

## THE INVESTMENT URGENCY IN ULTRA MICRO ORGANIZATIONAL GOING CONCERN

Frida Fanani Rohma<sup>\*1</sup>, Bagus Erlangga Syahputra<sup>2</sup>

<sup>1,2</sup>Accounting Department, Universitas Trunojoyo Madura, Indonesia

Accepted: 29 October 2022. Approved: 11 Desember 2022. Published: 11 December 2022.

### ABSTRACT

This study aims to explore and examine the role of investment in encouraging the sustainability of micro-enterprises. This research was conducted using a qualitative method in one of the ultra micro businesses engaged in manufacturing in the food and beverage industry. The results showed that the "Chocolate" Micro business before implementing investment activities experienced profit instability which tended to decrease during 2018-2020, so investment activities must maintain a consistent level of income that may occur due to inflation. Micro business "Chocolate" before investing needs to pay attention to the risk and rate of return of investment value, one of which is using the present time value method.

Research Paper

PREVENIRE: Journal of Multidisciplinary Science

**Keywords:** Investment, Ultra Micro, Going Concern, Income.

### INTRODUCTION

Business growth is getting tighter and growing, according to data from the Ministry of Cooperatives and SMEs, the number of MSMEs in Indonesia by the end of 2020 reached 10 million. Thus, a competitive strategy is needed to encourage business continuity (Lutfia et al., 2019). Business activities cannot be separated from the environment and the surrounding community (Rohma, 2021). Therefore, care and attention to social and cultural aspects are very important for long-term business continuity. Mowen et al (2022) explain that maintaining the organization/company in the long term is included in the Capital Investment Decision. Capital investment decisions are a process of planning, setting goals and priorities, determining funding sources, and using certain criteria to select long-term assets.

Hartono (2022) explains that investment is essentially the placement of several funds at this time in the hope of obtaining profits in the future. Rohma (2022) states that investment activities include transactions and events of buying and selling securities, excluding cash equivalents, buildings, equipment, and other assets that are not generally held for sale, and making and collecting loans. It is not classified as an operating activity, because it only relates indirectly to the ongoing operations of the central entity. The literature review shows the important role of investment for an organization. However, the development of research only examines investments made by large to medium-sized businesses. This is as research conducted by Pertiwi et al (2019), Ningsih and Indarti (2012), Fajriana and Priantinah (2016), Safitri and Wahyuati (2015), Widodo (2016), Mutmainah et al (2019),

\* Correspondence Address

E-mail: [frida.frohma@trunojoyo.ac.id](mailto:frida.frohma@trunojoyo.ac.id)

Hendraliany (2019), Mastura et al (2020), Purba (2020), Ningsih and Sari (2018) which examine the influence of various forms of investment in performance to business continuity. There is still limited research that considers the role of investment at the ultra micro level of business.

Organizations at the micro level are generally still focused and oriented toward optimizing profitability. This makes business managers not sufficiently consider the role of investment. Thus, this research seeks to explore and examine the role of investment in encouraging the sustainability of micro and ultra-micro enterprises. This research was conducted using a qualitative method using MSME "Chocolate". This research uses a research site in Sidoarjo, because currently MSME Chocolate is one of the businesses that has good business development. However, the research site is also faced with conditions of operational activity that are quite volatile and dynamic. Thus, efforts to maintain going concern by optimizing investment activities are of particular concern. More than that, demographically the branches in the city are quite representative because the size of the city scale has relatively good comparisons and daylight with other city locations in Indonesia.

The purpose of writing this article is to analyze the effect of investment on the case study organization of MSME "Chocolate" in Sidoarjo to maintain and improve its business continuity. Investment management is expected to overcome the problems of healthy business progress and be able to compete optimally.

