

MSME financial management strategies in increasing tax costs

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Abstract

Financial management is very important in MSMEs. By understanding financial management, a person's habits in managing finances will improve. Financial management is all financial activities related to planning and recording which aim to ensure business continuity, whether the business runs smoothly or not. MSMEs are very influential in tax costs, having tax costs can be one step to prevent the economic and financial crisis of the Indonesian economy. The aim of this research is to find out how MSMEs have a big influence on tax costs and how MSMEs are managed in Indonesia. In this research we used 26 financial management, MSME and tax costs journals that we had read. In order to produce accurate data, we have reviewed previous journals. The results of this research show that MSMEs really understand financial management, and the amount of tax costs that must be incurred in carrying out taxation really determines the level of taxpayer compliance in MSMEs.

Keywords: Financial Management, MSMEs, Tax Fees

INTRODUCTION

In financial management, strategy is very important in MSMEs, based on strengths, weaknesses, opportunities and threats, companies can use defensive, aggressive, diversification and turnaround strategies. An aggressive strategy uses strengths to take advantage of opportunities, while a diversification strategy uses strengths to deal with threats, and a turnaround strategy uses strengths to deal with threats.(Wibowo, Supriyanto, and Kurniasari 2021).

OnWorld Bank survey results show that Indonesia's financial literacy is only "20%", lower than ASEAN countries such as the Philippines at 27%, Malaysia at 66%, Thailand at 73%, and Singapore at 98%. (Pundi Bank). Research on national policy literacy levels has been conducted in many countries.(Anggraeni 2016). One of the factors that influences MSME financial management is financial literacy. Financial literacy includes the ability to differentiate between financial decisions, plan for the future, talk about money and financial issues without feeling uncomfortable, and respond competently to everyday events that influence financial decisions, including general economic events. The way a person thinks about the overall condition of the ecosystem is influenced by their financial literacy.(Eferyn et al. 2022).

By understanding adequate financial literacy, a person's habits in managing their finances and financial planning will improve. And the importance of financial literacy itself is to avoid financial problems and avoid unwanted things(Mayasari Arifin, Azib, and Setyawan 2022). Companies can thrive if they manage their own finances. The systematic accounting process produces financial data that allows users to make decisions.(Reni 2018).

The government now allows small, medium and micro business taxpayers to take advantage of tax incentives to avoid penalties. According to the Regulation of the Minister of Finance of the Republic of Indonesia Number 44/PMK.03/2020, micro, small and medium enterprises (MSMEs) affected by the corona virus pandemic are given tax rate relief. It is hoped that this new tax rate relief will be one of the steps to prevent the Indonesian economy from experiencing an economic and financial crisis during the pandemic.(Andreansyah and Farina 2022).

Understanding taxpayers, tax rates and tax sanctions are several components that can increase taxpayer compliance, especially MSMEs. The more taxes received, the greater the state's income. Micro, small and medium enterprises (MSMEs) play an important role in the Indonesian economy, both in terms of the number of businesses and the number of jobs created.(Intan Permata and Zahroh 2022)

Micro, small and medium enterprises (MSMEs) can help improve public health. Community welfare is the condition of community life which can be measured from the community's standard of living.(Aliyah 2022).

Micro, small and medium enterprises (MSMEs) can contribute to economic growth and national development. Small and medium businesses (MSMEs) have become very important and strategic in the national economy. With the large number of industries and the potential to create jobs, as well as the large contribution of MSMEs to Indonesia's GDP, MSMEs are very dominant in the national economy. Small and medium businesses (MSMEs) cannot be eliminated from the lives of modern Indonesian society. With their existence, MSMEs can provide benefits, one of which is providing a livelihood. An additional benefit is the ability to develop creativity in line with efforts to maintain and develop local wisdom traditions where MSMEs operate.(Redi et al. 2022).

LITERATURE REVIEW

MSMEs

Small and medium businesses (MSMEs) are stand-alone productive business units carried out by individuals or business entities in all economic sectors. The distinction between micro, small and medium enterprises is usually based on the initial asset value (not land and buildings) and average annual turnover.(Naeruz and Sofian 2022). As the largest informal sector and the largest workforce absorber in Indonesia, MSMEs play an important role in the economic system. Development of the informal sector (MSMEs) will increase middle class income, which is the fastest way to drive the economy in emerging markets.(Lauria et al. 2014).

Despite low productivity, MSMEs have better resilience to crises because their organizational structure and workforce are more flexible to adapt to market changes. Most people use MSMEs as their main source of livelihood because of their durability and flexibility.(Hamza and Agustien 2019).

FINANCIAL MANAGEMENT

All activities related to finance, such as planning, recording, monitoring and reporting, are defined as financial management. The function of financial management itself is to carry out financial planning, which includes planning cash flow and company profits; to allocate business costs appropriately; and to ensure that the company continues to operate.(Hidayat, Gunawan, and Gunawan 2022).

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A person's ability to budget, save and manage expenses is known as good financial management. These abilities include the ability to spend only as needed, pay monthly obligations on time, plan funds for future needs, save, and set aside money for oneself and family.(Nurjanah, Surhayani, and Asiah 2022).

