

THE ROLE OF INTERNAL CONTROL IN CASH MANAGEMENT IN SMALL AND MEDIUM ENTERPRISES

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Article	Abstract
<p>Article History</p> <p>Received : 03/02/2022 Reviewed : 05/09/2022 Accepted : 12/09/2022 Published : 20/03/2023</p> <hr/> <p>Volume : 24 No : 1 Month : March Year : 2023 Page : 1-11</p>	<p>The purpose of this study is to show the importance of effective internal control in newly established Small and Medium Enterprises and to give importance to internal control for business actors as a means of preventing irregularities. This research is a qualitative research with a phenomenological approach. The object of this research is Shita Farma. The selected informants were 5 employees of Shita Farma. Data collection techniques used are data reduction, data exposure, and data display. The results of the study indicate the ineffectiveness of internal control which causes deviations that impact on the inefficient business as one of the factors of employee fraud.</p> <p>Keywords: <i>internal control, cash management, SMES, effective, efficient.</i></p>

1. INTRODUCTION

Managing the business responsibly and transparently is a mandate for every actor of the organization. It is not wrong that the internal control system must be strong in small and medium-sized businesses, which are managed by the private community to be the benchmark for creating strong accountability. The phenomenon that occurs in the development of the need for accountable cash control in small and medium-sized businesses is the strengthening of internal business problems, both in workers and entrepreneurs. Implementation of transparent business management with the attention of value for money, to ensure healthy, economical, efficient, effective, transparent,

accountable and healthy business-oriented small business governance, it is necessary to have relevant internal control. Internal control is aimed at ensuring accountability by workers to employers or owners (Chandra Rini, 2017).

The trend that occurs is that there are many obstacles faced by entrepreneurs who are just starting a business and the weak transparency of workers to entrepreneurs so that there are mistakes both intentionally and unintentionally in small and medium enterprises or businesses that are only pioneering and standing (Rivai, 2016). A system is a group of two or more components of an organization consisting of subsystems within an institution where the Highest audit lies in internal control whose policies are influenced by management (employers / owners) and the executors are employees in this case are workers (Nadiah, 2016). Cash will separate several functions, including the storage function, the implementation function and the recording function. Without these functions, cash will be very easy to embezzle. That is why in accounting, procedures to protect cash from theft and misuse are so important (Rifai & Nunik, 2016)

This small and medium-sized business was established in November 2019 engaged in the sale of pharmaceutical goods and medical devices and opened a 24-hour doctor's practice service located in Ruko Joyo Agung Regency Malang. Therefore, it is important to implement a management control system in running an industry (Morse & McEvoy, 2014)

Objectives of this research, (1) to demonstrate evidence of the importance of effective internal control in newly established Small and Medium Enterprises, and (2) to provide the importance of internal control for business actors as a preventive tool in deviations.

Advantages in this research, (1) for academics, the results of this research are expected to be used as a basis / reference or reference in conducting research and further research development, and (2) For Business Owners The results of this study can provide information and insights for business owners to improve internal control.

2. LITERATURE REVIEW

Internal control system

The internal control system is an organizational structure, using neatly affiliated measures to maintain the wealth of entities, learn the accuracy & reliability of data,

drive efficiency, & encourage compliance with management policies (Hafizah, 2021). The report does not only detail the financial statements but also deviations and actions that can be taken to overcome the deviations that occur (Chandra Rini, 2017).

Effectiveness of cash management

The effectiveness of cash is engineered to be able to make an issuer in preventing an error in estimating cash and being able to maximize money which includes interest income provided in the implementation of operational activities (Saadah, 2019). The internal control system has a significant effect on performance and regional financial management has a significant effect on performance (Dodi, 2016). The success of a control system is determined by how far the system is in accordance with the organizational culture.

Efficiency of the organization's enterprise

Efficiency of business entities of organizations engaged in services. Currently, the business form of Variable Measurement is carried out in accordance with the interview of cash management Population and Population Sample is a common area consisting of: objects / samples that have distinctive qualities and properties to be applied by researchers, studied and then conclusions drawn (Sugiyono, 2018).

Conceptual Framework

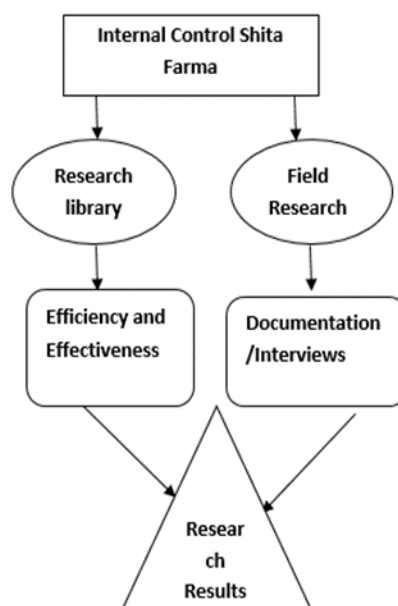


Figure 1. Conceptual Framework, 2021.

