Implementation of financial accounting standard in micro, small, and medium enterprises (MSMEs)

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A B S T R A C T

Micro, Small and Medium Enterprises (MSMEs) are economic actors that are more able to stand firmly compared to large companies when an economic crisis occurs. SAK-EMKM is the Financial Accounting Standard for Micro, Small and Medium Enterprises. This study aims to determine the preparedness of MSMEs to implement SAK-EMKM. The qualitative method was used by collecting the data using observation, interview, and direct documentation of the MSME actors as the object of the research. The sampling technique used was the purposive sampling method. The research sample was MSMEs that had been operating for more than one year and were located in Sungai Bangkong Village of Pontianak City. The results of the study show that the MSMEs in Sungai Bangkong Village of Pontianak City was not aware of SAK-EMKM. Their method of accounting recording was not based on the accrual basis, but they have implemented the concept of business entity management and had adequately capable human resources.

A B S T R A C T

Introduction

Recently MSMEs have been proliferating in all regions of Indonesia and contribute to the increase in the national export and GDP up to 60.34 percent in 2018 (Aditya, 2018). However, these entities still face the problem of capital availability to promote their businesses. Lestari (2018) mentions that the difficulty faced by MSMEs in getting credit from the banks is due to their inability to meet one of the requirements, namely submitting the financial statements. The comprehension on accounting of the MSMEs human resources is also a challenge in the process of financial reporting. Therefore, Financial Accounting Standard for Micro, Small, and Medium Enterprises (SAK-EMKM) has been enacted since 1 January 2018. The standard is designed in a simple way and easy to understand in order to support MSMEs which has already made a contribution to the economic growth of Indonesia up to 60%. It is expected that the simple standard will enable MSMEs to provide the financial statements which can be used as the basis for decision making in their business evaluation. In addition, the financial statements can serve as the prerequisite in the attempt to find the alternative sources of capital from the external parties, such as investors and banks (Tatik, 2018).

The objective of this study is to reveal the implementation of Accounting Standard for Micro, Small, and Medium Entities (SAK-EMKM) in micro, small, medium enterprises in Sungai Bangkong Village, Pontianak City by using a case study. Micro, Small, and Medium Enterprises (MSMEs) are the economic actors which are able to withstand the monetary crisis. The monetary crisis which occurred in Indonesia affects the national economic growth significantly thus resulting in unemployment. MSMEs play a significant role in alleviating this problem. In fact, the number of MSMEs in Indonesia grows more rapidly than that of big corporations, including in Sungai Bangkong Village, Pontianak City, where the annual growth of MSMEs is significantly higher compared to the other villages in Pontianak since 2014. Currently, the number of MSMEs in this city is 1,203 units (Haris, 2015; Lestari et al., 2019; Ismail, 2018; Sukidjo, 2004).
As previously mentioned, the factors inhibiting the implementation of SAK EMKM include the lack of understanding of the financial reporting system, unavailability of dissemination information and trainings related to SAK EMKM, and human resource’s low level of knowledge. In addition, there is only a small number of banks which are available to visit the MSMEs located in the remote and hardly accessible areas. Also, lacking business concept in the administrative and management results in no separation between the entity assets and the owner’s assets in MSMEs (Maskartini, 2018).

This study is to reveal the preparedness of MSME actors in implementing SAK EMKM. The previous research showed that the human resources of MSMEs did not have adequate accounting knowledge and had not yet had accounting-based financial recording system since they still used cash-based financial recording. Also, they had not yet applied the concept of business entity and SAK EMKM because they had not yet comprehended how to process the information based on SAK EMKM (Lestari, 2018; Sholikin & Setiawan, 2018; Purwati, 2018).

**Literature Review**

**Theoretical and Conceptual Background**

The system of financial recording is used to measure the preparedness of MSME in implementing SAK EMKM. In case that an MSME has applied the accrual basis method in its financial statements, it is assumed that the entity is willing to implement the new accounting standard, namely SAK EMKM. Otherwise, the MSME is considered not yet ready to implement SAK EMKM. Additionally, if the MSMEs have separated the assets of the entities from the private assets, it can also be assumed that the MSMEs are ready to implement SAK EMKM. To realize that, the preparedness of the human resources or stakeholders is also necessary to assist to reach the organization’s goal (Samsuni, 2017; Hacioglu, 2019a). The willingness to implement this new accounting standard can also be seen from the human resources.

