

REVEALING READINESS AND OBSTACLES FOR IMPLEMENTATION OF SAK EMKM IN INDONESIA

Abstract

This study aims to analyze the readiness and constraints of MSMEs in Indonesia in preparing financial reports in accordance with SAK EMKM. This study uses a sample data of 271 MSME respondents throughout Indonesia. The sampling technique of this study was accidental sampling by calculating the number of samples using a sample size calculator on www.raosoft.com with consideration of a margin of error of 5%, a level of confidence of 90% and an expected response of 95 %. This study uses descriptive qualitative and quantitative analysis by providing interpretation of data obtained from questions in interviews and questionnaires. The results of an analysis showed that 217 respondents or 80% of respondents had no knowledge of SAK EMKM. This shows that SMEs in Indonesia are not ready to implement SAK EMKM.

Keywords : MSMEs, SAK EMKM, Financial Statements.

JEL Classification: M41, M42

1. Introduction

Micro, Small and Medium Enterprises (MSMEs) are business sectors that have an important role in Indonesia's economic development and play a role in Indonesia's economic growth through employment. MSMEs are a formidable business sector, this is evident in the post-economic crisis in 1997-1998 MSMEs are one of the businesses that remain strong, this can be seen from the data from the Central Statistics Agency in 1997-1998, the data on the number of MSMEs did not decrease, instead it increased. Keep going. At the time of the global crisis in 2008 MSMEs were the saviors of the Indonesian economy through the absorption of the unemployed as a result of layoffs or layoffs of large companies that went bankrupt. In general, the presence of MSMEs in Indonesia is increasing from year to year, not only an increase in the number of MSME units, (Sixpria, Suhartati, & Warsini, 2013).

Seeing the large contribution of MSMEs in improving the economy in Indonesia, the Indonesian government paid attention to MSMEs by issuing Law no. 20 of 2008 concerning MSMEs. This regulation becomes the legal umbrella for MSMEs in Indonesia because MSMEs are business activities that are able to expand employment opportunities and provide broad economic services to the community and play a role in the process of equity and increase people's income, encourage economic growth and play a role in national stability.

The growth of MSMEs creates competition in both the large and small business sectors. SMEs must be able to face competition in order to develop. The level of competition for MSMEs has been getting tougher since the enactment of the ASEAN Economic Community (AEC) in 2015. The ASEAN Economic Community (AEC) or ASEAN Economic Community (AEC) is an agreement in integrating the economies of ASEAN countries. In Indonesia, where the inflow of goods and services from abroad to Indonesia is easier with the implementation of the MEA starting in December 2015. One of Indonesia's steps in facing the MEA is to grow the MSME sector so that it has international competitiveness. MEA is increasingly opening up business competition so that the MSME sector must improve the quality of its business in order to become a strong MSME and be able to compete with other businesses.

The enactment of the MEA requires MSMEs to improve competitiveness and human resources to face the challenges of the free market. During the 1997-1998 economic crisis and

the global crisis in 2008 MSMEs were a business sector that was able to survive and play a role in absorbing labor as a result of layoffs by companies that went bankrupt, however MEA is a new challenge for MSMEs and until now There are still many obstacles faced by MSMEs, namely: limited use of technology, weak access to marketing, low quality of human resources and limited access to capital.(Holy, High, & Economic, 2017).

MSME problems related to access to capital are caused because the majority of MSMEs have not been able to compile financial reports. The cause of MSMEs not compiling adequate financial reports is due to the limited understanding of MSMEs in compiling financial reports and limited resources owned by MSMEs to handle financial records, MSMEs still focus their resources on production and marketing activities. Adequate financial statements are one of the requirements that must be owned by MSMEs to apply for loan funds from banks. In addition, businesses that are not supported by adequate financial records will be vulnerable to bankruptcy because they cannot predict the financial condition of the business. The results of the survey on the causes of business failures cited in(Serrano-Cinca, Gutiérrez-Nieto, & Bernate-Valbuena, 2019)shows that one of the causes of business failure is not being able to predict the company's cash flow and not being able to present a good profit/loss report.

