

Perceptions on The Application of Financial Reports are Very Important for MSMEs

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ABSTRACT

Tujuan dari penelitian ini adalah untuk mengetahui persepsi bahwa penerapan laporan keuangan sangat penting bagi Usaha Mikro, Kecil, dan Menengah (UMKM) karena banyaknya pelaku UMKM yang tidak menerapkan laporan keuangan pada usaha mereka. Metode penelitian ini adalah pendekatan deskriptif. Hasil dari penelitian menunjukkan bahwa pelaku UMKM memiliki persepsi yang buruk terhadap penerapan laporan keuangan karena penyusunan laporan keuangan dianggap sulit dan membutuhkan waktu yang lama. Mereka juga percaya bahwa penerapan laporan keuangan tidak penting bagi mereka, dan yang paling penting bagi mereka adalah meningkatkan pendapatan penjualan. Laporan keuangan hanya diperlukan untuk peminjaman dana bagi usaha kecil dan menengah (UMKM).

ABSTRACT

The aim of this research is to determine the perception that the application of financial reports is very important for micro, small and medium enterprises (MSMEs) because many MSMEs do not apply financial reports to their businesses. This research method is a descriptive approach. The research results show that MSME players have a poor perception of the application of financial reports because preparing financial reports is considered difficult and takes a long time. They also believe that implementing financial reports is not important to them, and that the most important thing for them is increasing sales revenue. Financial reports are only required for borrowing funds for small and medium enterprises (MSMEs).

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1. INTRODUCTION

Micro, small and medium enterprises, called MSMEs, are a form of business that has proven its ability to make a real contribution and play a real role in the economic sector. The number of MSMEs is increasing from year to year. The development of small and medium businesses can only be seen from numbers. In general, very few small and medium businesses experience developments in financial performance, especially in the financial sector. This cannot be separated from the ignorance of MSME stakeholders about the importance of company financial management. MSMEs. (Sulistiyowati, 2017).

Rather than checking their business's financial reports, micro, small and medium enterprises (MSMEs) concentrate more on sales and marketing. It is very important to have company financial reports because they can provide an overview of the company's performance and health condition. Business owners can determine whether their company is experiencing growth or decline, and they can also determine whether it is worth getting capital assistance from other parties. Financial reports contain important information such as assets, liabilities, own capital, expenses, income, sales, company own capital, and the amount of money available (Soejono et al., 2020).

The role of micro, small and medium enterprises (MSMEs) in the national economy is very important. In Indonesia, SMEs are one of the main pillars of the Indonesian economy, apart from cooperatives. The number of MSMEs is increasing from year to year. According to Iskandar Simonkil, Deputy for Macroeconomics and Fiscal Affairs at the Coordinating Ministry for the Economy, MSMEs currently contribute up to 60.34 percent of GDP. The number of small and medium businesses in Indonesia reached 93.4%, of which 5.1% were medium businesses and only 1% were large businesses. However, these figures generally do not show annual changes and do not even change in several periods and there is no increase in development. This is closely related to the weaknesses faced by MSMEs in improving their business capabilities. MSME stakeholders themselves face various forms of MSME problems, including a lack of capital, both quantity and financial resources, as well as a lack of managerial and operational skills within the organization limiting the company's marketing, management, and financial accounting problems (Marviana et al., 2020).

Financial reporting is a tool to describe the state of the business (whether progress or decline), make timely and accurate choices, maintain management accountability, and most importantly, understand the fundamental meaning of profits and losses achieved by business results. Through financial reports, you can get an idea of the financial status of a small and medium business, because financial reports are very important. The purpose of this financial report is to provide information about financial status, performance and changes in financial status. companies, which is useful for a large number of users to make economic decisions. Therefore, financial reports are very useful for evaluating company performance and can help overcome problems in business operations, especially small and medium businesses (Hani & Fauzi, 2017). Based on the explanation above, researchers want to conduct a study on "The perception of the application of financial reports is very important for MSMEs".

2. LITERATURE REVIEW

2.1 UMKM

The definition of Micro, Small, and Medium Businesses (MSMEs) according to Article 1 of Government Regulation Number 7 of 2021 is as follows: Micro businesses are productive businesses owned by individuals and/or single economic entities that meet the criteria for micro businesses. Business actors are subject to these government regulations. A small business is run by a person or entity that is not a subsidiary or branch of a company owned or controlled by the company or is not part, either directly or indirectly, of a medium or large company that meets the criteria for a small business. It is an independent and productive economic enterprise business. As regulated in this

Government Regulation. Medium business is an independent and productive economy run by an individual or a company that is not a subsidiary or branch of a company that is directly or indirectly owned, controlled, or part of a small or large company. with a reputation for excellence, meeting medium business standards as regulated in this government regulation (Rizky & Permana, 2022).