Change always occurs in an organization. An organization can develop if there is a continuous change and improvement. The change must be conducted carefully in order that the organization can be well-adjusted to the condition of change. In conducting the change or improvement, the preparedness is required which is fully influenced by content, process, context, and the individuals participating in the change. This can be reflected from how the organization approves, accepts, and implements the design of the new change to replace the previous organizational system (Holt et al. 2007)

Holt et al. (2007) explains that the preparedness to change is necessary to alter the old system into the new one for the betterment of the organization in the long term. Based on the research of Slameto (2003), preparedness is defined as a general condition of an individual which enables him to be willing to react or respond specifically to a particular condition. Research of Fatchuurrohman (2017) defines preparedness as the willingness of an individual to do something. Preparedness plays an important role in the change occurring in MSME and to observe the conditions of MSME in facing the change. Rahmawati and Puspasari (2016) mention that to find out the preparedness of a business actor in implementing the new accounting standard, it can be seen from his knowledge of SAK, whether or not he implements the accounting recording, whether or not he has adequate accounting software, and whether or not he has the employees with the specific skills related to accounting and how to produce accounting recording complying with SAK. Lestari (2018) indicates that there are still many of MSMEs which have not implemented SAK EMKM because of the limited information they have, so they are not aware of the existence of SAK EMKM. Many MSMEs have not yet conducted the accounting recording of their businesses because they do not know the recording process and have not hired the human resources capable at the standardized financial recording. The concept of business entity is not yet implemented by MSMEs, hence, the information dissemination from the authority to the owners of MSMEs is necessary in order that the owners can improve their businesses by applying SAK EMKM (Hacioglu, 2019).

The Financial Accounting Standards for Micro, Small and Medium Entities (SAK EMKM), explains that the concept of a business entity is the recording of accounting reports that should be made different from the recording of other entities (Aksoy & Hacioglu, 2021). Transactions related to the business should be clearly distinguished from those of the owner of the business, as well as transactions from other entities.

SAK EMKM defines the concept of a business unit as one of the basic assumptions. In its preparation, MSMEs should be able to distinguish private property from the assets resulting from the MSME business (Hacioglu & Aksoy, 2021). For example, when a person invests money in a business, it is recognized as owner’s equity. If the owned takes it for personal use, it is not considered an operating expense. So that the accounting records are carried out in the books from the point of view of the business unit. This helps secure business profits, as only business income and expenses are recorded, while personal income and expense are ignored.

**Empirical Review and Hypothesis Development**

Lestari (2018), in this study using a qualitative descriptive research method. The results of this study found that 3 MSMEs as research objects, none of the 3-business had employees who could do accounting records properly and correctly, the reason for the three MSMEs not doing accounting books was there were no employees or human resources who understood accounting, as well as the MSMEs have not yet applied the concept of a business entity, and are not aware of the existence of new accounting standard, namely SAK EMKM. Sholikin and Setiawan (2018), this study used a qualitative method with a descriptive study. The two MSMEs that
became object of the research were considered not ready to implement SAK EMKM, because they did not know about the existence of a new standard for MSMEs, namely SAK EMKM. The two MSMEs still record using the cash-based method, although there is a separation between business-owned assets and private-owned assets. On the other hand, the two entities have not been able to compile financial reports in accordance with accounting standards, because there were no human resources who understood. And the results of this study also found out-of-context results, namely the level of education had no effects on the readiness to implement SAK EMKM. Purwati (2018), this study used a survey research method. The results of this study illustrated that respondents in medium-sized businesses in Banyumas Regency do not fully know SAK EMKM so that their literacy level on SAK EMKM is still not good, because many still do not understand it.

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 stipulated in SAK ETAP and the characteristics in Law No. 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs).

H1: Has SAK EMKM been implemented by entities classified as Micro, Small and Medium Enterprises?

Research and Method

Conceptual framework

This study uses qualitative method. The first step conducted was taking the sample which consisted of the MSME actors. Subsequently, a field check was conducted to observe whether the MSME actors had been prepared to implement SAK EMKM. The preparedness was assessed through their understanding of SAK EMKM. The researcher also gave the questions such as whether or not they applied financial recording based on accounting standard, whether or not they had a reliable employee responsible for the accounting recording, and what accounting software was used. The last stage was compiling and processing the information and making a conclusion whether they were already prepared to implement SAK EMKM. Below is the conceptual framework of the study.