The importance of preparing financial reports for MSMEs has attracted the attention of the government and accounting professional organizations. Therefore, the Indonesian Institute of Accountants (IAI) as the accounting professional organization in Indonesia through the Financial Accounting Standards Board (DSAK) prepares accounting standards that are adapted to the characteristics of MSMEs. DSAK has developed Financial Accounting Standards (SAK) that are in accordance with the characteristics of MSMEs, namely the Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP) in 2009 and this standard became effective in 2011. However, based on the results of research in several regions in Indonesia regarding the application of SAK ETAP on MSMEs results show that MSMEs are not ready to apply these accounting standards, even some research results show that MSME actors do not understand SAK ETAP.(Hetika & Maheasy, 2017; Narsa, Widodo, & Kurnianto, 2012; Rahardjo, Khairul, & Siharis, 2019; Ratnawati, 2020; Sahela, Susanti, & Adjie, 2021).

SAK ETAP is still difficult to apply by MSME actors, especially for MSMEs who do not have understanding and skills in the accounting field. Based on this phenomenon, IAI then prepared Financial Accounting Standards for Micro, Small and Medium Entities (SAK EMKM). The standard was ratified on October 24, 2016 and is planned to be effective as of January 1, 2018. SAK EMKM is an SAK compiled based on domestic conditions in Indonesia, which is simpler than SAK ETAP. Chairman of the IAI Management Board (DPN), Mardiasmo in the launch of SAK EMKM quoted in the news agency Rakyat Merdeka Online Group (2016) stated that the issuance of SAK EMKM was carried out to help increase MSME actors to become more transparent, efficient and accountable so that they could grow into the backbone of the economy. Indonesia.

The components of the financial statements based on SAK EMKM only consist of a statement of financial position, income statement and notes to financial statements. With the issuance of SAK EMKM, it is hoped that it will make it easier for MSMEs to prepare financial reports so that MSME actors can apply for loan funds to banking institutions. MSMEs that meet the criteria for compiling reports based on SAK EMKM are businesses that meet the criteria of Law No. 20 of 2008 concerning MSMEs.

Seeing the large contribution of MSMEs in the Indonesian economy and the large support from the government and accounting professional organizations in the preparation of accounting standards in accordance with the characteristics of MSMEs, therefore based on the background described, this research is very necessary to reveal the readiness of MSMEs in the application of SAK EMKM and obstacles what are the problems faced by MSME actors in

Indonesia in compiling financial reports based on SAK EMKM. The difference between this research and previous research is the respondents. The respondents of this study are representatives of all MSMEs in Indonesia, not only MSMEs in certain areas. Previous research used SAK ETAP as a guide in preparing financial statements, while this study uses SAK EMKM as the basis for MSMEs in preparing financial reports. SAK EMKM is a new SAK prepared by DSAK IAI with the aim of assisting MSME actors in Indonesia in preparing financial reports without having to get caught up in the complexities of current financial standards. Of course, these differences in research can provide greater outcomes for stakeholders and observers of current public accounting policies.

2. Theoretical Framework and Hypothesis Development

2.1. Entity Theory

Entity theory assumes that all economic activities of the company are separate from the owner of the company (Yudianto, Mulyani, Fahmi, & Winarningsih, 2021). This theory views the entity as separate from those who invest in the company. This means that there is a separation between the personal interests of the owner and the interests of the company. The separation of interests referred to is the company's business activities separated from the identity of the owner. Thus, transactions that are recorded or accounted for are transactions involving companies. With the separation of personal and owner financial transactions, the financial results and financial position of the company can be seen. Based on this theory, the company and its owners become separate, the owner is not responsible for the obligations of the organization so that the assets of the business and the owner of the business should not be combined (Igielski, 2018).

The implication of the entity theory is that there are financial statements prepared as a form of financial accountability to the owners of the company (Castanheira, Rodrigues, & Craig, 2010). The financial statements show that there is a separation between the company's finances and the personal finances of the company owners. By compiling financial reports based on SAK EMKM, MSMEs show their concern for business continuity and can provide financial information for equity owners in order to fulfill legal obligations. With the preparation of financial reports, it is hoped that it will make it easier for MSMEs to obtain sources of funds.

