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THE RELATIONSHIP BETWEEN MSME FINANCIAL REPORTING AND ACCOUNTING TRAINING FOR MSME's

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ABSTRACT

Effective financial management for Micro, Small, and Medium Enterprises (MSMEs) is highly dependent on the preparation of quality financial statements. In an increasingly competitive business environment, accurate and transparent financial reports are crucial for business continuity and development. Accounting training is essential for improving the capability of MSME actors to prepare timely and accurate financial reports4. This literature review aims to identify the relationship between MSME financial reporting and accounting training based on relevant recent studies. By analyzing previous research, this review seeks evidence supporting the benefits of accounting training in enhancing financial report preparation skills, identifying best practices, and proposing strategies for improving the quality of MSME financial statements.

Keywords: *Financial report, Medium Small Micro enterprises, Accounting Training*

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INTRODUCTION

The preparation of effective financial statements is a crucial factor in the financial management of Micro, Small, and Medium Enterprises (MSMEs). In a competitive business landscape, accurate and transparent financial reports are vital for business continuity and growth. Financial statements serve not only as a tool for monitoring financial health but also as a foundation for strategic decision-making that can influence the direction and future of the company. Clear and detailed reports enable business owners to analyze financial performance, identify potential risks, and plan necessary steps to achieve short-term and long-term goals.

Accounting training plays a significant role in enhancing the ability of MSME actors to prepare accurate and timely financial statements. Adequate knowledge of accounting principles allows MSME actors to manage financial transactions more efficiently and understand components like the balance sheet, income statement, and cash flow statement. This knowledge helps them comply with regulations and increases trust from stakeholders, including investors, creditors, and customers.

According to data from the Ministry of Cooperatives and SMEs, approximately 60% of MSMEs in Indonesia struggle to prepare financial reports that meet established standards. This significant figure highlights an urgent need for more intensive and comprehensive training for MSME actors. Accounting training can cover various aspects, from basic accounting understanding to more complex financial reporting techniques. It is expected that by improving accounting skills and knowledge, MSME actors will be able to overcome the challenges they face in financial management.

This research is important because it addresses a critical challenge faced by Micro, Small, and Medium Enterprises (MSMEs) in Indonesia: the struggle to prepare financial reports that meet established standards. Approximately 60% of MSMEs in Indonesia face this difficulty, highlighting an urgent need for more intensive and comprehensive accounting training.

The study aims to identify the relationship between MSME financial reporting and accounting training, seeking evidence to support the benefits of such training in enhancing financial report preparation skills. By analyzing previous research, it seeks to identify best practices and propose strategies to improve the quality of MSME financial statements. Ultimately, this review is intended to contribute positively to the

development of MSMEs in Indonesia and encourage more inclusive and sustainable economic growth

LITERATURE REVIEW

1. Importance of Financial Statements for MSMEs

Financial statements are a crucial aspect of business management, particularly for MSMEs. Their primary function is to serve as a tool for accurate and directed business planning and decision-making. In a dynamic and uncertain business environment, owners need precise and current information to make wise decisions for the continuity and growth of their businesses. For MSMEs, well-structured financial statements provide deep insights into cash flow, profitability, and financial position.

With clear financial statements, business owners can easily monitor incoming and outgoing cash flow and understand the extent to which their business generates profit. This also helps identify areas needing attention, such as unnecessary expenditures or potential revenue increases.

There is a growing demand from financial institutions for reliable financial statements, driven by increased awareness of the importance of transparency and accountability in MSME management. These institutions are now more selective in providing loans to MSMEs9, expecting proof that business owners have a good understanding of their financial condition. This creates an incentive for MSME owners to seriously prepare and maintain accurate and regular financial statements.

A study by Susanto and Rahmawati (2022) supports this, showing that approximately 75% of MSMEs with well-organized financial statements can access bank loans, compared to only 30% of MSMEs without good financial statements who can access such financing. This data illustrates the crucial role of financial statements in opening up opportunities for MSMEs to obtain the necessary capital for business development and market competitiveness. Therefore, financial statements are not just administrative documents but strategic tools that enhance business performance and sustainability. In the digital era, MSMEs are also increasingly encouraged to utilize information technology for more efficient and accurate financial reporting to adapt quickly to market changes and meet stakeholder expectations.

