

Accounting for Micro and Small Entrepreneurs and Medium (MSMEs)

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Abstract

Keywords :

*Meaning of Accounting,
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EMKM,*

This research aims to explore and understand the meaning of accounting from the perspective of MSME entrepreneurs. So far, accounting has often been imposed as a standard-based formal practice (SAK EMKM) which is often rejected or not applied by MSME actors. This research uses a qualitative approach to explore and understand the meaning of accounting from the perspective of MSME actors. Data were obtained through in-depth interviews, observations, and documentation of purposively selected informants. All transcribed interview results are then processed and analyzed using NVivo software. Data analysis is carried out in stages through the process of coding, theme identification, and data visualization using the Word Cloud feature to obtain an overview of the most dominant words, concepts, and meanings in MSMEs' understanding of accounting. The results of the study show that MSME actors interpret accounting and bookkeeping practically as a recording and business financial management activity. Based on Word Cloud analysis, this meaning consistently focuses on daily transaction activities, such as recording income, expenses, purchases, and sales that occur in business operations. The findings of this study are expected to contribute to the development of behavioral accounting literature and become a consideration for regulators in formulating policies that are more relevant to the local context of MSMEs.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) have often been placed as one of the main pillars of the national economy, especially in Indonesia. Its contribution to the Gross Domestic Product (GDP) which has exceeded 60%, as well as its ability to absorb a large number of workers, shows that the role of MSMEs is quite crucial in maintaining the social and economic stability of the community (Hardimanto et al., 2025). In addition, in various situations, including when there is economic pressure, MSMEs tend to be more flexible and able to adapt compared to larger business sectors (Mardanugraha & Junaidi, 2022).

There is an interesting perspective to be observed regarding how financial management is adopted by MSME actors. Much of the mainstream accounting literature, financial practices that are not formally recorded are often associated with low levels of professionalism and accountability (Nasrah & Ratna, 2024). This assessment basically places formal accounting standards as the main reference, so practices outside the system tend to be considered inadequate. In fact, the practices carried out by MSME actors cannot always be understood simply through this framework.

Various efforts have been made to bring MSME practices closer to formal standards, one of which is through the preparation of Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) (Indonesian Institute of Accountants, 2016). This standard is designed to be simpler and easier to implement. However, in practice, the level of use is still relatively low (Mardiah & Aristantia, 2025). This condition shows that the problems faced are not only related to technical limitations, but also touch on the aspect of the relevance of standards to the needs of business actors.

In daily life, the practice of financial management in MSMEs continues, although it does not always follow a formal pattern. Some business actors record income and expenses simply in a booklet, keep notes as a reminder, or rely on memories (Syamsul, 2022). For them, the most important thing is not how the report is systematically arranged, but how the business continues to run and the capital can rotate. In this context, the concept of mental accounting becomes relevant to explain how business actors group and manage finances based on certain goals, even without a standard recording system (Puspita & Wardani, 2022).

The way MSME actors manage finances cannot be separated from their experience and social environment. Local values, customs, and certain beliefs also influence the way they make decisions, including in terms of finances. Considerations regarding trust or blessings, for example, are part of the process (Thalib et al., 2024). This shows that accounting, in the context of MSMEs, is not only understood as a recording tool, but also related to the way business actors interpret the economic activities they carry out.

The difference between standardised formal accounting and the practice that is developing in the field reveals a gap that has not been fully explained. Approaches that tend to be deductive so far often provide immediate assessments without exploring the reasons behind the practice. Therefore, an inductive qualitative approach is important to understand accounting practices from the perspective of MSME actors themselves (*emic perspective*) (Zulkifli, 2021)

Based on this description, this research is directed to understand how MSME actors interpret accounting in their daily practice. The focus of the research is not only on conformity with formal standards, but also on how those practices are formed and implemented in real contexts. Thus, the non-conformity with formal standards does not necessarily reflect the absence of accounting practices, but rather shows a difference in the way of understanding and carrying out accounting that is rooted in the experience and social reality of business actors.

