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Qualitative Analysis of the Implementation of Financial Accounting in Micro, Small and Medium Enterprises (MSMEs) in Serang City

Shofiyatul Innyah[1]
[1]Program Studi Bisnis Digital Politeknik PGRI Banten
Corresponding Author: Shofiyatul Innayah, e-mail: shofiyatulinnayah26@gmail.com

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ABSTRACT

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in driving regional economic growth and improving community welfare. However, in practice, many MSMEs have not yet implemented an optimal financial accounting system, particularly in preparing systematic and standardized financial reports. This study aims to analyze the application of financial accounting in MSMEs in Serang City and identify various obstacles faced by business actors in the process of financial recording and reporting. The research method used is a qualitative method with a descriptive approach. Data collection techniques were carried out through in-depth interviews, observation, and documentation of several MSMEs in Serang City. Data analysis was carried out through the stages of data reduction, data presentation, and drawing conclusions to obtain a comprehensive picture of the applied accounting practices. The results of the study indicate that most MSMEs in Serang City still maintain simple financial records and have not fully implemented accounting standards such as the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM). Recording is generally limited to recording income and expenses without preparing complete financial reports such as profit and loss statements, balance sheets, or cash flow statements. Obstacles faced include low accounting understanding, limited human resources, and a lack of outreach and mentoring from relevant parties. This study concludes that the application of financial accounting in MSMEs in Serang City still needs to be improved through training, education, and ongoing mentoring so that business actors can prepare financial reports in a more orderly, transparent, and accountable manner to support sustainable business development.

Keywords: Financial Accounting, MSMEs, MSME SAK, Financial Recording

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INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are a sector that plays a vital role in national economic development. MSMEs not only contribute to increasing Gross Domestic Product (GDP) but also serve as a major source of job creation. Data from the Ministry of Cooperatives and SMEs shows that MSMEs contribute more than 60% to Indonesia's GDP and absorb more than 90% of the private sector workforce. This demonstrates that MSMEs are the backbone of the national economy and play a strategic role in maintaining economic stability, especially during times of economic uncertainty(Damanik et al., 2023). The rapid development of MSMEs in various regions, including Serang City, is an indicator of increasing economic activity. Serang City, as the capital of Banten Province, has significant economic potential, with the development of various types of small businesses such as culinary, trade, services, and crafts. The presence of MSMEs in this region not only increases community income but also serves as a crucial factor in supporting regional economic development. However, despite this potential, MSMEs still face various challenges, one of which is related to suboptimal financial management and accounting implementation(Kombong et al., 2024).

In practice, most MSMEs still maintain rudimentary financial records, and many don't maintain any at all. Recording is generally limited to recording income and expenses without a structured accounting system. This situation makes it difficult for business owners to accurately assess

their financial condition, such as profit, assets, and business development over time. Furthermore, the lack of adequate financial reports can hinder MSMEs' access to financing sources such as bank loans or investments from third parties(Akuntansi et al., 2024).

To address these issues, the Indonesian Institute of Accountants (IAI) has established Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM). These standards are specifically designed to facilitate MSMEs in preparing simple, relevant, and easy-to-understand financial reports. The implementation of SAK EMKM is expected to help MSMEs improve the quality of their financial reports, thereby providing more accurate information about their business conditions(Pauranan et al., 2024). Furthermore, financial reports prepared in accordance with standards can also increase transparency and business credibility in the eyes of external parties, such as investors and financial institutions. Despite the availability of accounting standards, many MSMEs still have not implemented them. Several studies have shown that the low level of accounting implementation in MSMEs is due to various factors, such as low levels of financial literacy, limited human resources, and a lack of understanding among business owners regarding the importance of financial reports. Furthermore, some MSMEs also consider preparing financial reports based on accounting standards to be complicated and require time and specialized skills(Saputra et al., 2025).

This problem is also evident in various studies, which show that the majority of MSMEs in Indonesia still maintain manual financial records and have not fully implemented accounting standards. In some cases, financial reports are prepared solely based on the business owner's capabilities without adhering to the principles of accounting(Mohamed, 2023).

The prevailing accounting standards result in the resulting information being less accurate in reflecting the true state of the business. This situation indicates that the implementation of financial accounting in MSMEs remains a challenge that requires serious attention from various parties, including the government, academics, and financial institutions. Local governments play a crucial role in providing education and mentoring to MSMEs so they can understand and implement sound financial recording systems. Furthermore, educational institutions and universities can play a role through community service activities, training, and mentoring in preparing financial reports for MSMEs(Sari et al., 2023). Theoretically, the implementation of financial accounting in a business entity is crucial because accounting functions as an information system that produces financial reports that can be used as a basis for decision-making. According to accounting theory, financial reports provide information regarding the financial position, financial performance, and cash flow of an entity, which is useful for various parties in making economic decisions. This information also serves as a control tool in business management, allowing business owners to evaluate their performance more objectively(Libraeni & Kherismawati, 2024).

