

Implementation Of Financial Report Preparation For Small And Medium Micro Enterprises (Msmes) (Survey in Sukajadi Village, Soreang District, Bandung Regency)

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Article History: Received: 10 January 2021; Revised: 12 February 2021; Accepted: 27 March 2021; Published online: 20 April 2021

Abstract: Financial reports are a solution to problems that often occur in Micro, Small, and Medium Enterprises (MSMEs), namely problems in financial management. This study aims to determine and analyze the practice of preparing financial statements at MSMEs in Sukajadi Village, Soreang District, Bandung Regency. This type of research is qualitative research. Sources of data were obtained through observations and interviews of 30 MSME players engaged in the apparel convection industry, snacks, and sponge sandals. The results showed that MSME actors had not made adequate financial reports, only recording transactions that often occurred in their business. This is due to a lack of educational background, limited knowledge of accounting, and socialization or training from the government or institutions in charge of MSMEs which are still not maximal so that the understanding of the importance of financial reports is still not understood by MSME actors.

Keywords: Financial Statements, MSME

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) in Indonesia have proven to driving force amid a sluggish economy. MSMEs have contributed 60% of the national Gross Domestic Product and absorbed 97% workforce. (Merdeka .com). Furthermore, Setiyawati & Hermawan (2018) stated that the existence of MSMEs plays a very important role in the growth country's economy because it is an effective way to reduce poverty and unemployment. MSMEs are defined as entities without significant public accountability that meet the definition and criteria of MSMEs. (SAK- EMKM, 2018). The existence of MSMEs persisted in facing the economic crisis that occurred from 1997 to 1998, and the global economic crisis that occurred in 2008, while many companies experienced bankruptcy and many had terminated their employment, MSMEs were actually able to absorb the unemployed to can work again. (Fatmawati, 2018).

MSMEs, which are engaged in convection of apparel and snacks, are still surviving. However, this business has experienced obstacles due to capital factors. The accessibility of MSMEs to capital sources and banking institutions is still low, although there are many special credit schemes for small and medium micro and medium entrepreneurs, there are still many MSME players who do not get bank credit or other financial institutions. Apart from lack of access, the problems faced by MSME players are the low technological problems, and organizational management as well as financial management. (Purwanti Endang, 2017).

There are still many MSMEs players who have not realized the importance of neat financial records and bookkeeping, even though with bookkeeping, business actors can find out whether the business they are running is healthy or not. Even in the current digital era, most of the MSME players are still "blind" to accounting, this causes them not to have bookkeeping in their business which has the potential to get bigger. (Kompas.com). The limited knowledge that MSMEs have in financial management makes it difficult for these productive businesses to develop properly because their inability to prepare financial reports is a requirement for obtaining additional capital from banks. (Istanti Lulu, 2020). This shows that the preparation of financial reports is very important to increase the success of his business in the future.

Financial statements are financial information that is prepared by a company from the process of accounting activities for a certain period to describe the financial performance of a company. This financial report will serve as the basis for decision-making in financial management in the future. To make it easier for MSMEs in making financial reports the Indonesian Institute of Accountants (IAI) has issued Financial Accounting which can be used as guidelines for MSMEs in preparing their business financial reports, to produce reliable financial reports. Putra Yananto's (2018) research results state that MSME actors in the city of South Tangerang not implemented financial standard due to the limited knowledge of MSME owners or managers on financial reports. Purwanti

Endang (2017) that MSMEs not been able to make financial reports as a measure of their business financial performance due to the limited knowledge of MSMEs on financial reports. Sulistyowati Yayuk (2017) MSME players in Malang city still do not understand EMKM Financial Accounting Standards, so they still keep simple records by recording transactions that often occur in their business.

Based on the background, phenomena, the researchers in researching How to Apply Financial Statements to Micro, Small, and Medium Enterprises in Sukajadi Village, Soreang District, Bandung Regency.

2. Literature review

2.1 Financial Statements

The financial statements can also reflect the company's financial position and the results the company has achieved during a certain period. (S. Mulyawan, 2015). Financial statements are prepared with intention providing financial information a company to interested parties for consideration in making decisions. These interested parties include management, owners, creditors, investors, and the government. (Purwanti Endang, (2017).

The objectives of financial reports are: (a) to provide information regarding the financial position and financial performance for users of financial statements in making decisions. (B) management accountability for the resources entrusted to them. (SAK-EMKM, 2016). The financial statements presented by MSMEs must be fair and per EMKM Financial Accounting Standards. Fair presentation of financial statements requires companies to present information to achieve the objectives: (a) relevant, information can be used for the decision-making process. (B) accurate representation, information is presented appropriately and free from material misstatement. (c) comparability, the information in financial statements can be compared between periods and between companies to evaluate financial position and performance. (d) understanding, the information presented can be understood by users of financial statements.