METHODS

This research uses an interpretive paradigm with an inductive qualitative approach to understand the meaning of accounting from the perspective of MSME actors. The interpretive paradigm was chosen because it allows researchers to gain a deep understanding of the informant's experience and meaning of the accounting practices they run. Meanwhile, an inductive qualitative approach is used to build an understanding based on empirical data obtained through interviews, observations, and documentation without being based on predetermined hypotheses. The selection of informants was carried out using purposive sampling techniques. The research informants consisted of 2 (two) MSME owners from several business sectors, namely the food sector and the service sector. The Inclusion Criteria are:

1. The business has been running for at least 2 years.
2. Never prepared financial statements in accordance with SAK EMKM.
3. Have obstacles in accessing formal financing.

Table 1. Profile of MSMEs and Research Informants

Informant/Business	Location	Length of Operation	Number of Employees
Ekky (Informant 1) / Laundry	Jl. Gajah Jl. Metro Tj. Bunga No.16, Tj. Merdeka, Tamalate District, Makassar City, South Sulawesi 90142	5 years	6 people
Alfi (informant 2) / Traditional Barongko Food	Jl. Sarappo No. 146, Kel. Mampu, Kec. Wajo, Makassar City, South Sulawesi 90171	3 Years	3 People

Data analysis is carried out in stages and is inductive. All interviews that have been recorded are transcribed, then together with observation notes and business documentation are integrated into a qualitative data management system using Nvivo software. NVivo helps researchers store, organize, and explore data easily, and reduce the risk of raw data corruption. NVivo allows users to store text, images, audio, and video directly within the project, as well as access that multimedia data directly from within the NVivo platform. Through capturing existing news articles, it is possible to view and map information from a narrative. The use of NVivo allows in structuring, grouping, and searching data systematically so that patterns and themes can be identified more clearly. The software also helps manage relatively large and complex volumes of data, and makes it easier for researchers to retrace important passages when performing in-depth interpretations (Allsop et al., 2022). The initial step of qualitative data analysis was carried out by mapping the dominant themes in the interview transcript through the word frequency feature and word cloud visualization in the NVivo 15 software.

RESULTS AND DISCUSSION

Based on the results of in-depth interviews with MSME entrepreneurs, various views were obtained on the meaning of accounting in daily business activities. Data analysis using NVivo 15 software resulted in a *Word Cloud* visualization that showed the words that appeared most frequently in the interview results. The larger the size of the word in the visualization, the more often the word is mentioned by the informant.



Figure 1. Data Visualization Through NVivo 15

Based on the results of *the Word Frequency Query analysis* using NVivo 15, a Word Cloud visualization was obtained that describes the words that appear most often in the results of informant interviews. In Figure 1, it can be seen that the word "**finance**" is the most dominant word that appears in informant interviews with a frequency of 0.63%. In addition, the words **expenditure, bookkeeping, purchasing, application, accounting, income, and recording** also have a high frequency of occurrence. shows that MSME actors interpret accounting as an activity related to business financial management, especially in recording and controlling income and expenses to support business continuity. The following is a *mind map* developed by the research from the research results obtained.