2.2 Financial reports

Financial reports are data records about a company's finances during an accounting period that describe its performance. Financial reports function for banks, creditors, owners and other interested parties to see and understand the company's financial condition and performance. Financial reports are the final result of a series of recording and summarizing information about business transactions. Financial reports are intended to provide information about the cash flow statements, financial position and financial performance of an entity that benefits a large number of users involved in making economic decisions. People who are not in a position can request certain financial reports to get the information they need. Financial reports can also show what management has done or who is responsible for the resources provided to it in meeting its objectives (Prasetyo et al., 2020).

2.3 The Role of Financial Reports

Financial reports are prepared to provide the necessary information about the financial position and all transactions carried out by an entity during the reporting period. Financial reports are primarily used to evaluate the financial condition and efficiency of the reporting organization, and help determine its compliance with revenues, expenditures, transfers, and financing with established budgets. During the reporting period, each reporting entity must convey systematically and structured the steps taken and the results achieved to ensure accountability, management, transparency and intergenerational balance (Aprsiansyah et al., 2020).

3. RESEARCH METHODS

This research applies a descriptive approach along with data collection, classification and data interpretation techniques to provide a clear picture of the research subject. The sampling technique used in this research was a saturated sampling technique with a total of 10 MSMEs. Data was collected by distributing questionnaires to MSME stakeholders in Medan Baru District. This research collects data through questionnaires and interviews. To answer this research question, we describe and discuss the results.

4. RESULTS AND DISCUSSION

From a survey conducted on 10 MSME respondents, for each question the respondents for this research were actors or entrepreneurs who work in catering and manufacturing companies in Medan Baru District. Financial report awareness is a process where a person understands all the information that exists around their environment, meaning that the environment is financial reports. A financial report is a report that describes the financial condition of a company and can show that the company has made a profit or loss.

Findings based on responses to financial reports show that many MSME stakeholders consider financial reports to be not very important and that preparing them is a waste of time and money. MSME stakeholders also believe that financial reporting is too complicated to apply to small and medium businesses. In addition, because MSMEs are interested in increasing their sales revenue, they find it difficult to take the time to review financial reports. MSME players really value experience from generations in running a business.

Following are the reactions of MSME stakeholders: Due to their low level of education and young age, they lack basic knowledge about financial reporting. Many MSMEs in their 30s and 40s don't want to bother running a business. This is the weakness of MSME players. From each indicator,

it can be concluded that in terms of basic knowledge of financial reporting, 80% of SMEs in Medan baru district do not yet have basic knowledge of financial reporting, and only 20% of SMEs have basic knowledge of financial reporting. If we look closely, this is due to a lack of knowledge regarding reporting. financial benefits received during training. So MSMEs with a low level of education lack knowledge about financial reporting so they think that making financial reports is not important, giving the impression that making financial reports is difficult. However, MSMEs with secondary education and graduate degrees (bachelors and diplomas) stated that financial reports in the form of records of cash inflows and outflows were useful in determining the financial status of a company.

The lack of financial reporting in MSMEs begins with weak transaction recording. Up to 50% of MSMEs do not maintain transaction records. Their answer is that once they purchase from a customer or receive payment from a customer, they are too busy to record the transaction, so there is no need to save it, they just confirm it and throw it away. MSME stakeholders also do not keep records and all activities that contain an element of recording are only limited to reminders. While financial reports need to differentiate between personal and business needs, what happens among MSME players is that 55.56% of the business finances they manage are mixed with personal or direct finances. Because you use business finances, it means you cannot separate your personal money from your business money. To meet personal and business needs. This shows that financial reports are underutilized by the business world, making it difficult for financial management to be in line with business performance.

5. CONCLUSION

Awareness of financial reporting practices among MSME stakeholders in Medan Baru District, Medan City is still low. This can be seen from the results of data processing, where only a few reported carrying out financial records in the form of income and expenditure as well as making financial reports in the form of profit and loss reports, apparently, it was 20%. cash outlay. Most people think that financial reporting is difficult, preparing financial reports is a waste of time, and making financial reports is expensive. There are also those who argue that financial reports are not that important for a company and are more concerned with increasing revenue. MSME players also improve performance by presenting innovation within the company rather than through financial reporting. MSME players also value generational experience in carrying out business activities. Factors that can hinder performance improvement include business competition factors and deficiencies in the business environment. Because small and medium enterprises cannot carry out large-scale initiatives with limited resources, quite large capital is needed to obtain indicators of developing small and medium enterprises into large enterprises. Financial reports are very important in this case, so that MSMEs can borrow money from UMI (Ultra Micro Financing). In order for MSME stakeholders to understand the importance of financial reporting practices, the government must require support from both researchers and academics. Of course, the limitations of this research are closely related to the relatively small data source, resulting in not being able to achieve maximum results. The best hope is that there will be more research data sources in future studies.

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