

ADOPTION OF SAK EMKM IN THE PREPARATION OF FINANCIAL STATEMENTS OF MSMEs: EVIDENCE FROM THE KIOS TAPE 13 COMMUNITY, INDONESIA

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ABSTRACT

This study aims to examine the adoption of Financial Accounting Standards for Micro, Small, and Medium Enterprises (SAK EMKM) in the preparation of financial statements among MSMEs in the Kios Tape 13 community. MSMEs play a crucial role in Indonesia’s economy; however, many still face challenges in producing standardized and reliable financial reports. This research employs a qualitative descriptive approach using a case study method. Data were collected through interviews, direct observation, and documentation of financial records from selected MSME actors within the community. The findings reveal that the majority of MSMEs have not fully implemented SAK EMKM in their financial reporting practices. The main challenges identified include limited accounting knowledge, lack of awareness of accounting standards, absence of systematic bookkeeping practices, and constraints in human resources. Financial records are generally limited to simple cash inflow and outflow notes without proper classification of assets, liabilities, and equity. Nevertheless, MSME actors demonstrate a positive perception toward the potential benefits of SAK EMKM, particularly in improving financial transparency, supporting business decision-making, and facilitating access to external financing. This study proposes several strategic efforts to enhance SAK EMKM adoption, including targeted accounting training, simplified accounting guidelines, continuous mentoring, and collaboration with academic institutions and local stakeholders. The results are expected to contribute to the development of practical strategies for improving the quality of MSMEs’ financial reporting and to enrich the empirical literature on accounting standard adoption in developing economies.

Keywords: SAK EMKM, MSMEs, Financial Statements, Accounting Standards Adoption, Financial Reporting Quality

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in economic growth, employment creation, and income distribution, particularly in developing countries such as Indonesia. MSMEs contribute significantly to national output and serve as a foundation for local economic resilience. Despite their economic importance, many MSMEs continue to face

structural and managerial challenges, especially in the area of financial management and accounting practices. One of the most persistent issues is the inability of MSMEs to prepare standardized and reliable financial statements that can support business sustainability and access to external financing.

To address these challenges, the Indonesian Institute of Accountants introduced the Financial Accounting Standards for Micro, Small, and Medium Enterprises (SAK EMKM) as a simplified accounting framework tailored to the characteristics and capacities of MSMEs. SAK EMKM is designed to enhance the quality, comparability, and transparency of MSMEs' financial reporting while remaining practical and cost-efficient. Proper implementation of SAK EMKM is expected to improve internal decision-making, strengthen accountability, and increase MSMEs' credibility in the eyes of financial institutions and other stakeholders.

However, empirical evidence indicates that the adoption of accounting standards among MSMEs remains limited. Previous studies have shown that MSMEs often rely on informal bookkeeping practices, such as basic cash records, and rarely apply structured accounting principles. Factors such as limited accounting knowledge, low awareness of accounting standards, resource constraints, and the absence of professional assistance hinder effective implementation. These conditions suggest a significant gap between the intended objectives of SAK EMKM and its actual application at the grassroots level.

Given this gap, this study focuses on the adoption of SAK EMKM in the preparation of financial statements among MSMEs in the Kios Tape 13 community. This community represents a cluster of traditional MSMEs engaged in local food production and retail activities, making it a relevant context for examining accounting practices in small-scale enterprises. This study aims to identify the key challenges faced by MSMEs in adopting SAK EMKM and to propose practical strategies to enhance its implementation. By providing empirical insights at the community level, this research contributes to the literature on accounting standard adoption in MSMEs and offers policy-relevant recommendations for improving financial reporting practices in developing economies.