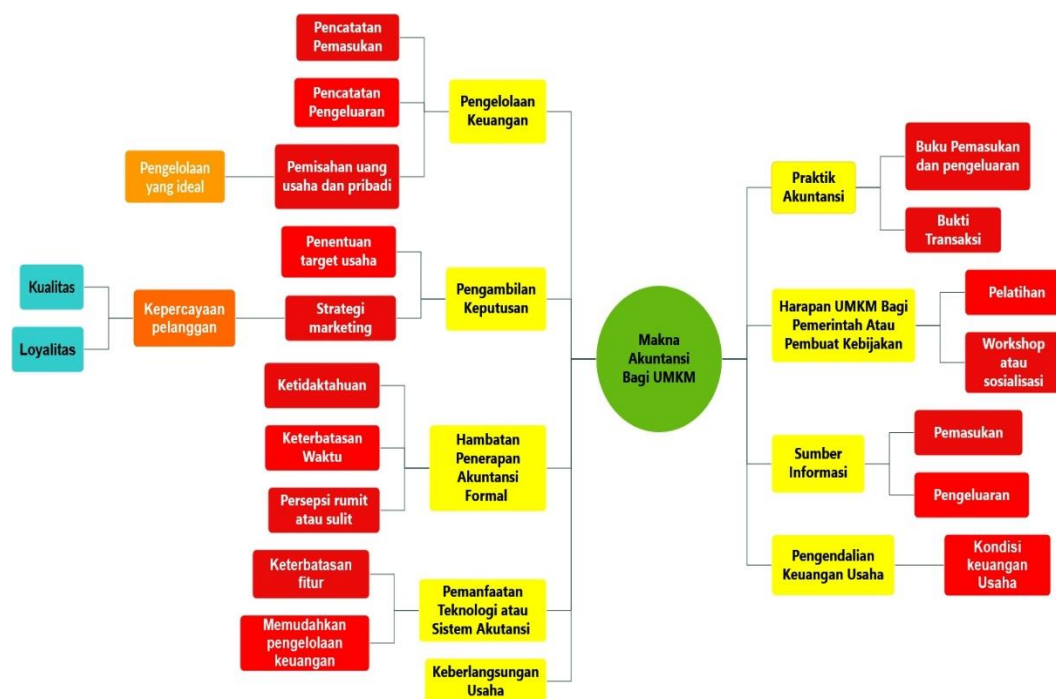


Figure 2 Research Mind Map (NVivo 15 data processing)

In general, MSME business actors still implement simple and manual financial recording, which focuses on recording daily transactions without being accompanied by the preparation of formal financial statements. It is still in the form of an expense book and an income book that can help MSME business actors to manage and control their business finances.

Informant 2 conveyed that:

"Recording my income and expenses may still be simple. I use an ordinary notebook or there is a income and expense book, but not in the form of an accounting book".

In addition, it was also found that there is the use of technology in managing business finances, which can make it easier for MSME entrepreneurs to know their income, expenses, purchases and debts.

Informant 1 conveyed that:

"Now I use the laundry cashier application, so the cashier application even though he is not detailed, but he can display the data I need. For example, for sure income and expenses, debts and the number of services that sell"

This indicates that MSME actors tend to apply forms of financial management that are tailored to their business needs and capabilities. Although they use different methods, both have the same goal, namely obtaining financial information that can be used as a basis for business decision-making. In controlling income and expenses, MSMEs generally use sharing transaction

documents such as sales notes, purchase notes, physical invoices, and screenshots of customer orders.

Informant 1 conveyed that:

"We input the order in the Laundry Cashier application, later a receipt like Indomaret will be issued. I also ask for a physical invoice if I make expenses to purchase laundry needs and others."

Informant 2 conveyed that:

"Maybe there are some offices that want notes, we give notes. But if he just messages via chat, it means that the chat history is in my hands. I screenshotted it and compared the proof of transfer that they sent to me as proof of payment"

The results of the interviews show that transaction documents are used by MSME entrepreneurs as a tool to remember, monitor, and control daily financial activities. According to MSME entrepreneurs, the ideal financial management is to be able to separate personal finances and business money, and complete financial statements according to accounting standards that can make it easier to know the financial condition of their business.

Informant 1 conveyed that:

"Of course, yes, as detailed as possible, especially if you can really separate personal expenses from business, and or use a complete accounting application"

Informant 2 conveyed that:

"In my opinion, the ideal financial management system for MSMEs is how it may be simple, ordinary, but still orderly, it does not require complicated time like large company reports, what is clear is that there is a recording of income and expenses every day. And there must be a clear separation between business money and personal money."

This statement emphasizes that the ideal financial management for MSMEs does not have to be complicated like large companies, but remains simple, orderly, and consistent in daily records, especially in recording income and expenses and separating business and personal finances. However, the implementation of formal accounting recording according to SAK EMKM standards by some MSME entrepreneurs is still hampered by ignorance, complicated accounting perceptions, time constraints, and never attending training. This can be seen from the concept map image from the results of the research data analysis.