![Conceptual Framework](image)

Population and Sample

As this study employs the qualitative method, this study collected the data using observation, interview, and field documentation of the MSMEs used as the sample (Saunders, et al. 2012). The technique of sampling was purposive sampling. The population of the sample was the MSMEs listed at the Office of Cooperatives and MSMEs of West Kalimantan Province. There were 24 units of formal MSMEs which were active in Sungai Bangkong Village of Pontianak City, but only five units of MSMEs which met the criteria of this study, namely being in operation at the minimum of one year and being able to represent other MSMEs in the same sector in the area.
Research Instrument
Saunders et al., (2012) claim that in qualitative research, the instrument is the research itself. Therefore, the researcher individually carried out the observation from composing the research question, selecting and collecting data, analyzing, summarizing, and categorizing the data, as well as drawing the conclusion. After the information and data were collected, the researcher analyzed the data by probing, interpreting, and clarifying logically based on the researcher’s understanding to summarize the points of statements given by the respondents and to contribute to the research field.

Data and Data Source
The primary data were collected from the interview with the MSME actors on their understanding of the accounting recording system and business entity concept, their awareness of the issuance of SAK EMKM, their adequate resources, as well as the MSME identification. The identification on MSMEs was conducted to categorize the types of SMSEs, their marketing areas, and existing obstacles. Meanwhile, the interview was conducted to probe whether or not the MSMEs had adequate human resources who could make a good financial recording and implement SAK-EMKM.

The interview was also conducted to find the information on whether or not the MSME actors had used the accrual-based method in the transaction activities of the MSMEs and met the requirements of SAK EMKM, as well as to investigate whether the MSMEs separated the business assets from their personal assets and the dissemination of information on SAK EMKM by the related parties.

The secondary data were gathered by the observations on the preparedness of the MSMEs to implement SAK-EMKM and from other resources such as documents, transcript summaries, books, and journals related to this study.

Data Collection Technique
The data collection techniques used in this study were observation, interview, and documentation. The researcher prioritized the MSMEs which were located in Sungai Bangkong Village and had been in operation for more than one year. The next step was collecting the primary data using interview. The list of the questions is as follows.

1) MSME identification (micro, small, or medium enterprise)
   a. Who is the business owner?
   b. Since what year the enterprise was in operation?
   c. What products are sold?
   d. Where are the products marketed?
   e. Is there any employee who assists to run the business? How many?
   f. Where does the capital come from? Is it from the owner (saving and deposit) or from loan?
   g. What obstacles have been or are being faced by the business?

2) Capable human resources
   a. Is there any financial recording related to profit and loss of the business?
   b. Since when the profit and loss recording was initiated?
   c. What is the purpose?
   d. What obstacles have been or are being faced in doing the recording?

3) Accounting recording system
   a. Have you ever used credit system in the purchasing of goods or services?
   b. Did you directly record the purchase or did you record it after the pay off?

4) Business entity concept
   a. Does the business separate the business assets from the personal assets?

5) SAK-EMKM issuance
   a. Does the business owner know about SAK – EMKM?
   b. Is there any dissemination of information related to SAK – EMKM?

Validity and Reliability
Conducting validity and reliability means to examine the data already collected. In the case of this study is by probing to the business owners to check the data on their businesses.

Measurement Scale
The researcher measured and assessed the preparedness of the MSMEs using the Indicators of MSME Preparedness in Implementing SAK EMKM by Sholikin and Setiawan (2018). The indicators are as follows
Table 1: Measurement Scale of MSME Preparedness in Implementing SAK EMKM

<table>
<thead>
<tr>
<th>No</th>
<th>Indicator</th>
<th>Description</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Issuance of SAK - EMKM</td>
<td>The MSME actor is aware of the issuance of SAK EMKM.</td>
<td>The MSME is prepared to implement SAK EMKM.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The MSME actor is not yet aware of the issuance of SAK EMKM.</td>
<td>The MSME is not yet prepared to implement SAK EMKM.</td>
</tr>
<tr>
<td>2</td>
<td>Accounting Recording System</td>
<td>The EMSM has already adopted accrual based financial recording.</td>
<td>The MSME is prepared to implement SAK EMKM.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The MSME still uses cash-based financial recording.</td>
<td>The MSME is not yet prepared to implement SAK EMKM.</td>
</tr>
<tr>
<td>3</td>
<td>Business Entity Concept</td>
<td>The MSME separates business assets from personal assets.</td>
<td>The MSME is prepared to implement SAK EMKM.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The MSME does not separate business assets from personal assets.</td>
<td>The MSME is not yet prepared to implement SAK EMKM.</td>
</tr>
<tr>
<td>4</td>
<td>Human Resources Capability</td>
<td>The MSME actor has knowledge on financial statements making.</td>
<td>The MSME is prepared to implement SAK EMKM.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The MSME has not yet had adequately capable human resources.</td>
<td>The MSME is not yet prepared to implement SAK EMKM.</td>
</tr>
</tbody>
</table>

Source: Sholikin & Setiawan (2018)

Data Analysis Technique

In accordance to Miles and Huberman’s (1984) model cited in Saunders et al. (2012) and Qurrata et al. (2019), a qualitative data analysis conducted on field consists of three activities.