#### LITERATURE REVIEW

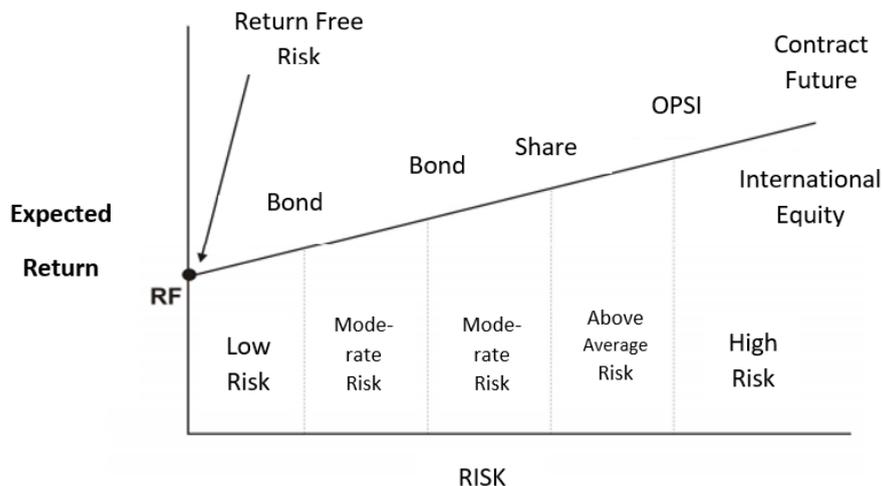
The fundamental thing in the investment decision process is understanding the pattern of the relationship between the expected return and the risk of an investment. Generally, the relationship between risk and return or expected return on an investment is a unidirectional and linear relationship. The point is that the greater the risk of an investment, the greater the rate of return or return expected from the investment, and vice versa. This kind of relationship is the answer to

the question of why not all investors only invest in assets that offer the highest rate of return. In addition, investors must pay attention to high returns, and must also consider the level of risk that must be borne.

In the context of investment management, a distinction is needed between the expected return and the actual return. The expected return is the rate of return that investors anticipate in the future. While the return that occurs or the actual return is the rate of return that has been obtained by investors. So, when investors invest their funds, and investors will require a certain rate of return and if the investment period has passed, then the investor will be faced with a certain rate of return. that investors receive. Between the expected rate of return and the rate of return The actual income that investors get from their investments may differ. The difference between the expected return and the return that is received (actual return) is a risk that must be considered in the investment process. Therefore, in the investment process, in addition to paying attention to the rate of return, investors must always consider the level of risk of an investment

Risk can be defined as the probability that the actual return will differ from the expected return. The point is that in economics in general and investment science in particular there is an assumption that investors are rational beings, of course, they will not like uncertainty or risk. Investors who have a risk-averse attitude like this are called risk-averse investors. So that investors like this will not want to take the risk of an investment if the investment does not provide an appropriate return or return as compensation for the risk that must be borne by the investor.

The attitude of investors in this case is an important point, where the attitude of investors to risk will depend on the investor's preference for risk. So more daring investors will choose a higher investment risk, which is followed by a high level of expectation of return. On the other hand, if investors do not want to bear too high a risk, of course, they will not be able to expect a return that is too high.

