

FINANCIAL REPORTING IN SUPPORTING THE DEVELOPMENT OF TRADITIONAL CAKE BUSINESS (HOME INDUSTRY STUDY IN MAKASSAR CITY, IN INDONESIA)

Dr RUSTAN

Lecturer of Faculty of Economics, University of Muhammadiyah Makassar

<https://doi.org/10.37602/IJREHC.2024.5434>

ABSTRACT

The type of qualitative research through a phenomenological approach, while the results showed that recording financial statements for traditional cake businesses in Makassar City is a crucial aspect in maintaining the financial health and growth of their business. In a competitive environment, a clear understanding of cash flow, income, and expenses is key to making the right decisions. They often use simple record-keeping systems such as cashbooks or Excel spreadsheets, but there are still those who have not used accounting as a whole. Good record-keeping involves separating business transactions from personal transactions, carefully recording all income and expenses, and accounting for tax aspects. Although the baking industry environment is full of competition, a clear understanding of cash flow, income, and expenses is key to making the right decisions. By carefully recording every transaction

Keywords: Business, Reporting, Financial, Business, Traditional

1.0 INTRODUCTION

Micro, Small, and Medium Enterprises (SMEs) have become the backbone of the economy in many countries, including Indonesia. SMEs have a significant role in creating jobs, expanding access to markets, and contributing to economic growth. Makassar City, as one of the economic centres in eastern Indonesia, is no exception to this phenomenon. In the midst of the dynamics of global economic development and increasingly fierce competition, SMEs in Makassar City need to optimise various factors that can support the growth and sustainability of their business.

One important factor that needs to be considered by SMEs is financial management, including accurate and regular financial reporting. Financial reporting has a very important role in supporting appropriate decision making, both by the business owners themselves and by external parties such as investors, creditors, and the government. However, in practice, many SMEs still face various obstacles in managing and reporting their finances properly. This can be due to limited human resources, knowledge, and also access to information technology required for an effective financial reporting process..

In particular, in SMEs in the cake home industry sector in Makassar City, there are challenges in managing and reporting finances properly. The cake home industry is one type of SME business that is quite popular in the people of Makassar City. Cakes are an important part of the culinary culture in this area, both as daily food and as a speciality dish in various events

and celebrations. Therefore, the market potential for the cake home industry in Makassar City is quite large.

In addition, the growth of information technology has also had a significant impact on SMEs, including in Makassar City. Technological developments have opened up new opportunities for SMEs to improve their operational efficiency, including in terms of financial management. The use of accounting software and financial applications has made it easier for SMEs to record transactions, manage inventory, and prepare financial reports more quickly and accurately. However, there are still many SMEs that have not fully utilised this technology due to limited knowledge or access to these tools.

However, behind this huge market potential, the cake home industry also faces various challenges, especially related to financial management and financial reporting. Many cake home industry entrepreneurs may have the skills to make quality cake products, but lack attention to aspects of financial management such as recording transactions, controlling costs, and preparing accurate financial reports. As a result, they may struggle to monitor the financial performance of their businesses, identify emerging issues, or even access additional funding to further develop their businesses.

In this context, research on financial reporting in supporting the business development of SMEs, especially the Traditional cake home industry in Makassar City is relevant and important. By understanding more about the role and implementation of financial reporting in this SME context, appropriate strategies can be identified to improve the quality of financial management and business growth in this sector. In addition, this research can also provide valuable input for related parties, including business actors, government, financial institutions, and the general public, to support the development of SMEs, especially in the cake home industry sector, in Makassar City.

B. Problem formulation

1. How is the management of the traditional cake food industry business on home industry players in Makassar city?
2. How is the recording (financial statements) carried out by traditional cake business actors for home industries in Makassar city
3. What are the advantages and disadvantages of recording financial statements on traditional cake business actors in the home industry in Makassar city
4. How is the model of recording financial statements of traditional cake business actors in the home industry in Makassar city?

