



## Enhancing MSME Financial Transparency: The Role of Financial Accounting Standards in a Traditional Food Enterprise in Indonesia

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### Abstract

This study examines the financial reporting practices of Jenang Teguh Raharjo, a micro, small, and medium-sized enterprise (MSME) in Ponorogo, Indonesia, in relation to the Financial Accounting Standards for MSMEs (SAK EMKM). Specifically, it investigates: (1) the process by which the enterprise compiles its financial statements, (2) the challenges encountered during preparation, and (3) the extent of the enterprise's understanding of financial presentation aligned with SAK EMKM. Employing a qualitative descriptive approach, data were collected through observation, interviews, and document analysis. The findings indicate that the enterprise has not yet adopted SAK EMKM and currently prepares its financial reports based on personal interpretation rather than formal accounting standards. Moreover, the enterprise recognizes that its financial statements do not accurately reflect business performance or growth. These results underscore the need to promote accounting literacy and the application of standardized financial practices among MSMEs to improve transparency, financial decision-making, and long-term sustainability.

**Keywords:** SAK EMKM, Financial Accounting Standards for SMSEs, Financial Literacy, Accounting Compliance, Traditional Food Enterprise, Indonesia

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### 1. Introduction

Micro, small, and medium enterprises (MSMEs) are economic actors that operate businesses within their chosen field and can be established by individuals or business entities. There are three business sectors in Indonesia: trading, services, and manufacturing. Trading businesses are those whose activities involve selling tangible products to consumers or buyers, resulting in the transfer of ownership of the product from seller to buyer. Service businesses are those in which entrepreneurs focus more on selling intangible products. Manufacturing businesses are those whose activities create goods and services that are not classified as primary products, and these activities encompass the entire process from start to finish, resulting in a finished product ready for sale (Suryaningrum, 2024) <sup>[23]</sup>.

Micro, Small, and Medium Enterprises (MSMEs) are the backbone of Indonesia's economy, contributing approximately 61% to the national Gross Domestic Product (GDP) and employing around 119 million people, or 97% of the total workforce. Their dominance across various sectors—such as food and beverage, apparel, and wood products—underscores their role in fostering inclusive economic growth and reducing unemployment, particularly in underserved regions (Aprionis, 2025) <sup>[3]</sup>. Despite their scale, MSMEs often operate informally and face systemic barriers that hinder their competitiveness, including limited access to financing, low productivity, and inadequate digital infrastructure (IMF Asia-Pacific, 2024; IBC-PNP, 2025).

One of the most pressing challenges for MSMEs is the lack of reliable and standardized financial reporting. Many MSME owners perceive accounting as overly complex and lack formal training or dedicated staff to manage financial records. This results in poor documentation, which in turn restricts access to credit, hampers strategic decision-making, and limits opportunities for growth and formalization. Studies have shown that digitalization and improved accounting literacy can significantly enhance the quality of financial reports, enabling MSMEs to better manage resources and engage with financial institutions

(Putri & Suryaningrum, 2025; Zuhroh *et al.*, 2025) <sup>[18, 25]</sup>.

To address these challenges, the Indonesian Institute of Accountants introduced the Financial Accounting Standards for Micro, Small, and Medium-Sized Entities (SAK EMKM), a simplified framework tailored to the needs of MSMEs. SAK EMKM emphasizes historical cost measurement and basic financial statements—such as the statement of financial position and income statement—making it accessible for entities with limited accounting capacity. By adopting SAK EMKM, MSMEs can produce consistent and comprehensible financial reports, improve transparency, and meet the expectations of stakeholders such as banks, investors, and regulators (Nasrah & Ratna, 2024) <sup>[14]</sup>. This standard not only supports financial inclusion but also strengthens governance and accountability within the sector.