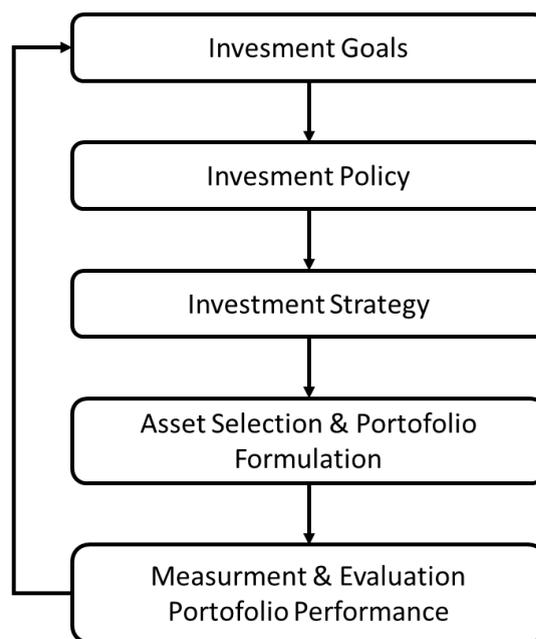


**Figure 1. Trade-off Return and Risk**

**Figure 1** shows the relationship between expected return and risk on various types of assets that might be used as an alternative to investment activities. **Figure 1** shows the relationship between risk and expected return, based on the figure, the vertical line shows the expected rate of return for each type of asset, while the horizontal line in the figure shows the risk to be borne by investors. The RF point in the figure shows the risk-free rate of return. RF shows an investment option that offers an expected return of RF with a risk of 0. Bonds issued by the government appear to have a low level of risk and the expected rate of return is not too high. Meanwhile, when viewed from the side of the futures contract, it appears that the risk that must be borne is classified as high risk, with a high expected rate of return. So it can be concluded that the pattern of the relationship between risk and expected return is that risk and the expected return has a unidirectional and linear relationship. which means, the higher the risk of an asset, the higher the expected rate of return from the asset, and vice versa.

Before investing, of course, there are stages to invest properly and correctly (Bodie et al, 2002). The stages of investment are presented in **Figure 2**. The figure shows that the stages in the investment decision process are an ongoing process, consisting of five continuous decision stages. Blocher et al. (2010: 847) states that the rate of return on investment or commonly known as return on investment (ROI) is a short-term measure of financial performance derived from the investment.

Then Blocher et al. (2010:847) added the definition of ROI as profit divided by investment value, then measured using a percentage value. Blocher et al. (2010:847) state that the greater the return on investment (ROI) value, the better the financial performance. In addition, Blocher et al (2010: 847) state that a certain level of return on investment depends on several factors, namely the general condition of the economy, and the general condition of the company's industry. Horngren et al. (2014:424), and Block et al. (2017:257) argue that one of the reasons for investment is driven by the concept of the time value of money.



**Figure 2. Investment Stages**

## METHODS

This study uses a qualitative method. Creswell (2014) explains that the case study approach is a research strategy to investigate a program, activity, process, or group of individuals. In this study, complete information collection using data collection procedures under the specified time. The use of a case study approach in this study aims to obtain in-depth information about the potential for investments made in micro-enterprises. The location of this research is one of the micro businesses engaged in manufacturing that produces traditional packaged food and drinks. In this study, it is referred to as a "Chocolate" microenterprise.

Informants in this study were owners and employees of micro businesses. The data collection procedure in this study is following what was conveyed by Creswell (2014), including observation, interviews, and documentation. First, observation is done by observing directly in the field to capture the phenomenon to be studied. Second, the interview was conducted by giving initial questions and then conducted in an unstructured manner. Third, Documentation is done by collecting qualitative documents that complement the use of observation and interview methods in qualitative research,

which can be in the form of writing, pictures, and so on.

Creswell (2014) explains that in qualitative research, data collection and analysis must take place simultaneously or simultaneously. Furthermore, Creswell (2014) explains that data analysis is a continuous process throughout the study. Therefore, there are several data analysis efforts carried out in this study, namely data collection based on certain categories, data interpretation processes, data pattern formation, and data synchronization from several sources and then analysis with relevant concepts.

## RESULTS AND DISCUSSION

### Determination of Return on Investment

The company's income statement is the starting point in the process of information that is quite important, namely net income. Then net income or often referred to as net cash flow can be obtained by identifying the number of net sales, related costs, and operating expenses. After identifying, then the profit or loss can be obtained as the difference between the number of sales with costs and expenses. In simple terms, there are examples of cases that can illustrate the projected profit and loss per year for 5 years in Table 1 below.

**Table 1. "Chocolate" Profit Projection (Rupiah in Millions)**

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Nat Sales</b>	150	150	150	150	150
<b>Costs</b>	(300)	(300)	(300)	(300)	(300)
<b>Expenses</b>	(20)	(20)	(20)	(20)	(20)
<b>Net Profit</b>	100	100	100	100	100

Source: Primary Data Processed

After projecting future net income for 5 years, the next step is to determine the rate of return on investment or return on investment (ROI). The rate of return on investment is obtained by dividing Profit After Tax by Investment. If it is assumed that the investment value to be issued is Rp. 100,000., then the rate of return on investment using the accounting method based on the average net profit for 5 (five) years or Rp. 100,000., (Rp. 500,000/5 years) is 100%.