Data Reduction

Data reduction involves data collection focusing on the necessary selection criteria. This process is to sort and summarize the data to get the conclusion of the study. The data reduction will generate the data which are more focused and proper. In this study, the researcher as the research instrument directly went on field to collect the data, then made interview summary, document summary, and categorized the data. The data reduction of this study was focused on the data related to the preparedness of MSMEs to implement SAK EMKM. Furthermore, the categorization was based on the aspect of knowledge on the issuance of SAK EMKM, accounting recording, business entity concept, and human resources capability.

Data Display

Data display is the presentation of data collected from the interview or extensive notes. The interview or notes are then transcribed. The transcription of the data can be in the form of matrix, diagram, or other forms of graphics which are then more specifically analyzed. In this study, after the data were collected, the researcher analyzed and studied the data based on the researcher’s logic and knowledge. Afterwards, the data were presented in the form of matrix by selecting and putting them in the relevant categories. The researcher, furthermore, displayed the data in one format to help her to identify the findings as the reference to draw conclusion.

Conclusion Drawing/Verification

Conclusion drawing/verification is an attempt to search and interpret the meaning or explanation of the data which were already analyzed and displayed. In this stage, after the data reduction and data display, the researcher will draw a conclusion based on the research findings as well as to find the weaknesses of the research. The conclusion is made simple in order to be easily understood but still relevant with the research objective. The illustration of Miles and Huberman’s model (cited in Saunders, 2012) is presented below.
Findings and Discussion

Pontianak City Profile

Pontianak City is a capital city of West Kalimantan Province which is located on the longest river in Indonesia, namely Kapuas River and Landak River which were registered by the local authority as the symbol of the city. The region encompasses 107.82 km² area covering six sub-districts, those are West Pontianak, Pontianak City, South Pontianak, Southeast Pontianak, East Pontianak, and North Pontianak. Pontianak has 29 villages; five of which are situated in the Sub-district of Pontianak, namely Darat Sekip, Mariana, Sui. Bangkong, Sui. Jawi, and Tengah. Astronomically, Pontianak lies between 02° 24” north latitude and 00° 05’ 37” south latitude and between 109° 16’ 25” and 109° 23’ 01” east longitude.

Pontianak is renowned as the equator city since it is crossed by the equator line at zero degree of latitude. For the reason, a monument called Tugu khatulistiwa was built in Siantan region. The economic activities of Pontianak are dominated by agricultural, trading, and industrial sectors. Trading is the sector with the fastest growth in Pontianak City if viewed from the vast prevalence of shopping centres, supermarkets, large scale malls, and MSMEs, which play an important role in the advancement of Pontianak City development.

Identification of MSMEs in Sungai Bangkong Village

Pontianak City, especially Sungai Bangkong Village, accomodates many MSMEs which run production business, mostly culinary industry and souvenir store. The products are distributed not only in Pontianak City, but also outside the city. Below is the list of MSMEs in Sungai Bangkong Village of Pontianak City. The criteria of the MSMEs are subject to Government Regulation No. 20 of 2008 as follows.

Figure 2: Illustration of the Miles dan Huberman’s Model (Saunders et al. (2012))
Table 2: List of MSMEs in Sungai Bangkon Village of Pontianak City in 2021

<table>
<thead>
<tr>
<th>No</th>
<th>Name of MSME</th>
<th>Year of Establishment</th>
<th>Products</th>
<th>Market</th>
<th>Number of HR</th>
<th>Source of Capital</th>
<th>Business Obstacles</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>YC</td>
<td>2014</td>
<td>Snack, Cookies, Kue Lapis</td>
<td>Pontianak and outside Pontianak</td>
<td>5</td>
<td>Personal</td>
<td>Broken/Missing goods, late expedition</td>
</tr>
<tr>
<td>2</td>
<td>RP</td>
<td>2018</td>
<td>Crisps and Herbs</td>
<td>Pontianak</td>
<td>2</td>
<td>Personal</td>
<td>Scarce and expensive ingredients</td>
</tr>
<tr>
<td>3</td>
<td>BD</td>
<td>2012</td>
<td>Pontianak unique handicrafts</td>
<td>Pontianak</td>
<td>4</td>
<td>Personal and credit</td>
<td>Small number of products</td>
</tr>
<tr>
<td>4</td>
<td>BK</td>
<td>1983</td>
<td>Bingke, Blodar, Kue Lapis</td>
<td>Pontianak</td>
<td>4</td>
<td>Personal</td>
<td>Lack of marketing</td>
</tr>
<tr>
<td>5</td>
<td>RC</td>
<td>2010</td>
<td>Traditional snacks</td>
<td>Pontianak</td>
<td>4</td>
<td>Personal</td>
<td>Limited technology for online marketing</td>
</tr>
</tbody>
</table>