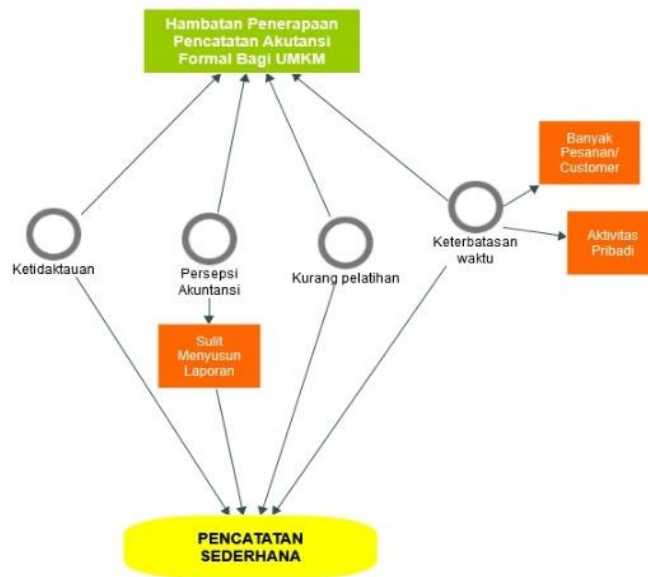


Figure 3 Concept Map (NVivo 15 data processing)

It was found that MSME entrepreneurs make decisions that tend to be based on intuition or personal experience. This can be seen from the interviews conducted by the two informants. Informant 1 conveyed that:

"Separating my finances is just a feeling there and previous experiences. So separating personal needs from laundry is cut daily. For example, I cut 200 thousand direct meal money. So there is a fixed cost every day. So every month I can already know how much I spend."

Informant 2 conveyed that:

"Indeed, we have not used a really formal profit and loss calculation, but maybe it is more about the feeling and how the observation per week is."

These findings show that business decision-making is still dominated by subjective assessments sourced from the experience and intuition of business owners. This condition indicates that accounting is interpreted as a tool to monitor cash flow and daily operational needs, not as an information system that provides structured financial data to support more objective and measurable decision-making. In addition, simple recording and the use of an application-based accounting system can help business actors evaluate their financial condition and determine more appropriate promotional strategies. This can be seen from the results of the interview below.

Informant 1 conveyed that:

"Looking at the laundry application services, for example, oh why are I going down to the office clothes, oh it turns out that people are on holiday, or the dry season so there are hardly any people. It means we can determine what discounts or promos are right there"

Informant 2 conveyed that:

"I only look at how much cash or income is in the account or in the cash book. If there is money now, maybe more than last week and the stock is still maintained, it means that the business is good again."

This shows that simple monitoring of cash flow and daily sales helps MSME actors in evaluating business conditions and determining the right strategy. The promotional strategies that are generally used by MSME entrepreneurs are through social media such as WhatsApp stories or Instagram stories. The use of social media not only serves as a means of disseminating product information and promotion, but also as a medium of interaction that strengthens the relationship between business actors and customers.

In the context of MSME businesses, business sustainability is not only determined by short-term sales increases, but also by the ability to retain customers through loyalty formed from trust and positive experiences. This can be seen from the results of the interview below.

Informant 1 conveyed that:

"In addition to the benefits, customer trust is important. The same is true of the internal laundry itself, namely the quality of human resources. So that customers come back".

Informant 2 conveyed that:

"The blessing is the most important for me, even though it doesn't have a big impact on my business. But besides that, customer trust is also what I really maintain"

The above statement shows that customer trust will shape customer loyalty. Where loyalty is one of the important factors that can create repeat purchases and maintain the stability of business income in the long term.

As for the results of interviews from the two informants, the expectations of several MSME entrepreneurs in the city of Makassar to the government or policy makers for MSME financial recording are the existence of training or socialization, as well as workshops for MSME entrepreneurs. Where this can increase the knowledge and understanding of MSME entrepreneurs related to the meaning of accounting, especially in financial recording in accordance with SEK EMKM standards.