**Table 2. Return on Investment**

<b>Net profit for year 1</b>	Rp 100
<b>Net profit for year 2</b>	Rp 100
<b>Net profit for year 3</b>	Rp 100
<b>Net profit for year 4</b>	Rp 100
<b>Net profit for year 5</b>	Rp 100

Information: Average net profit IDR 100; Investment Value IDR 100; Return on investment IDR 100; IDR 100= 1 or 100;  
Source: Primary Data Processed

The calculation of the rate of return on investment using the accounting method approach is a calculation method based on financial information, especially those derived from the income statement produced by accounting (Mulyadi, 2001:301). The calculation of the rate of return on investment or return on investment is presented in table 2 below.

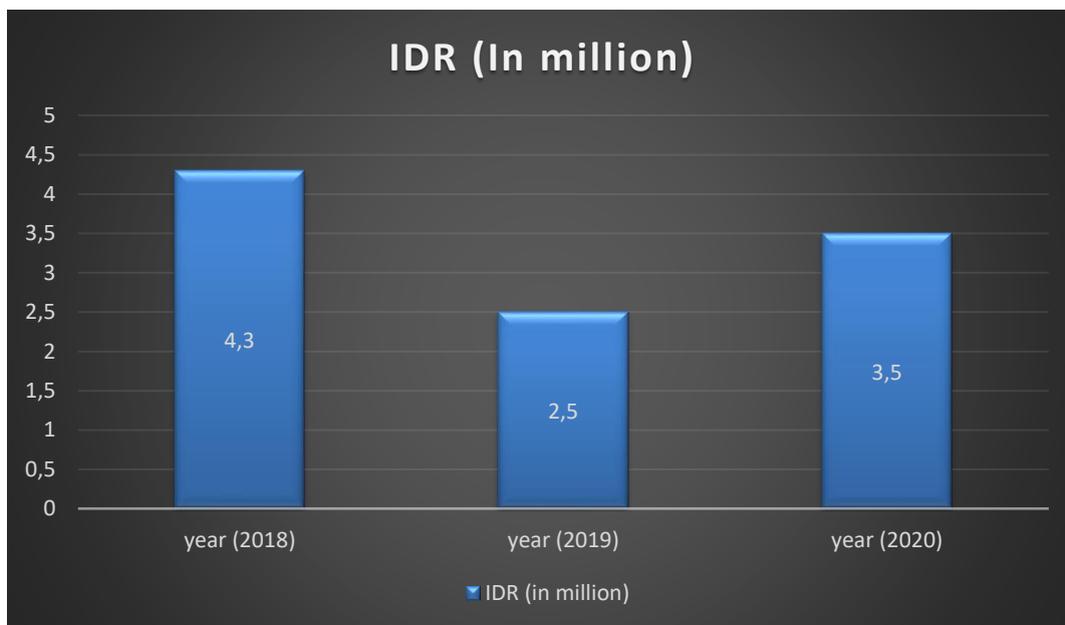
**Table 3. Return Rates**

		Rate Return
T=1	$1/(1+1)^1$	0.5
T=2	$1/(1+1)^2$	0.25
T=3	$1/(1+1)^3$	0.125
T=4	$1/(1+1)^4$	0.0625
T=5	$1/(1+1)^5$	0.03125

Source: Primary Data Processed

**Determination of Investment Decision**

In this case, the MSME "Chocolate" has had sales for the last 3 years, namely from 2018 - 2020. It is illustrated in the bar chart as follows. In **Figure 3** it can be seen that there are fluctuations in the average sales. Sales in 2018 showed a value of 4.3, while in 2019 there was a decrease in sales to 2.5. Meanwhile, in 2020 resale increased by 3.5. In 2019 there was a sizeable decrease of -1.8. The decline in sales occurred due to the Covid-19 pandemic. The existence of sales instability provides an initial illustration that to maintain a going concern business, it is not enough just to rely on normal business activities. Investment efforts are needed as an alternative if the business is faced with conditions that may hamper operational activities.