Furthermore, accountability theory is also an important foundation for the application of financial accounting in MSMEs. Accountability is an entity's obligation to account for the management of its resources to stakeholders. In the context of MSMEs, accountability can be achieved through the preparation of transparent and reliable financial reports(Samto & Mohammad Adi Maulana, 2023). With good financial reports, business actors can demonstrate their business performance to external parties such as investors, creditors, and the government. Another relevant theory is accounting information theory, which states that financial reports serve as a means of providing information for internal and external parties to assess the condition of a business. Quality accounting information will assist business owners in planning business strategies, controlling costs, and making informed decisions for business development. Conversely, if financial information is unavailable or inaccurate, decisions made have the potential to be inappropriate and detrimental to business development(Tantri et al., 2023).

Based on this description, it can be concluded that the implementation of financial accounting plays a crucial role in supporting the sustainability and development of MSMEs. However, in practice, many MSMEs still have not implemented accounting systems optimally. Therefore, more in-depth research is needed to understand how financial accounting is implemented in MSMEs, particularly in Serang City(Risal et al., 2025). This research is expected to provide an overview of the financial recording practices carried out by MSMEs and identify the various obstacles they face in implementing financial accounting. The results of this study are also expected to be input for local governments and

related parties in formulating policies and mentoring programs that can improve accounting literacy and practices in MSMEs in Serang City(Risal et al., 2025).

METHOD

This research uses a qualitative approach with descriptive methods to gain a deeper understanding of how financial accounting is applied to Micro, Small, and Medium Enterprises (MSMEs) in Serang City. The qualitative approach was chosen because this research aims to explore the phenomena, experiences, and understanding of MSMEs in recording and preparing financial reports. The research location was several MSMEs operating in the culinary, trade, and service sectors in Serang City. Informants were selected using purposive sampling, namely MSMEs actively running their businesses and directly involved in their financial management. Data collection techniques were conducted through in-depth interviews, direct observation, and documentation of the financial recording practices of MSMEs. Data analysis in this study employed an interactive analysis model that included data reduction, data presentation, and conclusion drawing. Data reduction was carried out by selecting and focusing information relevant to the application of financial accounting in MSMEs. The data was then presented in a descriptive narrative to provide a clear picture of the financial recording practices employed by business actors. The final stage was drawing conclusions, which was carried out continuously throughout the research process to gain a comprehensive understanding of the application of financial accounting and the challenges faced by MSMEs in Serang City. To maintain the validity of the data, this study uses source and method triangulation techniques, so that the research results obtained are reliable and have good validity(Putri et al., 2023).

FINDING AND DISCUSSION

This study aims to analyze the application of financial accounting in Micro, Small, and Medium Enterprises (MSMEs) in Serang City and identify various obstacles faced by these entrepreneurs in recording and preparing financial reports. Based on interviews, observations, and documentation conducted with several MSMEs in Serang City, it was found that most entrepreneurs recognize the importance of financial management in running their businesses. However, in practice, financial accounting is still implemented in a simplistic manner and does not comply with applicable accounting standards, particularly the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM)(Nur et al., 2020). Most MSMEs in Serang City maintain their financial records manually by recording income and expenses in simple ledgers. This recording is usually done daily or with each sale or purchase of raw materials. However, the recording is still limited to calculating cash inflows and outflows without a clear separation between business and personal finances. This situation indicates that the recording system used is still traditional and does not fully reflect a systematic accounting system.Based on field observations, some MSMEs have not prepared complete financial reports such as profit and loss statements, balance sheets, or cash flow statements. This is due to business owners' limited knowledge of basic accounting concepts and financial reporting. Some business owners admit that they only focus on(Sabriadi et al., 2025).

Production and sales activities have led to financial record-keeping not being a top priority in business management. Furthermore, some business owners believe that preparing financial reports in accordance with accounting standards is complex and requires specialized accounting skills(Wijaya & Faruq, 2021). This research finding indicates that low levels of accounting understanding are a key factor influencing the implementation of financial accounting in MSMEs. Most business owners have never received training or socialization regarding the preparation of financial reports in accordance with the Indonesian Financial Accounting Standards (SAK) for MSMEs. As a result, they only record based on experience or habits they have developed during their business operations. This situation indicates that financial literacy among MSMEs still needs to be improved through various educational programs and mentoring(Biki et al., 2022).