2.2. Adam Smith's Classical Theory

Smith considers that humans are the main factors of production that determine the prosperity of nations (Fama & Jensen, 1983). The reason is, nature (soil) is meaningless if there are no human resources who are good at processing it so that it is useful for life. Smith's discussion is more of a micro nature with an emphasis on pricing. Through micro-analysis, he outlines development issues and policies to spur economic growth (Fama & Jensen, 1983). Smith also sees that the effective allocation of human resources is the starter of economic growth (Fama & Jensen, 1983). The classical theory relates to the readiness of SMEs in the application of SAK EMKM as a guide for preparing reports.

2.3. Hypothesis development

One of the biggest problems for MSME actors is financial recording and reporting, which do not follow the applicable accounting standards. In fact, this is actually very important and needed by MSME actors in developing their business. MSMEs have proven to have helped boost the economy and stimulated sustainable national economic growth. Data from the Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop and UKM) in 2017

shows that 97% of employment is provided by MSMEs, thus contributing significantly to reducing unemployment in Indonesia. This statement is also supported by (Sixpria et al., 2013) who argues that MSMEs in Indonesia contribute to employment, total non-oil and gas exports and national investment, but accounting practices for MSMEs are still low so that the utilization of accounting information in MSME development is not optimal. The obstacles faced by MSMEs in implementing accounting practices are due to the limited knowledge and accounting skills of MSME owners/staff and the size of MSMEs. This important role still requires real support and encouragement, through optimizing the financial recording and reporting sector, so that it can be maximized and modern.

The goal is that transparent and accountable financial reporting is better able to stimulate and invite investors or creditors to invest and make the business that is run grow. This statement is also supported by (Rudiantoro & Veronica, 2010) that the quality of MSME financial reports is still low in MSME financial reports, so that banks still doubt the relevance and qualitative reliability of their financial reports. This optimization of MSME accountability is realized through the Indonesian Institute of Accountants (IAI) which has issued Financial Accounting Standards for Micro, Small and Medium Entities (SAK EMKM). This standard is designed and made much simpler when compared to SAK ETAP. The goal is to help facilitate the entity in making the transition from cash-based financial reporting to accrual-based financial reporting. SAK EMKM is also expected to be the basis for the preparation and development of accounting guidelines or guidelines for MSMEs engaged in various business fields. (Kurniawansyah, 2018). In fact, this SAK EMKM has been effective since January 1, 2018 in Indonesia. This condition certainly requires important attention from various parties in order to help MSME actors improve their understanding of Financial Literacy and Financial Behavior, so that they are able to prepare financial statements correctly according to currently applicable accounting standards. (Hetika & Easy, 2017).

Some of these previous studies support (Cahyati, Mulyanti, & Setyawasih, 2011; Sixpria et al., 2013) that most SMEs do not know SAK ETAP and SAK EMKM as the basis for preparing financial reports in Indonesia. This statement certainly gives a guess, about

H1: How are the readiness and obstacles faced by MSME actors in Indonesia in preparing financial reports.

3. Research Method

This research is a descriptive quantitative research (Sugiyono, 2018). The aim is to provide information about the understanding of micro, small and medium enterprises (MSMEs) in Indonesia in compiling financial reports based on SAK EMKM and the obstacles faced by MSMEs in compiling financial reports in accordance with established standards using a survey method using a questionnaire. The population in this study were all micro, small and medium enterprises (MSMEs) in Indonesia that met the criteria for MSMEs based on Law Number 20 of 2008 concerning MSMEs, which amounted to 57,895,721 consisting of 57,189,393 Micro Enterprises (UMi), 654,222 enterprises. Small (UK) and 52,106 Medium Enterprises (ME). The sample in this study is determined using the sample size calculator www.raosoft.com taking into account the margin of error of 5%, the level of confidence 90% and the expected response of 95%, the sample in this study was 271 MSMEs.

Technique taking The sample in this study was carried out by means of convenience sampling / incidental sampling (Sugiyono, 2018). The distribution of questionnaires in this study was carried out by sending e-mails to all MSMEs in Indonesia and filling out questionnaires on-line through the Google Form application, so that they could be accessed by all MSMEs in Indonesia.