Source: Processed primary data, 2021

Table 3: Criteria of MSME

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of Owner/Name of MSME</th>
<th>Net Asset</th>
<th>Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>YC</td>
<td>&lt; Rp50,000,000,-</td>
<td>Micro enterprise</td>
</tr>
<tr>
<td>2.</td>
<td>RP</td>
<td>&lt; Rp50,000,000,-</td>
<td>Micro enterprise</td>
</tr>
<tr>
<td>3.</td>
<td>BD</td>
<td>&lt; Rp50,000,000,-</td>
<td>Micro enterprise</td>
</tr>
<tr>
<td>4.</td>
<td>BK</td>
<td>&lt; Rp50,000,000,-</td>
<td>Micro enterprise</td>
</tr>
<tr>
<td>5.</td>
<td>RC</td>
<td>&lt; Rp50,000,000,-</td>
<td>Micro enterprise</td>
</tr>
</tbody>
</table>

Source: Processed primary data, 2021

The data show that the five MSMEs belong to the criteria of micro enterprise because their net asset is at the maximum of Rp 50,000,000,- excluding land and buildings with the annual turnover reaching Rp300,000,000,00.

Capable Human Resources

Romney and Steinbart (2015) define accounting as the process of identifying, collecting, and saving data and unique information which also includes the process of development and measuring. Human resources intended in this research are those who understand the financial accounting standard of Indonesia. Therefore, it is expected that those people are able to compose the financial statements in accordance to the financial accounting standard in Indonesia, namely SAK-EMKM. This research set up the context where the educational level did not influence the preparedness to implement SAK-EMKM. It is assumed that even though the educational level is quite high, without dissemination of information, training, and support, there is a possibility that the human resources still do not have good understanding of making financial statements. This supports the research finding of Sholikin and Setiawan (2018).

Table 4: Capable Human Resources

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of Owner/Name of EMSM</th>
<th>Interview Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>YC</td>
<td>Simple recording (loss and profit)</td>
</tr>
<tr>
<td>2.</td>
<td>RP</td>
<td>No recording</td>
</tr>
<tr>
<td>3.</td>
<td>BD</td>
<td>Simple recording (loss and profit)</td>
</tr>
<tr>
<td>4.</td>
<td>BK</td>
<td>No recording</td>
</tr>
<tr>
<td>5.</td>
<td>RC</td>
<td>Simple recording (loss and profit)</td>
</tr>
</tbody>
</table>

Source: Processed primary data, 2021

Referring to the interview, the MSME actors had averagely conducted the financial recording though in simple form, such as loss and profit statements. Meanwhile, the financial position and financial statements recording were not yet implemented. Below are the excerpts of interview transcripts:

i. “I do the recording, but just the simple one because I just need to record the income, spending, and stocks, so I know that the ingredients are running out and we need to restock” (Respondent YC).

ii. “I have a son studying in a vocational school majoring Accounting, thus, I asked him to assist me with the financial recording. The recording I implement is just the simple one just to know how much my income is and whether my stocks are running out, so I need to order to the distributor” (Respondent BD).

iii. “I just know a little about accounting recording since what I do is just a simple recording. I just need to keep updated with the profit and the number of consignments because I used to be misinformed about the number of consignments. The
consignor told me that he consigned a specific number, while actually the number of consignments was not that many. Hence, I need to make some notes” (Respondent RC)

Unlike the three MSMEs abovementioned, RP and BK did not implement any financial recording as can be seen from the excerpts below:

i. “We do not do it because nobody understands how to do it. The staff I have is to help the production. I just memorize the amount of cash coming in and out. In case I forget, it is not a big deal since the money is used for my own needs” (Respondent RP).

ii. “I do not make any records because I do not have any knowledge of it. I do the production at home, so I can check the stock directly in the kitchen. Hence, I do not need to make any record” (Respondent BK).

