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SAK-EMKM FINANCIAL REPORTING PRACTICES: A CASE STUDY OF FRIED SHALLOT MSME

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ABSTRACT

Financial reporting plays an important role in supporting the sustainability and development of Micro, Small, and Medium Enterprises (MSMEs). However, many MSMEs in Indonesia still experience difficulties in preparing financial statements in accordance with the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK-EMKM). This study analyzes the preparation of financial statements and identifies the obstacles and solutions related to SAK-EMKM implementation in the "Murni" Fried Shallot Home Industry owned by Bu Wati in Karangan Village, Trenggalek Regency. This research employed a qualitative descriptive case-study approach, with data collected through interviews, observations, and documentation. The findings show that the enterprise still applies a simple, manual, cash-based recording system: the Statement of Financial Position and Notes to Financial Statements have not been prepared, and asset and liability records are incomplete, so the Income Statement is only partially compliant with SAK-EMKM. The main barriers identified are limited accounting knowledge, the absence of dedicated accounting personnel, and the mixing of personal and business finances, which together explain the incomplete statements and the difficulty in obtaining accurate financial information. Accounting training programs and continuous mentoring are recommended to address these barriers. The implementation of SAK-EMKM is expected to enhance financial accountability, support business decision-making, and promote sustainable business growth.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in Indonesia's economic development by contributing to employment generation, income distribution, and regional economic growth. As one of the main pillars of the national economy, MSMEs have demonstrated resilience in facing various economic challenges. However, sustaining business growth requires not only production and marketing capabilities but also effective financial management.

To improve the quality of financial reporting among MSMEs, the Indonesian Institute of Accountants introduced the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK-EMKM) (Ikatan Akuntan Indonesia, 2018). This standard was specifically designed to provide a simpler and more practical accounting framework for small businesses, expected to improve business accountability and facilitate access to external financing.

Despite the availability of SAK-EMKM, many MSMEs in Indonesia continue to rely on simple bookkeeping systems that focus primarily on recording cash receipts and cash disbursements. As detailed in the Literature Review below, prior studies (Adila et al., 2021; Cahyaningtias et al., 2022; Sitepu et al., 2020; Wahyuniati et al., 2024) consistently report that MSME owners experience difficulties in preparing financial statements due to limited accounting knowledge, inadequate human resources, and insufficient training.

Research specifically examining home-based food-processing enterprises, however, remains limited — the gap this study addresses (see Literature Review for the full novelty statement).

One MSME that faces similar challenges is the Murni Fried Shallot Home Industry owned by Bu Wati in Karangan Village, Trenggalek Regency. Since its establishment in 2021, the business has shown stable growth in sales and profits, indicating promising development potential. However, financial recording practices remain simple, and business transactions are not yet documented in accordance with SAK-EMKM. In addition, personal and business finances are not fully separated, making it difficult to obtain accurate financial information.

Based on these circumstances, this study aims to analyze the financial reporting practices of the Murni Fried Shallot Home Industry in relation to SAK-EMKM requirements and to identify the obstacles and possible solutions associated with its implementation.

LITERATURE REVIEW

Financial reporting plays a fundamental role in business management because it provides information regarding financial performance, financial position, and business sustainability. For MSMEs, financial statements serve as an important tool for monitoring business activities, evaluating profitability, and supporting managerial decision-making.

Previous empirical studies have consistently reported that the implementation of SAK-EMKM among MSMEs remains relatively low. Adila et al. (2021) found that MSME Mawar had not prepared financial statements in accordance with SAK-EMKM due to limited understanding of accounting procedures. Similarly, Cahyaningtias et al. (2022) reported that MSME Al-Ijtihad had not implemented SAK-EMKM because of inadequate accounting knowledge, lack of bookkeeping personnel, and limited assistance from relevant institutions.

Other studies also highlight similar issues. Sitepu et al. (2020) revealed that financial statements prepared by CV. Candi Utama Putra were still limited to simple cash-based records despite previous accounting training. Likewise, Wahyuniati et al. (2024) found that low educational backgrounds, limited accounting competence, and insufficient socialization regarding accounting standards hindered the implementation of SAK-EMKM among MSME operators.

Theoretical Framework

A. Financial Statements

Financial statements are structured reports that provide information regarding the financial position, financial performance, and cash flows of an entity during a particular period. According to Kasmir (2019), financial statements are prepared to provide information about a company's financial condition and performance, which can be used as a basis for planning, controlling, and evaluating business activities.