The types of data used in this study are primary and secondary data (Sugiyono, 2018). Primary data in the form of written information about the profile of MSMEs who are research

respondents. Secondary data in this study are the number of MSMEs, MSME asset data and other numerical data. Sources The data in this study were obtained from two sources, namely primary data and secondary data. Primary data were obtained from direct interviews and questionnaires distributed to research respondents to determine readiness and constraints in implementing SAK EMKM. Secondary data in this study is data on the number of MSMEs obtained from the Ministry of Cooperatives and MSMEs. The instrument tests carried out in this study, including validity tests, reliability tests, and descriptive statistical tests with a qualitative approach(Sugiyono, 2018). This approach was chosen to provide reviews obtained through questionnaires and interviews with research respondents(Jaya, 2020). The descriptive research approach in this study provides actual description information based on current phenomena.

4. Results and Discussions

Data that has been obtained from distributing questionnaires, then tabulated the data to do some statistical tests of the data, as follows.

Table 1.Questionnaire Validity Test Results

Statement/Question	Sig.	Criteria
1	0.000	Valid
2	0.000	Valid
3	0.000	Valid
4	0.000	Valid
5	0.000	Valid
6	0.000	Valid
7	0.000	Valid
8	0.000	Valid
9	0.000	Valid
10	0.000	Valid
11	0.000	Valid
12	0.000	Valid
13	0.000	Valid
14	0.000	Valid
15	0.000	Valid
16	0.000	Valid
17	0.000	Valid
18	0.000	Valid
19	0.000	Valid
20	0.000	Valid
21	0.000	Valid

Based on table 1.above, it is known that all question items in the research questionnaire are declared valid.

Table 2. Questionnaire Reliability Test Results

N of Items	Cronbach's Alpha	Criteria
21	0.742	Reliable

Based on table 2.above, it can be seen that the value of Cronchbach's Alpha is more than 0.600, meaning that the research instrument is declared reliable.

4.1. Characteristics of Respondents

Respondents in this study were MSME owners or MSME leaders throughout Indonesia. Research data collection was carried out by distributing questionnaires to MSMEs via e-mail, filling out written questionnaires or via google forms for MSMEs throughout Indonesia. The number of respondents who filled out the questionnaire to date is 271 respondents or as much as 100% of the planned number of respondents. The general description of the respondents that will be explained in this discussion is related to the characteristics of the respondents contained in the questions in the questionnaire including: respondent's location, position in the company, gender, last education, total business assets and income from sales (turnover) per year.

The respondents who became the research sample were MSMEs throughout Indonesia who were selected based on the sampling criteria described in the previous chapter. The following is the location data of respondents who are the object of research:

Table 3. Respondent's area of origin

No.	province	Number of Respondents
1.	Aceh	3
2.	Bengkulu	1
3.	DKI Jakarta	14
4.	West Java	8
5.	Central Java	214
6.	East Java	17
7.	West Kalimantan	4
8.	South Kalimantan	4
9.	Maluku	2
10.	South Sumatra	4
	Amount	271

Based on Table 3.above, it can be seen that the respondents of this study were representatives of 10 provinces in Indonesia and most of the respondents, as many as 214 respondents or 79% of respondents came from the province of Central Java. The distribution of research questionnaires was carried out by direct distribution to respondents and through google forms. The distribution of questionnaires through google forms has the disadvantage of not being able to communicate directly with respondents, so that the awareness of respondents to fill out questionnaires is still low. Some of the respondents in this study came from the Central Java region because the researchers and the field assistant team had the opportunity to communicate directly with the respondents.

The general description of respondents based on the type of business is that the majority of respondents in the study are engaged in the trading business, as many as 129 or 48% of the respondents are engaged in the trading business. Meanwhile, the group that has the second largest number is the type of business that produces products for sale or industrial companies as many as 109 or 40% of respondents and the third type of business is a business engaged in the service sector as many as 33 respondents or 12%.