Financial literacy and standardized reporting remain persistent challenges among Indonesia's Micro, Small, and Medium Enterprises (MSMEs), despite their significant contributions to national GDP and employment. While previous studies have examined MSME access to financing and digital adoption, limited attention has been given to the actual implementation of simplified accounting frameworks—particularly SAK EMKM—within traditional, family-run enterprises. This study addresses that gap by focusing on Jenang Teguh Raharjo, a culturally rooted MSME in Ponorogo, East Java, Indonesia, which has yet to adopt the Financial Accounting Standards for Micro, Small, and Medium-Sized Entities (SAK EMKM). Therefore, the main research question of this study is:

**RQ:** How does Teguh Raharjo's Jenang company in Ponorogo perceive and implement financial reporting practices aligned with SAK EMKM, and what challenges does it encounter in recording transactions and preparing formal reports?

The novelty of this research lies in its qualitative exploration of how financial reporting is practiced at the grassroots level, uncovering the constraints, informal methods, and awareness surrounding compliance with formal standards. The study aims to assess the enterprise's reporting process, identify

barriers to adoption, and evaluate the level of understanding regarding SAK EMKM. The findings are expected to contribute to global discussions on the localization of financial governance standards, particularly when formalization intersects with culture and tradition, especially in emerging markets. Internationally, this research offers practical insights into the complexities of implementing regulatory frameworks in informal economies. It highlights the need for context-sensitive approaches to promoting financial accountability among small-scale businesses.

## 2. Methods

This research uses a qualitative approach. A qualitative approach is used to observe and describe in detail actual conditions on the ground. According to Sugiyono (2018: 35), qualitative research is essentially observing people in their living environment, interacting with them, and attempting to understand their language and interpretations of the world around them. This approach is used to observe the actions of people involved in the financial report preparation process carried out by the Jenang Teguh Raharjo Ponorogo Company. This research describes the activities related to the methods and processes carried out by the Teguh Raharjo Ponorogo Jenang Company from start to finish in preparing financial reports.

This research took place at the Jenang Teguh Raharjo Ponorogo company, located at Jl. Wibisono No. 90, Krajan, Kepatihan, Ponorogo District, Ponorogo Regency. The Jenang Teguh Raharjo company produces jenang, or dodol (Indonesian traditional delicacies), in Ponorogo, Indonesia. It was founded by Mr. Teguh in 1982. The key informants used in this study were Mr. Rudy Hartono, the successor to Teguh Raharjo's Jenang business, and Mrs. Atina Abidah, who handles the financial records of the Jenang Teguh Raharjo company. The structured research questions shown in Table 1 are used to answer the main research question. Before the interviews began, the informant was informed that the information gathered was confidential and would only be used for the research.

**Table 1:** Mini Structured Research Questions

No	Topic	Questions	Justification
1	Understanding of financial reporting under MSME Financial Accounting Standards.	a. Do you understand financial recording? b. Do you know that SAK-EMKM is the accounting standard for MSMEs? c. How important is understanding financial recording for Jenang Teguh Raharjo's company?	Based on observations and interviews, we aim to understand and assess the significance of financial records for Teguh Raharjo, the owner of a Jenang company.
2	Financial recording process.	a. What is the process or method for financial recording at Jenang Teguh Raharjo's company? b. How do you determine the profit or loss in this business? c. Are financial records kept regularly? d. Are there any obstacles in keeping financial records?	Researchers aim to understand, analyze, and gain insight into the financial recording process at Jenang Teguh Raharjo's company.
3	Financial Reporting	a. What is the form or model of financial recording at Jenang Teguh Raharjo's company? b. Can financial recording be used to control the business's finances and monitor its progress?	Researchers aim to understand, analyze, and gain insight into the financial reporting models used by Jenang Teguh Raharjo's company.

