



MSMEs Bookkeeping Capabilities for Accounting Information Transparency

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ABSTRACT: MSMEs contribute 60% to gross domestic income, MSMEs also absorb labor and collect investment. However, of the total percentage of banking credit, MSMEs only get 20%. Banks experience difficulties in disbursing credit due to a lack of information on debtors who are worthy of financing. Difficulties are caused by the absence of financial reports as a parameter for credit worthiness. Through accounting transparency, it will be easy for MSMEs to know the policies that will be and have been taken. Transparency means the availability of sufficient, accurate and timely information about accounting policies and reporting. It is hoped that this research will be able to provide considerations for MSMEs to improve their accounting capabilities in accordance with SAK EMKM. The research was conducted in Denpasar, involving 100 questionnaire respondents and 10 informants in FGD. The data analysis technique used in this research is interpretive descriptive qualitative analysis technique.

As a result, MSMEs do not yet have the capability to prepare financial reports. MSMEs players consider that the important aspects in starting a business are capital, skills and innovation or products, not accounting. Low accounting capability has an impact on neglecting the preparation of financial reports. Transparency can increase funding opportunities from banks or investors as well as opportunities for collaboration. There are still many MSMEs that have not prepared financial reports due to limited human resources and costs. However, MSMEs players want to prepare financial reports.

MSMEs in the medium business category have prepared financial reports in accordance with SAK EMKM, only some in the small business group and not in the small business group. SAK EMKM requires a statement of financial position at the end of the period (balance sheet), a profit and loss statement for the period and notes to the financial statement. MSMEs focus more on recording expenses and income for profit and loss projections but ignore the balance sheet and Calc. The compiled profit and loss is still not relevant, there are still many accounts that have not been taken into account. Preparing a complete report in accordance with SAK EMKM will provide much more relevant and credible information.

KEYWORDS: Financial reports, Financial statement, MSMEs, Transparency.

1. INTRODUCTION

The role of MSMEs is very large in the growth of the Indonesian economy, with their number reaching 99% of all business units. In 2023, MSMEs business actors will reach around 66 million. The contribution of MSMEs reaches 61% of Indonesia's Gross Domestic Product (GDP), equivalent to IDR 9,580 trillion. MSMEs absorb around 117 million workers (97%) of the total workforce.

Table 1. Overview of MSMEs Growth in Indonesia 2018-2023

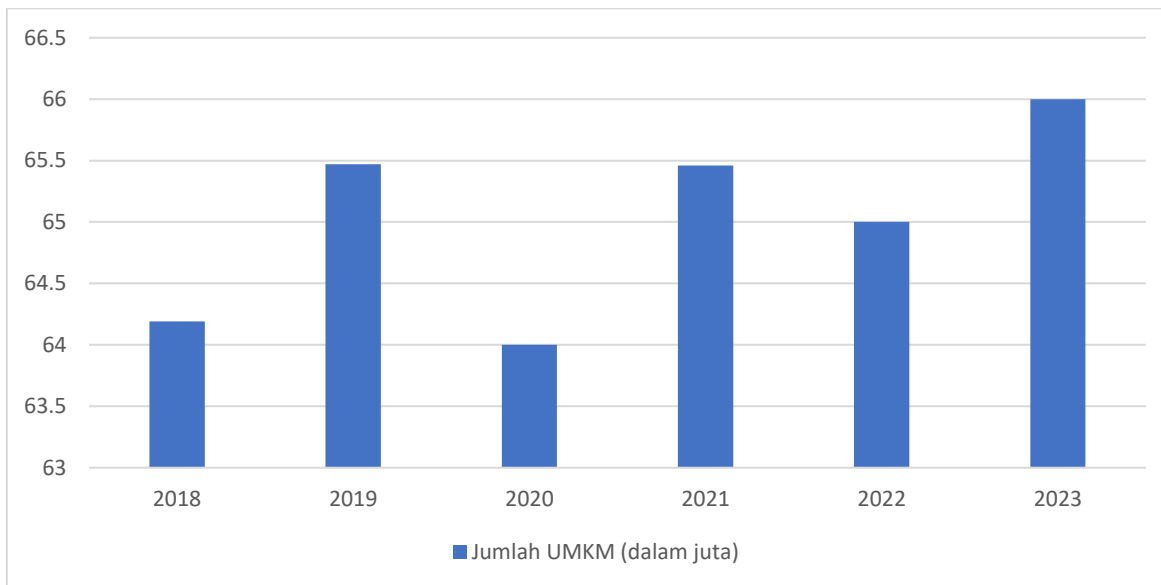
Year	2018	2019	2020	2021	2022	2023
Number of MSMEs (Million)	64.19	65.47	64	65.46	65	66
Growth (%)		1,98%	-2,24%	2,28%	-0,70%	1,52%

Source: Kadin, 2024

Table 1. Shows the number of MSMEs in Indonesia from year to year according to data from Kadin (Indonesian Chamber of Commerce). When presented in Chartic form to see the movement, it can be seen in Graph 1 below:



