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MODERATION ROLE OF FINANCIAL ADMINISTRATION ON OPERATIONAL STRATEGY IN SMALL MEDIUM ENTERPRISES (SMEs)

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Abstract: **This study was done to determine how the financial administration's role could strengthen the performance of Small and Medium Enterprises (SMEs). Thirty-two respondents of palm sugar processing SMEs in Kulon Progo district Yogyakarta province were geting involved in this reasearch. This study used multiple regression analysis and regression analysis moderation, but prior to testing normality, validity and reliability as well as classic assumption. Results of this research provided information that there are significant effect of operational strategies of SMEs on performance. Similarly that financial administration also strengthen the operational strategies of SMEs on its performance.**

Keywords: **Small Medium Enterprises, Material, Process, Operational Strategy, Financial Administration, Performance.**

I. INTRODUCTION

Demand for products and services have placed operational strategies on a new challenge in organizations. Organizations should be enriched with up to dated external knowledge, derived either from employees or top management-related goals of the organization with the collaboration among them (Broring and Herzog, 2008). One of the way to acquire knowledge efficiently is by involving educators who are competent in the process of developing an operational strategy. The same thing as proposed Heiskanen et al., (2007) that the open approach is needed to test the concept in order to encourage users to evaluate the concept even more critical, with the involvement of the innovation process to adopt a new operational strategy.

Research by Jafari et al., (2011) stated that the application of knowledge will create a loss of knowledge after its implementation to the model in one year by 88 %, a continuous learning process is absolutely a necessary. Should this be the culture of the organization will be decisive strategy for the company (Julia et al., 2011). In another study also confirmed that the speed greatly affects the company's innovation process (Banu and Grant, 2011) .

TABLE I : Various Conclusions of Researchers of the operational management on the Company's Performance

Conclusions	Researcher
No effect	Duarte et al., (2011).
Positively Affect	Voss et al., (1997); Hwang (2014).

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Based on some of the conclusions of the researchers in Table 1 show that there are gap research, namely, research on operational management on the performance of companies are still in a position that has not knot. This suggests that these results still have many opportunities to be further investigated and iy may have not been used other supporting variables or contingency variable in completing this research with the goal of improving performance.

The research gaps in this study was associated with the phenomenon of SMEs. This is because the operational management problems experienced by SMEs in Indonesia (Sudaryanto, et al) so it is necessary to conduct exploration on operational management research.

Operational management becomes more advanced when innovative attitude are involved in the process. Innovation becomes a powerful driving force in improving the company's financial performance (Muiruri and Ngari, 2014).

Operational management is also very dependent on the financial administration system (Harash, et al, 2014). The better the system of financial administration also undoubtedly the better operational management that drive corporate performance, and vice versa. Therefore, it is considered important in implementing this variable as a moderating variable.

II. THEORY AND HYPOTHESIS DEVELOPMENT

A. Operations Management

Operational management is important in running the organization, without the operational management of an organization will experience distortion of time, cost, and energy. Meanwhile, if not using the operational management strategies, organizational inefficiencies will occur, especially in the study of organizational processes. Therefore, operational management will be efficient if there is an accompanying strategy (Kreitz, 2007). The review also applies to SMEs, therefore the manifestation of operational strategy is needed in the organization. The operational management will improve organizational performance (Hwang, 2014). Operational management of the sub-field of materials is also important in improving the performance of organizations, distribution channels must be effective and efficient. This will improve the efficiency of live performance. So the development of the first hypothesis (H1) is management material positively affect on organizational performance. Similarly, the operational management sub-field process, the effectiveness of the process, for example technology will further accelerate the production process, so that the second hypothesis (H2) is a management process positively affect on organizational performance.

B. Financial Administration

Operational management of the organization, especially the financial sector is touted as the heart of the organization. Finance as the flow of funds in the organization is important as the pulse of the organization as a form of the process of adding value. The importance of the organization's operational management would create or achieve organizational objectives with a high performance of organization. Simillary, materials management, well financial administration management in the process of purchasing the material would further facilitate control effort, so that the third hypothesis (H3) is the Financial Administration strengthen the relationship between material management on organizational performance.