**Source:** Authors' mini research questions plan (2024)

This research data analysis employed qualitative methods. According to Bogdan & Biklen (as cited in Moleong, 2017:248), "Qualitative data analysis is an effort carried out by organizing data, sorting it into manageable units, synthesizing it, searching for and discovering patterns, discovering what is important and what can be learned, and

deciding what can be shared with others." Activities in qualitative research data analysis include: data reduction, data presentation, conclusion drawing/verification, and triangulation. Testing the validity of data in qualitative research includes: credibility, transferability, dependability, and confirmability (Moleong, 2017:327).

### 3. Results and Discussion

#### 3.1. Understanding of Financial Reporting under MSME Financial Accounting Standards

This sub-chapter answers the mini-research question in the first point. The researcher obtained information in the field through interviews and document analysis with Mr. Rudy Hartono, the successor/owner, and Mrs. Atina Abidah, the owner and core financial manager of the “Teguh Raharjo” Jenang company. Presenting financial reports following accounting standards is crucial for all companies, both large and small. It serves as a benchmark for a company’s development and performance from year to year. Therefore, to present a good and correct financial report for MSMEs, a thorough understanding of the Indonesian Accounting Standards (SAK) for MSMEs is essential.

*“I’m not yet familiar with SAK-EMKM, which is the accounting standard for MSMEs, but in general, I understand what recording financial reports according to accounting standards looks like.”* (Mrs. Atina)

*“I don’t know about SAK-EMKM as the accounting standard for MSMEs, but in general, it’s like that, I mean, I don’t really understand it yet, but I have an idea. It’s like a computer system, you just enter the data. There’s a system, but the problem is that I struggle to separate my business finances from personal ones. Rather than confusing records, it’s better not to record them to eliminate confusion, Miss.”* (Mr. Rudy)

From the interview with Mr. Rudy and Ms. Atina, it was discovered that Teguh Raharjo’s Jenang company is currently unfamiliar with SAK-EMKM as an accounting standard for MSMEs. The company has only a general understanding of what a company’s financial statements should look like. This is supported by the answers to questions regarding the importance of reporting according to standards.

*“I think it’s important because, with financial records, we can see how our business is developing.”* (Mrs. Atina)

*“Yes, I actually understand that record-keeping is important. It’s important to know the company’s performance over the year and how it has developed. Secondly, how it compares to last year and this year, and how it compares annually. For example, if there’s an increase, how much is that increase? And maybe there’s more that can be done with financial reports. For example, if there are changes each year, it can be used to estimate what the future will be like.”* (Mr. Rudy)

The interview responses from both Mrs. Atina and Mr. Rudy affirm the critical role that financial recording plays in understanding and monitoring business performance. Ibu Atina highlighted that financial documentation is essential for tracking the progress of the enterprise, indicating an awareness of its practical value despite the informal nature of implementation. This reflects an implicit recognition of the function of financial statements as tools for internal evaluation, which aligns with prior findings such as those by Septiana *et al.* (2020) <sup>[20]</sup>, who noted that MSMEs acknowledge the importance of financial recording for assessing growth, even if formal standards like SAK EMKM are not consistently applied.

Mr. Rudy’s explanation further reinforces this perspective by emphasizing the utility of financial records in conducting year-on-year performance comparisons and forecasting future developments. His comments suggest a conceptual

understanding of financial statements as instruments for strategic planning and decision-making, in line with research by Prawirodipoero *et al.* (2019) <sup>[17]</sup>, which argues that MSMEs capable of fundamental comparative financial analysis exhibit better preparedness for formalization and external engagement. Taken together, these insights support existing studies on the value of financial reporting and indicate a promising foundation for introducing SAK EMKM, provided that interventions address capacity-building and simplification.