2. The Role of Accounting Training

Accounting training is considered a highly effective solution for addressing the lack of accounting knowledge among MSME actors, who often face limitations in resources and access to formal education. Many training programs have been specifically designed to improve the understanding of essential basic accounting principles for MSMEs, enabling them to run their businesses more efficiently and transparently. These programs cover both theory and relevant practical application for the daily needs of MSME actors. For example, programs held by government agencies and non-governmental organizations have proven effective in improving these accounting skills. Participants are introduced to various accounting aspects, from simple transaction recording to preparing complete financial statements.

A better understanding of accounting enables MSME actors to make smarter and more informed business decisions. Research by Sari and Pramono (2021) showed that MSME actors who participated in accounting training demonstrated a significant increase in their ability to prepare financial statements. Data indicated that the average exam score of participants increased from 60 to 85 after training, reflecting improved knowledge and increased confidence in managing their business finances. With enhanced accounting skills, MSME actors can not only manage their business finances better but also communicate more effectively with stakeholders, including capital providers, government, and customers. A strong understanding of accounting also contributes to the sustainability and growth of their business. Investing in accounting training for MSME actors is a strategic step that offers short-term benefits and supports broader economic development by empowering individuals and communities.

3. Implementation of Technology in Financial Reporting

The use of user-friendly accounting software to facilitate financial reporting is increasing among MSMEs. Rapid technological development offers significant opportunities for MSMEs to optimize their financial management processes. Technology allows MSMEs to automate transaction recording and financial statement preparation, which increases efficiency and reduces the possibility of human errors often occurring in manual financial data processing.

The trend of digitalization in MSME financial management has gained attention, particularly following the COVID-19 pandemic. The pandemic forced many business actors to adopt new ways of operating, including utilizing modern accounting software. This created both challenges and opportunities for MSMEs to transform and use technology as a tool for managing finances, increasing transparency, and simplifying financial analysis.

A report by PwC (2022) provided insights into the positive impact of adopting accounting technology. According to the report, 45% of MSMEs that adopted accounting technology experienced increased efficiency in their financial management. This figure suggests that using the right software not only speeds up processes but also allows entrepreneurs to focus more on business development. Intuitive and easy-to-use features also help MSME actors better understand and manage their financial reports, which aids in better decision-making.

In addition to efficiency, using accounting software provides better accessibility to financial data. Cloud-based systems enable MSME actors to easily access financial information from anywhere, anytime, provided they have internet access. This is vital in the digital era where mobility and flexibility are key to business success. Technology leads to more accurate and organized financial reports and the ability to respond quickly to dynamic market changes and business needs. Increased technology adoption in financial management is expected to help more MSMEs compete and survive in the increasingly competitive market.

RESEARCH METHOD

This literature study analyzed various articles and published research in leading academic journals in accounting and financial management. The document states that the literature study analyzed various articles and published research in "leading academic journals in accounting and financial management". However, it does not specify the exact journal titles or search engine databases used for this research. The keywords used for this literature review are "Financial report, Medium Small Micro enterprises, Accounting Training".

The study aimed to explore and understand the relationship between accounting training and the preparation of good financial statements in various

organizations, especially MSMEs. The methods used included qualitative analysis and in-depth case studies.

Qualitative Analysis: This method focused on a deep understanding of findings from relevant studies. Researchers collected data from various literature sources and evaluated the effectiveness of implemented accounting training programs. This approach aimed to explore how accounting training influences the quality of financial report preparation. The findings from this qualitative analysis are expected to provide significant insights into factors affecting training success and the challenges faced by participants in applying the knowledge gained.

Case Studies: The study also presented specific case studies of MSMEs that had participated in accounting training. These case studies provided real-world illustrations of the positive impact of accounting training. For example, a study by Yulianti (2021) showed that MSMEs participating in a six-month accounting training program significantly improved the quality of their financial reports. This improvement was not limited to the technical aspects of report preparation but also boosted the trust of customers and suppliers. With more transparent and accurate financial reports, these MSMEs successfully attracted more customers and established better relationships with their business partners.

