



Revealing the Readiness of MSMEs in Implementation SAK EMKM in the Industrial Era 4.0

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Abstract. This research aims to explore the readiness of MSME Rose Madhani to implement the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) and the obstacles that arise in this process. This research uses a descriptive qualitative approach where the readiness of MSME Rose Madhani is assessed using 3 aspects, namely HR readiness, readiness of supporting facilities, and commitment of MSMEs. The results of the research show that MSME Rose Madhani is not ready to implement SAK EMKM. The low level of understanding of accounting is an obstacle from the HR aspect, the absence of applications based on SAK EMKM is an obstacle from the infrastructure side, and the perception of MSME owners that consistent financial recording is not important in managing MSMEs and is an aspect that causes low commitment to implementing SAK EMKM. MSME Rose Madhani also still adopts cash-based transactions, so this is not following the concept in SAK-EMKM which records on an accrual basis. SAK EMKM presents financial reports consisting of three components, namely the financial position report at the end of the period, the profit and loss report for the period and notes to the financial reports.

Keywords: Financial Report, MSMEs, SAK EMKM, UMKM

1 Introduction

MSMEs must understand developments in the digital era (Dwijayanti et al., 2023). MSMEs have problems related to limited access to capital, low use of information technology, and lack of human resources in accounting knowledge and skills based on the business concept, MSMEs should divide personal finances from business activities. The main characteristic of MSMEs is their ability to develop flexible business processes at relatively low costs (Sari, 2018). Like business entities in general, MSMEs also need to prepare financial reports following financial accounting standards (Kirowati, 2019). MSMEs need to prepare financial reports because these reports will be taken into consideration by financial institutions in providing access to capital. MSME Rose Madani is one of the MSMEs that still ignores the importance of financial recording and reporting. MSMEs operating in the fashion sector already carry out financial records in a simple, haphazard, irregular manner, still carry out simple manual records, only recording cash in and cash out, and still do not divide

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A. A. N. G. Saptaka et al. (eds.), *Proceedings of the International Conference on Sustainable Green Tourism Applied Science - Social Applied Science 2024 (ICoSTAS-SAS 2024)*,

Advances in Economics, Business and Management Research 308,

https://doi.org/10.2991/978-94-6463-622-2_9

business finances from personal finances. Good financial recording and reporting, it is difficult for Rose Madani to measure its financial performance. From this background, the focus of discussion in this research is the construction of the level of understanding of the application of SAK EMKM in managing MSMEs. This research aims to determine the aspects that are obstacles to implementing SAK EMKM in the industrial era 4.0 (Anjarwati et al., 2023). It is hoped that this research will provide benefits for MSME players so that they can implement financial recording based on SAK EMKM so that they can meet appropriate reporting standards.

2 Methodology

This research was conducted at Rose Madani MSMEs engaged in the fashion sector. This MSME is located in Kerobokan Badung. Even though it has been operating for almost 6 years. However, the business owner has not been able to see the exact business progress achieved. Business income from business results appears to be increasing, but the cash owned tends not to be as expected. This research is qualitative research to understand the phenomena experienced by research subjects, and then explain them using words (Sugiyono, 2022). This research carries out social construction to assess the readiness of MSMEs to implement SAK UMKM in recording their business finances in the industrial era 4.0. In this research, the data source comes from primary data from informants. Informants are people who are willing to provide in-depth information. Informant background data, in-depth interviews about the problem, observation notes, and documents related to this research.

In this research, the informants are MSMEs who operate in the fashion trading sector. This type of business was chosen because in Badung Regency, trading businesses in the fashion sector are in demand and have become a lifestyle trend in modern society. There were three informants at the center of the research. The validity of the data was carried out using triangulation techniques. The data collection technique began with observing the informants, and then conducting interview techniques.

Interviews were conducted in an unstructured manner in an informal atmosphere to provide depth of information. In the final stage, researchers carried out comprehensive observations by comparing information from informants and observing behavior in the MSMEs. All information provided by informants was obtained directly (primary sources) through in-depth interviews, recorded using notes and electronic devices. Data analysis in this research includes data reduction, data display (data presentation), and conclusion drawing (Sugiyono, 2022).