DISCUSSION

Based on the results of the interviews, MSME entrepreneurs interpret accounting and bookkeeping as activities related to recording and managing business finances. This is in accordance with the results of the visualization *Go Cloud* which describes the words that appear most often in the results of the word informant interview **finance, expenses, bookkeeping, purchasing, income, and Recording**. Where when hearing the term accounting, most informants associate it with the activity of recording income, expenses, sales, and various transactions that occur in their business. This understanding shows that accounting is not perceived as a complex concept, but rather as a tool that helps them know the financial condition of the business. The findings of this study are in line with the research Zulkifli (2021) which states that MSME actors tend to interpret Accounting as a financial recording process related to a business activity, product selling price, employee salary, and the amount of business profit.

The results of the study show that MSME business actors still implement simple and manual financial recording, which is limited to recording daily transactions without being followed by the preparation of formal financial statements that are still in the form of books. However, there are also MSME entrepreneurs who use accounting systems such as Laundry POS App. Although they use different methods, both have the same goal, namely obtaining financial information that can be used as a basis for business decision-making. These findings are in line with the literature Nuvtasari et al., (2019) which states that most MSME actors still rely on manual transaction recording that focuses on income and expenses, so that the available financial information is not yet able to produce financial reports. On the other hand, the use of digital-based accounting applications can increase the effectiveness and efficiency of the preparation of MSME financial statements (Maulida et al., 2021).

Furthermore, from the research, it was found that there were users of transaction documents by MSME entrepreneurs such as sales notes, purchase notes, physical invoices, and screenshots of customer orders as a tool to remember, monitor, and control daily financial activities. Where the ideal financial management for MSMEs does not have to be complicated but remains simple, orderly, and consistent in daily recording, and most importantly it is able to separate business and personal finances. This is in line with research Princess & Suidarma (2026) that the separation of personal and business finances has a positive effect on the sustainability of MSME businesses. The separation helps business actors manage cash flow and evaluate business performance more accurately.

From the results of the interview, it was found that the implementation of formal accounting recording according to SAK EMKM standards by some MSME entrepreneurs is still hampered by ignorance, complicated accounting perceptions, time constraints, and never taking

part in training. These findings are in line with research Hidayattuloh & Dewi, (2025) which states that understanding accounting, socialization of SAK EMKM, accounting training, and readiness of MSME actors are important factors that affect the implementation of SAK EMKM. This indicates that the success of the implementation of accounting standards in MSMEs does not only depend on technical aspects, but also on the understanding and readiness of business actors in managing financial records formally.

This makes MSME entrepreneurs make decisions that tend to be based on intuition or personal experience. This is in line with research Hulalata et al., (2026) which states that recording that is still done manually causes limitations in obtaining structured financial information. This has an impact on decision-making that tends to be based on intuition or personal experience, rather than on measurable financial data. This condition shows that manual recording has not fully supported the effectiveness of financial decision-making. However, basic accounting still has a role in helping MSME decision-making, especially in analyzing the ups and downs of businesses.

Where business sustainability is influenced not only by an increase in sales volume, but also by the ability of MSME entrepreneurs to retain customers through customer trust, quality of human resources, and loyalty. This is in line with research Dhakirah et al., (2025). which shows that *Customer Relationship Management* (CRM) has a positive effect on MSME customer loyalty. CRM plays a role in helping business actors understand consumer needs and behaviors so that they can increase customer satisfaction and loyalty. In addition, sales volume also reflects the level of customer trust which ultimately strengthens loyalty.

Based on the results of the interviews, MSME actors expect intervention from the government and policymakers in the form of training, workshops, and ongoing assistance regarding formal accounting practices based on SAK EMKM. This support is seen as important to improve accounting literacy and encourage the implementation of more structured and standard-compliant financial records.

CONCLUSION

Based on the results of the interviews, MSME actors interpret accounting and bookkeeping as activities related to recording and managing business finances. This is in accordance with the results of *the Word Cloud visualization* which describes the words that appear most often in the results of the informant interviews of the words finance, expenses, bookkeeping, purchases, income, and record-keeping. Where when hearing the term accounting, most informants associate it with the activity of recording income, expenses, sales, and various transactions that occur in their business. It was also found that the obstacles for MSME entrepreneurs in implementing formal accounting recording according to the SAK EMKM were

ignorance, complicated accounting perceptions, time constraints, and never attending training. In addition, the use of the Accounting System makes it easier for MSME entrepreneurs to manage their businesses.

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