

THE IMPLEMENTATION OF FINANCIAL MANAGEMENT AT PT. MYKANTA

by:

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ABSTRACT

Financial Management is useful for regulating the capital and the company money to be used efficiently, as effective and productive as possible in order to earn profit. Financial management is the way of the company to control the company's activities from planning to evaluation and reporting. In the application of financial management there are seven principles that must be applied by the company. The seven principles are consistent, accountability, transparency, viability, integrity, stewardship and accounting standard. Those principles can be directed in a way to implement financial management. This research is using qualitative method that will describe the topic and explain the result of the interview. The object of the research is PT. Mykanta as contractor company in Manado. The purpose of this research is to know how the implementation of financial management in contractor company, whether the company already meets the seven principles that become the standard for financial management. The result of the research is that the PT. Mykanta already implementing the financial management, but this company must improve it with the addition of the employee to support the company's activities. Management company should pay attention anymore financial management in order to run properly, as effective and efficient as possible. A company will not develop if one field is problematic or not managed properly.

Keywords: *financial management, consistent, accountability, transparency*

INTRODUCTION

Research Background

Currently the impact of globalization provide for all aspects of human life. One of the major impact is economy sector. Individuals and companies feel the complexity of running a business that is increasingly difficult and the competition is strong. Many people and companies cannot survive because of this situation. Economic crisis also makes the situation more complicated and it makes a lot of companies go bankrupt. This thing that makes people and companies think how to regulate financial management in order to increase profits and the quality of the company.

Financial management should be consistent, accountability, transparency, viability, the integrated, well managed, and contain accounting standards. Consistent means, financial arrangements must be organized on a regular basis or from time to time in order to avoid manipulation in financial management. Accountability means the organization must be able to explain how the use of resources and accountability to beneficiaries. Transparency means that the company must be open to ongoing work and preparing financial reports are accurate, complete, timely, and accessible to the owner of the company. Viability means to measure the level of security and financial sustainability of the organization. Integrity means that all financial statements must be maintained integrity through the completeness and accuracy of financial records. Management means the company must properly manage company funds, strategic planning, identifying financial risks, as well as making and financial control system in accordance with the organization. Financial accounting standards are

used organizational system must be in accordance with generally accepted standards to be easily understood by all accountants.

Contractors also use financial management in order to facilitate financial performance. Financial management in contractor company different with the general company. The financial statements are made periodically and accountable not only valid, but can be used for pattern comparison for previous projects. Recording transactions should also be carried out repeatedly by employees that financial reporting runs smoothly. So it is with PT. Mykanta. The company is engaged in construction of roads, bridges, and buildings. Financial management in the company is regulated by the financial manager in charge of checking the proof of payment, set out the entry of corporate funds, and have an obligation to report to the Director of the company's financial statements on a regular basis. This company should follow the valid system in financial management sector. The company should also review the performance of financial management that already achieve the objectives of the company or not.

Research Objectives

To analyze the implementation of financial management at PT. Mykanta and the influence of Financial Management on company performance based on qualitative study.

THEORETICAL REVIEW

Financial Management

Home and Wachowicz (1995:2) explains that financial management is concerned with acquisition, financing, and management of assets with some overall goal in mind. The second major decision of the firm is the financing decision. Here the financial manager is concerned with the makeup of the right-hand side of the balance sheet. Once the mix of financing has been decided, the financial manager must still determine how best to physically acquire the needed funds. The mechanics of getting a short term loan, entering into a long term lease arrangement, or negotiating a sale of bonds or stock must be understood. Keown et al (2002:2) stated that financial management is concerned with the maintenance and creation of economics value or wealth. Henderson et al (1984:5) stated that financial management is the study and practice of dollar-denominated decision making within a business firm.

Financial Performance

Weygandt (2005:1028) identified performance evaluation is a management function that compares actual results with budget goals. Finally, performance can be defined as profitability-how the company can result in profit. Every company or organization needs to conduct and analysis in order to measure its financial performance; in other terms, it is called financial analysis.

Infrastructure Financial

Kidwell et al (2008:428) expressed that size and growth of major financial intermediaries consist of commercial banks, mutual funds, private pension funds, life insurance companies, government-sponsored enterprises, state and local government pension, money market funds, finance companies, savings institutions, casualty insurance companies, and credit unions.

Financial Management System

Kidwell et al (2007:4) explains that the financial system consists of financial markets and institutions. Financial markets are just like any market you have seen before, where people buy and sell different types of goods, haggling and arguing over prices. Financial institutions are also part of financial system. Like financial markets, financial institutions also facilitate the flow of funds from savers to borrowers.

Previous Research

Several literature reviews are used in this research which provides the grand concept of this research and the relationship of previous researches and this research.