In addition to knowledge, limited human resources also hinder the implementation of financial accounting in MSMEs. Most small businesses are managed independently by the business owner without a dedicated person to handle financial record-keeping. Business owners often juggle multiple tasks, from production and marketing to financial management. This often results in

inconsistent and inefficient financial record-keeping. In some cases, financial record-keeping is only done when necessary, for example, during business evaluations or when applying for loans from financial institutions(Pranotoputeri et al., 2023).

The research also shows that some MSMEs have difficulty separating business and personal finances. This makes it difficult for them to accurately determine the profit generated from their business activities. When personal expenses occur, business funds are often used without clear recording, resulting in inaccurate financial reports. This situation indicates that understanding the basic principles of business financial management still needs to be improved(Alwi et al., 2020).

Nevertheless, some MSMEs are beginning to demonstrate efforts to improve their financial recording systems. This is evident in the use of simple financial recording applications available on mobile phones(Khasanah Uswatun & Nilasari Ayunda Putri, 2023). These applications help business owners record transactions more practically and in an organized manner. The use of digital technology demonstrates a positive change in MSME financial management, although its application is still limited to a small number of business owners(Pengaruh et al., 2023).

From an accounting theory perspective, the research findings indicate that the function of accounting as a financial information system has not been fully utilized by MSMEs. According to accounting information systems theory, financial reports should provide relevant and reliable information regarding a business's financial condition. This information can be used by business owners to evaluate business performance and plan future business development strategies(Hamdi et al., 2025). However, in practice, limited knowledge and resources prevent MSMEs from optimally utilizing accounting systems. Furthermore, this research's findings also relate to accountability theory, which emphasizes the importance of transparency and accountability in an entity's financial management. In the context of MSMEs, accountability can be realized through the preparation of clear and structured financial reports. Good financial reports benefit not only business owners but also external parties such as

Investors, creditors, and the government. With transparent financial reports, MSMEs can increase the trust of various stakeholders in their businesses(Kamalaheng et al., 2025).

The implementation of the Indonesian Financial Accounting Standard (SAK) for MSMEs was designed to facilitate MSMEs in preparing simple and easy-to-understand financial reports. This standard only requires three main types of financial statements: the statement of financial position, the income statement, and notes to the financial statements(Andriyani Wirananda & Dison Silalahi, 2023). However, research shows that most MSMEs in Serang City are still unaware of this standard. This indicates that public awareness of the Indonesian Financial Accounting Standard (SAK) for MSMEs still needs to be improved so that business owners can understand and apply it in their business activities(Mely Kurniawati & Zaini Abdul Malik, 2024).

The role of local governments and related institutions is crucial in improving the implementation of financial accounting in MSMEs. The government can provide training and mentoring to business owners on how to prepare simple, standard-compliant financial reports. Furthermore, universities can play a role through community service activities focused on improving financial literacy among MSMEs. Through collaboration between the government, academics, and business owners, it is hoped that the implementation of financial accounting in MSMEs will improve, thereby supporting more sustainable business development(Ghofirin, S.Pd., M.Pd & Dina Anggraeni Susesti, 2025).

Overall, the results of this study indicate that the implementation of financial accounting in MSMEs in Serang City is still in its early stages and does not fully comply with applicable accounting standards. The main obstacles faced include low accounting understanding, limited human resources, and a lack of socialization regarding accounting standards for MSMEs(Arys Arya Anfield & Muhammad Taufiq Hidayat, 2025). Therefore, more intensive efforts are needed from various parties to improve financial literacy and the ability of MSMEs to prepare more orderly, transparent, and accountable financial reports. With a good financial management system, MSMEs in Serang City are expected to develop more professionally and have stronger competitiveness in the future(Marwan et al., 2023).

CONCLUSIONS

Based on the results of research on the application of financial accounting in Micro, Small, and Medium Enterprises (MSMEs) in Serang City, it can be concluded that most MSMEs have recorded their financial activities, but the recording is still simple and does not fully comply with applicable accounting standards, especially the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM). The recording is generally limited to recording income and expenses without being accompanied by the preparation of complete financial reports such as profit and loss statements, financial position statements, or cash flow statements. This condition indicates that the application of the accounting system in MSMEs in Serang City is still not optimal. The low application of financial accounting in MSMEs is influenced by several factors, including limited understanding of basic accounting concepts among business actors, a lack of human resources with financial management skills, and minimal socialization and training on preparing financial reports in accordance with accounting standards. In addition, some business actors still mix business finances with personal finances, making it difficult to accurately determine the financial condition of the business. Therefore, more intensive efforts are needed from local governments, educational institutions, and related parties to provide education and assistance to MSMEs so that they are able to implement a more orderly, transparent, and accountable financial recording and reporting system to support sustainable business development.

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