Respondents based on company assets can be seen that most of the respondents, namely as many as 194 respondents or 72% have company assets of less than Rp. 50,000,000.00, then as many as 61 respondents or 23% have company assets of Rp. 50,000,000.00 to Rp. 100,000,000, 00, 10 respondents or 4% have assets of IDR 500,000,000.00 to IDR 10,000,000,000.00, 2 respondents or 1% have company assets of IDR 100,000,000.00 to IDR 250,000,000.00, 1 respondent has business assets of IDR 250 ,000,000.00 to Rp. 500,000,000.00 and 3 respondents or 1% have total assets of Rp.

500,000,000.00 to Rp. 10,000,000.00. The results of the analysis show that most or 72% of respondents who filled out the questionnaire were micro-enterprises according to Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises.

Respondents based on sales turnover, it can be seen that the majority of turnover per year is Rp. 100,000,000.00 to Rp. 300,000,000.00 as many as 140 respondents or 50%, then 98 respondents or 36% have a turnover of less than Rp. 100,000,000.00, 25 respondents or 9 % have a turnover of IDR 300,000,000.00 to IDR 500,000,000.00, 6 respondents or as much as 2% have a turnover of IDR 500,000,000.00 to IDR 2,500,000,000.00, 2 respondents or as much as 1% have a turnover of IDR 2,500,000,000.00 is a total of 15 respondents and no respondent has a sales turnover of more than Rp. 50,000,000,000.00 per year.

4.2. Research result

The results of the analysis found that the majority of MSMEs did not have accounting staff, as many as 237 or 87% of respondents, while only 34 respondents or 13% had accounting staff. The majority of respondents also do not have employees in charge of recording business finances, as many as 227 respondents or 84%, while those who have special employees in charge of recording business finances are 44 respondents or 16%. Based on the information obtained during the research activities, it also proves that the basic understanding and accounting skills of MSME actors are obtained from socialization and training provided by relevant agencies, such as the Cooperatives and MSMEs Office, stakeholders such as banking and academics through community service activities, still not able to carry out financial management optimally. MSME actors also feel that there is no coercion that requires them to compile financial reports.

The results of the analysis that have been carried out obtain information that most of the MSME actors, namely 168 respondents or 62% have collected transaction evidence and those who have not collected transaction evidence are 103 respondents or 38%. Many MSME actors ignore the collection of transaction evidence because they do not realize the importance of preparing financial statements or do not know the stages of preparing financial statements. Most of the MSME actors, namely 196 respondents or 72% have also recorded business activities, while others, namely 75 respondents or 28% have not made financial records about business activities. Based on the analysis, it was found that the majority of MSME actors, as many as 192 respondents or 71% were able to distinguish between business finance and personal finance.

One of the benefits of preparing financial statements is the separation between business finances and personal finances. If personal and business finances can be separated, business profits or losses can be known more easily. In addition, MSME actors can control business finances better. There is one research respondent who recounts an experience when not separating business and personal finances, when sales turnover is increasing, the business owner feels that he has a lot of money and cannot control his personal finances, business profits are used to buy personal needs, not for business progress. Based on the experiences of the respondents above, it can be seen that businesses that do not separate their business finances and personal finances are vulnerable to bankruptcy.

Separating personal finances and business finances does require discipline. Some MSME actors who are disciplined in separating business and personal finances, collecting transaction evidence and recording business finances and compiling business financial reports appear to be more advanced than businesses that do not carry out these efforts. Based on data analysis, it is known that the majority of MSME actors in Indonesia have not prepared financial reports through the accounting cycle. This can be seen from the results of the analysis of respondents' answers, namely:

- 1) 193 respondents or 71% did not record in the journal and as many as 78 respondents or 29% recorded in the journal;

- 2) 199 respondents or 73% do not post in the general ledger and 72 respondents or 27% post in the general ledger;
- 3) 214 respondents or 79% did not make a trial balance and 57 respondents or 21% made a trial balance;
- 4) 231 respondents or 85% did not make adjusting entries and 40 respondents or 15% made adjusting entries;
- 5) 179 respondents or 66% did not prepare financial statements and 92 respondents or 34% prepared financial reports;
- 6) 178 respondents or 66% had a period of preparing financial statements and 93 respondents or 34% had a period of preparing financial statements.