1. Minani (2012) sought to find out the extent to which financial managers use IFMIS tools to generate financial information required to make informed financial decisions, especially in financial planning and capital budgeting. This study was conducted at TANESCO and TTCL, headquarters, Dar es Salaam.
2. Mustafa et al (2010) found that these organizations are in great needs for accurate information on the current system and end user's need in order to be more effective and efficient in their operations.
3. Masu S. and H. Gichunge (2012) The aim of this paper is to use the case study of Nairobi in Kenya in order to fill the gap of knowledge on the component ratios of new building costs that has been missing from international literature.
4. Chen Chia-Yu et al (2011) researcher apply particle swarm optimization (PSO) into support vector machine (SVM) for financial bankruptcy prediction model construction. Besides, due to electronic industry has the most volumes in Taiwan stock market, and also is the source for international competitiveness of Taiwan.

Conceptual Framework

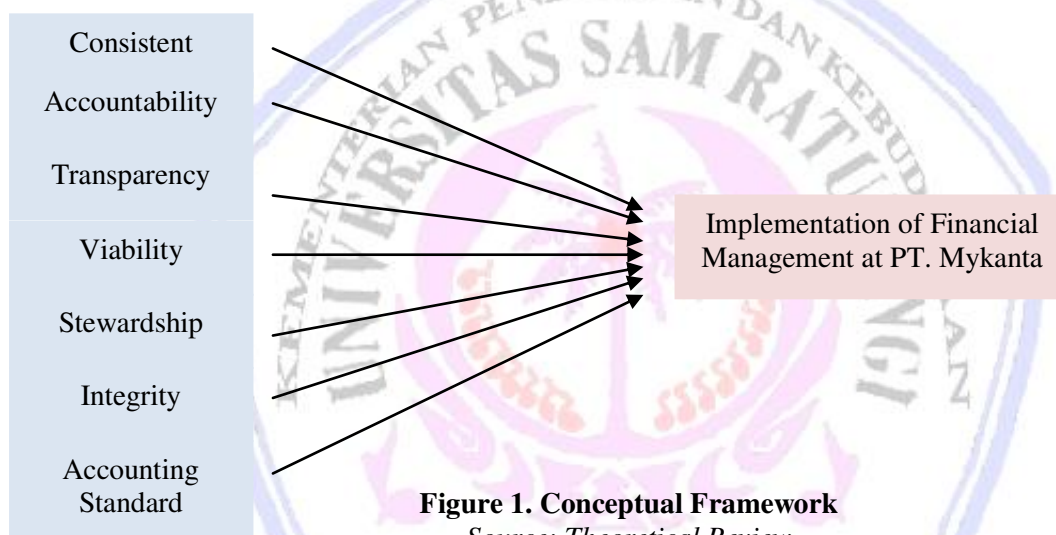


Figure 1. Conceptual Framework

Source: Theoretical Review

The Figure above shows the conceptual frameworks of this research to analyze the implementation of financial management at PT. Mykanta

RESEARCH METHOD

Types of Research

This research is appropriated to be conducted qualitatively by the researcher. Qualitative data is the data that shown descriptively or explanation data. Sekaran and Bougie (2009:298) stated that qualitative research is a type of scientific research which in general terms, scientific research consists of an investigation that seek answer to question, systematically used a predefined procedure to answer the question, collect evidence, and produces findings that were not determined in advance and applicable beyond the immediate boundaries of the study. Researcher use Descriptive Research in writing the report through qualitative research. Sekaran and Bougie (2009:128) explains that descriptive method is a method in observing human group status, an object, a condition set. Which means analytic description aims to make description, systematically images, factual and accurate about facts, behavior, also relationships between observed phenomena briefly to produce recommendations for future needs. Descriptive study used in this research because the purpose study is to describe the implementation of financial management in PT. Mykanta.

Place and Time of Research

This Research is conducted in PT. Mykanta. The interviews are the president director, financial manager, and employee of PT. Mykanta. The interview was conducted in July 2014.

Social Situation and Participant

Social situation in this research were those who worked at PT. Mykanta, especially in financial management division. Informant or participant of this research consist of 4 peoples, they are director, financial manager and 2 employees from financial division.

Data Collection Method

There are two types of data which are primary data and secondary data. Sekaran and Bougie (2009:186-188) stated that interview is consist of two types which are unstructured interview and structured interviews. In secondary data, researcher collect several sources such as books that dominated used in theoretical review, several articles to compare and analyze the previous research and relevant literature from library and internet about another key words that can contain in this research.

Method of Analysis

Sekaran and Bougie (2009:158) explains that several types of validity test are used to test the goodness of measures and writers use different terms to denote them. Validity tests under three board headings: content validity, criterion-related validity and construct validity. In credibility there are several extensions of the observation, like a verification of the data that were found, by using the camera and recorder so the data is more reliable. To make the research credible, researcher use triangulation. Which is attempt to deepen the researcher's understanding of the issues and maximize their confidence in the findings of qualitative studies. Description in making the report should be detailed, clear, systematic and reliable. That is why researcher explains all the elements and components that involve in this research systematically to make this research more reliable. In determining the problem, enter the field, specify the data sources, perform data analysis, to test the validity of the data to make a conclusion must be proven by the researchers with a way to audit in the overall research process.

