

THE ROLE OF ACCOUNTING RECORD-KEEPING IN IMPROVING ACCESS TO SME FINANCING

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ABSTRACT

Micro, small, and medium enterprises (MSMEs) play a strategic role in the economy, but still face major obstacles in obtaining access to financing from financial institutions. One factor contributing to this limitation is the poor quality of accounting records kept by MSME operators. This study aims to analyse the role of accounting records in improving MSME access to financing. The research method used is a qualitative approach with data collection techniques through interviews, observation, and documentation of MSME actors. The results show that good accounting records can increase transparency, accountability, and business credibility, thereby making it easier for MSMEs to meet financing requirements. Systematically compiled financial reports help business actors understand their financial condition, manage cash flow, and provide a basis for financial institutions to consider granting credit. In addition, the implementation of simple accounting records has been proven to increase the confidence of banks and financing institutions in the feasibility of MSME businesses. The implications of this research confirm that improving accounting literacy and providing financial record-keeping assistance to MSMEs are important factors in expanding access to financing. Therefore, support from the government, financial institutions, and business mentors is needed to encourage the implementation of effective and sustainable accounting practices in MSMEs.

Keywords: Accounting Records, MSME Financing

Introduction

The development of Micro, Small and Medium Enterprises (MSMEs) plays an important role in a country's economy. MSMEs play a role in everyday life by creating jobs, empowering financial development and accelerating income distribution through business. The improvement of MSMEs is applicable in Indonesia, given the business structure that has been created in Indonesia, which was established based on the presence of small and medium enterprises. MSME accounting is accounting carried out by MSMEs, which is related to accounting standards for micro, small and medium enterprises. MSME accounting is very helpful in MSMEs' efforts to move up the ranks. MSMEs play an important role in improving the regional and national economy. MSMEs have an important role in supporting economic growth, creating jobs and creating a balanced market. Moreover, MSME businesses create competition and can increase company productivity. As a means of equalising the economic level of small communities, MSMEs play a role in equalising the national

economy because they are located in different places. MSMEs even reach remote areas so that people do not need to go to the city to earn a living. The eradication of MSME poverty plays a role in poverty alleviation because the level of labour absorption is relatively high.

The implementation of the ASEAN Economic Community (AEC) provides opportunities for business actors to compete and develop MSMEs in a sustainable manner, thereby creating highly competitive products and robust, high-quality management (Asean-Indonesia, 2020) (Syukrina, V., & Janros, E 2018). One measure of business success and prosperity is how well the business survives in a competitive environment (Ardila, I & Christiana, I, 2020). The limitations that prevent MSMEs from implementing accounting are educational background, the lack of accounting training, and the perception that accounting is unnecessary. The impact of SMEs not preparing financial statements is that it will be difficult to develop a business. No matter how small the business is, good financial statements should be prepared. This is useful for calculating the amount of loss and profit in the business, so that business actors can take the right steps to develop their business. The losses that occur include not knowing the business losses, difficulty in developing the business, and not knowing the assets owned.

Accounting is a systematic process of identifying, recording, classifying, and presenting business financial transactions. In MSMEs, accounting is usually done in a simple manner, but it still serves as the basis for preparing financial statements such as income statements, balance sheets, and cash flow statements. In the Indonesian context, MSME accounting practices largely refer to standards such as those of the Indonesian Institute of Accountants through the SAK EMKM (Financial Accounting Standards for Micro, Small and Medium Entities) guidelines.

Based on interviews conducted in January 2026 with several MSME actors in the Sambas sub-district area, it was found that MSMEs do not have financial reports at all and do not keep accounting records, and there are also MSME actors who have kept accounting records but not in the form of MSME records. From the results of the survey conducted by the researcher, there are still many MSME actors in East Medan who do not keep financial records. Transaction recording is a form of bookkeeping, either manually or digitally, of all financial activities. Not keeping records will affect business growth, as it is difficult for them to obtain credit or loans due to an unclear bookkeeping framework, as it requires a long investment to collect evidence showing that their business is financially sound in order to be granted credit. Moreover, they need funds to develop their business in order to maintain their business. MSMEs need to handle this positively and wisely, understand the problems in bookkeeping or record-keeping, and assess their competitors so that their businesses can grow.

The phenomenon found in many MSMEs in Sambas Subdistrict is that they have not implemented accounting records such as standardised accounting. As a result, many MSME players have discrepancies between their income and expenditure. In fact, according to Government Regulation of the Republic of Indonesia Number 17 of 2013 Article 49 concerning the implementation of Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises, it is stipulated that "In the context of guidance and supervision as referred to in Article 48, Traders must operate their businesses in accordance with their business licences, comply with business licence regulations, prepare business accounts, and operate their businesses within a certain period after the business licence is granted, in accordance with the law and regulations. The explanation of what is meant by 'business activity bookkeeping' includes financial reports that separate business assets from non-business assets. Although the regulations on business activity bookkeeping are clear, in reality, many MSME players still do not carry out their bookkeeping in accordance with accounting standards.