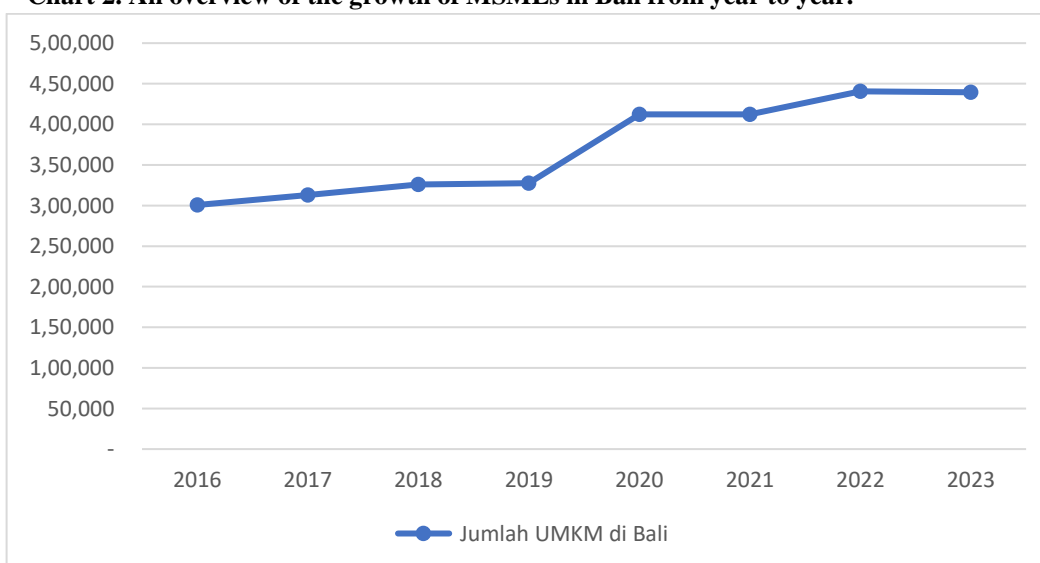
Chart 1. Growth in the Number of MSMEs in Indonesia



Source: the data has been processed, 2024

MSMEs are one of the drivers of the economy. According to data from the Ministry and Small and Medium Enterprises processed from Central Statistics Agency (BPS) data, the number of MSMEs in 2018-2019 was 122,589 units. MSMEs are one of the most important pillars in the Indonesian economy, apart from contributing to GDP (Gross Domestic Income), they also absorb labor and collect investment. The Head of the Bali Province MSME Service, conveyed data from the Cooperative and MSME Service in Bali, the number of MSMEs in 2022 as of May reached 440,609 units. Meanwhile, in 2021, the number of MSMEs in Bali will be 412,265 units. When compared, there was an increase of 28,344 MSMEs or 64 percent from the previous year.

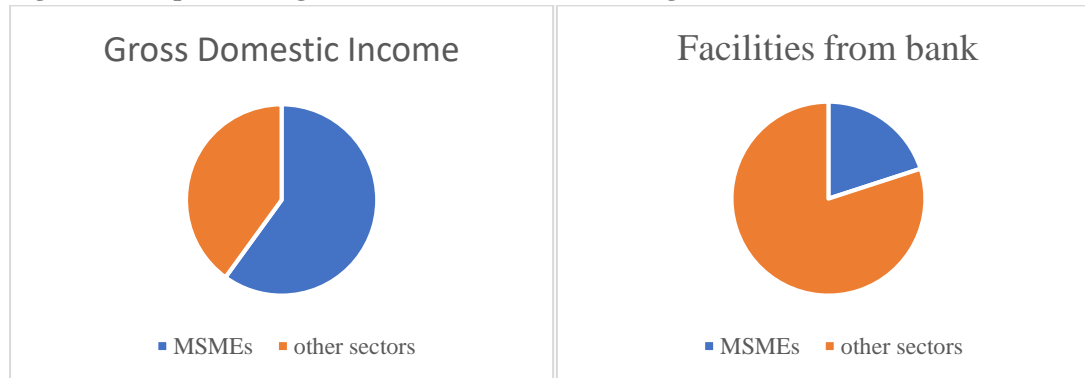
Chart 2. An overview of the growth of MSMEs in Bali from year to year.



Source: Pemerintah Provinsi Bali Dinas Koperasi, Usaha Kecil dan Menengah. the data has been processed, 2024

Chart 3. Show Number of MSMEs in Bali from year to year. It can be seen that the number of MSMEs in Bali continues to increase (in number).

Figure 1. Comparison of gross domestic income to banking credit facilities



According to data from the Central Statistics Agency (BPS), the MSME sector contributes around 60 percent of gross domestic income (GDP). However, if you look at banking data, MSME credit only amounts to around IDR 1,000 trillion or 20 percent of total banking credit. In the funding system in Indonesia, banking plays a large role, namely 77 percent. The rest are pension funds, insurance, financial institutions, cooperatives and others. However, banking is not the largest source of funding because the funding component from abroad is still quite significant. In contrast to many other countries, banking credit in Indonesia is only 39 percent of GDP. It seems that banks are having difficulty distributing credit due to a lack of information on debtors who are worthy of financing. Because the portion of MSMEs is only 20 percent of total credit, MSME credit is only around 8 percent of GDP. Berikut ini merupakan beberapa bantuan pemerintah kepada UMKM:

1. Credit interest subsidies for *Kredit usaha rakyat* (KUR or working capital loans and / or investments to Micro, Small and Medium Enterprises and Cooperatives in the field of business productive and viable).
2. Credit interest subsidies non-KUR.
3. MSME credit guarantee.
4. Ultra micro credit.
5. Productive Banpres Grants for Micro Enterprises.

However, another obstacle is that banks have difficulty distributing credit due to a lack of information on debtors who are worthy of financing. This is because the majority of MSMEs think they are still on a micro scale with low productivity and lack of collateral. As a result, banks are not interested in financing (Adityaswara, 2021). Difficulty in assessing the suitability of MSMEs due to the absence of financial reports as a parameter for credit worthiness. Financial reports are the final result of the accounting process.