RESULT AND DISCUSSION

Financial Management

Companies are trying to implement a financial management in order to improve the performance of the company. PT. Mykanta is one of the contracting company that has the best quality in Manado. As a contractor company that is often used providers (Departemen Pekerjaan Umum and Government) PT. Mykanta certainly got a lot of projects. And all of these projects cannot work properly if the financial management messy. Informant 1 explains that financial Management is the activity of the company which is the owner and company management in charge of managing capital and money as affective, efficient and productive as possible to generate profits and achieving the main goals of the company.

Consistent

The first pillar or principle to implement financial management is consistent. Several informants who worked at PT. Mykanta generally argue that consistency has been implemented in PT. Mykanta because the employees are always timely financial reports that can be evaluated by financial managers and directors. Informant 2 explains that PT. Mykanta been consistent from the beginning to handle financial management. They always consistently prepare weekly and monthly reports so that together with our directors can evaluate the data reported.

Accountability

Financial arrangements should also be enhanced with the responsibility by each individual's financial management. Informant 4 explains that principle of accountability can be seen from their responsibility in carrying out the duties and obligations as an employee in the financial management division. If they do one of the following sanctions will be given PPK (Pemutusan Kontrak Kerja) and SKP (Sanksi Kerja Pegawai).

Transparency

The fourth pillar is transparency. Transparency means providing financial information that is open to all members on things that have been done. As well as within a company, such as PT.Mykanta engaged in construction. Transparency application is very important that the company's financial management could be better. Informant 1 explains that since the company was established principle of transparency has been set. They want all the financial management processes of planning to be known by every employee reporting to avoid misunderstandings and fraud within the company.

Viability

For well-established financially, spending must be balanced with revenue. They should be at strategic level. Manager must prepare a financial strategy to show how the company will meet all financial responsibilities and explain strategic planning. Viability application is indicated or reflected through the creation of budget planning. In companies engaged in construction financial planning in the form of RAB (Rencana Anggaran Biaya). Informant 2 explains that financial plan is based on project budget and experts as well as support personnel requested service providers. They will make a budget plan that contained in the RAB charge payment experts. With RAB, they can predict how much profit can be earned by the company.

Integrity

The fifth principle in the application of financial management is integrity. Integrity or honesty and reliability of a company and the individuals within it, should have been no question for the sake of proper financial application. Informant 1 explains that in carrying out the operations, employees involved must have good integrity. And integrity of the well has shown employees in managing financial management. Employees assigned to the financial management has been to maintain the integrity of the financial statements and notes by the completeness and accuracy of financial records.

Stewardship

Financial management of the sixth principle is stewardship. An organization should properly manage financial resources entrusted and ensure that these resources are used in accordance with its interests. This is known as financial responsibility. Informant 2 explains that she was tasked to plan, acquire and use the funds to produce the maximum contribution to the effective operation of an organization. She define financial management as the management of the flow of funds due from time to time there will be funds in and out, as well as funds derived from various sources (internal and external financing) allocated to various uses.

Accounting Standard

The seventh principle of financial management is the accounting standard. System to manage records and financial documentation, they should pay attention to the principles and accounting standards that have been accepted internationally by adapting it to match (compatible) with the conditions and the context of their respective companies.

CONCLUSION AND RECOMMENDATION

Conclusion

The data were analyzed and the result came up, then the conclusions are:

1. PT. Mykanta is a company that implements financial management. This is because they are aware that financial management is essential to building a better company. Though this new company was formed in 2008 but has become one of the contracting companies to successful in Manado. They can prove that with proper financial management, all activities of the project could be completed on time and within the specified budget. Be a positive impact for financial management of PT. Mykanta and help the company to increase profits.
2. In implementing financial management, PT. Mykanta based on seven pillars of financial management. The seven pillars are consistent, accountability, transparency, viability, integrity, stewardship, and accounting standard. PT. Mykanta always consistently reported the company's financial statements on a regular basis. To support accountability, PT. Mykanta managing the production of the project in accordance with the company's decision. They always audit the results of the income and expenditure of corporate funds. PT. Mykanta did the Reviews their transparency in all activities of all related parties and report accurately and truthfully. PT. Mykanta viability reflects the principle of balance through the use of corporate money from revenue to expenditure. PT. Mykanta using the principle of integrity through financial records is complete and accurate. Stewardship demonstrated by making regular RAB before the project starts. The latter is the accounting standard. Companies using cash-based financial management system that is easy to understand the accounting and are in accordance with specified standards.

Recommendation

PT. Mykanta should pay more attention on the implementation of financial management in the company, given that financial management is one of the most important things in running the company's activities. Moreover, financial management has a major role in the implementation and completion of projects. In general, the implementation of financial management already fulfill the company expectation. PT. Mykanta implementing financial management based on seven pillars, there are consistent, accountability, transparency, viability, integrity, stewardship, and accounting standard. PT. Mykanta must keep transparency and built the good communication with employee and providers (Government and Dinas Pekerjaan Umum). Not only implementing, but the company also must think to developing and improve their financial management. It will be better if the PT. Mykanta increase the number of employees in the finance division for two employees have not been enough to set up a financial company that has 2 offices and a lot of projects. If the company is trying to develop financial management, the company will have a lot of advantages and reviews their reach goals.

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