

ANALYSIS OF FACTORS AFFECTING MSMEs NOT IMPLEMENTING THE PREPARATION OF FINANCIAL STATEMENTS BASED ON EMKM SAK IN NORTH TIMOR CENTRAL DISTRICT (Case Study On MSMEs In TTU District)

Marce Sherly Kase

Faculty of Economics and Business, University of Timor

ARTICLEINFO

Keywords:

Preparation of Financial Reports, TTU Regency MSMEs, SAK EMKM

E-mail:

kase.sherly@unimor.ac.id

ABSTRACT

This study aims to determine the application of SAK EMKM to micro, small and medium enterprises in North Central Timor District. The study was conducted to find out the practice of recording financial reports by these MSMEs, as well as the factors that led to the non-implementation of SAK EMKM-based financial records for MSMEs registered with the Office of Cooperatives and MSMEs. This type of research is a qualitative research, that is, directly involved in the field related to what is being done leads to the description and application of SAK EMKM-based financial records by conducting interviews and taking financial reports to be processed so that they are in accordance with SAK EMKM. The subjects in this study were 28 informants who owned Micro, Small and Medium Enterprises to see if the practice of implementing financial records was presented in accordance with SAK EMKM or not, which then referred to the theory of accounting systems related to financial records that were generally accepted. The results of field observations based on interviews show that as many as 80% of SMEs in TTU Regency are in the trading business sector and still do not have the ability to present financial information in accordance with SAK EMKM.

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1. INTRODUCTION

Economic actors, especially Micro, Small and Medium Enterprises (MSMEs) in Indonesia play an important role in creating economic development. The contribution made by MSMEs is to reduce unemployment through the application of labor. (Akbar, 2019). Data for 2018 shows that the number of business units in Indonesia totaled 64.2 million business units which covered 99.9% or 64.1 million types of MSMEs which absorbed a workforce of 120.6 million people in 2020, then in 2018 the contribution of MSMEs to the Gross Domestic Product (GDP) of 14,038,598. Billion, Non-Oil and Gas Exports of 2,044,490 Billion and Investment of 60.42% or 2,564,549 Billion. (Case, 2022).

Data from the Office of Cooperatives and UMKM for North Central Timor (TTU) district in 2020 recorded 3,102 types of micro-enterprises, 19 types of small business units and 9 types of medium-sized businesses. The above numbers have increased from 3,091 business units in 2019. (Kase, 2022). This increase encouraged economic growth in TTU Regency (Redjo, et al, 2022). It can be observed that small and medium enterprises have advantages, including: (1) easy to create jobs compared to other business sectors (2) have the ability to adapt to market conditions that are constantly changing (3) have great opportunities so as to be able to contribute significant impact on trade and exports. (Susanti & Kabibah, 2021). In connection with the above, accounting information is important in achieving business success for Small and Medium Enterprises through the ability to present detailed financial reports in accordance with accounting principles that make it easier for entrepreneurs to conduct reviews for the continuity of their business (Maherni, et al. 2021). Accounting information in the form of financial records can be the initial capital for micro, small and medium enterprises in making decisions on the management of micro, small and medium enterprises relating to market development, pricing and others. (Andasari, et al, 2019). In fact, MSME actors experience difficulties in compiling financial reports in accordance with Micro, Small and Medium Entity Financial Accounting Standards (SAK EMKM), this is supported by several factors, including low education and

knowledge about SAK (Lestari, 2021). Apart from that there is still low awareness of micro and small business actors to keep records (Armando, 2013), this fact is in line with research conducted by Setyawan (2012) that most micro and small businesses do not apply financial reports at all. In essence, small and medium enterprises are encouraged to record and organize financial reports which are important aspects of carrying out business activities (Sulistiyowati, 2017). Accounting information in the form of financial records has a very important role for small and medium businesses which are the initial capital in making decisions on managing their business (Andarsari & Dura, 2018). According to the Indonesian Association of Accountants (IAI) the Financial Accounting Standards for Micro, Small and Medium Entities (SAK EMKM) are intended for use by micro, small and medium entities. Micro, small and medium entities are entities without significant public accountability that meet the definitions and criteria for micro, small and medium enterprises as stipulated in the laws and regulations of Law 20 of 2008 in force in Indonesia. SAK EMKM is an accounting standard that regulates how financial reporting standards for business actors, especially SMEs. MSME entrepreneurs are also encouraged to take advantage of accounting standards to be able to maximize profits.. (Andriani, et al 2022). The standards referred to include: (1) Micro, Small and Medium Entity Financial Accounting Standards (SAK EMKM) intended for use by micro, small and medium entities. (2) Micro, Small, and Medium Entity Financial Accounting Standards (SAK EMKM) are used for entities that do not meet the definition and criteria of Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP), if the authority permits these entities to prepare financial statements based on SAK EMKM . The standards that have been made by IAI are expected to be able to make it easier for small and medium businesses to keep records according to simple standards, but there are still small and medium businesses that have various reasons not to keep records (Armando, 2014). According to Sari and Setyawan (2012) stated that businesses that have small capacity and complicated financial reporting will make it difficult for business actors to apply the correct accounting cycle. The problem in this study is what factors influence MSME actors in TTU Regency not to make financial arrangements according to SAK EMKM. This study aims to determine the factors that influence MSME actors in TTU Regency not to make financial arrangements according to SAK EMKM.