#### 3.2. Financial Recording Process

It is crucial to ensure that the financial recording process complies with accounting standards to produce accurate and accountable financial reports. The following is an interview with an informant regarding the financial recording process at Teguh Raharjo’s Jenang company:

*“The recording is for expenses and sales payments. The daily income summary is already in the computer file.”* (Mrs. Atina)

The interview with Mrs. Atina, the financial manager of Jenang Teguh Raharjo, reveals that the company has adopted a basic form of financial recording focused on expenses and sales payments. Daily income summaries are maintained digitally, indicating an awareness of the importance of tracking financial inflows and outflows. This practice reflects an informal yet functional approach to bookkeeping, where transaction evidence—such as cash disbursement notes and accounts payable records—is used to support the documentation process. Although the system lacks formal standardization, it demonstrates a foundational understanding of financial accountability within the enterprise.

From an accounting cycle perspective, the activities described by Mrs. Atina correspond to the recording stage, where financial transactions are documented in a journal based on supporting evidence. This stage is critical in transforming raw financial data into structured information that can later be classified, posted, and summarized into financial statements. While the company has not yet implemented SAK EMKM, its current practices suggest a readiness to transition toward more formalized accounting procedures. These findings align with research by Arum Janie *et al.* (2020) <sup>[4]</sup>, which emphasizes that MSMEs often begin with informal systems before gradually adopting standardized frameworks like SAK EMKM as awareness and capacity improve.

*“The recording method isn’t detailed. For instance, if we receive sales money at 9 a. m. today, we immediately spend it on various needs without recording the amount deducted from the sales proceeds. There’s no report from the cashier about how much was taken. There’s just money taken for today’s purchases, for this and that, just like that. For example, if a sales invoice is paid and there’s money at the cashier, it’s considered paid. So, today’s expenses are recorded. That’s it. So, there’s no ongoing accounting process like you’ve outlined. And then, every time an item comes in, like today’s production results, there’s no report, no recording. For example, today’s jenang (confectionery), and how much dough is made from one batch, there’s no recording.”* (Mr. Rudy)



Based on the interview with Mr. Rudy, it can be concluded that the financial recording process at Jenang Teguh Raharjo is highly informal and lacks adherence to a systematic accounting cycle. Sales proceeds are immediately spent on operational needs without recording the exact amount deducted, and there are no reports from the cashier documenting such transactions. This reflects a fragmented approach to bookkeeping, where only daily expenses are noted, while cash inflows and production activities remain undocumented. For instance, the company does not record daily production outputs, such as the quantity of jenang produced from each batch, resulting in lost opportunities for cost analysis and operational efficiency.

Within the framework of the accounting cycle, these practices indicate that the company has yet to fully implement the recording stage, let alone the classification and reporting phases. The absence of cashier reports and production documentation signals weak internal control mechanisms and a heightened risk of errors or fraud. These findings are consistent with the study by Anatan & Nur (2023) <sup>[1]</sup>, which highlights operational and managerial challenges in financial recording among Indonesian MSMEs. To enhance accountability and efficiency, the company should begin documenting financial transactions with supporting evidence and establish daily cash reports and production logs as integral components of a continuous accounting process. Furthermore, regarding how companies determine their profits or losses in their ongoing operations, here are the interview results:

*"Alhamdulillah... Thank God, so far, we've still got enough money to cover our expenses and pay sales. So, if we can still cover expenses, pay sales, and buy ingredients, God willing, we'll still make a profit,"* (Mrs. Atina).

Based on Mrs. Atina's explanation, it can be said that the company did not prepare an income statement per accounting standards. Profit was determined solely by the assurance that sales revenue could be reused to meet the company's needs. Therefore, the company could not determine the exact amount of profit earned.

*"So, what if we don't record the profit and loss from production? Only sales are recorded. As long as there's money, it keeps circulating. So, we don't know the exact profit; there's no precise calculation. All we know is that the money keeps circulating. That's it. For example, the production requirements for one production process include specific quantities of coconut, flour, and sugar, all of which have associated prices. Then, we calculated the total cost for one production process, including labor, and found that there was still a difference. That's it, that's all. So, there aren't any detailed calculations yet."* (Mr. Rudy)

Based on the information provided by Mr. Rudy, the profit calculation method employed by Jenang Teguh Raharjo is notably simplistic, relying solely on the difference between cash inflows and outflows. Specifically, profit is determined by subtracting total production costs from total sales revenue, without incorporating other financial components such as operating expenses, depreciation, or inventory valuation. This approach reflects a cash-based accounting mindset, which is common among traditional MSMEs that prioritize immediate liquidity over comprehensive financial analysis.