**Figure 3. "Chocolate" Sales 2018-2020**

Source: Primary Data Processed

Based on the sales data in the bar chart above, it can be concluded that the Classical "Chocolate" UMKM in Candi, Sidoarjo experienced inconsistency in profits. This problem can be overcome by investing activities in advertising and optimal use of assets, or MSME actors can choose their type of investment to be used for business continuity. Of course, these "Chocolate" MSME actors are classified as individual investors who can carry out investment activities independently. The investment

objective based on the available data is more directed to the aspect of getting a better life in the future or at least trying to maintain the current level of income so that it does not decrease in the future. Sources of funds that can be used by SMEs "Chocolate" can come from money that comes from the current net profit, loans from other parties, or savings. Funds from these savings, if invested, will provide hope for an increase in the consumption ability of investors in the future, which is obtained from the investment

objective, namely increasing the welfare of the investor.

This research is in line with [Keynes' theory \(1936\)](#) that investment decisions are taken by comparing the Marginal Efficiency of Capital with the real interest rate, the amount or amount of an investment does not depend on returns or only one factor, but is influenced by the cost of capital or interest rates. In order to maintain the going-concern of the business, efforts are needed outside of normal business activities, namely through investment activities. more than that, in the investment process of Cacao SMEs it is necessary to consider the Marginal Efficiency of Capital with a real interest rate, because investment is affected by the cost of capital or interest rates. The existence of investment can be an alternative to maintain business stability when the business is faced with conditions of sales instability.

The findings of this study reinforce the findings of previous studies such as [Widodo \(2016\)](#), [Mutmainah et al \(2019\)](#), [Hendraliany \(2019\)](#), [Mastura et al \(2020\)](#), [Purba \(2020\)](#). Efforts to encourage the importance of investment cannot be ignored. Existence, efforts to allocate resources to productive assets that have benefits in the future can be used as an alternative to maintain business stability and going concern when faced with a field that is very sweet and fluctuating.

## CONCLUSION

Based on the sales data for the last 3 years, it can be seen that there is instability in profit income where MSME actors do not know good investments to improve the welfare of the business they are doing. So investment activities are needed to maintain income levels by taking into account the investment success factors. This research is limited to micro-enterprises at the individual level. Further research can consider different types of micro-enterprises with different units of analysis.

### Author's declaration

### Authors' contributions and responsibilities

The authors made substantial contributions to the conception and design of the study. The authors took responsibility for data

analysis, interpretation and discussion of results. The authors read and approved the final manuscript.

### Funding

Write down the research funding, if any.

### Availability of data and materials

All data are available from the authors.

### Competing interests

The authors declare no competing interest.

---

## REFERENCES

- Blocher, E. J. Stoud, D. E. and Cokins, G. 2010. *Cost Management: A Strategic Emphasis 5<sup>th</sup> Edition*. United States: McGraw Hill
- Block, S. B. Hirt G. A. and Danielsen. 2017. *Foundation of Financial Management 16<sup>th</sup> Edition*. United States: McGraw Hill
- Bodie, Kane, and Marcus. 2002. *Essentials of Investment 4<sup>th</sup> International Edition*. New York: McGraw Hill
- Brewer, Peter. H, Garrison. and W, Noreen. 2019. *Managerial Accounting 8<sup>th</sup>*. New York: McGraw Hill.
- Creswell, J. W. 2014. *Research Design Qualitative, Quantitative, and Mixed Approaches*. Yogyakarta: Learning Library
- Fajriana, A. and Denies, P. 2016. Pengaruh Corporate Social Responsibility, Keputusan Investasi, dan Struktur Modal Terhadap Nilai Perusahaan. *Jurnal Nominal*, 5 (2), 16-28
- Hartono, J. (2022). *Teori Portofolio dan Analisis Investasi*. BPFE: Yogyakarta
- Hendraliany, S. 2019. Pengaruh Profitabilitas, Ukuran Perusahaan, Pertumbuhan Perusahaan, Kebijakan Dividen, Dan Keputusan Investasi Terhadap Nilai Perusahaan (Studi Empiris pada Perusahaan Property dan Real Estate yang terdaftar di Bursa Efek Indonesia 2013-2017). *Jurnal Ekonomika dan Manajemen*, 8 (1), 47-58
- Hornrgren, C. T., Sundem, G. L., & Stratton, W. O. 2004. *Introduction to Management Accounting, Chap. 1-14*. Pearson Educaci3n.
- Kieso, D. E. Weygandt, J. J. and Warfield, T. D. 2013. *Intermediate Accounting 15<sup>th</sup> Edition*. United States: John Wiley and Sons, Inc.
- Keynes, John Maynard. 1936. *The General Theory of Employment, Interest and Money*. Palgrave Macmillan. Britania Raya.
- Lutfia, C., Hidayat, W., dan Rohma, F. F. 2019. Determinan Nilai Perusahaan: Apakah Peran Pengungkapan Tanggungjawab Sosial?. *TECHNOBIZ: International Journal of Business*, 2(2), 53-58.