The process of organization was the case, the creation, storage, transfer, and application is important to be implemented properly. The process in some books is expressed as a form of greatest value addition on products and production. In various research results of this process further improve performance when financial administration also carried out properly, so the fourth hypothesis (H4) is a financial administration will strengthen the relationship between process management and organizational performance.

C. Research Methods

The location of this research is in the area of Kulon Progo Regency of Yogyakarta Special Province with 32 respondents of SMEs. Variables observed/ measured, this research used three (3) variables consisting of operational management variable of which the material (M) and the process (Pr) as the dependent variable, performance variable (P) as the independent variable and variable financial administration variable (FA) as moderating variable. Validity and reliability test was to look at the stability and consistency of measurements done in the research that is often referred to the measurement of accuracy,

reliability test can be measured by Cronbach's alpha coefficient. The research instrument called reliable if the test shows more than 0.7 alpha (Sekaran, 2010). The validity test of this research include the validity of a construct that indicates the extent to which a test revealed a trait or a theoretical construct to be measured by using factor analysis. Construct validity indicated by the value of numbers of questions that measure the same concept will have a high correlation which is greater than 0.4 (Hair, et al., 2006).

Table 2 shows the overall variables of 14 questions. Each of the questions in the variable/ research variables measured by 5-point Likert scale where 1 indicates the direction of disagree and 5 indicates the direction of strongly agree.

Table II: Validity and Reliability

Research's Variable	Research's Items	Validity Using Factor Analysis		Reliability	
		Construct Validity (Anti Image Correlation)	Face Validity (KMO & Bartlett's Test)	(Corrected Item-Total Correlation)	Internal Consistency (cronbach Alfa)
Material (M)	**M1**	0,750		0,783	
	M3	0.637	0,842	0,885	0,813
	M5	0.636		0,744	
Process (Pr)	**P1**	0,674		0,896	
	P2	0,713	0,865	0,846	0,960
	P3	0,757		0,824	
	P4	0,742		0,891	
Performance (P)	**K1**	0,802		0,852	
	K2	0,713	0,838	0,893	0,894
	K3	0,852		0,809	
Financial administration (FA)	**FA1**	0,853		0,754	
	FA2	0,763	0,881	0,817	0,832
	FA3	0,686		0,875	
	FA4	0,798		0,711	

Variable of material (M), this variable is comprised of raw material planning (M1), the purchase of raw materials (M2), the effectiveness of the purchase of raw materials (M3).

The process variable (Pr), adopting variable measurement of Alavi and Leidner (2001), which consists of four processes Considered Including creation (P1), storage (P2), transfer (P3), and application (P4).

Performance variable (P), this variable adopted the measurement of Murat and Baki (2011), which consists of three indicators, namely ROA (Return on Assets), ROS (Return on Sales) and ROI (Return on Investment).

Variable of Financial administration (FA), this variable consits of six indicators, namely the importance of financial administration (FA1), the recording of receipts and expenditures (FA2), financial control (FA3), financial planning (FA4). For ease of understanding, the following research model, is an overview of this research.

Validity test using factor of analysis showed good results above 0.8 so as valid, as well as the reliability test also showed the results above 0.8 so that both the reliability and validity testing were good and worth continuing as indicator variables of the study.