2.0 LITERATURE REVIEW

A. Financial Report

Financial reports are basically a medium of information that summarises all company activities and is usually reported or presented in the form of a balance sheet and income statement at a certain time or a certain time, and ultimately used as an information tool in making policies or decisions for users of financial statements in accordance with their respective interests.

The definition of financial statements according to the Indonesian Accounting Association through "Financial Accounting Standards" (2012: 1) stated in the basic framework for the preparation and presentation of financial statements paragraph 7 is as follows: "Financial statements are part of the reporting process. Complete financial statements, usually include a balance sheet, income statement, statement of changes in financial position (which is presented in various ways such as cash flow statement or fund flow statement), notes or other reports and explanatory materials that are an integral part of the financial statements. It also includes schedules and supplementary information related to those statements, such as financial information, industry and geographic segments and disclosure of the effects of price changes."

Meanwhile, according to S. Munawir in his book entitled "Analysis of Financial Statements" (2010: 5) suggests the definition of financial statements as follows: "The financial statements are two lists compiled by an accountant at the end of the period for a company? The two lists are the balance sheet or financial position list and the income list or profit and loss list. In recent times it has become a habit for companies to add a third list, namely a list of surpluses or a list of undistributed profits (retained earnings) ".

Furthermore, according to Cashmere in his book entitled "Financial Statement Analysis" (2011: 7) says that financial statements are reports that show the company's financial condition at this time or within a certain period.

Based on the definition of financial statements stated above, it can be concluded that financial statements are the final result of an accounting process that has a function as a medium of information and communication between internal parties (companies) and external parties or other parties who have an interest in data or reports on the results of the company's operational activities presented, where the financial statements include two main lists, namely the balance sheet and profit and loss and one additional list, namely retained earnings..

B. Business Development

According to Anoraga (2007:66), the development of a business is "the responsibility of every entrepreneur or entrepreneur who requires foresight, motivation and creativity". If these results can be done by every entrepreneur, then there is great hope to be able to make a business that was originally small to medium scale even into a large business.

Business activities can start from starting a business (starting), building cooperation or by buying other people's businesses or better known as franchising. But what needs to be considered is where the direction of the business will be taken. Therefore, a development is needed in expanding and maintaining the business so that it can run well. To carry out business development, support is needed from various aspects such as production and processing, marketing, human resources, technology and others.

According to Anoraga (2007: 90), there are several stages of business development, among others:

1. Phase I: Opportunity Identification

Need to identify opportunities supported by data and information, information can usually be obtained from various sources such as: 1) Company plans 2) Small management suggestions 3) Government programmes 4) Results of various business opportunity researches 5) Chamber of Commerce or similar business associations

2. Phase II: Formulating business alternatives After the information has been collected and analysed, the company leader or business manager can formulate what businesses might be opened.

3. Stage III: Selection of Alternatives Many alternatives must then be selected one or several of the best and prospective alternatives. For prospective businesses, the basis for selection, among others, can use the following criteria: 1) Market availability 2) Risk of failure 3) Price

4. Stage IV: Implementation of Selected Alternatives After determining the alternatives, the next stage is the implementation of the selected business.

5. Stage V: Evaluation Evaluation is intended to provide corrections and improvements to the business being run. In addition, it is also directed to be able to provide input for the improvement of further business implementation.

Rengkuti (2009:4) Strategy is "a tool to achieve corporate goals in relation to long-term goals, follow-up programmes, and resource allocation priorities"..

1) Product development strategy

According to David (2009: 251) Product development is "seeking to increase sales through improving current products or services or developing new products or services". Product development usually requires large expenditures on research and development. This product development strategy is chosen to be carried out by a company in terms of modifying existing products or creating new products or those that are still related to current products. Thus the new or modified product can be marketed to existing customers through existing marketing channels. The idea of this strategy was chosen to be carried out with the aim of being able to provide satisfaction to customers. In addition, while conducting product development, for efforts to explore the influence of the cycle known as product life style.