While this method offers a quick snapshot of financial outcomes, it lacks the precision and depth required for strategic planning and long-term sustainability. The absence of structured profit calculation may hinder the enterprise's ability to assess true profitability, identify cost inefficiencies, or prepare for external financing. These findings align with Fitriana (2022) <sup>[8]</sup>, who observed that many MSMEs in Indonesia struggle to apply standardized accounting principles when calculating production costs and operating profit, often due to limited financial literacy and resource constraints (Sasongko *et al.*, 2025) <sup>[19]</sup>. Strengthening accounting practices through frameworks like SAK EMKM could help bridge this gap and support more accurate financial decision-making. MSMEs can use a simple accounting application such as Buku Kas (Sulistyowati *et al.*, 2024) <sup>[22]</sup>.

Regarding whether financial records are maintained routinely, the following is an explanation from the informant: *"Eh, I only record expenses, because I remember what I spent today, what my money was used for. It's just a regular record, not according to accounting standards. As for income, it's already on the computer. As for daily expenses, I just record them in a special book to remind me of today's expenses,"* (Mrs. Atina)

*"Yes, I record them regularly. So, it gives me peace of mind, basically, my money is here, no matter what, something like that. Just like that. It gives me peace of mind."* (Mr. Rudy)

Based on the accounts provided by both informants, it can be concluded that financial recording is conducted routinely daily. This practice is intended to ensure accurate tracking and recollection of cash usage on specific dates, thereby supporting transparency and accountability in day-to-day operations (Pradana *et al.*, 2025; Fauziyah *et al.*, 2025) <sup>[16, 7]</sup>. The emphasis on daily documentation reflects a proactive approach to financial management, particularly in informal cash handling, which is prevalent.

Such practices are consistent with findings from Maharani *et al.* (2025) <sup>[12]</sup>, who observed that daily financial recording among MSMEs enhances the effectiveness of transaction monitoring and supports the preparation of reliable financial reports. Moreover, initiatives like Buku Kas have demonstrated that digital tools can facilitate this process, especially when paired with basic accounting literacy (Sulistyowati *et al.*, 2024) <sup>[22]</sup>. Encouraging routine documentation not only strengthens internal control but also lays the groundwork for adopting standardized frameworks such as SAK EMKM, which are essential for long-term financial sustainability.

### 3.3. Financial Reporting

If the financial reporting format used by MSMEs does not comply with accounting standards, they generally employ a simple and easily understood recording format to avoid confusion. Therefore, interviews with informants regarding the financial reporting format used in their companies. The following is the informant's explanation:

*"Well, the way I record it is, Miss, just a simple, ordinary book, just for recording expenses and debt payments, just like that, it's just a regular book."* (Mrs. Atina)

*"The way I record it is, Miss, just a regular book. But in that book, it's a jumbled mess. Debt payments, spending, and*

*personal expenses are all recorded, but the information remains a jumbled mess. For example, today is this date this year. I made a debt payment to this person on this purchase date, spending this amount. That's all. It's not complicated or very detailed, Miss. It's not like that yet. If you think about the process, where does this go? Where does this expense go? How much was the money, how much were the sales? It's actually more confusing than being confused about how to record it.* " (Mr. Rudy)

Based on the statements provided by both informants during the interview, it was revealed that Jenang Teguh Raharjo records financial transactions chronologically in a ledger according to the date of occurrence. However, the company does not maintain a specialized journal to classify transactions by type, such as distinguishing between operational expenses, sales revenue, or production costs. This practice reflects a basic form of cash-based bookkeeping, which prioritizes daily documentation but lacks the structural depth required for comprehensive financial analysis.

