

Socializing Financial Report Preparation for MSMEs Based on Financial Accounting Standards (SAK EMKM)

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Abstract

Purpose: MSMEs are vital to Indonesia's economy, absorbing 97% of the workforce, but face challenges with limited capital and low financial literacy in preparing reports. This program aims to enhance the financial literacy of MSME actors in Malang, focusing on the preparation of financial reports based on applicable accounting standards.

Method: The program included lectures to introduce the Financial Accounting Standards for Micro, Small, and Medium Entities, followed by interactive discussions and question-and-answer sessions to help MSME actors apply the standards to their businesses.

Practical Application: This program aims to help MSME actors prepare standardized financial reports based on SAK EMKM, improving their chances of securing loans and investments. By enhancing financial literacy, MSMEs can manage their businesses more effectively and sustainably.

Conclusion: The results of the activities show an increase in participants' knowledge regarding the basic concepts of SAK EMKM, measuring assets and liabilities, and presenting financial reports.



Introduction

Micro, Small, and Medium Enterprises (MSMEs) are the basic foundation of the economy in Indonesia. The existence of MSMEs in Indonesia is an inseparable part of the wheels of the community's economy. Among the 64.2 million MSME units, according to (Augustin & Kosadi, 2024), micro-businesses dominate with a total of 63.4 million units, followed by small businesses, namely 738.1 thousand units, and finally medium-sized business actors totaling 63.4 million units. Compared to larger business activities, the percentage of all MSME actors is only 0.01% in other words, the number of large business actors is only around 5.5 thousand in Indonesia. This then makes MSMEs an economic instrument that absorbs the largest workforce in Indonesia. According to (Smesco, 2022), MSMEs can absorb 97% of the workforce in Indonesia, while large businesses only accommodate 3% of the workforce.

Despite having a significant role in the country's economic growth, MSMEs face obstacles, namely limitations in obtaining capital. One of the difficulties in obtaining capital for MSMEs is due to the lack of knowledge of business actors in preparing financial reports that are in line with accounting standards. Many MSMEs have difficulty in preparing adequate financial reports, some even do not have financial reports at all (Putri et al., 2023; Santyo Nugroho et al., 2023). To obtain capital facilities from the government or financial institutions, business actors are required to provide comprehensive financial reports that describe the actual conditions of the business activities being carried out. Moreover, in the current digital economy era, competition among MSMEs is certainly getting tighter. Hence, the ability to understand the financial and operational conditions of the business is very much needed so that the business being run can survive and compete. Capital can be a crucial issue if MSME actors are unable to understand the financial and operational conditions of the business they run (Augustin & Kosadi, 2024).

In 2018, the Indonesian Institute of Accountants (IAI) issued new accounting standards as guidelines for preparing financial reports for MSMEs, these accounting standards were later referred to as the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM). The purpose of issuing SAK EMKM is so that MSMEs get guidance in preparing financial reports so that it is easier for them to obtain capital from various financial institutions (IAI, 2018). The issuance of SAK EMKM is in line with the mandate of Law Number 20 of 2008 (UU 20/2008) concerning the definition, criteria, and quantitative range of MSMEs, that to obtain financing or loans from banks or non-bank financial institutions, MSMEs must provide financial reports (Mutiah, 2019). The presence of SAK EMKM should be a solution to the capital constraints that have been faced by MSMEs. Considering its function as an indicator of business performance measurement, the implementation of EMKM SAK in financial reports should be an equally important part apart from the business activity itself.

Financial reports according to EMKM SAK present three important components, namely financial position reports, several statistics, and notes to the financial statements (Nuvitasari et al., 2019). The various complexities in the process of preparing financial reports make EMKM SAK difficult to apply for by MSME actors. Some MSME actors even apply a more informal accounting approach known as feeling accounting (Lutfillah & Putri, 2024). In practice, business actors tend not to record transactions in detail but only rely on memory and direct observation to monitor cash flow and financial performance (Colimah et al., 2019; Dewi & Purwantini, 2023). Seeing this common phenomenon, the community service implementation team took the initiative to increase literacy knowledge in preparing financial reports based on EMKM SAK through socialization and implementation of financial knowledge for MSME actors in Malang City. Through this service, it is expected that business owners can prepare financial reports according to standards independently. With this, the opportunity for expansion is greater so that MSMEs can have high competitiveness, are resilient, and can contribute to creating a more independent Indonesian economy.

