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Public Institution Fights on Financial Management during Pandemic Crisis

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Abstract

This study discusses about the financial management, investation decision,which is include about the funding decision, and devided decision. The finanncial management porpuse to maximize profit or profit and minimize costs in order to obtain a maximum decision making in running the company towards the development and running company. Managing finances during the pandemic namely (1) adjust variable expenses using the average method (2) prioritize mandatory and necessary (3) pay off high-interest consumer debt, and don't add more (4) keep an emergency fund where it sholud be (5) thinking twice about making a profit from insurance (6) still set aside money for investment (7) just set aside 10% of income for things that are desire.

Introduction

The financial report is a very important tool for obtaining information regarding the financial position and results achieved by the company concerned. This financial data will be more meaningful to interested parties if the data is compared for two or more periods, and is further analyzed so that data can be obtained that can support the decisions to be taken.

Before conducting an analysis of the condition of a company's financial statements and to assess the results that have been achieved by the company, generally what is often used as a measure is ratio analysis.

Some opinions expressed by experts regarding the meaning of ratio analysis are as follows: "The definition of ratio is actually just a" tool "expressed in arithmetic that can be used to explain the relationship between 2 kinds of financial data.

"A comparison between two elements of a financial report that shows an indicator of financial health at any given time (Stone et al., 2015; Coats & Fant 1993). From the above understanding, it can be concluded that the ratio is a measuring tool for measuring the company's financial condition so that it can explain or provide an overview of the company's financial position to the analyst.

Definition of Financial Management

Financial management is a process in regulating financial activities or activities in an organization, which includes planning, analyzing and controlling financial activities that are usually carried out by financial managers (Merton & Bodie, 1995; Atkins, 1998). Financial management can also be interpreted as all company activities or activities related to efforts to obtain company funds by minimizing costs and efforts to use and allocate these funds efficiently in maximizing company value, namely the price at which prospective buyers are ready or willing to pay if a company sells them.

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Financial Management Function

In general, the main activities or financial functions are divided into two groups, namely: (1) Fundraising activities, (2) Using funds, (3) This grouping is based on the number of decisions that must be taken and the various activities that must be carried out by the financial manager. So, the financial management function consists of three main decisions that must be made by a company, namely:

Investation Decision

An investment decision is a decision taken by the financial manager in the allocation of funds or the allocation of funds into a form of investment that can generate profits in the future (Almeida et al., 2011; Pompian 2011). This investment decision will be reflected in the company's assets and affect the company's wealth structure, namely the comparison between current assets and fixed assets.

Funding Decisions

The funding decision is a financial management decision in considering and analyzing the combination of the most economical sources of funds for a company to finance its investment needs and the company's operational activities (Osadchy, 2018; Barakat, 2014; Andres, 2011). Funding decisions will be reflected in the company's liabilities side, by looking at either the short term or the long term, a comparison is called the financial structure. And if what you pay attention to is only investment funds in the long term, the comparison is called the capital structure. In funding decisions it affects both the capital structure and the financial structure.

Dividend Decision

Dividends are part of the profits of a company paid to shareholders. Dividend decision is a decision of financial management in determining the proportion of profits to be distributed to shareholders and the proportion of funds to be kept in the company as retained earnings for the company's growth (Lintner, 1956; Mehta, 2012).

Financial Management Objectives

The purpose of financial management is to maximize profit or profit and minimize costs in order to obtain a maximum decision making in running the company towards the development and running company.

Financial Management Responsibilities

The main task of the financial manager is to plan the procurement and allocation of funds in order to maximize company value. Where in it involves the following activities. Forecasting and Planning Financial managers must liaise with other executives in predicting the future of the company. Investment and Financing Decisions Financial managers must liaise with other executives in predicting the future of the company. Sources of funds that can be used to increase company growth are internal and external capital. Coordination and Control Financial managers must also be able to cooperate or cooperate with executives in other fields so that the company can operate as efficiently as possible.

The Role and Importance of Financial Management

The role and importance of financial management in a company can be explained from several aspects, namely, Company Functionality The role of financial management is more visible than the functions of other companies, because these functions will not be able to

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carry out their functions properly without being supported by a good financial management role. Position of financial manager in the organizational structure the director of finance has an equal position with the production, marketing, and human resources, and is directly responsible to the president director of a company.

Career opportunities Career opportunities in finance are divided into two main parts, namely (1) Financial services Relating to providing advice and planning for financial products for individuals, businesses and governments. (2) Financial Management Relating to duties as a financial manager in a company.