2) Strategi pengembangan Pasar

David (2009: 251) argues that market development is "introducing current products or services into new geographic areas". The market development strategy is chosen to be carried out with the consideration that coordination can be carried out, so that lower sacrifice costs can be achieved and the risks faced are smaller. The emphasis of this strategy is on marketing the current product, considering the expertise and skills in operating both for existing customers and for new customers. In this case, the enhanced activities are the addition of distribution channels and company branches, as well as changing and improving advertising and promotion programmes. Assauri (2013: 135) says that market development is "a strategic decision of a company or corporation". The strategic decision is directed at being able to take advantage of market opportunities for sustainable company growth.

3.0 RESEARCH METHODS

Qualitative research through phenomenological approach

3.1 Discussion

A. Business management of the traditional cake food industry on home industry players in Makassar city

The food industry, especially traditional cakes, has become an integral part of people's daily lives in Indonesia. Amidst the rapid development of the times and various modern culinary innovations, traditional cakes still maintain their appeal as a priceless cultural heritage. Makassar City, as one of the centres of commerce and culture in Eastern Indonesia, also has a rich variety of traditional cakes that have become an integral part of the daily lives of its people.

Behind the deliciousness and uniqueness of Makassar's traditional cakes, there are home industry players who are dedicated to preserving this culinary heritage. They are individuals who play an important role in maintaining and developing the sustainability of Makassar's traditional cakes. According to one of the traditional cake home industry players, Mrs Nini, the following is the potential of the traditional cake business until now is still in great demand by both urban and rural communities, the price of traditional cakes is still very cheap with a capital of Rp 3000, people can already buy 3 seeds / packet of traditional cakes, in general, the people of Makassar city generally before going to work in the morning prefer to eat traditional cakes as breakfast then they go to work.,

In general, traditional cake business home industry players are still dominated by the lower class of society, this business choice is taken because this business capital does not require large capital, the range of capital needed is around Rp 100,000 can already start the business, however, even so the business is not free from economic challenges, the management of traditional cake food industry business businesses in home industry players in Makassar City is a topic that needs further attention.

A business venture has challenges associated with quality standards, marketing, production management, people involved in home industry activities must pay attention to the quality of their products. Although traditional baked goods are often passed down from generation to generation, quality standards must be maintained. This involves the selection of quality raw materials, the use of proper manufacturing techniques, and attention to detail in the production process. Home industry players in their business activities must constantly innovate to improve the quality of their products to remain attractive to modern consumers..

Production management is a very important aspect of managing a traditional cake food industry business venture. Home industry players need to have an efficient system to plan production, manage raw material inventory, and manage resources. The application of technology such as simple production management software can help to optimise the production process and reduce waste. In addition, it is important for home industry players to build harmonious relationships with the wider community. Interacting directly with customers or potential customers, listening to their feedback, and providing service to the community as a good customer can help build customer loyalty and expand business networks. By integrating

effective marketing strategies with professional communication and satisfactory service, home industry players can improve the quality of their brand image and strengthen their position in local and regional markets. According to one of the academics, Mr P, he sees that the potential of traditional businesses will continue to be sought after by the community, this is because traditional cakes are not just eaten as hunger curbs but traditional cakes will always be remembered by every nomad who lives in the city, traditional cakes that are served will remind memories of the past, hometowns and a number of the most beautiful memories in the hearts of the community, traditional cakes in every form and taste have local wisdom values, which are full of meaning and teachings of the old people.

For home industry players, compliance with sanitary and legal regulations is another thing that cannot be ignored in the management of this business venture. Home industry players must ensure that they fulfil all sanitation and food safety requirements set by local authorities. This includes the selection of suitable production sites, the use of clean equipment, and clear and accurate product labelling..

Overall, the management of traditional cake food industry business ventures by home industry players in Makassar City involves a variety of potential resources whether it is strategies to maintain product quality, improve marketing, manage production efficiently, and comply with applicable regulations. With a professional approach, this industry can continue to grow and make a significant contribution to the local economy while maintaining a valuable traditional culinary heritage.