The absence of transaction classification limits the enterprise's ability to generate meaningful financial reports, assess cost structures, or evaluate profitability across business functions. This finding aligns with research by Fitriana (2022) <sup>[8]</sup>, which highlights that many MSMEs in Indonesia rely on simplified recording systems that omit categorization due to limited accounting literacy and resource constraints. To enhance financial transparency and support strategic decision-making, MSMEs like Jenang Teguh Raharjo would benefit from adopting standardized accounting frameworks such as SAK EMKM, which emphasize transaction classification as a foundational element of the accounting cycle.

*"Well, if we're assessing progress based on finances, we can't yet, Sis. We can't be certain because our records are limited to this."* (Mrs. Atina)

*"Well, definitely not. Definitely not. The progress is only approximate. So, we look at it like this. We calculate each production process, estimate the associated costs, and determine the sales price. That's a rough estimate. So, we can't really assess the progress. So, assessing progress year-over-year isn't certain, but we base it on experience, as we have in previous years. For example, last holiday, we served several dishes, and this year's estimated capacity is based on last year's. So, this year's needs are only approximate based on last years' experience. For example, during long weekends or holidays, production needs are increased. But in terms of calculations, there's no such thing."* (Mr. Rudy)

It can be concluded that the financial recording practices employed by Jenang Teguh Raharjo are not yet adequate for accurately assessing the company's business development over time. The absence of structured financial statements and standardized classification of transactions hinders longitudinal analysis, making it challenging to evaluate growth trends, profitability, or operational efficiency across fiscal periods.

This limitation is consistent with broader challenges faced by MSMEs in Indonesia, where many enterprises still rely on informal or simplified bookkeeping systems. As noted by Yusup & Kholilah (2023) <sup>[24]</sup>, the lack of proper financial documentation impedes access to financing and strategic planning, ultimately constraining business scalability. To address this, MSMEs are encouraged to adopt frameworks such as SAK EMKM, which provide a structured approach to

financial reporting and enable more reliable performance evaluation.

### 3. 4. Barriers Faced in Financial Recording

MSMEs often face challenges in preparing proper and accurate financial reports. This frequently leads to business owners opting for simple financial records that align with their understanding. Therefore, the researcher asked informants about the challenges they face in financial recording. The following is an explanation from the interview:

*"Recording our finances isn't difficult, but there are challenges. There are challenges. Sometimes it's difficult to distinguish between sales revenue and personal finances. Because personal finances are often intertwined with sales revenue, sometimes to cover social gatherings (arisan), personal interests, and other unexpected expenses. So sometimes I only record daily expenses. That's why I sometimes find it difficult to separate sales revenue from personal finances. So, I prefer not to record them."* (Mrs. Atina)

*"The main obstacle is not being able to separate personal finances from company finances. Second, there's still minimal financial control. I mean, it's minimal. Earlier, when I went to the cashier, the amount of money was not recorded. Today, who took the money first and how much could have been recorded, but it wasn't. Third, the recording tools aren't possible. Fourth, there's a lack of knowledge about recording, not detailed accounting, just general accounting."* (Mr. Rudy)