Determinants of Company Value in the Company

Every company has two goals, namely short-term and long-term goals. The company's short-term goal is to maximize profits. Meanwhile, the long-term goal that the company must achieve is to maximize firm value. The creation of corporate value has a lot to do with financial aspects, characteristic aspects, and aspects of governance. Companies that have performed well are a positive signal for investors. Good financial performance is the result of the implementation of good governance. Characteristic aspects also strongly influence the creation of company value.

Companies that have a competitive advantage are companies that have good performance from both the financial and management side. Financial performance is part of the financial aspect. The financial performance of a company can be seen in the resulting financial statements. These financial reports will provide information needed by stakeholders in assessing a company. Financial ratios are used by stakeholders to facilitate analysis of company performance. The ratios used to measure the performance and prospects of a company include profitability ratios, solvency ratios, and liquidity ratios.

The condition or characteristics of a company are also a concern of stakeholders in assessing a company. The condition or characteristics of a company can be indicated by several parameters such as the number of employees to carry out the company's operational activities, the total sales achieved by the company, the number of shares outstanding and the number of assets owned by the company. Measurement to assess the characteristics of a company that is often used is the size of the company which is calculated based on the number of assets owned by the company. Companies that have a competitive advantage are also assessed from the side of good management.

The principles of corporate governance function to control the behavior of company managers in order to focus on creating value for all stakeholders. Companies that have the commitment and consistency to carry out the principles of good corporate governance in their activities will grow investor confidence in the company and company value will increase.

Financial Leverage

Financial Leverage and Company Value Financial leverage is the company's ability to use funding to maximize profit on each common share. The use of obligations is expected to reduce agency conflicts. The addition of liabilities can reduce the use of shares and thus reduce agency costs of equity. The company has an obligation to repay the loan and pay interest expense periodically. This condition causes managers to work hard to increase profits so that they can pay off their obligations.

Profitability and Company Value

The profitability ratio measures the amount of profit and the success of the company's operations during a period. Profits will have an impact on the company in obtaining financial

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obligations and funding. Profits also have an impact on the company's liquidity position and the company's ability to grow. Analysis of profitability is very important for creditors and investors. Creditors see the profit generated as a source of payment for the borrowing company's interest and principal costs. Investors see earnings as a determining factor for changes in share value. The company will focus more on creating profits for the welfare of shareholders.

Investment Opportunity and Company Value

Investment opportunity or investment opportunity is an investment decision from a combination of company assets and future investment options in projects that can generate profits in the company. Investment opportunities are important for companies so that companies must pay attention to the factors of investment opportunities that affect the company's profitability. Companies that have investment opportunities will attract investors to invest some of their funds in the company so that the company will grow and the company value will increase.

Dividend Policy and Company Value

Dividends are returns on investment to shareholders. Dividends are part of the income expected by shareholders. The size of the dividends paid will greatly affect the achievement of the goal of maximizing shareholder welfare. Dividend policy will determine the many benefits that will be received by shareholders. Company value can be seen from the company's ability to pay dividends. The amount of dividends can affect stock prices because of positive investors' expectations of the company.

Liquidity and Company Value

The liquidity ratio is a ratio used to measure a company's ability to meet short-term financial obligations on time. A high level of liquidity can reduce the risk of a company's failure to meet its short-term financial obligations to creditors. The level of the liquidity ratio will affect the interest of investors to invest their funds in a company. The higher the liquidity ratio, the more efficient the utilization of the company's current assets.

Capital Structure and Company Value

Capital structure is the ratio between total liabilities and total equity (equity). Capital structure can be measured by the Debt to Equity Ratio (DER). The higher the DER, the greater the loan capital used to finance company assets. Thus the greater the risk of the company not being able to pay all of its obligations. The optimal capital structure can maximize firm value. Liabilities can maximize the value of the company if the benefits obtained from the obligations are greater than the costs incurred by the company

Earnings per Share and Company Value

Earnings per share measures the net income obtained by each shareholder of common stock. High EPS reflects the company's performance is getting better. This is because the increasing EPS can show the company's prospects in the future. If earnings per share continue to increase, the company can be said to be able to maximize firm value.

Company Size and Firm Value

The size of the company shows the development of the company in business. The greater the size or scale of the company, the easier it will be for the company to obtain funding sources, both internal and external. Company size is one indicator in measuring the performance of a company. A large company size can reflect a company that has a high commitment to

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continuously improve its performance. Thus investors will be interested in paying higher to get their shares. This is because investors believe they will get profitable returns from the company.