B. Recording (financial statements) carried out by traditional cake business actors for home industries in Makassar city

Recording financial statements for traditional cake businesses in Makassar city has a very important role in maintaining business continuity and growth. In this era of digitalisation, good recordkeeping is not only a legal obligation, but also a tool to understand business performance, make strategic decisions, and attract potential investors, understanding that traditional cake businesses are home industries, which means they have a smaller scale of operations and limited resources compared to larger businesses. However, this does not diminish the need for good financial record-keeping. Usually, the record-keeping process starts with separating the financial transactions of the business from the personal transactions of the business owner. This is done so that financial records are not mixed up, For home industry players, financial recording is still very simple, this happens because it follows the pattern of business with all aspects of production to the marketing stage, home industry players if the business unit is still below Rp 300,000 per day, the recording pattern is very simple, namely ordinary records that show transaction dates, entry and exit of funds and purchase of business products.

Traditional cake businesses in Makassar usually use a simple record-keeping system, such as a cash book or Excel spreadsheet, to record all their financial transactions. They record every income and expense, including the purchase of raw materials such as flour, sugar, and butter, as well as other expenses such as operational costs and promotional costs.

According to one economic observer, Mr P, he sees that the community of home industry players does not use financial records of academic standards because they think that recording academic standards is rather difficult and they do not know, besides that the condition of the

business they are involved in is considered not yet time to use, so far the community of home industry players considers their business not yet advanced and successful, home industry players are generally satisfied even though they have little profit.

Until now, there has been no professional financial recording model related to the home industry, so that business people do not have a model or example of financial records that become the main reference, Until now, there has been no financial management module or guidebook, especially those that focus on home industry businesses. Although there are several titles of accounting books for SMEs, but the book by looking at its contents is more intended for large companies, which of course financial management on a large scale as well.

Also, according to the informant Mr P as an academic saw, that: "The difficulty that arises to make financial statements is because most business actors do not understand the mechanism of making financial statements. The separation of personal and business finances is very important because we can find out to what extent the business is running. When separating personal and business finances, it is easy to know business income and income outside the business."

Good record keeping also includes separating variable costs from fixed costs. Variable costs are costs that change with the level of production, such as raw material costs. While fixed costs are costs that remain fixed no matter how much product is produced, such as the cost of renting a production site. Understanding this difference helps businesses calculate cost of goods sold and determine the break-even point or the point at which revenue equals costs.

In addition, it is important for traditional cake businesses in Makassar to carefully record all income from cake sales. This includes not only direct sales to consumers but also sales through various channels, such as online orders or wholesale sales to local shops. By carefully recording all income, they can identify their main sources of income and identify sales trends..

Furthermore, in recording financial statements, traditional cake businesses in Makassar must also take into account the tax aspect. They need to ensure that they fulfil their tax obligations correctly, including the calculation and payment of income tax, value-added tax (VAT), and other taxes in accordance with applicable regulations in Indonesia. Miscalculation or late payment of taxes can result in sanctions or fines that can disrupt business cash flow.

Finally, financial statements are also the basis for analysing business performance. By monitoring net profit, profit margin, and other financial ratios, businesses can evaluate their business growth, identify areas where they can make improvements, and create strategies for the future. It also helps them in communicating with relevant parties, such as banks or potential investors, who need a clear understanding of the business's financial performance. Overall, recording financial statements for traditional cake businesses in Makassar is a crucial step in maintaining the financial health and growth of their business. By keeping careful records and using the resulting information to make informed decisions, they can increase their chances of success in this competitive industry.

C. Strengths and weaknesses of recording financial statements in traditional cake business actors in home industries in Makassar city

As a traditional cake business owner in Makassar city, recording financial statements is one of the most vital aspects in maintaining financial health and business growth. In a competitive environment such as the cake industry, a clear understanding of cash flow, income, and expenses is key to making the right decisions in managing the business efficiently.