1. LITERATURE REVIEW

1.1. Theoretical Framework

1.1.1. Financial Reporting and Accounting Standards for MSMEs

Financial reporting is a fundamental mechanism for providing information regarding an entity's financial position, performance, and cash flows to support economic decision-making (IASB, 2018). For Micro, Small, and Medium Enterprises (MSMEs), financial statements are particularly important in enhancing managerial control, accountability, and access to external financing (OECD, 2017). However, the application of full financial accounting standards is often considered too complex and costly for MSMEs, given their limited resources and accounting expertise (Albu et al., 2013).

To address these limitations, simplified accounting standards have been developed in many countries. In Indonesia, the Financial Accounting Standards for Micro, Small, and Medium Enterprises (SAK EMKM) were issued by the Indonesian Institute of Accountants as a simplified framework tailored to MSMEs' characteristics (IAI, 2018). SAK EMKM emphasizes historical cost measurement, simplified recognition, and limited disclosure requirements,

making it more practical for small business entities. The adoption of SAK EMKM is expected to improve the quality, comparability, and reliability of MSMEs' financial reporting while reducing compliance burdens (Putra & Kurniawati, 2020).

1.1.2. Accounting Standards Adoption Theory

The adoption of accounting standards can be explained through institutional theory, which posits that organizations adopt formal structures and practices to gain legitimacy and conform to regulatory, normative, and mimetic pressures (DiMaggio & Powell, 1983). In the MSME context, adoption of accounting standards is often driven by external demands from financial institutions, government programs, or tax authorities rather than internal efficiency considerations (Scott, 2014).

In addition, innovation diffusion theory explains adoption as a process influenced by perceived usefulness, ease of use, and compatibility with existing practices (Rogers, 2003). MSMEs are more likely to adopt SAK EMKM when the standards are perceived as simple, beneficial, and aligned with their operational needs. Conversely, limited understanding, perceived complexity, and low relative advantage may hinder adoption among small business owners (Susanto & Meiryani, 2019).

1.1.3. Financial Literacy and MSME Accounting Practices

Financial literacy is widely recognized as a key determinant of accounting behavior in MSMEs. Entrepreneurs with higher levels of financial knowledge are more likely to maintain structured bookkeeping systems and prepare formal financial statements (Lusardi & Mitchell, 2014). Prior studies suggest that low financial literacy among MSME owners leads to informal accounting practices, such as recording only cash inflows and outflows without proper classification of assets, liabilities, and equity (Wise, 2013).

Training, mentoring, and continuous assistance have been shown to significantly improve MSMEs' accounting practices and increase compliance with simplified accounting standards (Aribawa, 2016). Therefore, capacity-building initiatives play a crucial role in supporting the effective implementation of SAK EMKM.

1.2. Empirical Framework

1.2.1. Empirical Studies on MSME Financial Reporting

Numerous empirical studies indicate that MSMEs in developing economies face substantial challenges in preparing standardized financial statements. Research conducted by Sian and Roberts (2009) found that small enterprises often lack formal accounting systems and rely heavily on owner-managed records. Similar findings were reported by Rudiantoro and Siregar (2012), who observed that many Indonesian MSMEs do not prepare complete financial statements in accordance with applicable standards.

Empirical evidence further suggests that MSMEs with better access to accounting education and external support demonstrate higher levels of accounting standard adoption (Nair & Nian, 2017). Business size, owner education, and access to professional assistance are consistently identified as significant factors influencing financial reporting quality.

1.2.2. Challenges in Implementing SAK EMKM

Several studies have examined the implementation of SAK EMKM and identified key barriers to adoption. Research by Putri and Hapsari (2020) indicates that limited accounting knowledge, lack of awareness, and time constraints are major obstacles faced by MSMEs. Additionally, MSME owners often perceive accounting standards as administrative burdens rather than managerial tools, leading to low compliance levels (Suryani & Herianti, 2015).

Despite these challenges, empirical studies also report positive attitudes toward SAK EMKM when adequate guidance and simplified tools are provided. Continuous mentoring programs and collaboration with academic institutions have been shown to improve both adoption rates and financial reporting quality among MSMEs (Arifin et al., 2021).

