

Strategies to Optimize SME Financial Records through Training on Systematic Accounting Procedures in Villages

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Abstract— This research was conducted in Kota Pari Village, Pantai Cermin Sub-district, North Sumatra, to examine financial recording by SMEs. The purpose of this study is to analyze the way financial records are made by SMEs, identify the reasons for not applying systematic accounting procedures, and formulate strategies in overcoming financial recording problems. Primary data collection is done through interviews, observation, and documentation with qualitative analysis methods. Factors considered include perception, motivation, financial literacy, and the contribution of universities. The results showed that the financial records of SMEs are still very simple and not in accordance with systematic accounting procedures. The recording process is done manually only includes receipts and expenses. The main cause of this is the perception of SMEs that accounting bookkeeping is not important, as well as low financial literacy related to education level. The role of universities has also not been optimal in providing socialization and training. Suggested solutions include continuous training and mentoring until businesses are able to meet the required recording standards.

Keywords: Systematic accounting procedures, SMEs, Perception, Motivation, Financial literacy

I. INTRODUCTION

Kota Pari Village in Pantai Cermin Sub-district, North Sumatra, is a marine tourism destination with economic potential through various micro, small and medium enterprises (MSMEs), such as brown sugar production, kecepe shrimp, and mangrove ecotourism. Despite this great potential, MSME players in this village face obstacles in implementing a structured financial recording system. Many MSME players only record expenses and income manually in simple books or do not record at all, which results in a lack of accuracy in their financial management. One of the main causes of this problem is the low understanding and motivation of MSME players in carrying out correct accounting procedures. Businesses often feel that recording according to accounting standards is not important, especially since their businesses are considered small-scale. This is also exacerbated by low levels of financial literacy, where most MSMEs do not understand the importance of

separating personal and business assets, and are not aware of appropriate accounting standards such as SAK EMKM that apply to MSMEs.

The government and universities have conducted some training and socialization on basic accounting for MSMEs, but these activities have not been implemented in a sustainable and in-depth manner. As a result, business owners' understanding of accounting is not optimal, making it difficult for them to grow and facing challenges in accessing financing from financial institutions. This study aims to identify inhibiting factors in the implementation of systematic accounting procedures and suggest resolution strategies, such as regular training and mentoring, so that MSMEs can achieve the expected standard of financial recording.

II. LITERATUR REVIEW

A. Village enterprises

Village enterprises are various economic activities managed by the village community or village government to improve the welfare of the community, create jobs, and utilize the potential of local resources. These village businesses can be in the form of various types of economic activities that aim to support the economy of rural communities and utilize the natural resources, culture, and local wisdom that exist in the village. The types of village enterprises can vary greatly, from agriculture, livestock, to tourism and handicrafts, depending on the potential of the village itself.

Village businesses have several characteristics that make them different from businesses in urban areas, including:

1. Based on local potential: Village businesses usually utilize natural resources, local wisdom, and economic potential in the village.



2. Small to medium scale: Many village enterprises operate on a small scale and start with limited capital.
 3. Jointly managed: Many village enterprises, especially cooperatives, are jointly managed by the village community, so that the results can be enjoyed by all members.
 4. Oriented to local community needs: Village enterprises often aim to meet the daily needs of villagers or improve the living standards of villagers.
 5. Have a social impact: Village enterprises play a role in creating jobs, increasing community income, and maintaining togetherness and harmony among villagers.
5. Trial Balance.
 6. The trial balance is prepared by summing up the balances of all the accounts in the ledger to ensure that the debit and credit amounts are balanced. If there are any imbalances, a double check of the records is performed to find and correct the errors.
 - Trial Balance Before Adjustment: Prepared before final adjustments are made to check the accuracy of the balances.
 - Trial Balance After Adjustment: Compiled after all adjustments have been recorded, used to prepare financial statements.
 7. Adjusting Entries.
 8. Adjustments are made at the end of the accounting period to record income and expenses that have not been or should have been recorded in accordance with the *accrual basis of* accounting. These adjustments are important so that the financial statements reflect the actual financial situation.