Bookkeeping is the process of recording all financial transactions during the running of a business. The purpose of bookkeeping itself is to keep records of all financial transactions accurately and systematically. Financial bookkeeping has many benefits, including as a reference for knowing profits and losses and as an assessment tool and document archive regarding all types of payments. Apart from that, bookkeeping is also a tool for controlling cash inflow and outflow as well as allocating capital and funds for the continuity of a business. So with this bookkeeping you can minimize the risk of losing products, assets, money, and even other fraud. This bookkeeping is also a material for evaluating whether or not the business is worth maintaining because it is a good and sustainable business, namely a consistent business in recording its financial transactions (Kamsidah, 2023). In accounting, bookkeeping is carried out compulsorily and regularly in accumulating all types of data and information about finances consisting of liabilities, income, assets, costs and capital (SAK, 2022). Research by Nida, et al 2023 concluded that MSME players already know that compiling financial reports in running a business is important, but not all of them have prepared and have financial reports. MSMEs assume that preparing financial reports is not difficult if they have an understanding of accounting or are assisted by an accounting information system. Financial reports need to be made to obtain information that is useful for making investment and credit decisions (Hery, 2017). However, many MSMEs still experience obstacles in preparing financial reports, including time, knowledge or accounting information, workforce, guidelines for preparing reports, costs, facilities and infrastructure. MSMEs are aware of the importance of preparing financial reports in running a business but do not have the knowledge and ability to prepare



financial reports (Nida, et al. 2023). Financial Accounting Standards (SAK) in Indonesia are based on a conceptual framework or pervasive principles built into 4 pillars, namely:

1. International SAK (effective 1 January 2024)
2. Indonesian SAK
3. Indonesian SAK for Public Entities
4. Indonesian SAK for micro, small and medium enterprises.

SAK is an accounting practice standard used in Indonesia, published by the Standards Board of the Indonesian Accountants Association (DSAK IAI) and the Sharia Standards Board of the Indonesian Accountants Association (DSAS IAI) which was formed by the Indonesian Accountants Association (IAI). IAI is a professional organization that oversees all Indonesian accountants whose aim is to guide the development of accounting and improve the quality of accountant education. SAK in Indonesia is made in several types (such as the 4 pillars above) because different business forms or entities have different accounting treatments. MSMEs in Indonesia use the Indonesian SAK standards for EMKM which are simpler in form than other forms. According to the perception of MSME actors, financial reports are used to determine business developments, support business interests such as tax interests and the interest of applying for credit to banks as additional capital (Santiago and Estiningrum, 2021). The problem experienced by MSME players when they want to make or compile a financial report is the lack of understanding of business actors regarding the applicable financial report preparation standards and also not having separated assets, namely between personal assets and company assets, and this will make it difficult when preparing financial reports (Setiyawati & Hermawan, 2018). Research results (Mutiah, 2019) state that the main obstacle for business actors in preparing financial reports is the limited understanding of business actors regarding the preparation of accounting reports which is caused by a lack of knowledge of applicable accounting standards.

Efforts to improve MSME financial management can be done using the principle of transparency (openness). Transparency can be interpreted as providing information, namely financial and physical information which must be done in a form that is relevant and easy to understand (Fatimah and Riharjo, 2021). Through transparency, it will be easy for every MSME to know the policies that will be and have been taken to increase their income. Transparency means the availability of sufficient, accurate and timely information about public policy and the process of its formation. In general, transparency is openness and honesty to the public based on considerations that the public has the right to know openly and thoroughly about the government's accountability for the resources entrusted to it and its compliance with statutory regulations. However, not all MSMEs receive funding from the government and need to provide accountability to the public. However, it is still necessary to be accountable for the use of business assets and liabilities to the owner or investor. Transparency aims to ensure "cleanliness" (free of corruption) in the use of funds so that it can increase trust.

The transparency referred to in this research does not mean disclosing financial information to the public such as a Tbk company (open) but it is open on a limited basis to related parties. According to the KBBI, capability is defined as the ability or ability to do something. So the bookkeeping capability in question is the ability of MSMEs to manage the resources they have to carry out the accounting process and produce financial reports. So the bookkeeping capability of MSMEs on the transparency of accounting information referred to in this research is how the ability to prepare financial reports affects MSMEs to prepare information about finances in a form that is relevant and easy to understand for the parties including management and owners in the company for performance accountability as well as investors or other parties. banks to provide considerations in providing investments or loans. By increasing bookkeeping capabilities, banks will have enough information to distribute credit. So that MSMEs can maximize their business without the constraints of minimal capital that can be managed.

2. PROBLEM FORMULATION AND RESEARCH OBJECTIVES.

Based on the description of the research background that has been explained, the problem formulation in this research is:

- 1) To what extent are MSMEs' capabilities in preparing financial reports?
- 2) What is the perception of MSMEs towards accounting transparency?
- 3) Presentation of Financial Reports in accordance with SAK EMKM. Tujuan dilakukannya penelitian ini adalah karna peneliti ingin adalah:



3. THEORETICAL FOUNDATION

3.1 Theory of Planned Behavior

Theory planned behavior is the result of developing the theory of reason action. The difference is that there is an additional construct, namely the perception of control to predict individual behavior becomes more specific. Perception of control is a person's opinion about the ease or difficulty that will be faced when carrying out the action (Darmawan, 2019). Perception of behavioral control is believed to influence a person's intention to carry out a behavior. According to Ramdhani (2011), the emergence of a person's intention to behave is influenced by 3 factors, namely: Behavioral Beliefs, Normative Beliefs, Perceived Behavioral Control. Azwar (2011:11) theory of planned behavior is an extension of theory of reasoned action (TRA). The theory of planned behavior aims to predict and understand the impact of behavioral intentions, identify strategies to change behavior and explain real human behavior. This theory of planned behavior is based on the assumption that humans are rational creatures and they use the information possible to them systematically. This theory of planned behavior explains that an individual's intention to behave is influenced by Attitude Toward the Behavior, Subjective Norm), and Perceived Behavioral Control.

3.2 Perception

Robbins (2007) perception is the process by which an individual interprets and organizes their sensory impressions for the purpose of meaning in their environment. But sometimes what they receive can be different from the actual reality. These differences often arise even though they don't actually need to exist. According to the Big Indonesian Dictionary, perception is a response, direct reception of an absorption, or is the process of someone knowing several things through their five senses.

