to receiving assistance from the Kediri City Trade and Industry Service, they have also received loans from banks in running their businesses. With these loans and capital assistance, UMKM actors do not experience difficulties in capitalizing their businesses so that their businesses can run well.

The provider of capital assistance for MSME actors in Kediri City is only from the Kediri City Trade and Industry Service and none from other government agencies. After receiving capital assistance, MSME actors make bookkeeping or financial reports related to the use of the assistance funds they receive. Furthermore, business actors realize their businesses in accordance with the bookkeeping that has been made with the hope that their businesses will run well and make a profit.

The implementation of business capital management is carried out by preparing a budget covering daily operational costs, such as employee salaries, raw materials, and other overhead costs. In addition, stock inventory management is also carried out to

match market demand. This is done to balance the inventory of goods and working capital efficiency so that capital turnover continues. MSME actors can run their businesses efficiently with the help of capital provided by the Kediri City Trade and Industry Service. The efficiency of business capital can be seen from the turnover of business actors' production goods which continues to run. Business actors can meet market demand and there are no goods that do not move for too long (stuck). This capital turnover can support business actors to continue to develop their businesses so that they can increase the economic income of MSME actors in Kediri City.

Changes in working capital of business actors are influenced by the rise and fall of sales or market demand. When sales increase, MSMEs may need more working capital to purchase raw materials, increase inventory, and cover other operational costs. Meanwhile, there is also a decrease in sales, if sales decrease, the working capital required may decrease, but there may also be a decrease in cash flow that narrows the available working capital.

The obstacles faced by MSMEs in managing working capital are: Limited Access to Financing, Poor Cash Flow Management, Bad Receivables, Inefficient Inventory, High Operating Costs, Dependence on Personal Financing, Administrative and Managerial Constraints, External Factors, Dependence on Short-Term Debt, and Government Regulations and Policies. These obstacles must be recognized by MSME actors so that appropriate solutions can be immediately sought, such as improving cash flow management, increasing operational efficiency, or finding more profitable financing alternatives.

Efforts made by MSMEs in managing working capital so that it can run well are through mature financial planning, strict management of receivables and efficient inventory management by: 1) using an inventory management system: Implementing an automatic or technology-based inventory management system can help MSMEs monitor stock in real-time, thereby reducing excess or shortage of stock. 2) Just-in-Time Inventory: Implement inventory management strategies such as Just-in-Time (JIT) to ensure that raw materials are only purchased when needed, thereby reducing storage costs and optimizing working capital.

## **2. Financial management and its impact on the income of business actors receiving capital assistance**

In managing business capital assistance, MSME actors must also be able to manage finances well. Financial management implemented by MSME actors includes: 1) Cash Flow Management: Supervision of Incoming and Outgoing Cash Flow and Cash Flow Projection. 2) Accounts Receivable Management: Effective Credit Policy and Timely Collection: Arranging collection schedules and implementing reminder systems so that payments from customers can be made on time, thus maintaining cash flow. 3) Accounts Payable Management: Arranging Payment Schedules and Negotiating with Suppliers.

The implementation of financial management carried out by MSMEs is 1) Ensuring Business Continuity: a) Avoiding Cash Shortages: Good financial management ensures that cash flow remains healthy, so that MSMEs can meet daily obligations such as salary payments, rent, and purchasing raw materials. Without proper cash flow management, MSMEs can experience a shortage of funds which can hamper operations. b) Facing

Financial Challenges: In unstable economic conditions or facing declining sales, good financial management helps MSMEs survive by optimizing existing resources. 2) Increasing Operational Efficiency: a) Cost Control: With good financial management, MSMEs can identify and reduce unnecessary costs, thereby increasing operational efficiency and profit margins. b) Inventory Management: Implementing effective inventory management can prevent excessive stockpiling and ensure that raw materials or products are always available when needed without tying up too much capital. 3) Optimizing Capital Use: a) Appropriate Resource Allocation: Good financial management allows MSMEs to allocate working capital and investment to the most productive and potentially profitable areas. b) Reducing Dependence on Debt: By managing capital wisely, MSMEs can reduce the need to take on debt that may be burdensome in the future.