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Method

The methods portion of this applied research study should detail the data collection, This community service program is implemented through several stages, including planning, implementation, evaluation, and reporting. The aim is to provide knowledge of preparing financial reports with SAK EMKM for MSME actors. This activity aims to educate the public, especially MSME actors in the Malang City area, in line with the UM community service plan for 2020 to 2024. The methods used in this program include providing education and knowledge regarding the understanding and strategy of preparing financial reports with SAK EMKM through socialization in the form of lectures, questions, and answers, and interactive discussions. The following is an explanation of the stages of community service that have been implemented.

1. Observation

Field observation is a study method carried out outdoors to collect data directly from the environment being studied (Nikmah, 2023). The initial stage of developing a community service program begins with observation and analysis of the situation. Field observations are carried out to obtain more precise and accurate results from direct sources (Ahmad & Laha, 2020). In-depth observations are conducted to collect information that will be the basis for formulating effective and relevant programs, including identifying potential, problems, and challenges faced by MSME actors. The results of the observations are then processed into a program in the form of activity designs that are in the real needs of the community with a focus on strengthening the MSME sector in terms of preparing financial reports according to the MSME SAK standard. The next step is to plan actions to implement the program.

2. Socialization

This community service activity is carried out by providing knowledge and application of literacy in preparing financial reports with SAK EMKM in Malang City. This activity is carried out through the delivery of theories by experts in their fields. The delivery of this theory aims to provide an initial understanding to the community before they apply the financial literacy theory that has been delivered (Wardoyo et al., 2021). The socialization stage was carried out on Saturday, September 28, 2024, at Nutrihub Malang City through lectures, interactive discussions, and questions and answers. Participants in this socialization stage are MSME actors in the Malang City area.

3. Evaluation

The final stage of this community service program is the preparation of a final implementation report that describes the performance and achievements of community service activities. This evaluation is important to measure the growth of knowledge and skills of MSME actors in preparing financial reports by SAK EMKM. The results of this evaluation will help the community service team to improve and optimize the program if necessary, so that the benefits for MSMEs in the Malang City area can be maximized and contribute to the development of the village economy as a whole.

Result

As one of the most important economic sectors, MSMEs must receive more serious attention in their management and adequate policies from regulators. In the Indonesian economy, Micro, Small, and Medium Enterprises are the business groups with the largest number (Fandil & Sarbullah, 2023). One effort that can be made is to identify what obstacles are being faced by MSME actors. One of the main obstacles faced by MSMEs in Indonesia is the limitation in terms of financing and capital (Norsika & Yohanes, 2023). Funding is an inseparable part of a business activity. Without funding, it can be an obstacle to starting a business activity or even maintaining an existing business. Funding facilities from both bank and non-bank financial institutions can only be obtained by MSME actors if they can present

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financial reports from the businesses they run properly and correctly.

The more complex a company's operational activities are, the more important it is to prepare financial reports. The financial report produces information that is used to show the company's financial condition (Fandil & Sarbullah, 2023). Therefore, the presence of SAK EMKM is the answer to the capital constraints faced by MSME actors. In addition, MSME actors tend to focus more on increasing sales and have not fully focused on accurate recording by applicable accounting standards, namely Financial Accounting Standards for Micro, Small, and Medium Entities (Mangopa et al., 2020)

SAK EMKM is an independent financial accounting standard that can be applied by entities that meet the criteria for entities without significant public accountability, as regulated in SAK ETAP, and have characteristics that are by the provisions of Law No. 20 of 2008 concerning Micro, Small, and Medium Enterprises (MSMEs). The implementation of SAK EMKM aims to support the development of MSMEs and functions as a financial planning tool so that business actors can better understand their business conditions. Financial reports prepared based on this standard will help MSME owners monitor their assets, liabilities, capital, and business performance more easily (Malia et al., 2023). In line with the statement of (Malia et al., 2023), according to (Fandil & Sarbullah, 2023), in several aspects, SAK EMKM offers various conveniences for MSMEs. Because the accounting arrangements are simpler and easier to implement compared to SAK ETAP.

