

Implementation of Management Control System Towards Financial Risks in Business Chicken Farming in Pinrang District

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This study aims to analyze the implementation of management control systems in managing financial risks in Aslan Abbas' broiler chicken farming business in Pinrang Regency. The method used is qualitative research with interview techniques to obtain in-depth data related to planning, decision making, and financial risk management. The results of the study indicate that the implemented management control system has been running in a structured manner through detailed recording of capital, DOC purchases, feed, chicken mortality rates, and periodic evaluations. Risk management strategies include stabilizing operational costs by purchasing feed in large quantities when prices are low, collaborating with partners to maintain feed quality, and routine vaccination to reduce chicken mortality rates. Fluctuations in net profit in the last five periods were influenced by external factors such as feed prices and chicken mortality rates, but anticipatory strategies such as adjusting the number of DOCs and setting aside reserve funds managed to minimize the negative impacts. The implications of this study indicate that the implementation of an effective management control system can improve operational efficiency, maintain business stability, and support the sustainability of broiler chicken farming businesses in facing financial and market challenges.

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) have a strategic role in the Indonesian economy, not only as a provider of employment but also as a major driver of economic growth in various sectors. One of the rapidly growing MSME sectors is broiler farming. This sector contributes significantly to meeting the community's animal protein needs and is a source of income for many small business actors. Pinrang Regency, located in South Sulawesi Province, is one of the areas with great potential in broiler farming. Supporting geographical factors and the availability of local resources make this area ideal for developing poultry farming businesses.

One of the growing broiler chicken farming businesses in Pinrang Regency is a business owned by Aslan Abbas. In running their business, business actors face various challenges, especially in the financial aspect. Financial risks in broiler chicken farming businesses are very diverse, ranging from fluctuations in feed prices, high rates of chicken mortality due to

disease, to uncertainty in selling prices in the market. These three factors can directly affect the profitability and sustainability of the business. Therefore, the implementation of a management control system is very important in order to manage these risks more effectively. Management control systems in the context of livestock businesses cover various aspects, including strategic planning, operational management, systematic financial recording, and data-based evaluation and decision making. Through the implementation of this system, business actors can optimize the use of resources, mitigate financial risks, and increase efficiency in business management. However, in reality, there are still many MSMEs in the livestock sector who have not implemented management control systems optimally. This is due to various obstacles, such as limited access to information, lack of financial literacy, and minimal application of technology in financial recording and analysis.

Several previous studies have shown that a good management control system can help business actors improve financial stability and business sustainability. Pratama & Widodo (2019) found that livestock businesses that implement an effective management control system tend to have lower chicken mortality rates and are able to manage operational costs more efficiently. In addition, research by Suryani & Bakri (2020) highlighted that financial risk management in livestock businesses is greatly influenced by the level of understanding of business actors regarding systematic financial recording and the implementation of appropriate risk mitigation strategies.

From a policy perspective, the government has also encouraged the implementation of management control systems in MSMEs through various regulations, such as Law No. 20 of 2008 concerning MSMEs which emphasizes the importance of healthy financial management to maintain business continuity. In addition, Law No. 18 of 2009 concerning Animal Husbandry and Animal Health also emphasizes that livestock businesses must have a good management system, including in the financial aspect, in order to survive and grow. Therefore, the implementation of an effective management control system is an urgent need for MSMEs in the broiler farming sector in order to increase their competitiveness and business sustainability.

1.1 Problem Statement

This study aims to analyze how the implementation of a management control system can help broiler chicken farming businesses in facing financial risks. This study is also expected to provide strategic recommendations for business actors and policy makers in improving the quality of financial management of MSMEs, especially in the broiler chicken farming sector.

1.2 Objectives and Scope

The aim of this study is to understand ways to improve the competitiveness of MSMEs through better management control and financial risk management, enabling business actors to establish structured financial management and financial reporting, as well as to avoid financial risks.