B. Systematic accounting procedures

Systematic accounting procedures are a structured series of steps to record, classify, and present financial transactions consistently, accurately, and regularly so as to produce reliable financial statements. These procedures ensure that all transactions that occur in an entity are recorded in accordance with applicable accounting principles and assist interested parties, such as owners, management, or government, in making decisions based on these financial statements.

Steps in Systematic Accounting Procedures

1. Recording Transactions
2. All financial transactions are recorded chronologically in *journals* (both general and special journals) in a certain format. Each transaction must have supporting evidence, such as invoices, notes, or receipts. Recording is done using the appropriate recording method (for example, the *double-entry* method) to keep the financial position balanced.
 - General Journal: Used to record transactions that do not occur frequently or are not included in special journals, such as adjustments or fixed asset transactions.
 - Special Journal: Used for routine transactions, such as sales, purchases, cash receipts and disbursements.
3. Classification of Transactions into the Ledger (Posting to Ledger)
4. After being recorded in the journal, transactions are then transferred to the *ledger* according to the accounts affected. Each account has its own place in the ledger, and this process helps categorize transactions by type, such as cash, receivables, inventory, or payables.
 - *General Ledger*: Contains all the major accounts that reflect financial position, such as assets, liabilities, equity, income, and expenses.
 - *Subsidiary Ledger*: Provides details for specific accounts, such as accounts receivable or accounts payable, which helps in tracking transactions at a more granular level.

Types of adjustments include:

- Prepaid Expenses: Records expenses that have been paid but not fully utilized, such as rent and insurance.
 - Revenue to be Received: Records income that has been earned but not yet received.
 - Accrued Expenses: Records expenses that have been incurred but not yet paid, such as salaries.
 - Income Received in Advance: Records income that has been received but is not yet due.
2. Preparing Financial Statements
 3. After all adjustments have been made, financial statements are prepared to present the entity's financial condition and results of operations in a comprehensive manner. These statements usually consist of:
 - Income Statement: Shows revenues and expenses to calculate the profit or loss for the period.
 - Statement of Changes in Equity: Depicts changes in equity or capital during the accounting period.
 - Balance Sheet: Presents the entity's assets, liabilities, and equity at the end of the period.
 - Cash Flow Statement: Presents cash inflows and outflows from operating, investing, and financing activities.
 4. Closing Entries
 5. At the end of the period, nominal accounts (income, expenses, and dividends) are closed and their balances are transferred to the owners' equity account. The purpose of book closing is to prepare the accounts to be ready to record transactions in the new accounting period.
 - Income Account: Closed to the profit and loss or capital account.
 - Expense Account: Closed to profit or loss or capital account.

- Prive or Dividend Account: Closed directly to the owner's capital account or retained earnings.
6. Post-Closing Trial Balance
 7. The post-closing trial balance contains the balances of permanent accounts only (assets, liabilities, and equity) and is prepared to ensure all nominal account balances have been closed. This trial balance is also the beginning of the next period's records.
 8. Recording and Disclosure of Supplementary Disclosures
 9. To complement the financial statements, relevant supplementary information may be recorded in the form of footnotes or appendices. These disclosures help users of the financial statements understand the data included in the financial statements.

C. Perception

Perception is the process by which a person interprets information and gives meaning to an experience or event. Etymologically, the term *perception* comes from the Latin *perceptio*, which means to receive or take. In this process, perception involves the inference of information obtained through sensing and interpretation of messages.

There are two main types of perception:

1. Object Perception, in which individuals respond to stationary physical symbols and interact with external objects. Factors that influence object perception include one's background experience, culture, psychology, and values and beliefs.
2. Social Perception, which deals with social interaction through verbal and nonverbal symbols. Social perception involves feelings, motives, and expectations, which help individuals understand the meaning of the social relationships around them.