Discussion

Socialization of the preparation of financial reports based on SAK EMKM is carried out through the lecture method, starting with an introduction to the concepts and basic assumptions of SAK EMKM. This material includes background, legal basis, scope, basis of measurement, presentation of financial reports based on SAK EMKM, to accounting applications that are easy to practice in running MSMEs. This community service activity presents a speaker who is an Auditor of KAP Gideon Adi & Rekan who is also an MSME actor, his name is Mr. Ali Faiq Pradana, S.Tr.Ak.

Presentation of appropriate financial reports by the specified standards can provide benefits for MSME actors themselves, such as obtaining easier access to financing from bank and non-bank financial institutions, making it easier for business owners to assess financial conditions more accountably and transparently, facilitating business financial management, as a means of business growth and sustainability, and as compliance with regulations. Quality financial reports help MSMEs apply for additional funding from financial institutions and are an important consideration in decision-making so that businesses can run effectively and efficiently (Bokol & Perdana, 2020). In addition, the presentation of MSME financial reports by SAK EMKM can also be an evaluation tool to support decision-making in long-term financial planning, including saving and investing. The innovation process has a significant risk of failure, so MSME owners need precise calculations in making decisions (Syah & El Karen, 2022). The quality of financial reports and good decision-making processes can also have a positive impact on MSME performance (Amalia, 2023)

"Good financial records are important, but for MSME businesses to develop further, a transparent audit mechanism is needed. In addition, establishing strategic partnerships with external parties, such as auditors or financial consultants, can help MSME businesses ensure that they are running according to standards and are ready to face greater challenges," explained Mr. Faiq.

Figure 1. Documentation of lecture session



The question-and-answer session is the next stage after the theoretical presentation through a lecture. In this session, the MSME actors who are also the audience ask questions to the experts related to the theoretical presentation that has been delivered. Not only the question-and-answer session but an interactive discussion session is also carried out afterward. The practical application of the theory that is adjusted to the situation and conditions of the MSME actors is applied through an interactive discussion session. The audience who had previously listened to the theoretical presentation delivered by the experts in the lecture session asked questions and then provided feedback to the experts regarding the real problems they faced. In this session, the community service team provided solutions that were to the needs of the community, especially regarding the measurement of assets and liabilities and how to present them in financial reports. This approach is intended for MSME actors who run their businesses.

Figure 2. Documentation of interactive discussion session



"What are the tips and stages for this micro business unit F&B business to implement simple cost accounting?" asked one of the audiences who is also an MSME actor named Yordan. With the questions that have been asked, Mr. Faiq gave his answer as well as an understanding based on his experience running an MSME.

He replied, "Of course, learning to recognize the costs that arise during the production process to sales to consumers is very important. This process not only helps us understand how much we have to spend but also provides insight into how to manage our finances better. For people who are new to the business world, accounting applications can be a very useful tool. This application makes it easy to record and manage finances, so even if we do not have an accounting background, we can still record more efficiently and accurately. In this way, we can focus on business development without worrying about losing track of finances"

Figure 3. Documentation of a group photo session



This community service activity received a positive response from the community, especially MSME actors in the Malang area. The results of community service are as follows:

1. Increased public knowledge, especially MSME actors, regarding the preparation of MSME financial reports based on SAK EMKM
2. Strengthening understanding of the basic assumptions of SAK EMKM, including cash basis, accrual basis, MSME business entity concept, and business continuity
3. Sharpening the ability of MSME actors to measure their business assets and liabilities and present them in the financial position profit and loss report and notes to the financial statements

Conclusion

Community service activities related to increasing literacy in the preparation of financial reports based on SAK EMKM were successfully implemented. MSME actors showed high enthusiasm in participating in the entire series of activities, from delivering materials to practicing the application of theory. The socialization of the preparation of financial reports for MSMEs involving academics and professionals is very important to increase awareness and skills of MSMEs in running a more sustainable and professional business. The results of this activity show a significant increase in knowledge by MSME actors, especially in the Malang City area, regarding SAK EMKM from what was initially very minimal and not yet able to implement SAK EMKM in preparing financial reports. In addition, MSME actors also expect further training in household financial accounting.

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