Based on the results of the analysis of questions regarding financial statements, there were several respondents who stated that the various types of financial statements prepared were not financial statements contained in SAK EMKM. Financial reports prepared by respondents include reports on cash income and expenditure, reports on sales of goods, simple cash books, shopping needs, goods reports and so on. Meanwhile, the minimum financial report according to SAK EMKM consists of: Statement of Financial Position, Profit and Loss Report, and Notes to Financial Statements. Most of the respondents, namely as many as 239 respondents or 88% did not use accounting software in compiling financial reports and 32 respondents or 12% had prepared financial reports with accounting software. Respondents who compile financial reports using accounting software are respondents who have received socialization and training regarding the preparation of financial reports. The software or applications used include the UKM-ID, SI APIK and LAMIKRO applications.

Although, most respondents are aware of the importance of compiling financial reports, they still have problems in compiling financial reports so that the majority of MSME actors have not prepared financial reports in accordance with SAK EMKM. The following are the results of the analysis of respondents' answers:

- 1) 248 respondents or 92% think that compiling financial reports is important for business continuity, while 23 respondents or 8% think it is not important;
- 2) 215 respondents or 79% had problems in compiling financial reports, while 56 respondents or 21% had no problems in compiling financial reports.

The results of data analysis show that the majority of respondents have realized the benefits and importance of compiling financial reports, but MSME actors still have obstacles in compiling financial reports. Based on the results of the study, the researchers concluded that the obstacles faced by MSME actors include:

- 1) Perceptions of business owners regarding the complexity of accounting and feeling that there is no need to prepare financial reports
- 2) Limited knowledge and understanding of accounting and financial statement preparation
- 3) Limited human resources in charge of recording business finances and compiling financial reports
- 4) Lack of discipline and consistency in collecting transaction evidence and recording business finances
- 5) Business owners still focus on product sales, product innovation and marketing strategies in order to survive and not be displaced by competitors.

The majority of MSME actors in Indonesia also do not know and understand SAK EMKM. This can be seen from the results of the analysis of respondents' answers, namely:

- 1) 217 respondents or 80% of MSME actors in Indonesia do not know the standard for preparing financial reports for MSMEs, namely SAK EMKM, while only 54 respondents or 20% have knowledge of SAK EMKM;
- 2) 223 respondents or 82% have never received socialization about SAK EMKM while 48 respondents or 18% have received socialization about SAK EMKM;

- 3) 239 respondents or 88% did not understand the contents of SAK EMKM while 32 respondents or 14% had understood the contents of SAK EMKM;
- 4) 231 respondents or 85% have not implemented the preparation of financial statements in accordance with SAK EMKM while 40 respondents or 15% have implemented the preparation of financial statements in accordance with SAK EMKM;
- 5) 179 respondents or 66% did not know the implementation of SAK EMKM as of 1 January 2018.

SAK EMKM is an accounting standard prepared to facilitate MSMEs in Indonesia to be able to compile financial reports in accordance with accounting standards. SAK EMKM regulates the recording and preparation of financial statements that are simpler than the previous standard, namely the Financial Accounting Standards Without Public Accountability (SAK ETAP). However, based on research results, there are still many MSME actors who do not know about SAK EMKM. Therefore, the government, stakeholders and academics need to increase their efforts to socialize the benefits and importance of preparing business financial reports. This effort also needs to be supported by the awareness of MSME actors about the importance of preparing business financial reports.

4.3. Discussions

Based on the results of the analysis of 271 research questionnaires, it is known that the majority of respondents who fill out the questionnaire are business owners who know about the readiness in implementing SAK EMKM and the obstacles faced in preparing financial statements and the ability to manage financial management including collecting transaction evidence, recording in journals, posting to the general ledger, preparing trial balances, making adjusting journals and preparing financial statements according to SAK EMKM including income statements, changes in equity reports and balance reports.