Important principles in social perception include past experience, the selective nature of attention paid, presumptive interpretation due to incomplete information, evaluation to ensure accuracy, and context which plays a major role in influencing one's perception.

Small and Medium Enterprises (SMEs) is a sector that plays an important role in the economy, but this sector also faces various challenges that need to be taken seriously. One of the main obstacles experienced by SMEs is related to access to capital and financial management. The lack of knowledge about accounting makes it difficult for some business owners to apply for financing from financial institutions for additional capital. This limitation is mainly due to their lack of ability to prepare adequate financial statements. Financial management skills are needed for these small businesses to be able to compete and maintain stability amidst dynamic economic changes.

As mentioned earlier, one of the challenges faced by SMEs is the limited managerial and operational skills of business actors (Suci et al., 2017). Another factor that also affects is the low level of education and the lack of opportunities to attend accounting training (Kurniawati et al., 2012). In preparing financial reports, many SMEs do not understand the applicable standards, including the separation between personal assets and business assets, which has the potential to make it difficult for them to prepare reports (Setiyawati & Hermawan, 2018). Mutiah's research (2019) also shows that

a lack of understanding of accounting standards is a major obstacle for business actors in preparing adequate financial reports.

SMEs' perceptions of accounting information systems are influenced by their experience. The experience of running a business for a certain period of time encourages the need for more complex managerial and accounting information. As the business develops, the need for accounting information also increases, which is also influenced by the level of education of business actors. Lower education tends to produce less quality financial reports, while higher education usually provides a better understanding (Ariono & Sugiyanto, 2018). At present, some MSME players still think that preparing financial reports only adds to the burden, consumes time and costs. Some business actors make financial reports simply based on their understanding, as explained in the research of Purwati et al. (2014).

If businesses have the ability to prepare proper financial reports, this will increase the competitiveness of their business. Accurate financial reports can be used to develop business strategies and as a basis for future decision making. It is expected that MSME actors can adapt to the times, increase competitiveness, and optimize management and professionalism (Mulyani, 2014). Therefore, training or mentoring programs are needed to help MSME actors manage their finances using the right accounting system (Kusuma & Lutfiany, 2019).

D. Motivation

Motivation comes from the Latin "movere," which means to move. According to Weiner (1990), motivation is an internal condition that encourages a person to act, motivates individuals in achieving certain goals, and keeps them interested in an activity. Uno (2007) defines motivation as an internal and external drive within a person characterized by desires and interests, needs, hopes, ambitions, rewards, and recognition. Meanwhile, Imron (1966) explains that motivation, which comes from the English word "motivation," is the drive or reason to do an activity to achieve a certain goal.

One of the most famous theories of motivation is the Hierarchy of Needs Theory developed by Abraham Maslow. Maslow hypothesized that every individual has a hierarchy of five needs, namely physiological needs (such as hunger, thirst, and other physical needs), security needs (protection from physical and emotional threats), social needs (affection, acceptance, and friendly relations), esteem needs (both internal and external esteem), and self-actualization needs (growth, achievement of potential, and self-fulfillment).

Maslow categorized these needs into an order of levels. Physiological and security needs are considered lower-level needs, while social, esteem, and self-actualization needs belong to the upper-level needs. The difference lies in the way they are fulfilled: upper-level needs tend to be met internally, while lower-level needs are mostly met externally. Maslow's needs theory has been widely accepted among managers due to its intuitive and logical nature. However, research has not fully supported this theory, and Maslow did not provide empirical evidence. The few studies that have tried to verify this theory have also not found strong support.