Method

This study utilises a descriptive qualitative approach. This approach was chosen to gain an in-depth understanding of how accounting records are implemented by MSME actors and their role in improving access to financing. Qualitative research allows researchers to explore the experiences, perceptions, and actual practices of business actors.

The type of research used is field research, focusing on the phenomena of accounting records and MSME access to financing.

Result and Discussion

The results of the study show that most MSMEs have implemented financial recording, but still in a simple form such as recording income and expenses. MSMEs that implement more comprehensive accounting records are able to compile financial reports in the form of profit and loss statements, financial position statements, and cash flow statements in accordance with the SAK EMKM guidelines published by the Indonesian Institute of Accountants.

The research findings show that: 1) MSMEs with good accounting records find it easier to meet financing administration requirements. 2) Financial institutions use financial statements as the basis for analysing business feasibility. 3) MSMEs that have financial statements have a greater chance of obtaining financing approval than MSMEs without records. 4) Accounting records help business owners demonstrate income stability and ability to pay.

In addition, the use of digital records (simple accounting applications) is beginning to improve the quality of MSME financial information.

Accounting Records Enhance the Credibility of MSMEs

Accounting records generate transparent financial information, thereby increasing the trust of financing institutions. Financial reports serve as objective evidence of business performance and reduce uncertainty in credit assessments.

This shows that accounting records function as a signal of business quality (signalling theory), whereby MSMEs that maintain records are considered more professional and worthy of financing.

Recording as the Basis for Financing Feasibility Analysis

Financial institutions use financial statements to assess: Business profitability, Cash flow and ability to pay, Income stability and Business cost structure. Without record keeping, the analysis process becomes limited, making access to financing more difficult to obtain.

The Impact of SME Accounting Standards on Access to Finance

The implementation of standards such as SAK EMKM makes it easier for MSMEs to compile more structured financial reports. This speeds up the financing document verification process because the report format is easier for banks and other financing institutions to understand.

Thus, accounting standards serve as a bridge between MSMEs and formal financing institutions.

Obstacles to Accounting Record-keeping Implementation

Despite its important role, the study found several obstacles: MSME actors still have low accounting literacy, Record-keeping is inconsistent, Record-keeping is perceived as complicated, Limited time and resources and Lack of assistance.

These obstacles mean that many MSMEs have not optimised the use of record-keeping to obtain financing.

Implications for Access to Finance

The results of the study confirm that accounting records have a positive relationship with access to MSME financing. The better the quality of the records, the greater the chances of MSMEs obtaining formal financing from banks, cooperatives, and other financial institutions.

Records also increase the readiness of MSMEs to participate in government financing programmes and data-based credit assessments. Overall, accounting records serve not only as an administrative tool, but also as a strategic instrument in increasing access to financing. Good record-keeping increases transparency, strengthens credibility, and facilitates the business feasibility analysis process. Therefore, improving accounting literacy and assisting MSMEs are important factors in expanding access to financing.

Ernawati, et al. (2016) found that accounting is important for MSMEs. Accounting can also provide reports on ongoing financial activities, which will provide a basis for strategic decision-making regarding the development of business units. Factors that can increase MSME actors' understanding of accounting for their businesses are coaching and development by the government, the business world, and the community through coaching and guidance to foster and improve the accounting capabilities of MSMEs so that MSME actors are more aware of the benefits and uses of accounting for their businesses. This form of guidance is intended to accelerate the partnership process between MSMEs and large businesses, requiring special media in an effort to promote the products produced. In addition, training is also needed for MSMEs in the aspects of entrepreneurship, management, administration, and knowledge and skills in business development. The objectives of SME development are to increase market access and market share, improve access to capital sources and strengthen capital structure, enhance organisational and management capabilities, and improve access to and mastery of technology. Furthermore, a high level of education can also increase SME players' understanding of accounting.

Conclusion

Accounting records play an important role in improving access to financing for MSMEs. Systematic record-keeping can produce transparent, accountable, and reliable financial reports, making it easier for businesses to meet the requirements of financial institutions. Financial reports also help MSMEs understand their business conditions, manage cash flow, and plan business development more accurately. With good accounting records, the credibility of MSMEs in the eyes of banks and financing institutions increases, thereby increasing their chances of obtaining credit or business capital. Therefore, improving accounting literacy, training, and financial record-keeping assistance for MSME players are important steps to expand access to financing and encourage business sustainability.

Through systematic recording, MSMEs can compile transparent financial reports, increase the trust of financial institutions, and increase their chances of obtaining financing. Therefore, the implementation of simple accounting records in

accordance with standards is an important factor in strengthening the financial capacity of MSMEs.

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