The business accounting recording has been initiated by some of the MSMEs in Pontianak City, or precisely in Sungai Bangkong Village, although they still apply the simple method. The finding agrees with the research conducted by Armando (2014) which demonstrates that some MSMEs have made the accounting record, however, it is still in the simple form because they lack knowledge of the benefits of the accounting recording, therefore, they still think that the recording will not bring any advantages to improve their business. In addition, in their opinion the recording is difficult to apply.

### Accounting Recording System

The findings of this study have revealed that all of the MSME actors still employed cash-based accounting method in their financial recording as stated by the respondents that they used to buy the equipment in cash and directly recorded in their cash book.

#### Table 5: Accounting Recording System

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of Owner/Name of MSME</th>
<th>Accounting Method Used</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>YC</td>
<td>Cash Basis</td>
</tr>
<tr>
<td>2.</td>
<td>RP</td>
<td>Cash Basis</td>
</tr>
<tr>
<td>3.</td>
<td>BD</td>
<td>Cash Basis</td>
</tr>
<tr>
<td>4.</td>
<td>BK</td>
<td>Cash Basis</td>
</tr>
<tr>
<td>5.</td>
<td>RC</td>
<td>Cash Basis</td>
</tr>
</tbody>
</table>

**Source:** Processed primary data, 2021

The MSME actors used to use cash method instead of credit method, and they directly recorded the transactions. It can be inferred from the interview between the researcher and the respondents as follows.

i. “I directly record all the transactions if there is an income or expenditure to balance the amount of cash recorded in the cash book and that I brought.” (Respondent YC).

ii. “I directly note down the amount of money as I receive or spend it because if I do it prior to the reception or spending but it happens that it does not take place, I am afraid that I will get confused” (Respondent BD).

The implementation of accrual-based accounting system at MSMEs in Pontianak City, especially Sungai Bangkong Village, is still very minimum due to the fact that the MSME actors in this area are used to cash-based method where they will record directly upon the cash reception and spending.

This finding is similar to that of Sholikin and Setiawan (2018) which mentions that averagely MSMEs still apply case-based method to record their transactions. This is because they just want to know their financial position at that particular time only. If they record the amount of cash which is not yet accepted, they are afraid of facing another risk namely unreceivable revenues.

### Business Entity Concept

In reference to the Financial Accounting Standard of Micro, Small, and Medium Entities (SAK-EMKM, 2016), the concept of business entity is an activity of accounting recording which differs from the other recording systems of the other entities. The transactions related to the business must be separated clearly and precisely from the personal transactions of the owner.

#### Table 6: Business Entity Concept

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of Owner/Name of MSME</th>
<th>Separation of Business Assets from Personal Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>YC</td>
<td>Implemented</td>
</tr>
<tr>
<td>2.</td>
<td>RP</td>
<td>Not yet implemented</td>
</tr>
<tr>
<td>3.</td>
<td>BD</td>
<td>Implemented</td>
</tr>
<tr>
<td>4.</td>
<td>BK</td>
<td>Not yet implemented</td>
</tr>
<tr>
<td>5.</td>
<td>RC</td>
<td>Implemented</td>
</tr>
</tbody>
</table>

**Source:** Processed Primary Data, 2021
Based on the results of the interview, it can be concluded that most of the MSMEs have implemented the separation of business assets from personal assets. Below are the excerpts of the interview with the three MSMEs which have already implemented the separation of assets.

i. “I do the separation of the business assets from the personal assets because if my stocks are running out, I would restock using the revenues from the business. I also separate the profit for me. I will use my own money for my own expenses which I also actually got from the profit of the sales” (Respondent BD).

ii. “I separate my personal assets from the business assets because I don’t want to mix up my own money with the money for business. In addition, if they are combined, I’m afraid that I will use the profit which I should receive as the capital for the business” (Respondent RC).

However, there are also the MSMEs which have not yet implemented the separation of assets, as can be seen from the excerpts of the interview below.

i. “I don’t separate my personal assets from the business assets because I will have difficulties if so. It seems that there is a limitation in using the money from the business, in fact, I use the business profit to buy my daily expenses” (Respondent RP).

ii. “I don’t separate my personal assets from the business assets because I fulfill my daily needs using the revenues I gain from the business” (Respondent BK).

Both the respondents RP and BK do not separate their personal assets from the business assets because they perceive that they established the business to meet their daily needs. Additionally, they still consider that their businesses are the small business which does not need the separation of assets.