3 Result and Discussion

3.1 Result

Rose Madani's Micro, Small, and Medium Enterprises (MSMEs) started in 2018. The first informant, the owner of the MSMEs, can be called Mrs. Norma. Her business sells various fashion clothing. With less than 4 employees and a turnover of less than IDR 50,000,000 per month, this trading business can still be categorized as a micro business. Mrs. Norma does not have an accounting background so she does not record accounting reports in her business but still keeps simple records.

The second informant can be called Gek Sri. Gek Sri is an employee at Rose Madani who has worked for almost 5 years. How to sell Gek Sri is quite easy. Gek Sri not only serves buyers who come directly to the shop but also buyers who use social media systems or via short message applications. Payment via account transfer, then the goods can be sent directly. Gek Sri has an accounting background, but she can not make complete financial reports. But the recording is done very clearly so that the amount of income each month at the shop will be known for certain. Profit is also definitely calculated every month.

The third informant is the son of a fashion business owner who opened a business in a shopping center in the Kuta tourism area which can be called Putu Gatan. Putu Gatan sometimes also takes money from the UMKM treasury for personal needs without recording and reporting to his mother because he feels entitled to the money as joint property. This trading business is an individual company and does not have a legal entity. The management of this trading business is carried out by the owner himself and the bookkeeping is handed over to the employees. Bookkeeping is done manually and thoroughly using cash book records.

3.2 Discussion

Intended HR readiness in implementing SAK EMKM. MSMEs' understanding of SAK EMKM is still low, causing financial recording to be limited to knowing profits only (Zulfi & Redyanita, 2023). UMKM Rose Madani has administrative staff to make financial recording easier, even though the financial reports produced do not comply with applicable standards. The low level of owner understanding is an obstacle to a consistent and sustainable recording system. The poor quality of human resources possessed by UMKM Rose Madani means that the financial reports produced are still very simple.

Lack of knowledge of accounting standards can lead to increased costs that must be incurred by this business, which is evidenced by the consultant costs that must be incurred to prepare business financial reports. Mrs. Norma, as the owner of Rose Madani, feels interested in the existence of special standards, so she is aware of the importance of applying accounting standards in preparing financial reports. Mrs. Norma wants to have further discussions to consider the implementation of SAK EMKM which was established by the government on January 1, 2018.

Accounting standards are applied in preparing financial reports so that financial reports can be prepared according to applicable standards. They are useful for applying for credit and making it easier to access capital. The lack of government outreach regarding the implementation of SAK EMKM is also one of the reasons. Financial management is fully controlled by the owner so that employees work based on the owner's instructions (Lailiya, 2020).

Application Readiness based on SAK EMKM. The low level of understanding of accounting means that recording is still not up to standard (Apriyanti, 2021). UMKM Rose Madani only records sales and several other expenses are not recorded. Even so, the divide of personal assets from business has been carried out well. UMKM Rose Madani has prepared simple financial reports. MSMEs already have 1 employee, but the employee does not have good accounting knowledge. Accounting software is not yet available to record stock receipts. Mrs. Norma records stock manually. However, the payment system to suppliers has not been divided into personal finances and business finances. Mrs. Norma's comment: "The money I use for business is mixed with money for family needs. To stock up on merchandise, I sometimes take 2 shirts in preparation if friends or family want to ask for free Rose Madani products. I didn't record the free items because I didn't think it would reduce my business profits too much. I didn't record any withdrawals of personal money either because there was no accounting software so I thought "I'll just obey my own money. Cash withdrawals and stock takings should be recorded in a transaction software and recognized as private". The reduction in profits may be felt to be insignificant, but it is still necessary that the treatment of goods given free of charge to friends or relatives should remain within the scope of personal use by the owner.