3.3 Accounting

Accounting is a service activity that functions to provide quantitative data that has a financial nature from an economic business entity and can be used in selecting alternatives in making economic decisions (AICPA, 1970). So that it can be used according to its function, accounting standards are prepared based on basic assumptions and concepts, containing methods and procedures for how the accounting process will be carried out. The result of an accounting process is a Financial Report. The purpose of simple accounting for internal micro, small and medium enterprises is as a planning and performance evaluation tool, while for external purposes it is to obtain funds from financial institutions. With the help of accounting, the amount of profit obtained by the company will be visible and will help the company determine new strategies to develop its business from the results of the accounting process. The aim of accounting for MSMEs is to encourage companies to create financial plans that can be monitored by looking at existing financial conditions. SAK EMKM is a stand-alone financial accounting standard that can be used by entities that meet the definition of an entity without significant public accountability as defined in SAK ETAP, the definition and characteristics in Law no. 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs). SAK EMKM is a financial accounting standard that is much simpler compared to SAK ETAP (IAI: 2016). SAK EMKM contains simpler accounting arrangements than SAK ETAP because it regulates transactions carried out by EMKM with measurements purely using historical costs. SAK EMKM is expected to be able to help MSME players gain access to funding (SAK EMKM, 2016).

3.4 Financial reports

Financial reports are the output of the accounting process, in the form of a summary of the process of recording financial transactions during the financial year in question. This report is prepared by the management department to account for the tasks assigned to it by the company owners. For readers of financial reports to get a clear picture, the preparation must be based on generally accepted accounting principles (Baridwan, 2021). For MSMEs, financial reports are presented based on SAK EMKM (financial accounting standards for micro, small and medium entities), which at a minimum presents a balance sheet, profit and loss and notes to financial reports (IAI, 2016). When compared with other SAK, SAK EMKM is a standard that is made simple because it regulates general transactions carried out by EMKM and the measurement basis is purely historical cost so that EMKM simply records its assets and liabilities at their cost. Entities that meet the requirements for using SAK EMKM still need to consider whether the provisions regulated in SAK EMKM are appropriate and meet the entity's financial reporting needs. Therefore, entities need to consider the financial reporting framework that will be applied, whether based on SAK EMKM or other SAK, considering the convenience offered in SAK EMKM, and the information needs of users of the entity's financial statements. SAK EMKM is effective as of January 1, 2018, and early implementation is permitted.



3.5 Micro, Small and Medium Enterprises (MSMEs)

Micro, Small and Medium Enterprises (MSMEs) are regulated in Law of the Republic of Indonesia Number 20 of 2008 concerning Micro, Small and Medium Enterprises. MSMEs aim to grow and develop their businesses to build a national economy based on just economic democracy.

3.6 Transparency

According to Widnyana (2018) transparency is a process of openness from management processors, especially public management, to build access in the management process so that the flow of incoming and outgoing information is balanced. In the process of transparency, information is not only provided by public management managers, but the public has the right to obtain information that concerns the public interest. Transparency carried out by MSME management is for internal purposes only. The principle of transparency refers to the availability of information freely and directly accessible to parties affected by the implementation of a decision, then the information is provided with content that is easily understood by the recipient of the information. Public policy transparency is the existence of openness regarding financial management that can be accessed easily by the public. According to Adiwirya and Sudana (2015), indicators that influence transparency are: (1) Increasing the flow of information through collaboration with mass media and non-governmental institutions, (2) Providing clear information about procedures, costs and responsibilities, and (3) Easy access to EMKM information.

4. RESEARCH METHODS

1.1 Place and Research Objects

This research was conducted in Denpasar Bali, Indonesia. The time of the research is January 2024 to November 2024. The object of the research is the perception of MSME actors regarding MSME bookkeeping capabilities regarding Accounting Information Transparency.

1.2 Research Sample

The research samples are informants (focus discussion group) and questionnaire respondents who will provide their opinions and thoughts in providing perceptions to answer the phenomena studied in this research. Using a purposive sampling method with the following criteria:

- 1) MSME business actors who have actively carried out their business activities for at least 1 year.
- 2) MSME business actors who are over or 21 years old (lower legal age limit, considering skills and authority to act).
- 3) MSME business actors whose businesses are domiciled in Denpasar. The minimum number of samples (questionnaires) is determined using the Slovin formula:

$$n = \frac{440.609}{1 + 440.609 (e)^2} = 99.99$$

The MSME population in Bali is 440,609 MSMEs (Diskop, 2022). So based on the Slovin formula, the number of samples taken was 100. Meanwhile, the number of informants was 10 people (percentage 10%). Informants are part of the research respondents. Informants must have an overview of the company's financial situation and authority over company policies.

1.3 Data Collection Methods

Data Collection Methods, namely questionnaires, interviews and Focus group discussions (FGD) is a data collection technique that is generally carried out in qualitative research with the aim of finding the meaning of a theme according to the understanding of a group. This technique is used to reveal the meaning of a group based on the results of discussions that focus on a problem. Focus group discussions are to avoid a researcher's wrong meaning regarding the focus of the problem being researched. Furthermore, this technique is used to draw conclusions regarding intersubjective meanings which are difficult for researchers to interpret themselves because they are hampered by the researcher's ignorance of the true meaning of the people around a phenomenon being researched and as far as possible the researcher avoids being driven by the researcher's subjectivity.

1.4 Data analysis techniques

Using descriptive analysis techniques through framing analysis, which is a data analysis technique by looking at and finding frames, namely a perspective to see a perspective that is used to observe, analyze, and interpret a social reality in society.



Framming analysis has four ways, namely: (1) identifying the problem, (2) identifying the cause of the problem, (3) carrying out an evaluation and (4) making suggestions for overcoming the problem.