1.2.3. Research Gap and Conceptual Framework

Although prior studies have extensively examined accounting practices and standard adoption among MSMEs, limited research has focused on community-based MSME clusters, particularly in traditional food and souvenir sectors. Furthermore, existing studies tend to emphasize adoption levels without sufficiently exploring strategic approaches to overcoming implementation barriers at the grassroots level.

This study addresses these gaps by analyzing the challenges and strategies associated with SAK EMKM adoption within the Kios Tape 13 community. The proposed conceptual framework links financial literacy, resource constraints, institutional support, and perceived benefits to the adoption of SAK EMKM and the quality of MSMEs' financial statements. By integrating theoretical perspectives with empirical evidence, this research contributes to the literature on accounting standard adoption and provides practical insights for improving MSME financial reporting in developing economies.

1.3. RESEARCH HYPOTHESES

Based on the theoretical perspectives of institutional theory, innovation diffusion theory, and prior empirical studies on MSME accounting practices, this study proposes the following hypotheses:

H1: Financial Literacy and SAK EMKM Adoption

Financial literacy of MSME owners has a positive influence on the adoption of SAK EMKM in the preparation of financial statements.

Rationale: MSME owners with higher accounting and financial knowledge are more capable of understanding and applying simplified accounting standards, leading to better compliance with SAK EMKM.

H2: Resource Constraints and SAK EMKM Adoption Resource constraints negatively affect the adoption of SAK EMKM among MSMEs.

Rationale: Limited human resources, time constraints, and lack of accounting support reduce MSMEs' ability to implement standardized financial reporting practices.

H3: Perceived Benefits and SAK EMKM Adoption

Perceived benefits of SAK EMKM positively influence its adoption in MSMEs’ financial reporting.

Rationale: MSMEs are more likely to adopt SAK EMKM when they perceive the standards as useful for improving financial transparency, decision-making, and access to external financing.

H4: Institutional Support and SAK EMKM Adoption

Institutional support has a positive effect on the adoption of SAK EMKM among MSMEs.

Rationale: Support from government agencies, academic institutions, and professional organizations facilitates awareness, training, and consistent application of accounting standards.

H5: SAK EMKM Adoption and Financial Reporting Quality

The adoption of SAK EMKM positively affects the quality of MSMEs’ financial statements.

Rationale: Implementation of standardized accounting practices enhances the accuracy, comparability, and reliability of financial information.

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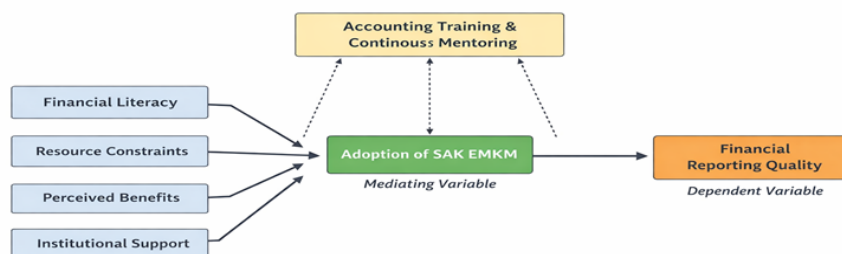


Figure 1. Research Framework

1.4. RESEARCH METHODOLOGY

2.4.1 Research Design

This study adopts a qualitative descriptive approach using a case study design to explore the adoption of Financial Accounting Standards for Micro, Small, and Medium Enterprises (SAK EMKM) in the preparation of financial statements among MSMEs in the Kios Tape 13 community. A qualitative approach is considered appropriate as it allows for an in-depth understanding of accounting practices, perceived challenges, and strategic efforts within a specific socio-economic context. The case study design enables the researcher to examine real-world practices and contextual factors that influence accounting standard adoption at the community level.