By combining these two methods, the study aimed to provide a comprehensive overview of the importance of accounting training in improving the quality of financial reports. The results of this literature study are expected to contribute to the development of more effective and relevant accounting training practices for MSMEs in the future. Furthermore, the recommendations from this research can serve as a guide for policymakers and educational institutions in designing training programs that align with real-world needs.

RESULT AND DISCUSSION

1. Positive Relationship between Accounting Training and Financial Statement Quality

Research indicates that MSMEs actively participating in accounting training tend to have better financial statement quality compared to those that do not. This

highlights the importance of education and training in improving the managerial capacity and financial understanding of MSME actors.

A study by Ardiansyah and Sari (2022) revealed significant findings regarding the impact of accounting training on the quality of MSME financial statements. Approximately 80% of MSMEs that underwent accounting training reported feeling more confident in preparing their financial statements. Increased confidence is crucial because it affects the business decisions made by entrepreneurs, especially in financial management, which is the foundation of business continuity.

The study also found that 70% of trained MSMEs experienced increased accuracy in the financial statements they prepared. This improved accuracy indicates better ability to record and report financial transactions, contributing to better decision-making based on valid financial data. Well-educated MSMEs in accounting are better able to manage resources, plan appropriate business strategies, and ultimately increase market competitiveness.

The research results clearly show that accounting training not only enhances the technical skills of MSME actors but also positively impacts their confidence and ability to manage financial reports. Therefore, it is essential for the government, educational institutions, and non-governmental organizations to continue supporting and facilitating such training to help MSMEs develop their capabilities. This is expected to enable MSMEs to grow sustainably and contribute more significantly to the national economy.

2. Influence of Training on Decision Making

Accounting training plays a vital role in enhancing the ability of MSME actors to make better and more accurate decisions based on reliable financial information. In an increasingly competitive business environment, a deep understanding of financial aspects is a necessity for MSME actors. Equipped with adequate accounting knowledge, they can evaluate their company's financial condition more effectively, enabling strategic and growth-oriented decisions.

According to research by Hidayati and Ningsih (2021), MSME actors who participated in accounting training programs reported several significant benefits. A key finding was that participants felt more confident in identifying potential financial issues in their businesses92. For example, they could more easily detect unusual

spending trends and identify areas where costs could be reduced to improve profitability.

Accounting training also provided MSME actors with skills for planning more effective business strategies. With a better understanding of financial statements, such as the balance sheet and income statement, they could make more accurate projections regarding their future business performance. This helps them better manage budgets and make smarter investment decisions, whether for purchasing equipment, developing new products, or marketing.

Furthermore, the training provides MSME actors with a better understanding of taxation and other financial obligations. With improved accounting knowledge, they can ensure compliance with tax regulations, avoid legal issues, and maximize opportunities to receive incentives or government support. Overall, accounting training positively impacts individual MSME actors and contributes to improving the overall performance of the MSME sector in a country. Thus, investing in accounting training can be viewed as a strategic step providing long-term impact on the growth and sustainability of small and medium enterprises in Indonesia.

3. Challenges in Training Implementation

Several studies have identified significant challenges in implementing training, particularly for MSME actors. A major challenge is the limitation of time and cost, which acts as a barrier for many MSMEs to participate in important training programs.

For example, research by Kusnadi (2022) revealed that many MSME actors find it difficult to spare time to attend accounting training. This is due to the continuous demands of running their businesses, where they must directly manage and oversee various operational aspects. Most MSME actors face daily demands that consume time and energy, often forcing them to neglect opportunities to improve skills through training.

This challenge is exacerbated by cost factors. Many MSMEs operate on very limited budgets, so allocating funds for training is often considered a low priority compared to pressing needs like purchasing raw materials, paying employee salaries, or maintaining business equipment. Consequently, they tend to focus on activities that directly contribute to business continuity, even though the lack of adequate knowledge and skills may hinder their business growth and competitiveness in the long term.

This situation highlights the need for more flexible and affordable training approaches that can reach various MSME actors without excessively burdening them. Initiatives such as providing online training accessible anytime and anywhere, or subsidizing training costs for less fortunate MSME actors, could be solutions to facilitate their capacity building. This is expected to enable MSME actors to more easily develop their competencies without sacrificing limited time and resources.