B. Financial Accounting Standards for Micro, Small, and Medium Entities (SAK-EMKM)

SAK-EMKM are accounting standards issued by the Indonesian Institute of Accountants to facilitate financial reporting among MSMEs (Ikatan Akuntan Indonesia, 2018). According to SAK-EMKM, a complete set of financial statements consists of a Statement of Financial Position, an Income Statement, and Notes to Financial Statements.

C. Micro, Small, and Medium Enterprises (MSMEs)

Micro, Small, and Medium Enterprises (MSMEs) are productive economic entities owned by individuals or business groups that meet specific criteria established under Law No. 20 of 2008 concerning Micro, Small, and Medium Enterprises (Undang-Undang Republik Indonesia Nomor 20 Tahun 2008). MSMEs play a significant role in economic development through job creation, poverty reduction, and income generation.

D. Financial Accountability

Financial accountability refers to the responsibility of business owners to manage and report financial resources transparently and accurately. In the context of MSMEs, financial accountability can be achieved through the implementation of standardized accounting practices, including compliance with SAK-EMKM.

Previous Studies

Several previous studies have examined the implementation of SAK-EMKM in various MSME sectors, most focusing on trading businesses, fisheries, workshops, and other service-based enterprises (Adila et al., 2021; Cahyaningtias et al., 2022; Sitepu et al., 2020; Wahyuniati et al., 2024). Research specifically examining home-based food-processing industries remains limited. This study addresses that gap by analyzing the financial reporting practices of the Murni Fried Shallot Home Industry in Trenggalek Regency, identifying implementation barriers, and proposing practical solutions to improve compliance with SAK-EMKM. This focus — stated here once for the full manuscript — represents the novelty of the current study.

RESEARCH METHODS

Research Design

This study employed a qualitative approach with a descriptive case study design. A case study design was considered appropriate because it allows researchers to explore a phenomenon comprehensively within its real-life context.

Data Sources

The study utilized both primary and secondary data sources. Primary data were obtained directly from the owner and employees of the Murni Fried Shallot Home Industry through interviews and observations. Secondary data were collected from financial records, transaction documents, books, scientific journals, and other relevant literature.

Research Informants

The informants in this study were selected using purposive sampling to identify individuals with direct, relevant knowledge of the business's financial management. The key informants were the business owner, Bu Wati, and two employees responsible for recording sales and purchase transactions — three informants in total. [Author to specify: exact data-collection period, e.g., month–month 2025.] This small, purposively selected set of informants is appropriate for a single-enterprise case study but should be read as bounding the scope of the findings rather than as a large-sample purposive design.

Data Collection Techniques

Data collection was conducted through observation, interviews, and documentation. Observation was carried out to examine the financial recording practices currently implemented by the enterprise. Semistructured interviews were conducted with the three informants to obtain detailed information regarding financial management, accounting practices, and challenges in implementing SAK-EMKM. Documentation was used to collect supporting evidence such as sales records, purchase records, and expense records.

Data Validation

To ensure the credibility and trustworthiness of the findings, data triangulation was applied. Source triangulation was conducted by comparing information obtained from different informants, while technique triangulation was performed by comparing data gathered through interviews, observations, and documentation.

Data Analysis Techniques

The collected data were analyzed using the interactive model developed by Miles and Huberman (2014), which consists of three stages: data reduction, data display, and conclusion drawing.

RESULT AND ANALYSIS

Results

The Murni Fried Shallot Home Industry is a micro-scale enterprise located in Karangan Village, Trenggalek Regency. Since its establishment in 2021, the business has shown positive growth in terms of sales and profitability. Based on the financial records obtained during the study, sales performance has increased consistently over the last three years.

Table 1. Sales Performance of Murni Fried Shallot Home Industry (2022–2024)

No.	Year	Total Sales (IDR)	Net Profit (IDR)
1	2022	37,000,000	10,770,000
2	2023	45,370,000	12,880,000
3	2024	50,000,000	14,610,000

Table 1 shows that both sales and net profit increased from 2022 to 2024. This indicates that the enterprise has experienced stable business growth and possesses significant development potential. Despite this positive performance, the financial recording system remains relatively simple and has not yet fully complied with SAK-EMKM requirements.

To evaluate the conformity of existing financial records with SAK-EMKM, a comparison was conducted between the current reporting practices and the accounting standards required for MSMEs.

Table 2. Comparison Between Existing Practices and SAK-EMKM Requirements

Financial Statement Component	Existing Practice	SAK-EMKM Requirement	Status
Income Statement	Available in simple form	Required	Partially Compliant
Statement of Financial Position	Not Available	Required	Not Compliant
Notes to Financial Statements	Not Available	Required	Not Compliant
Asset Recording	Limited	Required	Not Compliant
Liability Recording	Not Available	Required	Not Compliant

As presented in Table 2, the enterprise only prepares simple records of revenues, expenses, and profits. The Statement of Financial Position and Notes to Financial Statements have not been prepared.