Based on the results of the analysis, it is known that the majority of MSME actors are aware of the importance of preparing business financial reports, but MSME actors have obstacles in compiling financial reports, including not having basic accounting knowledge and skills so that this becomes an obstacle for MSME actors to prepare financial reports. The majority of MSMEs also do not have a workforce in the accounting field or special employees in charge of recording business finances, all financial recording activities are mostly still carried out by business owners, while business owners must focus on product marketing and product sales. Some MSME actors also feel that the process of preparing financial reports is still difficult to do so that MSME actors only make simple financial records but have not been able to produce financial reports in accordance with established standards, even though currently there are accounting standards that are prepared as guidelines for preparing MSME financial reports, namely SAK EMKM. SAK EMKM is a standard that is prepared to encourage entrepreneurs in Indonesia to compile financial reports, because the preparation of financial reports is important so that businesses can progress even more.

Financial statements are the output of the accounting process that is produced with the aim of being able to provide information about the company's financial performance in a certain period (Rusherlistyani & Heriningsih, 2013). If the process carried out is inadequate and not in accordance with the established standards, it is feared that the resulting information cannot be used as a basis for decision making. Financial statements are also a tool that can be used as a form of accountability to third parties, so that financial statements must be prepared in accordance with established standards in order to produce information that can be accounted for. (Farida, Sunandar, & Aryanto, 2019).

In fact, based on the results of the study, it is known that most MSME actors do not know about the standard for preparing SAK EMKM financial reports, have not received socialization about SAK EMKM and have not known the implementation of SAK EMKM as of January 1, 2018 so that they have not implemented SAK EMKM as a guide in preparing financial reports. The lack of

understanding of MSMEs regarding basic accounting skills and the application of SAK EMKM in Indonesia makes MSMEs not yet ready to implement SAK EMKM which has taken effect from January 1, 2018.

5. Conclusions

Based on the results of the analysis and discussion that have been described previously, it can be concluded that based on the results of the analysis of the understanding of MSME actors towards SAK EMKM as many as 217 respondents or 80% of respondents do not have knowledge of SAK EMKM. This shows that MSME actors in Indonesia are not ready to implement SAK EMKM because they do not have an understanding of SAK EMKM, besides that the majority of MSMEs in Indonesia do not have an accounting education background and workforce in the accounting field. Seeing this condition, it can be concluded that the majority of MSMEs in Indonesia have not received information regarding the implementation of SAK EMKM. Socialization and training on SAK EMKM and the importance of preparing financial reports are needed from interested parties to support MSME actors in preparing business financial reports.

The obstacle faced by MSMEs in compiling financial reports is the assumption of MSME actors that accounting is too complicated to apply. In addition, most MSMEs in Indonesia do not have special staff in the accounting field, all planning and implementation of business and financial activities are still carried out by business owners.

The sample of this study has not been able to generalize to all MSME actors from various regions in Indonesia, this is because the process of distributing questionnaires which was initially carried out using google forms was deemed too long to be responded to by the respondents, so it was continued by using social media and Whats App (WA) messages. However, it is still very long to get a response from respondents, this is because the awareness of respondents to fill out questionnaires is still low, so researchers are trying to distribute questionnaires directly or by direct contact via cell phones to ask research questions to MSMEs. The wide and unstable internet signal coverage in various regions makes it difficult to reach all MSMEs in Indonesia.

REFERENCES

- Cahyati, AD, Mulyanti, K., & Setyawasih, R. (2011). Understanding and Readiness of SMEs in the Implementation of Sak Etap: Survey of SMEs in Bekasi. *JRAK: Journal of Accounting Research and Computerized Accounting*, 2(02), 19–27. <https://doi.org/10.33558/JRAK.V2I2.136>
- Castanheira, N., Rodrigues, LL, & Craig, R. (2010). Factors associated with the adoption of risk-based internal auditing. *Managerial Auditing Journal*, 25(1), 79–98. <https://doi.org/10.1108/02686901011007315>
- Fama, EF, & Jensen, MC (1983). Corporations and Private Property: A Conference Sponsored by the Hoover Institution. *Journal of Law and Economics*, 26 No. 2(2), 301–325. Retrieved from <http://dialnet.unirioja.es/descarga/articulo/3728530.pdf>
- Farida, I., Sunandar, & Aryanto. (2019). Factors that influence the performance of MSMEs in Tegal City. *Monex Journal*, 8(2), 79–82.
- Hetika, H., & Maheasy, N. (2017). The Application of Accounting and Its Compliance with the Etap Sak in the Tegal City Umkm. *JOURNAL OF ACCOUNTING, ECONOMICS AND BUSINESS MANAGEMENT*, 5(2), 259. <https://doi.org/10.30871/jaemb.v5i2.531>
- Igielski, M. (2018). The role of intellectual capital in building a competitive advantage for companies from the Baltic Sea Region in the transport, shipping and logistics industry (TSL). *SHS Web of Conferences*, 57, 01015. <https://doi.org/10.1051/shsconf/20185701015>