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2.4.2. Research Site and Participants

The research was conducted in the Kios Tape 13 community, a cluster of MSMEs engaged in traditional food production and souvenir retailing. This community was selected due to its economic relevance and its representation of typical MSME characteristics in Indonesia. The research participants consisted of MSME owners or managers who are directly responsible for financial record-keeping and business decision-making. Participants were selected using purposive sampling to ensure that informants possessed adequate knowledge of their business operations and accounting practices.

2.4.3. Data Collection Methods

Primary data were collected through semi-structured interviews, direct observation, and documentation review. Semi-structured interviews were conducted to obtain insights into MSME owners' understanding of SAK EMKM, existing financial reporting practices, perceived challenges, and expectations regarding accounting standards. Direct observation was employed to examine actual bookkeeping processes and financial record-keeping activities. Documentation analysis involved reviewing available financial records, such as cash books, sales records, expense logs, and any existing financial statements prepared by the MSMEs. Secondary data were obtained from relevant regulations, accounting standards issued by professional bodies, prior research articles, and official reports related to MSME development and financial reporting.

2.4.4. Data Analysis Techniques

Data analysis was conducted using a qualitative thematic analysis approach. Interview transcripts, observation notes, and documents were systematically coded to identify recurring patterns and themes related to SAK EMKM adoption. The analysis followed three stages: data reduction, data display, and conclusion drawing. Themes were developed around key issues such as accounting knowledge, resource constraints, perceived benefits, and implementation strategies. To enhance the credibility of the findings, data triangulation was applied by comparing information obtained from different data sources and methods. The results were then interpreted in light of relevant theoretical frameworks and empirical findings from previous studies.

2.4.5. Research Validity and Ethical Considerations

Validity and reliability were ensured through triangulation, member checking, and careful documentation of the research process. Participants were informed about the purpose of the study, and their consent was obtained prior to data collection. Confidentiality and anonymity of participants were maintained by using pseudonyms and aggregating findings. Ethical research principles were strictly observed throughout the study.

2. RESULTS AND DISCUSSION

2.1. Results

The findings of this study indicate that the adoption of Financial Accounting Standards for Micro, Small, and Medium Enterprises (SAK EMKM) among MSMEs in the Kios Tape 13 community remains at a relatively low level. Most MSME actors have not fully implemented

SAK EMKM in the preparation of their financial statements. Financial records are generally limited to simple cash inflow and outflow notes, without systematic classification of assets, liabilities, equity, revenues, and expenses in accordance with SAK EMKM requirements.

The results show that **financial literacy** plays a significant role in influencing SAK EMKM adoption. MSME owners with basic accounting knowledge tend to maintain more structured financial records and demonstrate greater awareness of the importance of standardized financial statements. In contrast, MSMEs with low financial literacy rely heavily on informal bookkeeping practices.

Resource constraints were identified as a major barrier to adoption. Limited human resources, time constraints, and the absence of dedicated accounting personnel hinder MSMEs' ability to implement SAK EMKM consistently. Many respondents reported prioritizing operational activities over financial reporting due to business survival considerations.

The study also reveals that **perceived benefits** positively influence MSMEs' willingness to adopt SAK EMKM. Respondents who recognized the usefulness of standardized financial statements for decision-making, business evaluation, and access to financing showed a stronger intention to implement SAK EMKM, although practical limitations often prevented full adoption.

Furthermore, **institutional support**, such as training programs and mentoring, was found to be limited within the Kios Tape 13 community. MSMEs that had previously participated in accounting training or received assistance from academic institutions demonstrated relatively better financial reporting practices.

Overall, the findings support the proposed conceptual framework, in which financial literacy, resource constraints, perceived benefits, and institutional support influence the adoption of SAK EMKM, which in turn affects financial reporting quality.