Furthermore, records related to assets and liabilities are incomplete, indicating that the financial reporting system has not fully implemented SAK-EMKM.

The study also identified several obstacles that hinder the implementation of SAK-EMKM within the enterprise.

Table 3. Barriers to SAK-EMKM Implementation and Proposed Solutions

Obstacles	Impact	Proposed Solutions
Limited accounting knowledge	Incomplete financial statements	Accounting training
Low educational background	Difficulty understanding accounting standards	Continuous mentoring
No accounting personnel	Weak bookkeeping practices	Administrative assistance
Mixing personal and business finances	Inaccurate financial information	Separation of business and personal funds

Table 3 indicates that limited accounting knowledge and the absence of specialized accounting personnel are the primary barriers to implementing SAK-EMKM. These factors reduce the quality and completeness of financial reporting within the enterprise.

Discussion

General Findings

The findings reveal that the Murni Fried Shallot Home Industry still relies on a simple bookkeeping system that focuses primarily on recording sales, purchases, profits, and operational expenses. Although the enterprise demonstrates positive business growth, its financial reporting practices have not fully complied with SAK-EMKM requirements. This condition suggests that business growth alone does not necessarily encourage the adoption of standardized accounting practices.

Comparison with Prior Studies

These findings are consistent with Adila et al. (2021), who found that MSMEs generally do not prepare financial statements in accordance with SAK-EMKM due to limited accounting knowledge. Similar results were reported by Cahyaningtias et al. (2022), who identified inadequate accounting competence and limited institutional support as major obstacles. The findings also align with Sitepu et al. (2020), who found that many MSMEs still rely on simple cash-based records despite having received accounting training, indicating that successful SAK-EMKM implementation requires not only technical training but also continuous supervision and practical assistance.

Theoretical Interpretation

Viewed through the lens of financial accounting theory (Scott, 2020), the enterprise's reliance on informal, cash-based records reflects a decision-usefulness gap: the information produced is not structured to support the decisions of external users such as lenders, because it lacks the completeness (no Statement of Financial Position, no Notes to Financial Statements) and verifiability that formal accounting standards are designed to provide. Scott's (2020) framework suggests that until reporting moves from purely internal, informal record-keeping toward information intended for external decision-makers, the informational-asymmetry problem between the enterprise and prospective financiers will persist, constraining access to formal credit regardless of the business's underlying growth trajectory.

Practical Implications

The implementation of SAK-EMKM would provide several benefits for the enterprise. Standardized financial reporting can improve financial accountability, facilitate business performance evaluation, and support decision-making processes. In addition, the availability of reliable financial statements may increase the enterprise's credibility when seeking financing from banks or other financial institutions. Therefore, accounting training, mentoring programs, and the adoption of structured bookkeeping practices are necessary to improve compliance with SAK-EMKM and support sustainable business development.

Limitations

This study is based on a single-case design involving one enterprise and three informants, which constrains statistical generalizability to other MSMEs. The findings should therefore be read as analytic generalization — informing theoretical and practical understanding of SAK-EMKM implementation barriers in comparable home-based food-processing MSMEs — rather than as a statistically representative account of MSMEs at large.

CONCLUSIONS

This study examined the financial reporting practices of the Murni Fried Shallot Home Industry in relation to SAK-EMKM. The findings indicate that:

- Although the enterprise has experienced stable business growth, its financial reporting system remains limited to simple bookkeeping practices and has not fully complied with SAK-EMKM requirements.
- Several essential components of financial statements, including the Statement of Financial Position and Notes to Financial Statements, have not been prepared systematically.
- Limited accounting knowledge, the absence of accounting personnel, and the mixing of personal and business finances were identified as the main barriers to SAK-EMKM implementation.
- As a single-case study, these findings are analytically rather than statistically generalizable (see Limitations).

Suggestions

The study contributes to the understanding of financial reporting practices among home-based food-processing MSMEs, a sector that has received limited attention in previous research. From a practical perspective, MSME owners should enhance their accounting capabilities through training and mentoring programs, while relevant institutions should provide continuous assistance to encourage the adoption of SAK-EMKM. Future research is recommended to involve a larger number of MSMEs from different sectors and regions, and comparative studies may be conducted to examine differences in accounting practices among MSMEs with varying business characteristics and levels of financial literacy.

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