Knowledge of SAK - EMKM

The issuance of SAK-EMKM is especially intended to micro, small, and medium enterprises (MSME) based on Law No. 20 of 2008. The objective is to be a guidance to compose a report on the descriptions of the financial position and performance of a business.

Hence, SAK EMKM as a new accounting standard is to support the owners of MSMEs to prepare the standardized financial statements. The financial statements can be later used and enable the MSME actors to get other sources of funding. It is unfortunate, however, that the owners of MSMEs in Pontianak City, especially in Sungai Bangkong Village, have not yet known about SAK EMKM. They even asked back during the interview and required the explanation on SAK EMKM. None of the five respondents interviewed had any knowledge of SAK EMKM.

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of Owner/Name of MSME</th>
<th>Knowledge of SAK-EMKM</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>YC</td>
<td>No knowledge of SAK-EMKM</td>
</tr>
<tr>
<td>2.</td>
<td>RP</td>
<td>No knowledge of SAK-EMKM</td>
</tr>
<tr>
<td>3.</td>
<td>BD</td>
<td>No knowledge of SAK-EMKM</td>
</tr>
<tr>
<td>4.</td>
<td>BK</td>
<td>No knowledge of SAK-EMKM</td>
</tr>
<tr>
<td>5.</td>
<td>RC</td>
<td>No knowledge of SAK-EMKM</td>
</tr>
</tbody>
</table>

Source: Processed Primary Data, 2021

The interview with the respondents reveals that the MSME actors never got any disseminations of information on SAK EMKM which should be conducted by the related authorities. Below are the excerpts of the interview on the absence of the dissemination of information on SAK EMKM.

i. “I never know about it, and there was no dissemination of information about SAK EMKM. I rarely get the information on seminars or introductions to regulations because I just focused on running my business. If there is something I want to know related to my business, I will browse in the internet but never get involved with such dissemination activities” (Respondent BD).

ii. “I never involved in dissemination activities or seminars. I used to join with an MSME organization, but I rarely got the information on government publications or seminars. The organization is only a place of socialization among the MSME owners, and I don’t join the organization any longer” (Respondent RC).

The interview results are in line with the research conducted by Sholikin and Setiawan (2018) which states that there is no dissemination of information to the MSME actors because of lack of communication between the related authorities and MSME actors. This results in the small number of participants contributing in the dissemination; thus, the information does not reach all the intended MSMEs. The other possible reasons include the minimum appeal of the information to the MSME actors in relation to their business, lack of awareness of the importance of the seminar and dissemination activities for their business advancement, their distorted perception that gaining profit is enough to perceive that their business has been running well without any guidance from the related parties.
Discussion

This study proves the importance of change and adjustments to the organizational change for the MSMEs in Sungai Bangkong Village of Pontianak City to maintain their businesses.

Table 8: MSME Data Tabulation

<table>
<thead>
<tr>
<th>No</th>
<th>Name of Owner/ Name of MSME</th>
<th>Adequately Capable Human Resources</th>
<th>Accounting Recording System</th>
<th>Business Concept</th>
<th>Entity Concept</th>
<th>Knowledge of SAK EMKM</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>YC</td>
<td>Has made accounting records</td>
<td>Cash based (recording the transactions only when the cash reception and spending take place)</td>
<td>Has separated personal assets from business assets</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>RP</td>
<td>Has not yet made accounting records</td>
<td>Cash based (recording the transactions only when the cash reception and spending take place)</td>
<td>Has not yet separated personal assets from business assets</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>BD</td>
<td>Has implemented accounting recording</td>
<td>Cash based (recording the transactions only when the cash reception and spending take place)</td>
<td>Has separated personal assets from business assets</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>BK</td>
<td>Has not yet made accounting records</td>
<td>Cash based (recording the transactions only when the cash reception and spending take place)</td>
<td>Has not yet separated personal assets from business assets</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>RC</td>
<td>Has implemented accounting recording</td>
<td>Cash based (recording the transactions only when the cash reception and spending take place)</td>
<td>Has separated personal assets from business assets</td>
<td>None</td>
<td></td>
</tr>
</tbody>
</table>