The obstacles experienced by MSME actors in financial management are: 1) Limited financial resources: limited capital and limited access to financing. 2) Lack of understanding of financial management: minimal financial knowledge, not using the right financial system. 3) Irregular financial records: poor cash management and not separating personal and business finances

MSMEs receiving capital assistance from the Kediri City Trade and Industry Service did not conduct financial management evaluations. The financial report prepared by MSMEs was only once, at the beginning of capital assistance management. Furthermore, MSMEs never conducted financial evaluations. MSMEs adjust their financial strategies by adapting to changes, if the market or economic situation changes, we also adjust our financial strategies. For example, if there is a decrease in income, we need to review the budget and make cost savings. We also conduct periodic re-evaluations even though it is only a rough outline. You do this to ensure that the improvements made remain relevant and effective. It also helps in identifying new problems that may arise.

### **3. Income of business actors receiving capital assistance at the Kediri City Trade and Industry Service**

The production results obtained can meet daily needs, because with adequate business capital, business actors can make more products to meet market needs. The income obtained by business actors from the business being run is in accordance with what we expected. The economic level is increasing, business actors can meet daily needs, meet the needs of school children and to develop their businesses.

Efforts made by MSMEs to increase their production results are: First, Evaluation of the Production Process: Process Analysis and Process Optimization. Second, Improving Product Quality: Quality Control and Customer Feedback. Third, Investment in Technology and Equipment: New Technology and Routine Maintenance. Management of raw materials and labor wages carried out by MSMEs are: First, Planning of Raw Material Requirements: Estimation of Needs and Purchasing Planning. Second, Inventory Control: Inventory Management and Quality Control. Third, Planning of Labor Requirements: Analysis of Workload and Work Schedule. Fourth, Wage and Allowance Arrangement: Determination of Salary and Compensation and Benefits.

Factors that can affect the income of MSMEs consist of internal factors including: first, product or service quality consisting of customer satisfaction and innovation.

Second, operational efficiency consisting of productivity and cost management. Then external factors include: first, economic conditions, namely economic crisis and inflation. Second, market trends and demand, namely changes in taste and competition.

## **DISCUSSION**

### **1. Working capital of business actors and its influence on the income of business actors receiving capital assistance**

Definition of Working Capital according to (Fadillah, 2023) is a fund that must be available in the company and used to finance the company's daily operational activities which are expected to return to the company in a short time. Working capital must be available in sufficient quantities to create optimal profits and allow the company to run economically.

Working capital is the amount of funds used by a company to carry out daily operational activities. These funds are invested in current assets or short-term assets, such as cash, receivables, and inventory. The main purpose of working capital is to ensure that the company can finance its operational activities efficiently and effectively. By having adequate working capital, the company can create optimal profits and enable smooth and economical operations. Working capital is a major concern, especially for business people because it often constitutes a significant portion of their total assets. Good management of working capital is essential to maintaining the company's liquidity and financial health in the short term.

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Working capital in a company has a very important role in supporting the activities of a company because working capital is needed by every industry in supporting its daily operational activities, the working capital that has been issued is expected to be able to return to the company in a short time through the results of its production sales. Working capital that originates from the sale of the product will be quickly issued again to pay for further operational activities. And also working capital has a certain mission to be achieved, so every company struggles to complete capital needs. Working capital is the total of current assets or the difference between current assets and current liabilities (Wijaya & Febrianti, 2017).

### **2. Financial management and its impact on the income of business actors receiving capital assistance**

Financial management according to (Risna et al., 2023) is the activity of managing money in everyday life carried out by individuals or groups who have the goal of achieving financial well-being. The main task of money management is the budgeting process, with



the aim of ensuring that individuals are able to manage financial obligations in a timely manner using the income earned in the same period.

Financial management is part of personal management activities which is the process by which a person or individual fulfills their living needs through activities of managing financial resources in an organized and systematic manner. (Putri et al., 2017). family financial management is a person's ability to organize planning, budgeting, searching, managing, checking, and saving money as well as controlling activities in a family. (Risna et al., 2023).

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Financial management is a combination of science and/or art which is a collection of action processes/planning, organizing, directing and leadership, and control/over the use of organizational resources/available to achieve predetermined goals so that/they are beneficial to humans. Revenue is an inflow/from assets or other increase in assets or settlement of an entity's liabilities or a combination of both, starting from the delivery, goods, provision of services, or other assets which are the main operating activities of the company. (Maulita et al., 2019). Whereas revenue is an inflow or other enhancement of assets of an entity, or settlement of its liabilities (or a combination of both) during a period from delivering or producing goods, providing services, or other activities that constitute the entity's ongoing major or central operations. (Maulita et al., 2019).