Recording financial statements is not only about complying with legal requirements, but also about gaining deep insights into overall business performance. For traditional cake businesses, managing inventory, estimating production costs, setting the right selling price, and managing cash flow are challenges that must be faced every day. According to one academic said as follows: a good business in order to run normally needs to be recorded even in the simplest form, this is because human abilities are limited and the human brain is not always able to accommodate all transactions in business.

By meticulously recording every transaction, from the purchase of raw materials to the sale of finished products, business owners can professionally track their income and expenses. This helps in identifying sales levels, understanding profit margins, and evaluating operational efficiency. In addition, good financial records also make it easier for business owners to monitor payables and receivables, manage tax payments, and communicate with financial parties such as banks or investors.

While recording financial statements can be complicated, especially for small businesses with limited resources, using a simple system such as a cash book or Excel spreadsheet can be an effective solution. With discipline in recording every transaction and a good understanding of their business needs, traditional cake business owners in Makassar can utilise financial recording as a tool to support their business growth and success. Here are the advantages and disadvantages:

Advantages

1. **Simple and Easy to Understand:** Simple record-keeping systems such as cashbooks or Excel are relatively easy to understand for business owners who may not have a formal financial background. They do not need specialised knowledge in accounting to be able to record financial transactions.
2. **Low Cost:** The use of cashbooks or Excel spreadsheets usually does not require a large investment in software or specialised training. This makes it a more affordable option for businesses, especially for those with smaller businesses.
3. **Timeliness:** With a simple system, business owners can record transactions directly as they occur. This allows for more real-time financial information and helps in quick decision-making.
4. **Customisation:** Excel spreadsheets allow businesses to customise the format and structure of records according to their needs. They can add columns or formulas according to the type of transaction or analysis they need.
5. **Flexibility:** This simple record-keeping system is quite flexible and can be customised as the business grows. Business owners can easily customise their record-keeping process as their business grows or changes in their needs.

Weaknesses

1. **Functionality Limitations:** Simple record-keeping systems such as cashbooks or Excel have their drawbacks, they cannot provide the more advanced analytical or reporting features that a growing business may require.
2. **Possible Manual Errors:** Manual recording in a cash book or spreadsheet has the risk of human error, such as mistakes in inputting numbers or calculating totals. This results in financial information that is inaccurate and potentially harmful to the business..
3. **Tracking and Audit Difficulties:** In a simple system, tracking specific transactions or auditing financial statements can be more difficult. Without a clear and organised record-keeping structure, checking for errors or tracing specific transactions can be challenging..
4. **Prone to Data Loss:** In a physical cash book, there is a risk of losing or damaging the book. While in Excel, if files are not saved or copied properly, data can be lost or corrupted, especially if no backups are done regularly.

D. The model of recording financial statements of traditional cake business actors in home industries in Makassar city

Traditional cake business activities in Makassar city are very numerous, almost in all corners of Makassar city, there are many traditional cake sellers. From market snacks to regional speciality cakes, traditional cake businesses in Makassar not only provide delicious food but also become guardians of traditions and culture that continue to develop from generation to generation, traditional cakes have the delicacy and uniqueness of these products, in terms of finance, there are major challenges in the process of financial recording, especially recording financial reports. Currently, most traditional cake businesses in Makassar City still rely on a manual financial recording system. Although this method has been used for many years, the need for efficiency and accuracy is increasingly urging businesses to switch to a more sophisticated solution..

Manual record-keeping has a number of significant drawbacks. First of all, it is prone to human error. In business management, small errors in record-keeping can lead to big mistakes in decision-making. Furthermore, manual record-keeping is time- and labour-intensive, consuming valuable resources that could be allocated to other more worthwhile activities. Furthermore, manual records are sometimes difficult to track and understand efficiently. Data scattered across various ledgers and physical records are difficult to unify and analyse comprehensively. This makes it difficult for businesses to understand their overall financial performance and create effective strategies for business growth..

Switching to a digital accounting system can provide a number of great benefits for traditional cake businesses in Makassar City. First of all, accounting software enables automatic recording of transactions, reducing the risk of human error and improving data accuracy. By automating, time that used to be spent on manual recording can be allocated to other more strategic activities.