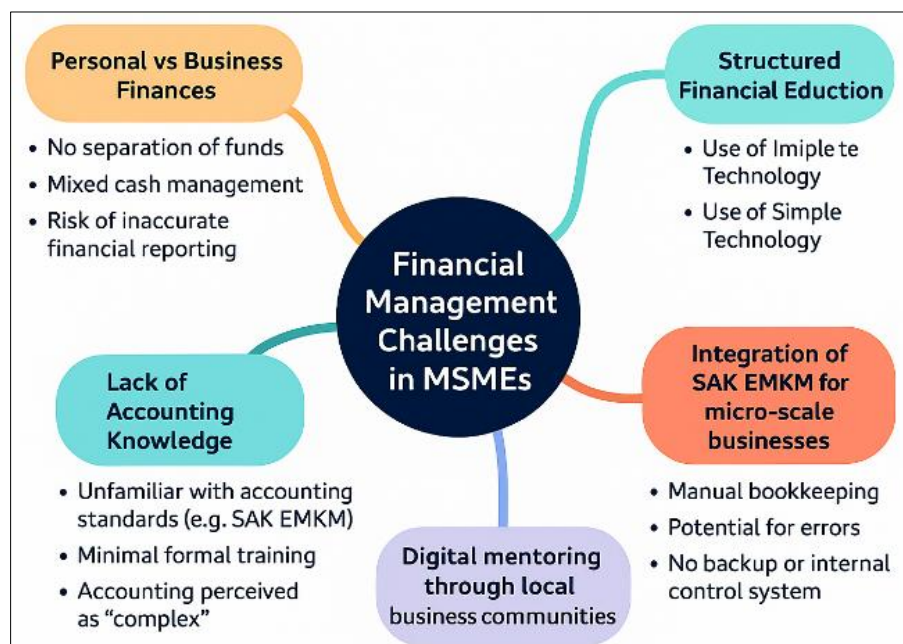
Based on the statements provided by both informants, it can be concluded that one of the key challenges faced by Jenang Teguh Raharjo is the owner's difficulty in separating personal finances from business finances. This issue reflects a typical behavioral pattern among MSME operators in Indonesia, where financial management is often handled informally and intertwined with household budgeting. Such practices hinder accurate financial reporting and compromise the integrity of business records. According to a recent study, only 46% of Indonesian MSMEs have successfully separated personal and business finances, with the remainder facing risks related to cash flow mismanagement and limited access to formal credit channels (Cambosa, 2024) <sup>[5]</sup>. The lack of financial separation not only affects operational transparency but also impedes the enterprise's ability to evaluate performance and plan strategically.

In addition to this structural challenge, the owner also acknowledged limited knowledge of standardized accounting practices and the absence of accounting software to support financial documentation. These constraints are consistent with findings from Hamundu *et al.* (2020) <sup>[9]</sup>, who noted that despite awareness of accounting's importance, cloud accounting adoption among Indonesian MSMEs remains low due to digital literacy gaps and perceived complexity (Fadillah *et al.*, 2024). The lack of technological tools further exacerbates the problem, as manual bookkeeping is prone to errors and lacks scalability (Novianti & Aligarh, 2025) <sup>[15]</sup>. Addressing these issues requires targeted interventions in financial literacy, digital readiness, and the promotion of simplified frameworks such as SAK EMKM, which are specifically designed to support MSMEs with limited resources and accounting expertise.

### 3. 5. Overall Analysis

Micro, Small, and Medium Enterprises (MSMEs) often face persistent challenges in financial management that stem from

structural limitations and gaps in accounting knowledge. Figure 1 shows the comprehensive findings and analysis.



**Fig 1:** Overall Analysis of Research Findings

Based on Figure 1, one of the most critical issues is the blurred distinction between personal and business finances, where cash flow is managed collectively, increasing the potential for misreporting and undermining financial transparency. In addition, the adoption of technological tools for financial processes remains minimal and largely superficial, as MSME actors typically lack structured education and capacity-building initiatives that promote financial literacy. The limited integration of SAK EMKM further compounds this—the standardized financial reporting framework for micro entities—which is rarely implemented due to low awareness and insufficient technical support. Consequently, manual bookkeeping practices dominate, exposing businesses to data loss, fraud risks, and the absence of internal controls or reliable backup systems. Despite these hurdles, business communities offer a promising avenue for digital mentoring, serving as practical ecosystems that nurture financial capability and technological adoption. However, many entrepreneurs still perceive accounting as overly complex and inaccessible, resulting in minimal compliance and unreliable reporting. Addressing these interconnected barriers requires targeted interventions that elevate both understanding and practice, ensuring MSMEs not only survive but thrive within increasingly digital and accountable financial challenges.