- Mahastanti, L. A. 2011. Faktor-faktor yang Dipertimbangkan Investor Dalam Melakukan Investasi. *Jurnal Manajemen Teori dan Terapan*, 4 (3), 37-51
- Mastura, A. Sri, Nuringwahyu. and Daris, Zunaida. 2020. Pengaruh Motivasi Investasi, Pengetahuan Investasi dan Teknologi Informasi Terhadap Minat Berinvestasi di Pasar Modal. *JIAGABI*, 9 (1), 64-75
- Mowen, M. M., Hansen, D. R., and Heitger, D. L. 2022. *Managerial accounting: The cornerstone of business decision-making*. Cengage learning.
- Mulyadi. 2001. *Akuntansi Manajemen : Konsep, Manfaat, Dan Rekayasa*. Salemba Empat: Jakarta
- Mutmainah. Zarah, P. and Yeni, P. 2019. Pengaruh Kebijakan Dividen, Keputusan Investasi, Ukuran Perusahaan dan Kepemilikan Manajerial Terhadap Nilai Perusahaan. *Buletin Studi Ekonomi*, 24 (1), 18-36
- Ningsih, S. Andreas. and Andewi. 2017. Pengaruh Profitabilitas, Keputusan Pendanaan dan Keputusan Investasi Terhadap Nilai Perusahaan: Kebijakan Dividen Sebagai Variabel Intervening (Study Empiris Perusahaan Property dan Real Estate Tahun 2012-2014). *Jurnal Tepak Manajemen Bisnis*, 9 (1), 772-786.
- Pertiwi, Amalia Rahayu. Hasnawati. dan Vinola, Herawaty. 2018. Pengaruh Strategi Organisasi, Investasi Aset Tetap dan Kinerja Perusahaan Terhadap Kualitas Laba Dengan Ukuran Perusahaan Sebagai Variabel Moderasi (Studi Empiris Manufaktur yang Terdaftar di BEI). *Jurnal Magister Akuntansi Trisakti*, 5 (1), 39-62
- Purba, Bonaraja. 2020. Analisis Tentang Pengaruh Investasi Terhadap Pertumbuhan Ekonomi dan Penyerapan Tenaga Kerja Provinsi di Pulau Sumatera, Indonesia. *Jurnal Humaniora*, 4 (1), 196-204
- Puspaningtyas, Z. 2012. Relevansi Nilai Informasi Akuntansi dan Manfaatnya Bagi Investor. *Ekuitas*, 16 (2), 164-183
- Rohma, F. F. 2021. Telaah Komparabilitas dan Fleksibilitas Laporan Berkelanjutan Triple Bottom Line: Prespektif Pengguna Laporan Pada Aliran Kas Investor. *Kajian Akuntansi*
- Rohma, F. F. 2022. *Akuntansi Biaya : Pengelolaan Informasi Biaya*. Eureka Media Aksara: Purbalingga
- Safitri, Norma. and Aniek, W. 2015. Pengaruh Struktur Modal dan Keputusan Investasi Terhadap Profitabilitas dan Nilai Perusahaan. *Jurnal Ilmu dan Riset Manajemen*, 4 (2), 23-35
- Yuliani. 2013. Implikasi Keputusan Investasi Terhadap Nilai Perusahaan Sektor Real Estate and Property di Bursa Efek Indonesia: Faktor Risiko dan Rasio Likuiditas Sebagai Variabel Intervening. *Jurnal Manajemen dan Bisnis Sriwijaya*, 11 (3), 211-232.