Several digital accounting software can be considered by traditional cake businesses in Makassar City. One popular option is a small accounting software application such as Kledo or Xero. Both platforms offer automated transaction recording features that can help reduce human error and improve data accuracy. They also provide easy-to-understand and

customisable financial reports to provide better visibility into the financial condition of the business. Or you can hire a programmer to create a digital accounting system..

The use of digital accounting systems has positive impacts such as increased operational efficiency, real-time access to financial data, greater transparency and accountability in reporting, and reduced risk of human error in recording and reporting. This is in line with the results of research conducted by (Ahmad Bukhori Muslim, Novi Akmal Yani, and Maulina Dyah Permatasari, 2022) which states that the sophistication of information technology is able to produce various information technology systems designed and built to assist human work in producing accurate and quality information. Companies that already have information technology supported by qualified technology support applications will be able to have a good and positive impact on the company's progress by producing timely, accurate, quality and reliable information.

Recording financial statements is an important part of effective business management. In the context of traditional cake businesses in Makassar City, the transformation from manual record-keeping systems to digital accounting systems is becoming increasingly important. While there are a number of challenges in adopting new technology, the long-term benefits for business growth and sustainability cannot be ignored. With the right approach and sufficient support, traditional cake businesses can face the future with more confidence and capitalise on the opportunities presented by the digital era.

4.0 CONCLUSION

Recording financial statements for traditional cake businesses in Makassar City is a crucial aspect in maintaining the financial health and growth of their business. In a competitive environment, a clear understanding of cash flow, income, and expenses is key to making informed decisions. They often use simple record-keeping systems such as cashbooks or Excel spreadsheets, but there are still those who have not used accounting as a whole. Good record-keeping involves separating business transactions from personal transactions, carefully recording all income and expenses, and accounting for tax aspects. Financial statements are also the basis for analysing business performance and communicating with relevant parties such as banks or potential investors. By keeping meticulous records and utilising the information generated, businesses can increase their chances of success in this competitive industry..

While the baking industry environment is full of competition, a clear understanding of cash flow, revenue, and expenses is key to making informed decisions. By meticulously recording every transaction, business owners can accurately track income and expenses, help in identifying sales trends, understand profit margins, and evaluate operational efficiency. While manual record-keeping can be cumbersome, the use of simple systems such as cashbooks or Excel spreadsheets can be an effective solution at a low cost. However, they have disadvantages such as limited functionality, risk of manual errors, difficulty of tracking and auditing, prone to data loss, limited scalability, and too low an oversight system.

LITERATURE

Perbanas. "Chapter ii literature review"

Makkulau, NFZ. 2022. "chapter ii literature review and framework"

Nasruddin, Mustazam. "Analysis of the role of small and medium enterprises (SMEs) in improving the economy of employee families (study at cv. Citra Sari, Makassar city)"

Rais, Arsita. "Analysis of the design and implementation of accounting systems in small and medium enterprises of the palm woven home industry in takalar district"

Idris, Muhammad et al. 2019. "Bugis cake business development based on community empowerment in cempa sub-district, pinrang district"

Sariyanti. "Socio-economic life of traditional cake traders in Makassar toddopuli market"

Kurniawati, Aisyah. 2023. "Financial management of dry sponge bread business actors in magetan district"

Nurjannah. 2019. "Income analysis of traditional baje cake business in tanete village, tomlobulu sub-district, gowa district"

Usman, Asri. 2022. "pmu-pkm in biring romang village, manggala sub-district, makassar municipality"

Alam, Nur. 2022. "Get to know 7 advantages and disadvantages of manual accounting"

Mekari Journal. 2023. "Tips for Choosing the Right Accounting Software for SMEs!"

Bukhori Muslim, Ahmad et al. 2022. "The effect of information technology sophistication, personal technical skills and work experience on the effectiveness of the use of accounting information systems (case study on sicepat ekspres indonesia)"