2. METHODS

This research use descriptive qualitative approach. The analytical method used is a qualitative descriptive method, Sugiono (2015) states that a qualitative descriptive method is data collected through in-depth interviews with informants to see the practice of implementing financial records for small and medium business actors in TTU Regency. Informants consisting of 19 small business units and 9 medium business units in the type of trading business. This study uses semi-structured interviews to find problems in a more open and in-depth manner. Sugiyono (2015) argues that semi-structured interviews are interviews conducted with instruments but questions are more open and can be developed without having to stick to predetermined instruments in order to get deeper, more detailed answers, and explore all the perceptions and conditions of the informants. The researcher asked according to the question instrument that had been prepared and then the instrument was developed to explore the informant's answers more deeply and in detail according to research needs.

3. RESULTS AND DISCUSSION

Based on the research conducted, it was found that the informant gave the following description. Most of the MSME actors in the trade business and small industry, but do not deny there is also a medium industry. The education level of MSME actors is still low with a ratio of elementary to high school or higher, around 9:3. Not only that, MSMEs in the area are on average run by business owners. Informants stated that according to him, the preparation of financial reports according to SAK ETAP was confusing.

Informants stated that if SAK EMKM were to be implemented, they might encounter a few obstacles in understanding and implementing it, given their educational background. However, it is possible that if MSMEs in the area actually practice preparing financial reports based on SAK EMKM, it will make them more advanced because they get loan funds from banks appointed by the government. Informants are aware of the importance of accounting knowledge in preparing financial reports. The results of Evi Linawati's research (2015) found that accounting knowledge greatly influences the quality of financial reports prepared by these business actors.

Even so, the level of awareness of MSME actors in TTU Regency has not yet practiced preparing financial reports according to the EMKM SAK Standards for various reasons. The following are various opinions from MSME actors in TTU Regency:

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1. MSMEs do not really need accounting knowledge in preparing financial reports. They can keep records in a method that is simple and understandable. Basically, all they have recorded so far is trade receivables and capital used.
2. Accounting records are considered a separate burden by SMEs because they consider it complicated and confusing. On the other hand, if this is implemented they also have to spend more time preparing financial reports.
3. The average educational background that is not very high makes MSME actors reluctant to practice accounting records because they are afraid they will not be able to compile them. In addition, the lack of socialization regarding how to prepare the appropriate accounting method makes them reluctant to practice it.

From observations made by researchers, it shows that the condition of MSMEs in TTU Regency has been going quite well, but in preparing financial reports according to the EMKM SAK standard that has not been implemented. Although there are business owners who only write in the books in the form of accounts receivable and daily receipts. Furthermore, business actors do nothing, and there are even several household businesses that do not have financial reports. Business actors do not mind this as long as it does not affect the continuity of their business.

There are a number of cases that are often experienced by MSME actors in the area, including: (1) the average employee who works at that place does not really use the sophistication of gadgets to find out information about accounting (2) it is difficult to get additional capital assistance because entrepreneurs do not have clear bookkeeping (3) the education level of employees is low and their motivation to progress is low. In general, MSMEs in TTU Regency have not yet practiced preparing financial reports according to existing standards. This is caused by the lack of socialization regarding the standards for preparing financial reports to MSME actors. There are several aspects behind it, namely the lack of accounting knowledge from owners and employees which is one of the triggers for not implementing good bookkeeping. The absence of socialization regarding what accounting records are and how to apply them in their business is also one of the factors. In accordance with Nurkolik's research (2019) which said that providing information and outreach about accounting books can affect bookkeeping in MSMEs. The results of this study are the same as Syarifudin's research (2018) which concluded that standardized accounting records can help business actors in obtaining capital assistance loans in banks. For this reason, it can be stated that the preparation of clear financial reports can make it easier for the bank to ensure making decisions and lending credit. The results of this study are in accordance with the study of Meutia (2010) which concluded that entrepreneurial competence greatly influences the level and attitude of entrepreneurs in doing something. The results of the research above show that there is an influence between competency and accounting knowledge of business owners or MSME employees on accounting information (Kurniawansyah 2016). Thus, MSMEs in TTU Regency have not been able to properly apply accounting books because the knowledge gained about this is still small. Based on the data obtained, education affects the quality of recording financial reports according to SAK EMKM. The higher the quality of education, the better the ability to prepare accounting books. This is in accordance with research by Mahmud (2016) which concluded that the higher the level of education possessed by entrepreneurs, the higher the need for SAK EMKM. It can be said that one of the factors that SMEs do not keep books properly according to accounting standards is because the perpetrators are dominated by small and micro businesses (Kurniawansyah, 2016).

4. CONCLUSION

The views of business actors in TTU Regency regarding the importance of preparing financial reports based on SAK EMKM, include: MSME actors think that preparing financial reports is difficult to implement in their business. MSME actors think that this implementation will take a long time, effort and cost. The preparation of financial statements based on SAK EMKM has not been implemented in these SMEs because the knowledge and educational level of business actors regarding this matter is still very low. So it is not possible to implement the preparation of financial statements even in a simple way. There is no socialization regarding procedures for implementing SAK EMKM according to the government, related institutions and regulators. The minimal use of technology to find information about the preparation according to SAK EMKM. This is because the government and related institutions have not optimally implemented it.

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