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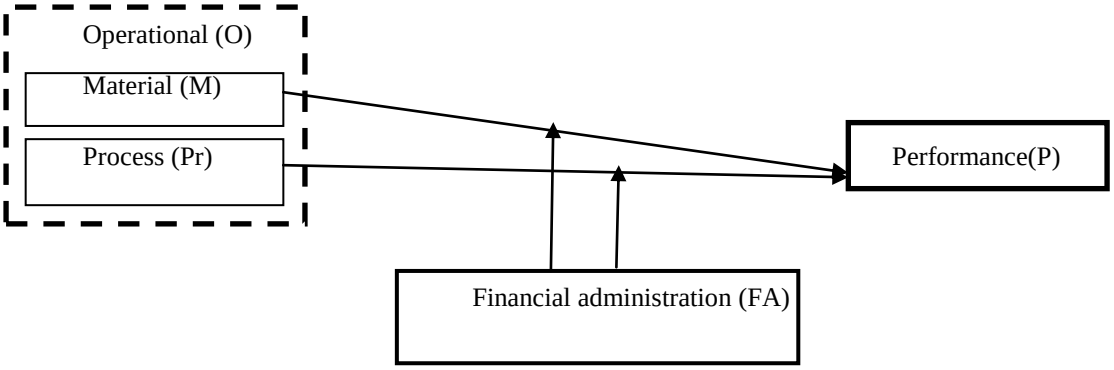

Figure I: Research Model

This study used Multiple regression analysis (MRA) and Moderated Multiple Regression (MMR) analysis model in which variable of operations and performance are directly connected, while moderating variable is a structure model that connects indirectly to the financial administration and performance variables.

Table III: Summary of Hypothesis Testing

Variable	Main Model		Interaction Model	
	β	t	β	t
Material (M)	0,421	3,216*		
Process (Pr)	0,542	4,324*		
M*FA			2,052	3,429*
Pr*FA			0,641	2,721*
F test	29,474		32,653	
R^2	0,412		0,551	
Adj R^2	0,371		0,468	

Dependent Variable= Performance (P)
Moderating Variable = Fianace Administration (FA)
* p<0,05

III. RESULTS AND DISCUSSION

Column of regression model on Table 3 showed that the regression analysis model of the direct effect, ie the effect of operational strategies (I) on the company's performance shows the goodness of fit (F = 29.474 , p<0.05). It shows that the model can well-explain the phenomenon that is tested. In addition, it was shown that the value of adjusted R2 = 0.371 means the company performance variation can be explained by Material (M) and Process (Pr) of 37.1 % while the rest by a variety of other variables outside those models.

The regression analysis also showed that the independent variables significantly influence the performance (p<0.05). Where the material (M) positively affects on performance (β = 0.421; t=3.216; p< 0.05), and Process (Pr) positively affecst on performance (β=0.542; t= 4.324; p<0.05).

While the interaction model, testing of the Financial administration (FA) as a moderating influence on the operational strategy on performance indicate a goodness of fit (F=32.653 , p<0.05). This means that this model can explain the phenomenon tested, well. In addition, it was shown that the value of adjusted R2=0.468, then the variation of performance can be explained by the independent variable 46.8%, while the remaining by the variation of other variables outside the model.

The moderated regression analysis of financial administration (FA), showed significant interaction of M*FA (β=2.052; t=3.429; p< 0.05) so that financial administration positively strengthened the relationship between the operational strategy and performance. The next interaction model Pr*FA (β=0.641; t=2.721; p<0.05) was significant, the financial administration positively strengthened the relationship between the operational strategy and performance.

MSEs as a small business sometimes confound the results of operations (income) with the needs of families. Classic problem that may arise is always about a reduced budget in business development. These obstacles require good recording and prudent operational strategy in the form of prive for example. Good recording will provide a clear picture on the revenues and expenditures of effort so that the owner knows the flow of funds in their businesses. Operational strategies such as prive will make it possible for business owners to take a certain amount of money from their business so it will be recorded as personal expenses. It is important that the owner does not necessarily take the money as they wished, because it would result in defaults.

IV. CONCLUSION

From this research, financial administration further strengthens the interaction between the material and process with performance. Financial administration was just like innovation of administration for SMEs that is absolutely necessary. Transfer of Science and technology as externality of dynamic of business will create change in innovation of administration, for it would need to strengthen it by involving the owner, because the owner would more rapidly adopt administration that will certainly motivate and add to the experience. Motivation and experience is ultimately important as part of the operational strategy, therefore these two variables need to be carried out exploration in future studies.

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