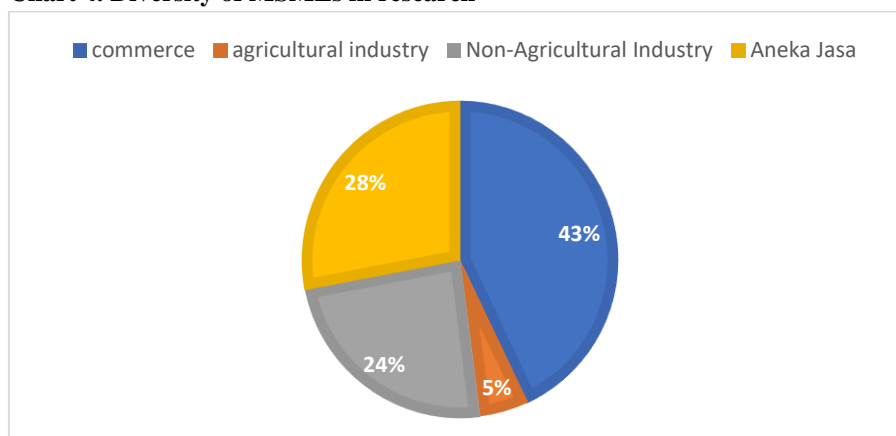
4.1 Research Methodology

The primary data for this research are the results of respondents' answers to statements in the questionnaire regarding the digitalization of taxation, taxpayer compliance and belief in the law of karma. Meanwhile, secondary data was obtained through library study sources that are relevant to research topics and scientific publications. Primary data collection was carried out using a direct survey method with questionnaire techniques by giving a set of written statements to respondents for them to answer. Data was collected using a questionnaire sent via Google Forms by distributing the questionnaire link to respondents or visiting MSME taxpayers directly at their business location. The primary data for this research are the results of respondents' answers to statements in the questionnaire regarding the digitalization of taxation, taxpayer compliance and belief in the law of karma. Meanwhile, secondary data was obtained through library study sources that are relevant to research topics and scientific publications. Primary data collection was carried out using a direct survey method with questionnaire techniques by giving a set of written statements to respondents for them to answer. Data was collected using a questionnaire sent via Google Forms by distributing the questionnaire link to respondents or visiting MSME taxpayers directly at their business location.

4.2 Overview of research

The following is a general description of MSMEs who informants and respondents for this research were. The classification of MSMEs is divided into four categories which are adjusted to the classification of data on the diversity of MSMEs by the Bali Province Cooperatives, Small and Medium Enterprises Service. The results of this classification were obtained from the questionnaire answers.

Chart 4. Diversity of MSMEs in research



This research involved 100 MSME respondents who filled out an open-ended questionnaire, which contained MSME actors' perceptions of financial reports. Some of the 100 respondents or 10% of them became informants in the research. Informants in this research were involved in discussion forums to obtain more in-depth reviews of answers.

Chart 5. Classification of Respondents based on Assets and Turnover.

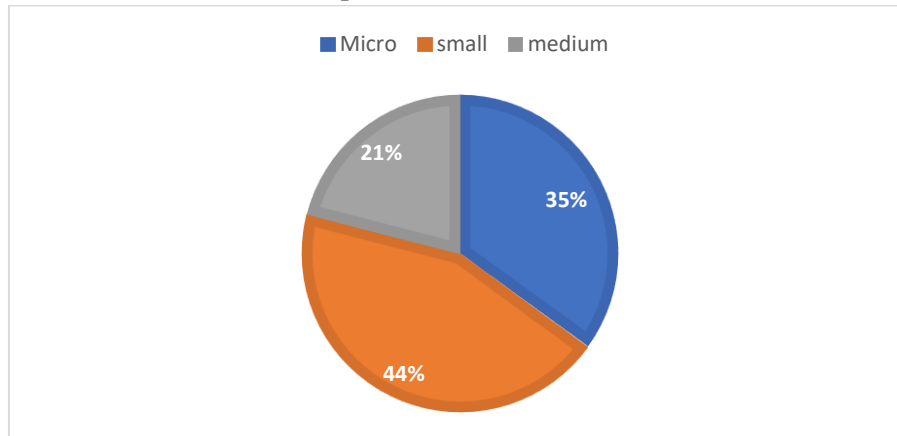


Chart 5 depicts the composition of respondents in terms of classifying respondents according to assets and turnover. If presented in table form, the data obtained is as follows:

Chart 3. Classification of Respondents based on the length of time they have run the business.

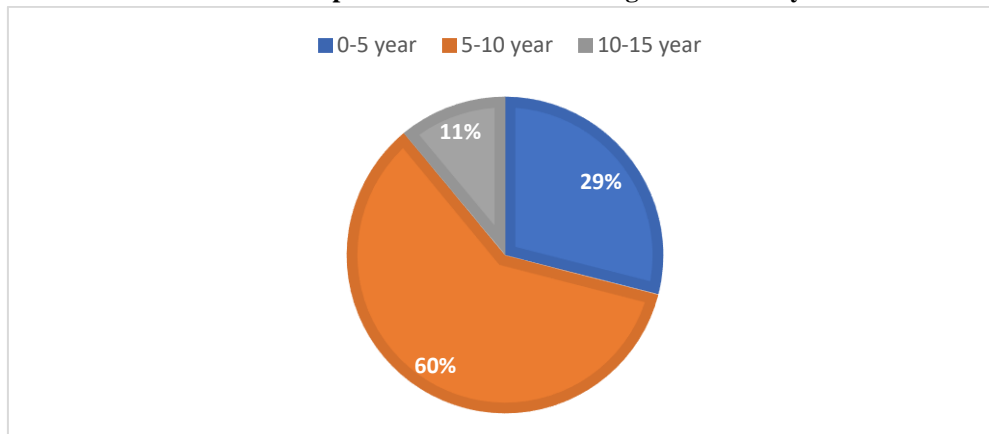


Chart 4. Percentage of Respondents who have financial reports and an accounting department in their business.