4. Perception of MSME Actors toward Accounting Training

Research shows that many MSME actors feel significant benefits from the accounting training provided to them. This reflects a growing awareness among MSME actors of the importance of good financial management in running their businesses. Nevertheless, there is still doubt regarding the effectiveness of the training offered.

A survey by Puspita (2021) indicated that 65% of MSME actors felt the training was very helpful in increasing their understanding of accounting. However, the data also revealed that only 40% felt the training material was relevant and appropriate to the specific needs of their business. This demonstrates a gap between the knowledge gained through training and practical application in their business context.

Many MSME actors stated that while they learned basic accounting principles, the training often did not cover the specific and complex aspects of their business. For example, the challenges faced by MSMEs in the food sector may differ from those in the fashion sector. Therefore, training that is more targeted and tailored to the particular needs of each business type is crucial to increase the effectiveness of existing accounting training programs.

It is also important to evaluate the training curriculum to be more responsive to industry changes and the needs of MSME actors. This includes providing mentors or trainers who understand accounting theory and have practical field experience. This will help MSME actors relate the theory learned to their daily business practices, enabling them to apply accounting knowledge more effectively and efficiently. Active involvement from the government and non-governmental organizations is also necessary to design training programs that can provide added value for MSME actors, enabling them to compete and adapt to dynamic market changes.

5. Impact of Technology on Financial Reporting

The use of technology in financial reporting has become a significant innovation in the digital era. Adopting various tools and software accelerates the financial reporting process and reduces the possibility of errors often caused by human factors. This is particularly relevant for MSME actors who often have limited resources but require accuracy and speed in their financial reporting.

A study by Setiawan and Rini (2021) showed that MSMEs utilizing accounting software reduced the time spent preparing financial reports by up to 50%. In other words, technology helps speed up the process and allows business owners to focus on other aspects of their business, such as product development and customer service. Additionally, accounting software supports more structured and organized data management, allowing easier and faster access to financial information.

Furthermore, the study noted that errors in financial reports significantly decreased when technology was used. Errors typically caused by inaccuracies in manual recording, incorrect calculations, or neglect of proper accounting procedures can be minimized through automated systems. This is crucial because accurate financial reports are a vital foundation for sound business decision-making. With more accurate and reliable reports, MSMEs can conduct better performance analysis and formulate more effective business strategies.

Moreover, the use of technology in financial reporting contributes to transparency and accountability. The implementation of digital systems allows business actors to provide clearer and more easily understandable information to owners, investors, and other stakeholders. Therefore, the use of technology in financial reporting positively impacts efficiency and accuracy, and overall business well-being and growth. This makes technology a valuable tool for MSMEs amid intense market competition.

CONCLUSION AND SUGGESTION

Conclusion

Good financial management is very important for the growth and survival of Micro, Small, and Medium Enterprises (MSMEs). This review emphasizes the need for clear financial statements, which help in making better decisions and getting funds.

Training in accounting is essential as it helps MSME owners learn to create accurate financial reports. This training boosts their understanding of finances and improves their decision-making skills. Additionally, using technology like accounting software can make financial reporting easier and reduce mistakes. While there are challenges like costs and time for training, MSME owners generally see the value in accounting training.

Suggestions

To improve the quality of financial reporting in MSMEs and support their growth, here are some suggestions:

1. Tailored Accounting Training: Create training programs that meet the specific needs of different types of MSMEs (like food, fashion, or services). This ensures the training is relevant and effective.
2. Flexible Training Delivery: Offer flexible training options, such as online courses and short workshops, to accommodate busy schedules. Organizations can also help by lowering training costs for those who need it.
3. Practical Mentorship: Introduce mentorship programs where experienced accountants help MSME owners apply what they learn in real situations. This helps connect training with practical use.
4. Support Technology Adoption: Encourage MSMEs to use simple accounting software by providing initial training and ongoing help. This support will help them integrate new tools into their financial practices.
5. Policy Support and Incentives: Government policymakers should offer incentives like tax benefits or easier access to loans for MSMEs that invest in accounting training and technology. This would encourage more businesses to improve their financial practices. By following these suggestions, MSMEs in Indonesia can enhance their financial management, become more competitive, and contribute more significantly to the country's economy.

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