The findings of this study reveal a critical gap in the financial management practices of Jenang “Teguh Raharjo”, a micro-enterprise that exemplifies the broader challenges faced by MSMEs in Indonesia. The research highlights three central issues: (1) the absence of financial separation between personal and business accounts, (2) limited understanding of accounting standards, and (3) the lack of digital tools for financial documentation. These factors collectively constrain the enterprise’s ability to achieve financial transparency, operational efficiency, and strategic growth.

The owner’s difficulty in separating personal and business

finances underscores a behavioral and structural issue often linked to low financial literacy and informal business governance. Without clear demarcation, financial decision-making becomes opaque, leading to potential misallocation of resources and increased susceptibility to fraud. Simultaneously, the owner’s unfamiliarity with accounting standards indicates a need for targeted capacity-building interventions. This knowledge gap, coupled with the absence of financial software, results in manual, error-prone record-keeping that is incompatible with modern demands for data-driven decision-making and compliance.

From a governance perspective, these findings resonate with the COSO framework’s emphasis on control environment and information systems (Andhaniwati, 2022) <sup>[2]</sup>. The lack of structured recording mechanisms impairs reliable reporting and inhibits risk assessment, rendering the internal control system ineffective. Adoption of simplified accounting tools, such as those aligned with SAK EMKM, may offer a viable pathway forward by accommodating the resource constraints of small enterprises while promoting accountability.

Overall, this research emphasizes the imperative for integrated solutions—combining education, technological support, and regulatory incentives—to foster a culture of responsible financial management among MSMEs. Future policy design should consider modular training and subsidized software access to bridge the gap between traditional practices and formal financial governance.

### 4. Conclusion

Micro, Small, and Medium Enterprises (MSMEs), especially those operating at the micro level, such as Jenang Teguh Raharjo, continue to face persistent challenges in implementing sound financial management practices. These challenges stem from limited financial literacy, weak technological adoption, and minimal understanding of standardized accounting frameworks such as SAK EMKM.



The entanglement of personal and business finances within many MSMEs leads to inaccurate financial reporting and diminished accountability. Moreover, manual bookkeeping remains prevalent, often lacking internal control mechanisms or data backup systems—conditions that expose businesses to significant fraud and operational risks. Despite these barriers, mentorship through business communities presents a promising pathway for improving digital capacity and reinforcing structured financial behavior among micro entrepreneurs.

This study is not without its limitations. The scope centers primarily on micro-enterprises embedded in informal economies, which may not reflect the operational realities of larger or more formally structured MSMEs. The analysis of technological adoption focuses on basic financial tools and does not explore the broader landscape of advanced fintech platforms or mobile-based financial solutions. Furthermore, the community-based perspectives drawn from localized engagement may not capture regional policy variations or national-level institutional dynamics that influence MSME development.

To address these constraints, several recommendations emerge. First, encouraging the clear separation of personal and business transactions is critical and can be supported through targeted education and behavioral nudges. Second, structured digital literacy initiatives should be designed to equip MSME actors with practical skills for applying simplified accounting standards, particularly SAK EMKM. Third, expanding mentorship networks—especially those embedded within local business communities—can help sustain ongoing support and foster adaptive financial practices. Finally, introducing tiered digital onboarding systems may allow micro-scale enterprises to gradually implement internal controls and backup mechanisms, aligning them more closely with regulatory and operational best practices.

Practically, the study offers actionable strategies to improve financial transparency and digital mentoring for community-based organizations and NGOs. From a policy perspective, the findings inform inclusive financial governance by highlighting the cognitive, structural, and infrastructural limitations faced by MSMEs and suggesting community-driven approaches that reinforce financial resilience.

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