5. DISCUSSION OF RESEARCH RESULTS

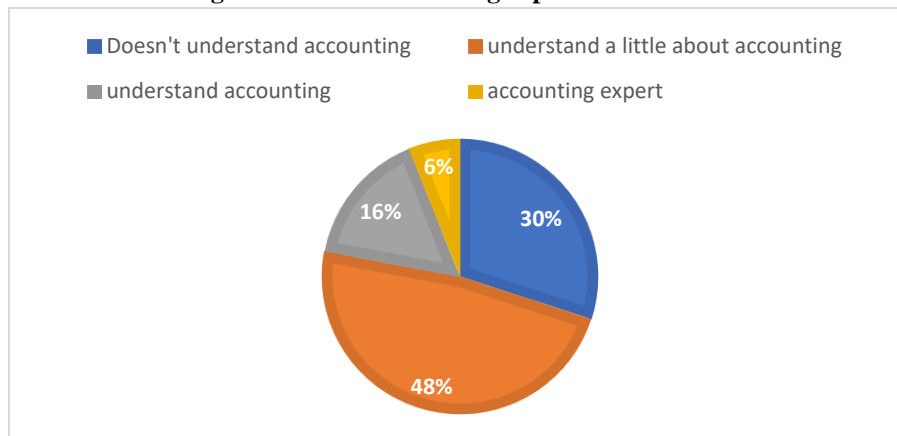
5.1 How capable are MSMEs in preparing financial reports?

Capability or ability is a current assessment based on what a person does, or an individual's capacity to carry out various tasks in a job. An individual's overall abilities basically consist of two groups of factors, physical and intellectual. Intellectual abilities are the abilities needed to carry out various problem-solving, reasoning, thinking and mental activities. Physical ability is the ability to carry out tasks that require strength, skill, stamina and similar characteristics (Robbins and Timothy, 2008:57).

Comprehension comes from the word understand which means to truly understand, while understanding is the process of creating a way of understanding or comprehending. Understanding according to the General Indonesian Dictionary (Poerwadaminta, 2006) has the meaning of being clever and understanding correctly, while understanding is the process, method, act of understanding or comprehending. People who have an understanding of accounting are people who are smart and really understand accounting.

The quality of financial reports is influenced by employees' understanding of accounting. Apart from that, to make work easier, it is necessary to use an accounting information system and an internal control system is needed to prevent fraud and identify risks that may occur. The better the understanding of accounting, utilization of accounting information systems and internal control systems owned by the government, the better the quality of the financial reports produced (Selas, et al. 2020). According to Mardiana & Fahlevi (2017), understanding accounting and internal control together influence the quality of government financial reports. According to Antika, (2013) understanding accounting, utilization of regional financial accounting systems, human resource competence and the effectiveness of internal control simultaneously influence the quality of financial reports.

Chart 7. Percentage of MSMEs accounting capabilities.



The results of the questionnaire answers show that MSMEs actors do not have an understanding of accounting. The percentage of MSMEs who understand and do not go far enough. As many as 48% only have a little understanding of accounting, 30% don't even have one. This is because educational backgrounds are diverse. Accounting is an art of recording that not everyone can understand. However, accounting knowledge is not the only main capital in carrying out business activities. When starting a business, MSMEs players consider that the most important thing in starting a business is capital, skills and innovation or the products they have. Meanwhile, in business there is definitely a connection to financial management. Education level and income have no effect on financial management behavior, while financial literacy and financial attitudes have a significant effect on financial management behavior (Nurjanah, et al., 2022).

Understanding Accounting influences the success of MSMEs. Accounting understanding is defined as a person's mastery in understanding and mastering the accounting process from journaling to financial reporting in accordance with financial report preparation standards. (Merdekawati and Novi, 2019).

In conclusion, in general, MSMEs do not have the capability to prepare financial reports. The results of the FGD show that even though MSMEs do not have the capability to prepare financial reports, they understand that financial reports are important in



decision making. MSMEs players need to be aware of the function of preparing financial reports, why financial reports are important to prepare in running a business and what must be done to have financial reports, and how to utilize the information obtained from financial reports. If MSMEs as owners are unable to process transaction data information into financial reports, the owner or manager can use someone who is competent in preparing financial reports. as the top of the organization, MSMEs players must be able to use financial report information as a decision-making consideration tool.

5.2 What is the perception of MSMEs towards accounting transparency?.

Transparency is a process of openness from management processors, especially public management, to build access in the management process so that the flow of incoming and outgoing information is balanced. In the process of transparency, information is not only provided by public management managers, but the public has the right to obtain information that concerns public interests, Widnyana (2018).

Transparency carried out by MSMEs management is for internal purposes only. The principle of transparency refers to the availability of information freely and directly accessible to parties affected by the implementation of a decision, then the information is provided with content that is easily understood by the recipient of the information. Public policy transparency is the existence of openness regarding financial management that can be accessed easily by the public. According to Adiwirya and Sudana (2015), indicators that influence transparency are: (1) Increasing the flow of information through collaboration with mass media and non-governmental institutions, (2) Providing clear information about procedures, costs and responsibilities, and (3) Easy access to EMKM information. Transparency is also needed in the context of preparing and using the budget (Aprianti and Asyik, 2020).

Table 2. Respondents' statements regarding perceptions of accounting transparency.