In the conceptual framework image, a discussion of the conceptual conceptual is obtained. In this study, he generally wanted to test internal control. This test was obtained data through previous research and direct research, namely field research. Data from previous studies are used to obtain data based on effectiveness and efficiency while field data is obtained in the form of documentation and direct interviews to obtain more accurate data. After these steps are implemented, later discussions and data conclusions are obtained.

3. RESEARCH METHOD

Types of Research

In this study, a type of qualitative research was used through a phenomenological approach. This approach is expected to be able to provide deeper information to provide maximum and more accurate results. According to Sugiyono (2017) phenomenological research is a type of qualitative research by seeing and hearing directly and closer and the more detailed explanations and understandings related to experiences in accordance with this research. Research that aims to explain or describe a situation, event, object, whether person, or everything related to variables that can be explained by numbers or words (Setyorini, 2010).

Research Location

This research was conducted at Shita Farma which is located at Ruko Joyo Agung regency Malang, East Java. Researchers will focus on research objects in the form of internal control through analysis of cash management procedures for MSMEs.

Population and Sample

In this study, 5 informants were selected at Shita Farma, of which 5 informants were used in this study.

Data Type

The type of data used in this study is divided into two data, namely primary data and secondary data. This primary data was obtained through the results of interviews with employees at Shita Farma. The scope of the interview was carried out relevantly, namely regarding the internal control system through the management of MSME cash.

Related to secondary data obtained through social media and literature that is still related to the research carried out.

Data Collection Techniques

At the data collection stage, this study used the observation stage and interviews conducted directly into the field to obtain data directly and accurately. Related to observation, the observation of this study was carried out directly through direct observation of the function of SPI in cash management in MSMEs. The next stage is the interview stage, where this stage is carried out intensely, communicatively, and directly between Shita Farma employees and the speakers. At this interview stage, several lists of several questions that have been prepared by researchers are also given which will later be responded to and answered by the speakers.

Data Analysis Techniques

In the data analysis technique, this study has several ways, namely data reduction, with data exposure, and drawing conclusions through the results of the data that has been studied through data inspection and matching. In this study, there are stages in the analysis technique, these techniques are:

1. Data collection, is the collection of all data obtained from primary or secondary data, then there is an objective recording according to the results that have been obtained.
2. Reductive data, is the recording that can be in the form of a conclusion or summary that focuses more on the right theme and picture so that it will make it easier for researchers to carry out the next data collection.
3. Data display, is the final way where this method is to display data in various forms both in brief descriptions, flowcharts, charts, which has the aim of making it easier for researchers to gain an understanding that is happening so that later they will be able to compile the next performance.

4. RESULTS AND DISCUSSION

Observations in the field

Researchers are trying to explore in the field the extent to which the role of internal control carried out by Shita Farma has been well or has not been carried out by employees and owners. For cash management carried out by Shita Farma, has it recorded cash in and cash out. in this business because this business has just been established and currently Indonesia is also experiencing a pandemic that has an impact on the business world so the author explores the extent to which employees and management pay attention to cash as a source of funds in Small and Medium enterprises. According to Informant (1) as the owner of "I give every need in Shita Farma by giving and receiving money from an assistant pharmacist". And "for expenses they report by sending whatsapp to me". "Then the report is the same as the rest of the money".

Is it just like that? Informant (1) replied "Yes" the researcher tried to interview Shita Farma employees regarding cash control based on information from Informant (1) by asking how the cash flow in Shita Farma was. Employees of the drug department said that the Informant (1) as the owner often gave money to one of the Informant's employees (2) " For the needs of pharmacy bills to the informant's supplier doctor (1) handed over directly to the informant (2) so that the Informant (2) paid the bills and the Informant (2) who received the employee's salary". Means that the informant (2) money is answered by the Informant (3) " Yes Sir". Who keeps making reports? Ask the author to the informant employee (3) yes the report that makes the employee named IK and ER Mr. who will later be informant (4) and informant (5).

Looking at the problem above, the author tried to see that there was a delegation to one of the pegawai, namely Informant (2) from Informant (1), it turned out that what was done by the informant (1) was due to limitations in supervision which was also explained by (Kasim & Antwi, 2015), the author delved deeper into who the informant (1) was an orthopedic specialist who was busy in the hospital and believed in one of the employees who was considered capable. What the Informant (1) does as the owner leads to the theory put forward by (Midjan, 2009), which can lead to errors, theft and violations either intentionally or unintentionally. We can see how far the theory is found by (Mulyadi, 2017), the control of entities related to the value of integrity, and ethics,

philosophy and leadership style, organizational structure, division of authority and policies on human resources that affect effectiveness and efficiency in Shita Farma.