### **3. Income of business actors receiving capital assistance at the Kediri City Trade and Industry Service**

Family income can be interpreted as income obtained from several sources of income, including a combination of the husband's income and the wife's income. Income according to (Kenale Sada, 2022) is all the results received by a person or individual, either in the form of money or goods from work in the service or production sector, which is obtained daily, weekly, or monthly according to the initial work contract. According to Sukirno (Kenale Sada, 2022) a person's income basically depends on the service or production sector work, and the working hours devoted, the level of income per hour received. A person's income is measured based on income from all sources. Based on some of the explanations above, it can be concluded that income is income obtained by a person or company or organization for the results of achieving a job.

The production results obtained can meet daily needs, because with adequate business capital, business actors can make more products to meet market needs. The income obtained by business actors from the business being run is in accordance with what we expected. The economic level is increasing, business actors can meet daily needs, meet the needs of school children and to develop their businesses.

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Factors that can affect the income of MSMEs consist of internal factors including: first, product or service quality consisting of customer satisfaction and innovation. Second, operational efficiency consisting of productivity and cost management. Then external factors include: first, economic conditions, namely economic crisis and inflation. Second, market trends and demand, namely changes in taste and competition.

Working capital in a company has a very important role in supporting the activities of a company because working capital is needed by every industry in supporting its daily operational activities, the working capital that has been issued is expected to be able to return to the company in a short time through the results of its production sales. Working capital that originates from the sale of the product will be quickly issued again to pay for further operational activities. And also working capital has a certain mission to be achieved, so every company struggles to complete capital needs. Working capital is the total of current assets or the difference between current assets and current liabilities (Sevtyana & Sandayani, 2021).

Micro business financial management is very important to be carried out in the business that is carried out because it is related to the sustainability of the business in a sustainable manner because most micro businesses do not have adequate financial reports so that it is difficult to know the income and expenses of their business, especially since the existing finances do not have a separation between finances for business and family finances. Businesses that are run from time to time do not experience development and run as they are (Tanan & Dhamayanti, 2020).

## **CONCLUSION**

1. The business capital of MSME actors comes from bank loans and also from independent capital. The only provider of capital assistance is the Kediri City Trade and Industry Service. Business actors make bookkeeping or financial reports related to the use of the assistance funds they receive. Furthermore, business actors realize their business in accordance with the bookkeeping that has been made. The implementation of business capital management is carried out by preparing a budget covering daily operational costs, such as employee salaries, raw materials, and other overhead costs. Changes in the working capital of business actors are influenced by the rise and fall of sales or market demand. The obstacles faced by MSMEs in managing working capital are: Limited Access to Financing, Poor Cash Flow Management, Uncollectible Receivables, Inefficient Inventory, High Operating Costs, Dependence on Personal Financing, Administrative and Managerial Constraints, External Factors, Dependence on Short-Term Debt, and Government Regulations and Policies. Efforts made by MSME actors in managing working capital so



that it can run well include thorough financial planning, strict management of receivables and efficient inventory management.

2. Financial management implemented by MSMEs includes: 1) Cash Flow Management: Monitoring of Incoming and Outgoing Cash Flows and Cash Flow Projections. 2) Accounts Receivable Management: Effective Credit Policy and Timely Collection, 3) Accounts Payable Management: Arranging Payment Schedules and Negotiations with Suppliers. The obstacles experienced by MSMEs in financial management are: 1) Limited financial resources: limited capital and limited access to financing. 2) Lack of understanding of financial management: minimal financial knowledge, not using the right financial system. 3) Irregular financial records: poor cash management and not separating personal and business finances.
3. The production results obtained are in accordance with expectations and can meet daily needs. Efforts made by MSME actors to increase their production results are: Evaluation of the Production Process, Improving Product Quality, Investment in Technology and Equipment. Management of raw materials and labor wages carried out by MSME actors are Raw Material Requirements Planning, Inventory Control, Labor Requirements Planning and Wage and Allowance Arrangement.

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