Managerial Ownership and Company Value

Managerial ownership describes share ownership owned by company management. Managers who are also shareholders will be more careful in making financial decisions because the risk of these decisions will affect the capital they have invested in the company. This shows that managerial ownership of company capital shows that managers and other owners of capital who are not involved in company management have the same interest. Increasing managerial ownership will increase the focus of management in finding sources of funds and using these funds for investment.

Independent Commissioner and Corporate Value

The independent board of commissioners is the proportion of members of the independent board of commissioners in the company. The greater the number of independent commissioners, the better the board of commissioners that performs supervisory and coordination functions in the company. Thus, the more members of the independent board of commissioners, the higher the integrity of the supervision of the board of directors so that it can represent the interests of other stakeholders apart from the interests of the majority shareholder and will lead to better corporate value. Agency conflicts within the company can be reduced by the presence of independent commissioners so that the company can focus more on increasing firm value.

Audit and Corporate Value Committee

The audit committee plays a very important and strategic role in maintaining the credibility of the financial reporting process as well as maintaining an adequate system of corporate supervision. The audit committee has a responsibility to improve the quality of financial reporting transparency. If the function of the audit committee is effective, the control over the company will be better so that it can reduce agency conflicts. The existence of the audit committee in the company also plays a role in providing professional and independent opinions to the board of commissioners on reports or matters requiring the attention of the board of commissioners. The audit committee will make the manager to be more conservative in acting and making decisions.

Managing Finances During a Pandemic

Adjust Variable Expenses Using the Average Method

In regulating monthly cash flow (income and expenses), expenditures are divided into two types, namely fixed and variable (non-fixed) expenses. Variable expenses can be in the form of daily vehicle fuel costs or transportation costs, grocery shopping costs, electricity costs, and others. Meanwhile, fixed expenses can be in the form of home or vehicle installments. Fixed expenses are certainly easier to record and determine the amount than irregular expenses. For that, Lifepal recommends, do an average calculation of your variable expenses in three months or more. For example, calculate the average electricity bill for 8 months. For example, if after calculating the average electricity bill for 8 months of reaching Rp. 1.2 million, it is recommended that you allocate the maximum amount of money in that figure for electricity needs.

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Prioritize Mandatory and Necessary

Prioritize your expenses for needs that must be fulfilled or paid in advance. First, buy basic necessities such as food and drink, to save money for children's education. In addition, there are also other mandatory expenses, namely paying taxes and debt installments if any. Needs that are desirable or related to hobbies or lifestyle can certainly be reduced a little, especially if our financial condition is still not healthy.

Pay Off High-Interest Consumer Debt, and Don't Add More

If you have sufficient cash reserves, pay off short-term consumptive and high-interest debt, whether on credit cards, installments without credit cards, or online loans. Allowing this debt to remain can actually disrupt your cash flow in the following months. If you have to be in debt, make sure the debt you submit is productive debt. With a note, your total debt does not exceed the asset value and the installments of all your debt per month are still below 35% of your income.

Keep an Emergency Fund Where it Should Be

Surely an emergency fund must exist and be available at this time of full uncertainty. The goal is to cover the cost of living when we lose our jobs. Lifepal suggested, a single person may be sufficient with an emergency fund of 3 to 6 times the monthly expenses. However, for those who are married, it is better to spend more than 6 times per month. Saving an emergency fund is actually quite simple, you only need to set aside 10% of your income per month on a regular basis.

Think Twice about Making a Profit from Insurance

Take advantage of insurance for protection needs or protection against risks only, and buy health insurance or life insurance with pure benefits for health and life protection. Try as much as possible to allocate a maximum of 10% of monthly income and not more, for protection needs.

Still Set Aside Money for Investment, but in Accordance with the Goals

Every month, you still have to prioritize spending on investing in order to meet short-term and long-term goals. Write down in detail the things that are your short-term and long-term goals. Also write down the amount of money needed to meet that goal in the future using the annual inflation estimate. Then choose a variety of investment instruments that match your risk profile.

Just Set Aside 10% of Income for Things that are Desire

Self reward or indulging yourself by buying goods that are desirable is not prohibited in financial planning. This is a way to appreciate yourself after we have worked hard, so that we are happier and free from stress.

Conclusion

The financial report is a very important tool for obtaining information relating to the financial position and the results that have been achieved by the company concerned. This financial data will be more meaningful to interested parties if the data is compared for two or more periods, and is further analyzed so that data can be obtained that can support the decisions to be taken.

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