The author interviews the informant administration (4) to what extent this employee helped to realize the control and according to the informant (4) "I only reported the remaining money at the time and I made a report" How is the organizational structure and division of authority? Replied Informant (5) as part of the administration "Not yet because this business is still relatively new and we are in the current pandemic". Continued how the distribution of resources and work was answered by the Informant (5) replied "That yes we just walk according to the established schedule, every day we the administration reports the remaining money to the Informant (1) as the owner ". When looking at the answers of the administrative section the author with data from Informants (4) and Informants (5) trying to relate to those submitted by (Horgren, 2004) who wrote internal controls that plan needs that plan needs to be at hand in the fulfillment of short-term as well as long-term business needs, Effective utility on or at any time business funds, establishment of accountability for cash receipts and adequate protection until money is placed in such storage, the maintenance of adequate bank balances. The author sees there is an inefficiency and effectiveness of the administrative part. To be clear the researchers tried to explore the answer to the extent of cash management in informants (2) whether they also understood the extent of the informant's effective and efficient cash control answers (2) "I was only given all the needs that exist in this shita farma starting to pay for suppliers to matters related to needs here sir". Continuous administrative functions? According to Informant (2) "They only record money in and out". While the work you usually do is actually what? The informant (2) replied "We are responsible for the drugs that the pharmacist has assigned, in and out of the drugs". The author can conclude that the absence of authority, completeness in maintaining the journal and accuracy and the things conveyed by (Arens & Loebnecke, 2010), resulted in the emergence of double work that was not in accordance with the orders of the superiors.

The author tries to take how the example is reported by the administration There is no date item the amount of money in moneyexawards. The author sees a theory written by (Adegboyegun et al., 2020), about the absence of transactions with validity, transactions are not authorized, transactions are not recorded completely, transactions

are not recorded with the expected clarification because it is only simple according to the events of the time without looking at the time and is only recorded in the excel program which is limited to being recorded only. Through interviews and field data seen by the author, trying to code the problem in several stages. it was concluded that the theory of internal control in Shita Farma was ineffective and efficient and the author tried to ask if there were any obstacles going on in Shita Farma with this kind of governance to the Informant (1) and he replied "There is a pack obstacle that is the most difficult for us to evaluate because there is an employee named NR informant (2) stealing employee salary money and stealing money at the cash register". So far what do you do when you find out one of the employees is taking money? Informant (1) replied "I called and I asked if it was true that you stole money and your CCTV evidence appears to be taking money". The author tries to provide finding the root of the problem, coding the problem area and analyzing the cause data that has been described in the article above. In this study, a finding was drawn that the problem of the absence of cash control will trigger deviations (Shanmugam et al., 2012). The absence of separation of responsibilities in the role of employees is also necessary in internal control of both responsibilities and work indicators written by (Alan Campuzano Garcia et al., 2021), input to the owner to slowly manage good and correct management delivered by (Mulyadi, 2017). Cash Receipts that management must have a record of cash receipts by making (Kabuye et al., 2019). So the author gives advice to the owner as a result of this study is the control of cash in which it is mentioned cash in.

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PROOF OF CASH ENTRY

Received Money from :
 Worth:
Information :

Malang,

Recipient

Figure 2. Proof of Cash Entry, 2021.

Furthermore, according to (Mulyadi, 2017), by making evidence of cash expenditure in the form of proof of Cash Out, the author petrified Shita Farma to be orderly in making cash out as a good and controllable control of money out Shita Farma.

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PROOF OF CASH OUT

Received Money from :
 Worth:
Information :

Malang,

Owner Approval	That brings out	Money Recipients
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Figure 3. Proof of Cash Out, 2021.

Once proposed evidence for cash management must also make a cash statement for any change in the work schedule by assigning the administrative department to make a report (Horgren, 2004) explaining that control is carried out by all activities involved in internal examination horizontally. Cross-footing and summation subtracted by two or more persons as internal control.

CASH CHECK EVENT NEWS

Date :
 Work Schedule :
 Cash Person In Charge :

Money In Cash :

---- Sheet Rp. 100.000,00	-----
---- Sheet Rp. 75.000,00	-----
---- Sheet Rp. 50.000,00	-----
---- Sheet Rp. 20.000,00	-----
---- Sheet Rp. 10.000,00	-----
---- Sheet Rp. 5.000,00	-----
---- Sheet Rp. 2.000,00	-----
---- Sheet Rp. 1.000,00	-----
Sum	-----

Difference :
 Advantages/(Disadvantages) :
 Information _____

Administrative	Pharmacist Assistant
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Figure 4. Cash Check Event News, 2021.

5. CONCLUSION

By providing solutions carried out by related departments according to (Alan Campuzano Garcia et al., 2021), internal control is also influenced by authorities such as the owner of Shita Farma must emphasize to subordinates to always make financial reports, effectiveness and efficiency by always conducting cash supervision and of course employee compliance with the rules made by the owner and internal control standards that have been prepared, so that internal control can be carried out with a good system according to (Mulyadi, 2017), namely by having adequate internal control, the company can reduce the opportunity for theft, loss, and accidental errors in accounting and cash control. But good internal control cannot eliminate all abuse and deviation measures, it can only reduce.

This research is limited to cash control, which is of fundamental importance in businesses that will move to medium-sized businesses. Compliance, compliance, good operational standards and standardized organization are indispensable towards good corporate governance that is far from deviations committed by employees both intentional and unintentional. Researchers expect what researchers do to achieve good internal control and continue to be refined in line with the development of Shita Farma's SME business. Hopefully this research can be used as well as possible by the management or owners and parties who read as material for future studies.

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