EMKM's Financial Accounting Standards require every company to prepare a complete financial report, which consists of: (a) A statement of financial position, a report that presents the position of assets, debt, and equity at the end of the period. (b) Profit and Loss Report, a report that presents the position of income and expenses for a period. (c) Notes to financial statements, which contain additions and details of certain relevant accounts, which contain a statement that the financial statements have been prepared per SAK-EMKM, a summary of policies, additional information, and certain account details that describe important and material transactions so that useful for users to understand financial reports.

This financial report is very useful for both internal and external parties in making decisions. The use of financial information for MSMEs can make information that has an important role in achieving business success because financial information can be used as a reliable basis for economic decision-makers in managing MSMEs, including decisions to buy or sell goods, set prices, and develop market rates and propose credit to formal financial institutions. (Indriyati, 2017).

2.2 Micro, Small and Medium Enterprises (MSMEs)

Micro, Small, and Medium Enterprises (MSMEs) are productive independent businesses that are formed by individuals and business entities in all sectors of the economy. Micro enterprises are productive economic enterprises owned by individuals and/or individual business entities. Meanwhile, small and medium enterprises are productive economic enterprises that are independent, carried out by individuals or business entities that are not a subsidiary or branch of a company that is owned, controlled, or is a part, either directly or indirectly, of a medium-sized or large-scale business. The criteria as referred to in Law number 20 of 2008. To differentiate between micro, small and medium enterprises is based on their net asset value excluding land and buildings. place of business, and the average turnover per year. The differences can be seen in Table 1 below:

Table 1
Classification of MSME
Based on Assets and Omzet Annual

No.	MSME	Criteria	
		Asset	Omzet
1.	Micro Business	Max. 50 Juta	Max 300 Juta
2.	Small Business	>50 Juta-500 Juta	>300 Juta – 2.5 Miliar
3.	Medium Business	500 Juta – 10 Miliar	>2.5 Miliar – 50 Miliar

Source: Law no. 20 of 2008

The purpose of MSMEs is to grow and develop their businesses in the framework of building a national economy based on just economic democracy. The principles of empowering MSMEs are (a) fostering independence, togetherness, and working on their initiative. (b) a manifestation of a public policy that is transparent, accountable, and just. (c) development of regional potential-based and market-oriented businesses per the competence of Small and Medium Enterprises. (d) increasing the competitiveness of Micro, Small, and Medium Enterprises and (e) implementing integrated planning, implementation, and control.

3. Research methods

This study uses a qualitative descriptive method, which is a method used to describe or analyze a research result but is not used to make broader conclusions. (Sugiono, 2018). Technical analysis is carried out through interviews and observations of 30 MSME actors located in Sukajadi village, Soreng sub-district, Bandung district, as well as conducting journal literature studies and various electronic media.

4. Research results and discussion

Most of the MSME actors in Sukajadi village have kept records where the financial recording system is still simple, financial recording is limited to recording cash receipts and cash disbursements. Transactions that are cash receipts are recorded/recognized as income, while transactions that are disbursing cash are recorded as expenses. The cash saving system is not separated from personal (household) money so that MSMEs have difficulty in separating the costs of their business from the costs incurred for household needs. Likewise, the assets used in the production process, do not have a record or list of assets used for business, they do not understand how to separate personal assets from business assets, so they have difficulty preparing financial reports.

The need for additional capital is often experienced by them when they get orders that are more than usual, but this capital application has never been successful because it is constrained by administrative requirements that must be met, one of which is financial statements. Banks or other financial institutions are reluctant to provide capital assistance because they cannot see the performance of the business they are running, the financial statements that are presented are only limited to cash inflows and outflows so that the bank cannot see the ability of the business to repay its loans.

So far they think that recording all transactions is not so important, recording only large transactions or transactions related to the sale and purchase of goods is sufficient for them. They also feel that there is no need to separate cash or assets because on average the businesses they run are family businesses. Here it is clear that the limited knowledge about financial reports is still lacking so that they do not understand the importance of a financial record and report in running their business.

5. Conclusions and suggestions

The researcher concluded that the MSME actors in Sukajadi Village:

1. Not fully recording financial reporting because most business actors do not understand the applicable Financial Accounting Standards.

2. Do not understand the importance of recording all transactions that occur in business due to limited knowledge and various educational backgrounds.

3. Lack of socialization from related parties regarding Financial Accounting Standards for Micro, Small, and Medium Entities which have been effective as of January 1, 2018.

Based on the results and discussion of the research, it is suggested that:

1. Socialization of SAK-EMKM to provide understanding to all MSME actors in Sukajadi Village, by providing training to improve skills in recording and compiling financial reports so that they can produce reliable quality financial reports.

2. Regular assistance to cultivate the habit of MSME players in carrying out financial records of every transaction that occurs so that they can make financial reports independently.

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