2.2. Discussion

The findings of this study reinforce prior empirical evidence indicating that MSMEs in developing economies face significant challenges in adopting standardized accounting frameworks. The low level of SAK EMKM adoption observed in the Kios Tape 13 community is consistent with previous studies reporting limited compliance with simplified accounting standards due to inadequate accounting knowledge and resource constraints.

The positive relationship between financial literacy and SAK EMKM adoption supports the arguments of innovation diffusion theory, which emphasizes the role of knowledge and perceived ease of use in the adoption process. MSME owners with higher financial literacy are more capable of understanding accounting concepts and recognizing the value of standardized financial reporting, thereby increasing their likelihood of adopting SAK EMKM.

Resource constraints emerged as a critical inhibiting factor, aligning with institutional theory, which suggests that organizations with limited capacity often struggle to comply with formalized practices. The findings indicate that, despite regulatory encouragement, MSMEs may not prioritize accounting standard adoption without sufficient resources and external pressure. The influence of perceived benefits on adoption highlights the importance of demonstrating the practical advantages of SAK EMKM to MSME actors. When accounting standards are perceived as tools for business improvement rather than administrative

burdens, MSMEs show greater openness to adoption. This finding underscores the need for practical and context-specific accounting guidance.

Institutional support was found to play a facilitating role, although its presence was limited in the study context. MSMEs that received training and mentoring exhibited better financial reporting practices, supporting previous research that emphasizes the importance of continuous assistance in sustaining accounting standard adoption.

Finally, the study confirms that the adoption of SAK EMKM contributes to improved financial reporting quality. MSMEs that applied SAK EMKM more consistently demonstrated clearer financial structures, better documentation, and more reliable financial information. These improvements enhance financial transparency and provide a stronger foundation for decision-making and external evaluation.

3. CONCLUSION AND POLICY IMPLICATIONS

3.1. Conclusion

This study examines the adoption of Financial Accounting Standards for Micro, Small, and Medium Enterprises (SAK EMKM) in the preparation of financial statements among MSMEs in the Kios Tape 13 community. The findings indicate that the level of SAK EMKM adoption remains relatively low, with most MSMEs relying on informal and simple bookkeeping practices rather than standardized financial reporting. The absence of structured financial statements limits the usefulness of accounting information for managerial decision-making and external evaluation.

The study identifies financial literacy, perceived benefits, and institutional support as key factors that positively influence the adoption of SAK EMKM. Conversely, resource constraints, including limited human resources and time availability, significantly hinder effective implementation. The results also confirm that the adoption of SAK EMKM contributes to improved financial reporting quality, enhancing transparency, reliability, and comparability of financial information. These findings highlight the mediating role of SAK EMKM adoption in linking organizational capabilities and external support to financial reporting outcomes.

Overall, this research contributes empirical evidence on accounting standard adoption at the community level and reinforces the importance of simplified accounting frameworks in strengthening MSME financial management in developing economies.

3.2. Policy Implications

The findings of this study provide several important policy implications for stakeholders involved in MSME development. First, policymakers and regulatory bodies should prioritize financial literacy enhancement programs tailored to MSMEs, focusing on practical and easily applicable accounting practices aligned with SAK EMKM. Training initiatives should emphasize the managerial benefits of standardized financial reporting rather than compliance alone.

Second, institutional support mechanisms need to be strengthened through continuous mentoring, technical assistance, and collaboration between government agencies, academic

institutions, and professional accounting bodies. Short-term training programs should be complemented by follow-up assistance to ensure sustainable adoption of SAK EMKM.

Third, the development of simplified accounting tools and templates based on SAK EMKM can reduce the burden of implementation for MSMEs with limited resources. Digital and manual bookkeeping applications designed for MSMEs may further facilitate adoption.

Finally, financial institutions and MSME support agencies are encouraged to align financing requirements with SAK EMKM-based financial statements, thereby creating incentives for MSMEs to adopt standardized accounting practices. Such alignment can strengthen MSMEs' access to formal financing while improving the overall quality of financial reporting within the MSME sector.

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