TAX COSTS

The costs incurred by taxpayers to fulfill their tax obligations are known as compliance costs. Tax compliance costs consist of direct money costs, time costs, and psychological costs. The level of tax compliance is influenced by the amount of costs that taxpayers must incur to fulfill their tax obligations. Compliance costs include costs incurred by Taxpayers to fulfill their obligations according to applicable laws and regulations.(Accounting et al. 2005).

The level of taxpayer compliance in a country greatly influences the amount of that country's tax revenue. A country's ability to make money from taxes increases with higher levels of tax compliance. Allingham and Sandmo (1972) suggest that a person's income is influenced by a number of factors, such as the amount of income, tax rates, audit rates, and penalties. However, the Organization for Economic Co-operation and Development states that there are a number of variables that can influence tax paying behavior, including industrial, business, and sociological variables, as well as economic and psychological variables.(Pratama and Mulyani 2019).

One of the fiscal facilities provided by the government to MSME players is the PPh incentive policy for MSME players. This policy aims to increase the potential and activity of the MSME sector, but will also reduce the possibility of tax revenue in the short term. The reduction in the old final tax rate for MSMEs by 1 percent was considered burdensome and was often complained about by MSME players. This is because the MSME tax incentive policy provides relief for MSMEs with a tax deduction of 0.5%. From the business actor's side, the new tariff reduction is expected to encourage new MSME players to develop and provide financial space (business opportunities) by reducing the cost burden borne by MSMEs so that they can be used for expansion.(Qurrota Aini and Nurhayati 2022)

METHODS

This research uses normative juridical methods, which means research on written regulations and other legal literature available in libraries and other legal journals. Apart from that, this research is a qualitative descriptive research that explains the legal regulations and is related to the research subject, namely MSME licensing as a form of empowerment and legal protection as well as realizing a welfare state.(Redi et al. 2022).

RESULTS AND DISCUSSIONS

According to Law Number 17 of 2003 concerning State Finances, Article 3 Paragraph (1), the management of state finances is carried out in an orderly manner, in compliance with legislation,

efficiently, economically, effectively, transparently and responsibly by paying attention to a sense of justice and propriety.(Covid- 2022).

Regarding the implementation of financial policies, the law is regulated in article 12 paragraphs (1) and (2), where good governance must be considered in implementation of state financial policy. Changes in attitudes or details of the state revenue and expenditure budget (APBN) in connection with the implementation of state financial policies are regulated based on presidential orders. The next article explains how the budget used within the framework of financial policy is reported in the form of central government financial reports. (Erika Ayu Oktaviani, Sapto Hermawan, and Waluyo 2022).

Several indicators show that financial literacy has an impact on the financial performance of MSMEs. This includes the ability to calculate the interest and risk of each debt, estimate installment payments, compare debt terms and conditions, and repay loans on time. The more capabilities you have, the easier it is for MSMEs to anticipate losses in their business. This allows MSME owners to maximize their business performance and generate greater profits at all times.(Indah Suci Rahmadani, Tuti Meutia, and Nasrul Kahfi Lubis 2022).

The results of this research are in accordance with the theory of reasoned action, which is related to financial management behavior, that individuals who have extensive knowledge about finance will tend to be wiser in managing their finances. It can also help MSMEs make decisions about their business. This can be seen from the fact that during research, many MSMEs only have simple financial records, keep proof of transactions, and differentiate between personal money and business results. From these facts, MSMEs have good financial knowledge, which allows them to manage their finances well. Financial management behavior is greatly influenced by financial literacy. This means that the more knowledge about finances, the greater the ability to do things related to financial management.(Suryandani and Cholisah 2022).

The amount of costs that must be incurred by taxpayers to fulfill tax obligations also determines the level of compliance of MSME taxpayers, as stated by Adinur Prasetyo, who stated that one of the factors that determines the level of taxpayer compliance in order to fulfill tax obligations is the amount of costs that must be paid. incurred in the form of direct money costs, time costs, physiological costs by taxpayers from various literature are called compliance costs(Rd Endi Rizaldi Pratama and Nunung Nurhayati 2023).

Thus, it can be concluded that the possibility of MSME businesses taking tax compliance measures will be lower if tax compliance costs increase.(Ilman and Rusydi 2020).

CONCLUSIONS

Financial management is an important strategy to increase organizational effectiveness and efficiency. With the ability to manage finances, business owners will know the strengths and weaknesses of the business from a financial perspective. Apart from that, with financial management, business people can maximize financial resources in the organization. On this basis, it is important for MSME players to understand the benefits of financial management for the success of business processes(Setyowati and Dwiantari 2022).

The aim of this research is to find out how two independent variables, namely taxpayer understanding of taxes and compliance costs, impact MSME taxpayer compliance. Based on the data analysis and testing carried out in this research, it can be concluded that the more understanding taxpayers have about taxes, the greater their awareness of paying taxes. In addition to paying the

taxes due, taxpayers also have to pay additional costs associated with fulfilling their tax obligations. Thus, taxpayers are expected to reduce the costs they bear. (Widyawati and Prastiwi 2021).

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