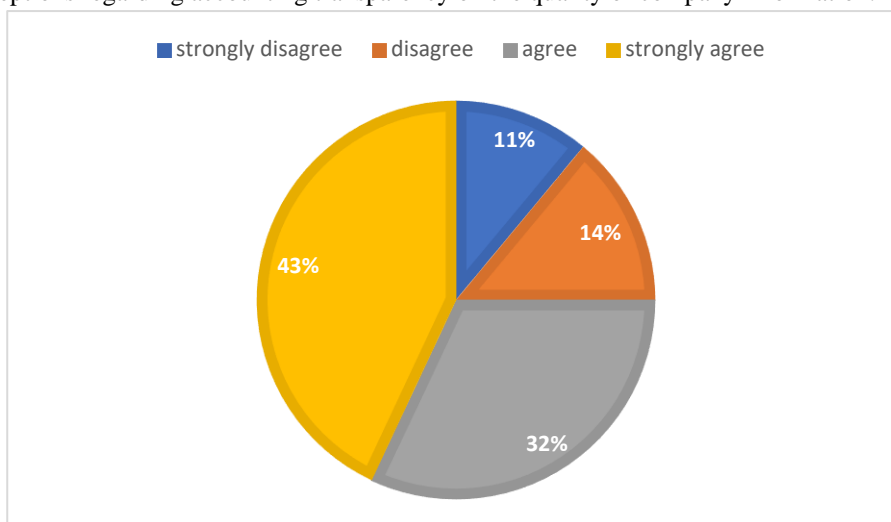
No	Questions in the questionnaire	answer			
		strongly disagree	TS	strongly disagree	SS
1)	I feel that there is a need for internal financial transparency in the company so that owners can know management performance transparently.	0	2	20	78
2)	I feel that the opportunities for funding by investors, debtors or banks will be greater if the company has transparent financial information.	1	5	63	31
3)	I feel that accounting transparency can improve the quality of company information.	3	9	59	29
4)	I feel that accounting transparency can increase opportunities for collaboration and business networks.	0	0	34	66
5)	I feel that accounting transparency will provide clear information regarding the company's costs and revenues.	0	0	28	72
6)	I feel that accounting transparency will provide information on the accounting policies implemented in the company.	0	0	41	59
7)	I feel that accounting transparency can facilitate the distribution of information to interested parties in the company.	2	0	55	43
8)	I have prepared financial reports in accordance with financial accounting standards in order to be able to provide adequate financial information for interested parties.	9	47	30	14
9)	I will prepare financial reports to create accounting transparency.	0	3	62	35
10)	I will not prepare financial reports as an attempt at accounting transparency.	26	67	3	4

The results show that according to respondents' perceptions, financial transparency is very necessary so that owners can know management performance transparently. Based on the results of the discussion, it shows that not all company owners have the ability to prepare financial reports and have limitations in accessing transaction data that occurs in the company. So with financial reports, owners hope to be able to get a summary of the company's financial information.



According to the perception of MSMEs players, opportunities for funding by investors, debtors or banks will be greater if the company has transparent financial information. Having ownership of informative financial reports increases the opportunity for financial assistance from external parties, whether banking funding, investors or other parties. For example, one of the requirements for applying for banking credit is to attach a financial report. Financial reports are used by banks as a benchmark for payment ability. So if MSMEs do not have financial records, it will be difficult to assess credit worthiness.

Chart. 7 MSMEs perceptions regarding accounting transparency on the quality of company information.



According to the perception of MSMEs, accounting transparency can improve the quality of company information. Financial reports also help increase opportunities for collaboration and business networks. MSMEs players can convince potential investors and partners to collaborate. Because it can provide clear information regarding company financial information including company costs and income, accounting policies, and facilitate the distribution of information to interested parties in the company.

However, there are still many MSMEs players who have not prepared financial reports according to financial accounting standards. Based on the results of the questionnaire, 56% of respondents do not have financial reports according to applicable standards. The results of the discussion show that there are still many MSMEs that have not prepared financial reports due to a lack of capability due to limited human resources and costs. MSMEs that fall into the micro category tend not to have a special division that handles accounting. Financial reports are not considered crucial. This is different from medium-sized businesses which are more serious about managing their business. One factor is the lack of knowledge of the benefits of financial reports. After the results of the joint discussion in the FGD, 97% of MSMEs players wanted to prepare financial reports to create accounting transparency. Penyajian Laporan Keuangan sesuai SAK EMKM.

Table 3. MSMEs perceptions regarding accounting transparency on the quality of company information.

No	Questions in the questionnaire	answer			
		strongly disagree	disagree	agree	strongly agree
1	I keep records of expenses in my business	0	5	18	82
2	I keep records of income in my business	0	5	8	87
1.	I have a financial report in the form of profit and loss in my business	0	5	23	72
2.	I keep records of assets in my business	6	33	36	25
3.	I keep records of liabilities in my business	12	43	16	29
4.	I keep records of equity in my business	12	43	19	26



5.	I have a financial report in the form of a balance sheet or report of the financial position of my business	15	44	16	25
6.	I prepare notes to financial reports that provide detailed information about policies, guidelines or analysis of each item or account in the financial reports.	13	48	14	25

Almost all MSMEs players record expenses, income and profit and loss. Only 5% of all respondents did not keep records. The results of discussions with MSMEs that do not keep records, show that one of the businesses being run is a mixed rice stall. Traders do not keep records of expenses and income, so they automatically have no profit or loss. For reasons, I don't have time to take notes. So the amount of profit is based on assumptions. For example, MSMEs shop at the market for Rp. 100,000 to buy ingredients (vegetables, meat, spices, etc.), then when the stall closes, the difference between the purchases and the amount on the cashier's table is recognized as profit. MSMEs do not keep transaction records or summaries of expenses and income at all due to lack of time to do this. Although the other 95% admitted to having recorded expenditure, income and profit and loss, the results of the FGD showed that the recording carried out was on expenditure and cash income transactions from daily shopping and receipt (sales) transactions. Expenditures that are for monthly and annual transactions are not recorded or taken into account. For example, annual rental fees. This cost aspect does not appear in the recognition of monthly profit and loss for MSMEs businesses. However, different treatment is carried out by business actors in the small and medium groups who have prepared credible profit and loss reports in accordance with SAK ETAP or SAK EMKM guidelines.

There are still many MSMEs that do not record business assets, reaching 39% of the total respondents. According to PSAK, assets are all assets owned by individuals or groups, which are tangible or intangible, which have value and will benefit each person or company. The results of the discussion show that there are still many MSMEs players who have not separated company assets from the owner's personal assets. In accounting, the owner's personal assets and company assets are different entities that must be separated. This has not been done by 39% of respondents, which has resulted in no recording of assets in the company's financial reports.

The financial position report or balance sheet is a report that shows the financial condition of a company on a certain date. This report describes the position of assets, liabilities (liabilities), and capital (equity) at a certain time. The amount of assets is presented on the assets side, while the amount of liabilities and equity is presented on the liabilities side. Based on PSAK 1 (IAI, 2024) liabilities or debt (liabilities) are the entity's current obligations arising from past events, the settlement of which is expected to result in an outflow from the source. the entity's resources that contain economic benefits. Equity based on the definition of PSAK No. 21 is part of the owner's rights in the company, namely the difference between existing assets and liabilities. Equity can also be interpreted as a part of the financial statements that shows how much the owner or shareholder has a claim on the company's assets. This includes equity obtained from initial capital, retained earnings, and other investments.