III. RESEARCH METHOD

A. Observation Parameters

The approach used in this research is descriptive qualitative method. In Gumanti, et, al (2018: 13) descriptive research describes a specific phenomenon by emphasizing the issue of what is happening, not why things are happening. Qualitative method is a survey method used to obtain data from a certain natural place. In this study, data collection was carried out by means of direct interviews with related parties. interviews were conducted with SMEs in Pari village. The place of research is in Pari Village, Serdang Bedagai District.

B. Data Analysis Method

Work procedures to support the realization of the solutions offered, then first make initial observations in the field, approach through interviews and find the phenomenon of the problem. After observation and socialization, then assess the problem and find solutions that will be offered, then prioritize the stages of implementation and then carry out the service by providing training, motivation, and information to the community. The last is to evaluate the results of community knowledge.

IV. RESULTS AND DISCUSSION

A. Results

This research obtained results through interviews with informants who are SMEs in Kota Pari Village. In addition, direct observation was carried out through a survey to the location to see the actual conditions and document the results. The informants involved in this study were 7 business actors, consisting of brown sugar producers, kecepe shrimp farmers, and beach tourism business managers. The following are the conclusions of the interview:

1. SMEs already have simple financial records, which consist of records of material purchases and sales of goods
2. simple bookkeeping records have been recorded in the book manually, but there is 1 informant who does not have manual recording, only collects receipts and receipts only.
3. There are still many business actors who do not know simple accounting
4. Business actors do not know SAK EMKM
5. Business actors do not calculate the selling price correctly
6. Some business actors already have a profit and loss statement but the calculation of each estimate is not correct.

From the results of interviews and determining the factors that cause the non-implementation of systematic accounting procedures, the strategy that can be done is to schedule regular bookkeeping training and actual mentoring for SMEs in Kota Pari village.

Training produces good changes in business actors, namely increasing the knowledge and skills of business actors in separating personal finances and business finances, changes in perception and motivation. Business actors become better able to control expenses and improve the quality of business strategies. This is in line with research (Cheng, 2015) which states that with training, business actors become more motivated to run a business.

B. Discussion

After obtaining research results from direct interviews with informants, the discussion focuses on the description of financial recording by SMEs in Kota Pari Village. This recording has not been carried out in accordance with the accounting procedures regulated in SAK EMKM. Business activities that are passed down from generation to generation make SMEs tend to follow the recording methods taught previously. The informants stated that they had recorded receipts and expenses manually in a book, but without categorizing the types of transactions. They also did not understand the basics of accounting or SAK EMKM principles that could be applied in their business. To calculate sales profit, informants only reduce the selling price by daily costs. Some business owners do prepare profit and loss statements, but they only show revenue and costs. One of the main reasons for not recording according to accounting procedures is the perception factor. The informants considered that financial statements were not very important for their businesses. According to Mulyani (2014), MSMEs are expected to have competitiveness and be able to adapt to the times, as well as improve

performance in management, finance and professionalism. Perception theory assesses financial understanding based on consumer behavioral interests; entrepreneurs who perceive the importance of financial records are better able to manage their finances (Mandell & Klein, 2007). The second factor is motivation. Informants' views that financial reports are not important reflect their low motivation towards financial record keeping. Motivational variables have a significant impact on improving financial literacy, but surveys show that financial literacy in adolescents is still low and has not shown significant improvement (Mandell & Klein, 2007). To prevent the same thing in SMEs, a motivational push is needed so that financial literacy skills can be improved and become permanent.

The next factor is financial literacy. Based on the research, the lack of understanding of accounting procedures is an obstacle in financial recording. This problem is also caused by low managerial skills, inadequate education, and the lack of accounting training that has been attended by SMEs (Kurniawati et al., 2012; Suci et al., 2017). Entrepreneurs need to have a balance between accounting knowledge and how to apply it.

The last factor is the role of higher education institutions. Although accounting training has been held by the campus and the government, its implementation is still not optimal. Thus, repeated training and consistent mentoring are needed so that the accounting system can be applied correctly.

The strategy to overcome this problem is to provide periodic training and direct assistance to business actors.

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