- Jaya, IMLM (2020). Quantitative and Qualitative Research Methods: Theory, Application, and Real Research. (V. Wiratna Sujarweni, Ed.) (1st ed.). Yogyakarta: <http://www.anakhebatindonesia.com/author-i-made-laut-mertha-jaya-606.html>. Retrieved from <http://www.anakhebatindonesia.com/author-i-made-laut-mertha-jaya-606.html>
- Kurniawansyah, D. (2018). Agency Theory in Organizational Thinking; The Positivism And Principle-Agent Approach. *Airlangga Journal of Accounting and Business Research*, 3(2), 435–446. <https://doi.org/10.31093/jraba.v3i2.122>
- Narsa, IM, Widodo, A., & Kurnianto, S. (2012). Revealing the Readiness of MSMEs in Implementing Financial Accounting Standards for Entities Without Public Accountability (Psak-Etap) To Improve Access To Banking Capital. *Economics Magazine*, (3), 204–214.
- Rahardjo, B., Khairul, I., & Siharis, AK (2019). The Influence of Financial Technology (Fintech) on the Development of SMEs in Magelang City. *Proceedings of the National Seminar and Call For Papers*, 347–356.
- Ratnawati, K. (2020). The Influence of Financial Inclusion on MSMEs' Performance Through Financial Intermediation and Access to Capital. *Journal of Asian Finance, Economics and Business*, 7(11), 205–218. <https://doi.org/10.13106/jafeb.2020.vol7.no11.205>
- Rudiantoro, R., & Veronica, S. (2010). Indonesian journal of accounting and finance. ... *Economics University of Indonesia*, 7(2), 170–186. Retrieved from <http://scholar.google.com/scholar?hl=en&btnG=Search&q=intitle:Jurnal+Accounting+d an+Keuangan+Indonesia#2>
- Rusherlistyani, R., & Heriningsih, S. (2013). Factors Affecting the Level of Disclosure of Local Government Financial Statements. *Pekalongan University Journal of Economics and Business*, 13(2), 5157.
- Sahela, KZ, Susanti, R., & Adjie, AR (2021). The Influence of Government Dimension on Financial Education and Empowerment of Micro-, Small and Medium-Sized Enterprises in Indonesia. *Journal of Asian Finance, Economics and Business*, 8(3), 637–643. <https://doi.org/10.13106/jafeb.2021.vol8.no3.0637>
- Serrano-Cinca, C., Gutiérrez-Nieto, B., & Bernate-Valbuena, M. (2019). The use of accounting anomalies indicators to predict business failure. *European Management Journal*, 37(3), 353–375. <https://doi.org/10.1016/j.emj.2018.10.006>
- Sixpria, N., Suhartati, T., & Warsini, S. (2013). Evaluation of Implementation of Accounting Standards for Entities Without Public Accountability (Etap) and Preparation of Audit Reports for Micro, Small and Medium Enterprises (MSMEs). *Economics And Business*, 12(1), 55–64.
- Suci, YR, Tinggi, S., & Economics, I. (2017). The development of MSMEs (Micro, Small and Medium Enterprises) in Indonesia. *Scientific Journal of the Faculty of Economics*, 6(1), 51–58.
- Sugiyono. (2018). *Quantitative, Qualitative, and R&D Research Methods*. Bandung: Alfabeta.
- Yudianto, I., Mulyani, S., Fahmi, M., & Winarningsih, S. (2021). The influence of good university governance and intellectual capital on university performance in Indonesia. *Academic Journal of Interdisciplinary Studies*, 10(1), 57–70. <https://doi.org/10.36941/ajis-2021-0006>