Organizational Commitment Readiness. Exploring the readiness of MSME Rose Madani in implementing SAK EMKM emerged one construct, namely commitment from the business owner. Human resources who are capable in their field and optimal supporting facilities will not be able to provide an impact if organizational commitment is not optimal. Preparing financial reports according to standards is important for MSMEs. Owners and employees who act as informants in research admit that they have not been optimal in preparing financial reports based on standards. However, all informants admitted that there was an internal desire to prepare their business financial reports based on standards. Mrs. Norma as informant 1 stated that so far, the Rose Madani business is still operating without financial reports, but there is a desire to carry out accounting records according to applicable standards. All informants are also willing to be required to take part in training related to the implementation of SAK EMKM.

Manual accounting records can lead to human errors, for example, errors in calculating and recording transactions (Wati & Adiputra, 2021). In the digital era, Rose Madani MSMEs can use web-based financial applications that comply with EMKM SAK-based reporting standards. Errors in digital bookkeeping can occur but they are the same as manual bookkeeping, the cause is human error. However, digital

bookkeeping errors can be minimized because it utilizes technology (Lailiya, 2020). Digitalization of MSME financial reports based on SAK EMKM has the potential benefit of increasing efficiency and reducing costs for MSMEs in Bandung City (Seseli et al., 2023). The use of digital technology in accounting can provide more accurate, effective, and efficient financial data and reports (Yuniartini & Sinarwati, 2022; Apriyanti, 2021).

Analysis of the Implementation of SAK EMKM in Rose Madani MSMEs. SAK EMKM which was approved in 2018 as a replacement for SAK ETAP. This change aims to make it easier for MSMEs to make reports according to standards according to the complexity of their business. SAK EMKM has 3 types of reports, namely, income statement, statement of financial position, and notes to financial statements. The results of in-depth research at Rose Madani MSMEs show their unpreparedness in implementing financial reporting according to the SAK EMKM standard. Owners and human resources in MSMEs admit that they are not aware of the SAK EMKM standard, the lack of information received, and ignorance of accounting understanding certainly has an impact on recording. Rosemadani MSMEs still use manual bookkeeping. The unavailability of funds is the reason for MSMEs not have digital accounting software. Even though currently there is software that can be used for free, namely the LAMIKRO Application published by the Indonesian Ministry of Cooperatives. MSME actors have felt sufficient with the simple records made even though sometimes the recording is not consistently carried out. From the results of the interviews, MSME owners have a low perception of the financial separation between the owner's personal and business finances. However, the owner commits to make changes to financial management according to SAK EMKM standards. Owners are also interested in attending training conducted by related parties and are interested in using financial software. Actors have a change in perception and are starting to realize the importance of financial reports for business decisions.

4 Conclusion

Based on the results of the research that has been conducted, it can be concluded that Rose Madani MSMEs are not ready to apply SAK EMKM in their business financial reporting standards. MSMEs in this study do not know about the existence of SAK EMKM, so it is deemed necessary for the government to play a role in socializing SAK EMKM (Seseli et al., 2023; Indianty, 2018). The absence of separating the use of personal and financial money causes MSMEs not to be able to see the success of the business achieved. HR with a low level of understanding of accounting is an obstacle, as well as manual recording that is not equipped with SAK EKMK-based accounting software. The application of financial reporting standards for MSMEs needs to be improved. Cooperation is needed by the government to conduct socialization and also provide training for MSMEs so that MSMEs have good knowledge and perceptions about managing their businesses.

This condition is a social reality in the management of MSMEs. For further research, it can use more diverse research constructs, for example regarding the existence of cultural factors, personal characteristics of MSMEs, and other constructs, so that this research can be more comprehensive and touch on the various problems to be solved. The results of this study are in line with the results of research obtained by previous researchers such as Zulfi & Redyanita (2023), Seseli et al. (2023), and Indianty (2018).

Acknowledgment

Authors from the Department of Accounting compiled this journal article based on the report Revealing the Readiness of MSMEs in Implementing SAK EMKM in the Industrial Era 4.0. This research was funded by Politeknik Negeri Bali through the Research and Community Service Grant program for the fiscal year 2024. The opinions and analyses expressed in the article are those of the author and do not reflect the views of the funding agency.

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