2. Literature Review

Management control is a process used by management to ensure that organizational activities run in accordance with predetermined goals. According to Anthony and Govindarajan (2007), the practice of ensuring that organizational resources are used effectively and efficiently to achieve organizational objectives is known as management control. Meanwhile, financial risk management is an essential component of a business's financial function, as risk affects both liquidity and profitability, according to Brigham and Houston (2019). To ensure the sustainability of business operations, these risks must be addressed seriously. MSMEs play a vital role in the economy, especially in developing countries like Indonesia. Among the important roles played by MSMEs are: employment absorption, income distribution, driving regional economies, fostering innovation and entrepreneurship, and contributing to GDP.

2.1 Related Work

Darmawan, Sri Rezky Handayani Muhtasar, and Ahmad Abduhrauf (2023) conducted a study entitled "*The Influence of Financial Knowledge, Financial Attitudes, and Personality on Financial Management Behavior among Layer Chicken MSME Actors in Sidrap Regency.*" This study employed a multiple linear regression analysis using primary data collected through questionnaires from 120 respondents. The results showed that financial knowledge, financial attitudes, and personality have a significant influence both partially and simultaneously on the financial management behavior of MSME actors in the poultry farming sector. Wijayanti, T. C., Kurniaty, K., Sawitri, D., Anjeli, M. R., Rini, Y. T., & Satar, A. H. B. A. (2024) "*Implementation of Training Strategis, Financial Management, Human Resources Management, Business Management. Layer Chicken*". The study concludes that the implementation of integrated training strategies, financial management, human resource management, and business management plays a crucial role in improving the productivity, sustainability, and overall performance of layer chicken farming businesses. These strategies help strengthen internal capabilities and enhance the competitiveness of MSMEs in the poultry sector.

2.2 Research Gap

The research gap in this study lies in the limited number of studies specifically focusing on the broiler chicken farming sector. Most existing research on management control systems and financial risk management tends to concentrate on the manufacturing, trade, or service sectors, while the agribusiness sector particularly broiler chicken farming has received relatively little in-depth scholarly attention. Additionally, there is a lack of integration between management control and risk management, as many studies treat them as two separate topics. This research seeks to fill that gap by integrating both approaches to directly analyze their impact on the sustainability of broiler chicken farming businesses.

3. Methodology

This study uses a qualitative approach with a case study method to analyze the implementation of a management control system on financial risk in the Aslan Abbas broiler chicken farming business in Pinrang Regency. Data were collected through in-depth interview techniques with business owners, direct observation of the managerial process, and analysis of documentation related to financial records and business operational reports. Informants in this study consisted of business owners, administrative staff, and business partners who play a role in the distribution and provision of raw materials.

The data obtained were analyzed using data reduction techniques, data presentation, and inductive conclusion drawing to identify patterns of management control system implementation and its effectiveness in managing financial risk. Data validity was maintained using source and technique triangulation methods to ensure the credibility and consistency of the research results. The results of the study are expected to provide a deeper understanding of the financial risk management mechanism in broiler chicken farming businesses and provide recommendations for MSMEs in increasing the efficiency and financial resilience of their businesses

4. Results and Discussion

This study aims to analyze the application of management control systems to financial risks in Aslan Abbas' broiler chicken farming business in Pinrang Regency. Data were collected through interviews with business owners, direct observation of operational processes, and analysis of financial documentation related to capital, operational costs, and business income.

4.1 Implementation of Management Control System

Based on the results of interviews with business owners, the management control system in this broiler chicken farming business includes three main aspects, namely supervision, planning, and evaluation.

- a. Supervision conducted on financial records, DOC (Day Old Chick) purchases, feeding, and chicken health through vaccination and routine care. All financial and operational transactions are recorded in detail to minimize errors in capital and expenditure management.
- b. Planning includes determining the initial capital, DOC and feed purchasing strategies in large quantities when prices are low, and allocation of reserve funds to anticipate unexpected cost increases. In addition, vaccination schedules and chicken harvest times are arranged to produce optimal production.
- c. Evaluation conducted each period by comparing profit targets and realizations, profit trend analysis, chicken mortality rates, and operational costs. This evaluation helps in determining corrective measures to improve the effectiveness of management control.