As many as 55% of respondents admitted that they had not presented a balance sheet in their financial reports, which automatically resulted in the absence of liability and equity information. Business actors tend to focus more on profit and loss reports, without paying attention to aspects of the financial statement position. However, the elements of financial reports are not only limited to profit and loss reports.

SAK EMKM is a stand-alone financial accounting standard that can be used by entities that meet the definition of an entity without significant public accountability as regulated in SAK ETAP and the characteristics in Law No. 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs) . SAK EMKM explicitly describes the concept of a business entity as one of its basic assumptions and therefore to be able to prepare financial reports based on SAK EMKM, an entity must be able to separate the owner's personal wealth from the assets and results of the entity's business, and between a business/entity and business/ other entities.

When compared with other SAK, SAK EMKM is a standard that is made simple because it regulates general transactions carried out by EMKM and the measurement basis is purely historical cost so that EMKM simply records its assets and liabilities at their cost. Entities that meet the requirements for using SAK EMKM still need to consider whether the provisions regulated in SAK EMKM are appropriate and meet the entity's financial reporting needs. Therefore, entities need to consider the financial reporting framework that will be applied, whether based on SAK EMKM or other SAK, considering the convenience offered in SAK EMKM, and the information needs of users of the entity's financial statements.



Based on SAK EMKM, financial statements consist of a report of financial position at the end of the period, a profit and loss statement for the period and notes to the financial statements. However, research results show that only 39% of respondents prepare notes on financial reports. Notes to Financial Reports (CaLK) are reports that present information regarding detailed explanations or lists or analysis of the value of an item presented in the end-of-period statement of financial position, end-of-period profit or loss, within the framework of adequate disclosure. CaLK is an inseparable part of the financial report which presents information regarding explanations of financial report items in the context of adequate disclosure. This means that 61% of respondents have not prepared CaLK. The aim of CaLK is to present explanatory information on Financial Report items during one reporting period in the context of transparent, accurate and accountable Financial Report disclosure. Apart from that, it is also to help explain the calculations of certain items in the financial reports so that they can provide a comprehensive value for the financial condition of a company. CaLK can not only clarify company financial information, but also provide a non-financial overview and existing financial policies in the company. Only a small portion of MSMEs make CaLK.

6. CONCLUSIONS AND SUGGESTIONS

6.1 Conclusions

- 1) The capability in question is the ability or capacity to understand and master the meaning, objectives, benefits, processes of the accounting cycle and preparation of financial reports. To what extent do MSMEs understand accounting? The quality of financial reports is influenced by the understanding of accounting possessed by employees or preparers of financial reports. In general, MSMEs do not have the capability to prepare financial reports. Accounting knowledge is not the only main capital in carrying out business activities. MSMEs players consider that the most important thing in starting a business is capital, skills and innovation or products. However, MSMEs players understand that financial reports are important in decision making. Micro businesses have minimal human resources, MSMEs players focus more on the main operational activities of the business rather than preparing financial reports. Low accounting capabilities have an impact on neglecting the preparation of financial reports due to ignorance of the preparation process and benefits of financial reports.
- 2) Transparency in MSMEs management is limited internally. The principle of transparency refers to the availability of information freely and directly accessible to the authorities. MSMEs feel that financial transparency is very necessary so that owners can know management performance transparently. Business owners do not understand accounting and have problems with limited transaction information. Transparency can increase funding opportunities from banks or investors as well as increase opportunities for network collaboration and cooperation due to quality financial information. Currently, there are still many MSMEs players who have not prepared financial reports according to financial accounting standards. There are still many MSMEs that have not prepared financial reports due to limited human resources and costs. MSMEs that fall into the micro category tend not to have a special division that handles accounting. Financial reports are not considered crucial. This is different from medium-sized businesses which are more serious about managing their business. One factor is the lack of knowledge of the benefits of financial reports. After the results of the joint discussion in the FGD, 97% of MSMEs players wanted to prepare financial reports to create accounting transparency.
- 3) MSMEs in the medium business category have prepared financial reports in accordance with SAK EMKM, some small business groups have also met SAK EMKM standards. However, the micro business group still does not. SAK EMKM requires the preparation of financial reports including a statement of financial position at the end of the period, a profit and loss statement for the period and notes to the financial statements. MSMEs focus more on recording expenses and income for profit and loss projections. Profit and loss is prepared based on daily transaction reports which will be summarized at the end of each month. Meanwhile, leaving aside the financial position report (balance sheet) and CaLK. The profit and loss that is prepared is still not relevant, because there are still many aspects of financing or expenses outside of daily or monthly shopping expenses that must be considered. One of them is asset depreciation. Preparing a complete report in accordance with SAK EMKM will provide much more relevant and credible information.

6.2 Suggestion

- 1) MSMEs players need to be aware of the function of preparing financial reports. If they are unable to process transaction data information to become their own financial reports, they can use someone who is competent in preparing financial reports. as the top of the organization, MSMEs players must be able to use financial report information as a decision-



making consideration tool. Through employing an accounting department or using the services of KJA (Accounting Services Office). So MSMES players only need to focus on business development, by utilizing financial reports as a decision-making tool.

- 2) MSMES players can improve the quality of financial reports to increase the transparency of management accountability. This can increase funding opportunities from investors or banks as well as increase cooperation and networks.
- 3) MSMES players should not only focus on preparing profit and loss to produce financial information that can provide a picture of the company's finances. However, according to SAK EMKM, the components of MSMES financial reports consist of a report of financial position at the end of the period, a profit and loss statement for the period and notes to the financial reports. If MSMEs meet the SAK MSMES standards, financial reports can be used as a relevant and credible decision-making tool.

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