Source: Processed primary data, 2021

The organizational process analyzed in this study is the alteration from the old accounting standard to new method, namely SAK-EMKM. The SAK-EMKM was published and managed in such a simple concept to help the MSME actors easily comprehend the system. This organizational change requires the preparedness of the MSME actors to record each transaction made in the sales activities in order to meet the requirements of accounting recording system, thus, capable human resources to comprehend the recording system are needed. Subsequently, the MSMEs must also separate the personal assets from the business assets to implement the business entity concept. The last is the need to take part in the dissemination of information related to SAK EMKM in order to be equipped with the related necessary information. The change plays an important role in promoting the business performance; therefore, the preparedness is ultimately required in the form of the MSMEs’ willingness to change their old concept by implementing business entity concept, doing accounting recording, hiring the capable human resources, and finding the information of SAK-EMKM. If the MSMEs are willing to implement those four variables of measurement, it can be assumed that the MSMEs are able to implement the new accounting standard. The results of this study show that three out of five MSMEs observed had capable human resources, then it can be inferred that most of MSMEs in Sungai Bangkong Village of Pontianak City have the human resources who are capable at accounting recording. Meanwhile, in terms of accounting recording system, the MSMEs of Sungai Bangkong Village still applied cash-based financial recording which is against the concept of SAK-EMKM to implement accrual-based financial recording. Out of the five MSME representatives of Sungai Bangkong Village, three MSMEs have applied business entity concept by separating the personal assets from business assets. The last finding is the fact that all five MSME actors of Sungai bangkong Village in Pontianak City have not yet known the recent accounting reporting standard, SAK EMKM.

Table 9: Tabulation Data of MSMEs

<table>
<thead>
<tr>
<th>Capable Human Resources</th>
<th>Accounting Recording</th>
<th>Business Entity Concept</th>
<th>Knowledge of SAK - EMKM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementing accounting recording</td>
<td>3 MSMEs</td>
<td>Accrual basis</td>
<td>0 MSMEs</td>
</tr>
<tr>
<td>Not implementing accounting recording</td>
<td>2 MSMEs</td>
<td>Cash basis</td>
<td>5 MSMEs</td>
</tr>
</tbody>
</table>

Source: Processed primary data, 2021
Conclusion

Most of the MSME actors of Sungai Bangkong Village, Pontianak City have not yet informed on the recent financial accounting standard SAK-EMKM. This condition might result from the minimum appeal of the information to the MSME actors in relation to their business, lack of awareness of the importance of the seminar and dissemination activities for their business advancement, their distorted perception that gaining profit is enough to perceive that their business has been running well without any guidance from the related parties.

The accounting recording system implemented by most of the MSMEs of Sungai Bangkong Village is cash-based which is against the concept of SAK-EMKM to implement accrual-based financial recording. This is because the MSME actors only want to know their financial position at that time. Also, if they record the cash which is not yet accepted, they are afraid of facing the risk of unreceivable income.

This study also gives the illustration that most of the MSMEs in Sungai Bangkong Village have implemented business entity concept by separating their personal assets from the business assets since they have an opinion that it will make themselves difficult if the separation is not applied. They will be riddled by which one is the profit and which one is for the capital.

This study also shows that the human resources of the MSMEs in Sungai Bangkong Village have implemented accounting recording system in their businesses. The reason is because they are aware of the importance of financial recording to monitor the revenue and stocks in order to be well-informed and to avoid unnecessary mistakes. The recording system, however, is still very simple due to their lack of knowledge of standardized accounting recording. In addition, some the MSME owners perceived that the human resources capable at accounting must have been paid higher than the other staffs, and they could not afford it because of their minimum profits. This study points out at the preparedness of the MSME owners to make an alteration from the old standard to the recent standard of accounting system. Since there is still a small number of MSMEs which implement the new standard, most of the MSMEs still use cash-based accounting method. Nevertheless, there are several MSMEs implementing business entity concepts and making simple accounting recording due to minimum capability of the human resources. Therefore, the MSMEs in Sungai Bangkong Village of Pontianak City are concluded as not yet prepared to implement SAK EMKM because all the four variables of the measurement in this study are not all completed.

This study has the limitation in terms of information source of recordings conducted by the MSMEs since they are confidential and cannot be revealed to other party. The data on the accounting recording were only collected directly from the interview with the related MSME actors.

Moreover, the study also reveals that the MSME actors were not aware of the publication of SAK-EMKM due to lacking information of SAK-EMKM distributed. Hence, the dissemination of information of SAK-EMKM by the related authorities is necessary to guide and advocate the MSME actors. The authorities can cooperate with the local Indonesian Accountant Organization and provide trainings and consultations in order that the MSMEs own the knowledge and skills needed to produce a good accounting recording to be implemented in their businesses.

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Data Availability Statement: The data presented in this study are available on request from the corresponding author. The data are not publicly available due to privacy.

Conflicts of Interest: The authors declare no conflict of interest.

References


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