4.2. Financial Fluctuation Analysis

The data obtained shows that business capital changes between periods, which are influenced by the number of DOC purchased and operational costs. The capital fluctuations have a direct impact on the income and net profit obtained. The following table shows the average capital, income, and net profit of Aslan Abbas' broiler chicken farming business over the last five periods:

Period	DOC	Business Capital (Rp)	Income (Rp)	Net Profit (Rp)
1	8,000	221,000,000	304,000,000	83,000,000
2	9,000	230,000,000	340,000,000	110,000,000
3	8,500	225,500,000	324,000,000	98,500,000
4	8,000	221,000,000	300,000,000	79,000,000
5	9,000	230,000,000	342,000,000	112,000,000

The average net profit for the five periods was Rp96,500,000, with the highest increase occurring in the 2nd and 5th periods, and a decrease in profit in the 3rd and 4th periods. The main factors causing profit fluctuations include fluctuating feed prices, chicken mortality rates, and market conditions that affect chicken selling prices.

4.3. Financial Risk Management Strategy

To anticipate financial risks, business owners implement several strategies, including:

- a. Operational Cost Management: Purchase feed in bulk when prices are low to reduce expenses.
- b. Chicken Health Risk Management: Vaccination and strict monitoring to reduce chicken mortality rates.
- c. Diversification of Income: Establish cooperation with business partners to maintain market stability.
- d. Reserved fund: Setting aside part of the profit as a reserve to deal with rising costs or unexpected risks.

4.4. Impact of Management Control Systems

The implementation of an effective management control system helps Aslan Abbas broiler chicken farming business in:

- a. Optimizing capital usage and improving operational efficiency.
- b. Minimize financial risks due to feed price fluctuations and chicken mortality rates.
- c. Ensuring more transparent and structured financial records.
- d. Maintaining business stability in the face of market uncertainty.

The results of this study indicate that a good management control system can help MSMEs in the livestock sector in managing financial risks and improving business sustainability.

5. Conclusion

This study analyzes the implementation of management control systems in managing financial risks in Aslan Abbas' broiler chicken farming business in Pinrang Regency. Based on the results of the study, it was found that the implemented management control system has been running in a structured manner through detailed financial records, supervision of capital and operational costs, and periodic evaluation of business conditions. Financial risk management is carried out through operational cost stabilization strategies, purchasing raw materials in large quantities when prices are low, and implementing strict vaccination and chicken health management to reduce mortality rates. Fluctuations in net profit in the last five periods indicate challenges from external factors, such as feed prices and chicken mortality rates. However, with the implementation of good anticipation strategies, this business is able to maintain financial stability and manage risks more effectively. Therefore, a good management control system can improve operational efficiency and support the sustainability of broiler chicken farming businesses.

6. Recommendation

1. For Business Owners

It is recommended to continue to improve financial recording and analysis to be more systematic and accurate, so that potential financial risks can be anticipated earlier. Increase the use of technology in financial recording and stock management to minimize recording

errors and improve operational efficiency. Developing business diversification strategies, such as collaborating with more business partners or expanding market segments to reduce dependence on one source of income.

2. For MSMEs in Similar Sectors

It is expected to implement a more disciplined management control system, especially in the aspects of financial recording and periodic evaluation of business performance. Improve understanding and skills in financial risk management through training or business mentoring to face external challenges that can impact business sustainability.

3. For Government and MSME Support Institutions

Providing more intensive support to MSMEs in the form of financial management training, more flexible financing access, and technological assistance in business management. Encouraging policies that support the stability of raw material prices, such as chicken feed, to help business actors manage financial risks better.

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