



INNOVATIVE: Journal Of Social Science Research

Volume 4 Nomor 5 Tahun 2024 Page 3563-3573

E-ISSN 2807-4238 and P-ISSN 2807-4246

Website: <https://j-innovative.org/index.php/Innovative>

## Assesing Accounting Practices in MSMEs: A Study of BMT Mazaya's Support Initiatives

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### Abstrak

Akuntansi adalah salah satu komponen vital bagi setiap bisnis yang memberikan wawasan penting tentang kinerja dan manajemen keuangan. Praktik akuntansi yang efektif dapat memungkinkan bisnis untuk membuat keputusan yang tepat, memantau kondisi keuangan, dan memastikan kepatuhan terhadap peraturan yang ada. Hal ini penting bagi pelaku usaha mikro, kecil, dan menengah (UMKM), dimana praktik akuntansi dianggap sangat penting untuk mengetahui bagaimana kinerja keuangan, bagaimana mengelola arus kas usaha dan bagaimana mendorong pertumbuhan serta keberlanjutan usaha. Penelitian ini mengkaji bagaimana UMKM dibawah binaan BMT Mazaya menerapkan praktik akuntansi, mengeksplorasi tantangan yang dihadapi dan manfaat apa yang diperoleh. Penelitian ini berfokus pada pemahaman tentang bagaimana pencatatan keuangan, pengetahuan akuntansi, dan system akuntansi berkontribusi terhadap pertumbuhan dan keberlanjutan usaha mereka. Penelitian ini merupakan penelitian deskriptif kualitatif dengan menggunakan metode convenience sampling dengan mengumpulkan data primer melalui wawancara. Hasil menunjukkan bahwa meskipun sebagian besar UMKM telah melakukan pencatatan keuangan, namun pencatatan yang dibuat masih beragam dan belum ada yang membuat laporan keuangan secara komprehensif. Guna mengatasi tantangan ini, maka penting untuk memberikan pelatihan keuangan, penyediaan alat bantu yang mudah digunakan, pendampingan kolaboratif dari pemerintah, lembaga pendidikan maupun sektor swasta untuk mendorong praktik akuntansi yang lebih baik dan meningkatkan transparansi, efisiensi serta pertumbuhan usaha.

Kata Kunci: *Usaha Mikro Kecil Dan Menengah (UMKM), Praktik Akuntansi, Pembukuan, Pendidikan Keuangan*

## Abstract

Accounting is a vital component for any business, offering crucial insights into financial performance and management. Effective accounting practices enable businesses to make informed decisions, monitor financial health, and ensure regulatory compliance. This is especially true for Micro, Small, and Medium Enterprises (MSMEs), where strong accounting practices are essential for tracking financial performance, managing cash flow, and driving growth and sustainability. This study examines how MSMEs supported by BMT Mazaya implement accounting practices, exploring the challenges they face and the benefits they derive. The research focuses on understanding how financial record-keeping, advanced accounting knowledge, and enhanced accounting systems under BMT Mazaya's guidance contribute to MSME growth and sustainability. Utilizing convenience sampling, the study gathers primary data through interviews and employs qualitative descriptive analysis. Findings reveal that while most MSMEs engage in financial record-keeping, the variety and completeness of records are inconsistent, and comprehensive financial reports are lacking. To address these challenges, it is crucial to provide targeted support through financial education, affordable accounting tools, and mentorship, with collaborative efforts from government, educational institutions, and the private sector to foster formal accounting practices and enhance transparency, efficiency, and growth.

*Keywords: Micro Small Medium Enterprises (MSME), Accounting Practices, Bookeping, Financial Education*

## INTRODUCTION

Financial management is the essential key for the success, sustainability, and growth of Micro, Small, and Medium Enterprises (MSMEs). It allows these businesses to effectively plan and allocate their resources, ensuring smooth daily operations while also preparing for future growth (Salamah 2023). By maintaining accurate financial records, MSMEs can keep track of their cash flow, manage expenses, and make informed decisions on investments and expansion opportunities. Additionally, strong financial management fosters transparency, which is crucial for building trust with key stakeholders such as investors, suppliers, and financial institutions (Khominich et al. 2016). This trust enhances the ability of MSMEs to secure external funding or credit, which is often necessary for business growth. Furthermore, effective financial management enables business owners to minimize risks, adapt to changes in the market, and comply with regulatory requirements, all of which are critical for maintaining competitiveness and ensuring the long-term health of the business. In contrast, poor financial management can lead to cash flow problems, inefficient use of resources, and limited growth opportunities, ultimately hindering the success of the enterprise.

Incorporating proper accounting practices is crucial in strengthening the sustainability and performance of MSMEs. Through effective accounting, businesses can systematically record and monitor income, expenses, and assets, providing a comprehensive overview of their financial position. This clarity enables informed decision-making, helping MSMEs evaluate profitability, measure financial health, and identify areas where improvements can be made, ensuring long-term viability (Barman 2023). Additionally, sound accounting practices help MSMEs remain compliant with tax laws and financial regulations, minimizing the risk of legal complications or penalties. A well-maintained accounting system also enhances a business's credibility with external stakeholders, including investors and financial institutions, who rely on accurate financial data when assessing funding opportunities. Furthermore, accounting aids in tracking key performance indicators, allowing business owners to gauge operational efficiency and overall financial performance. This insight is essential for making strategic decisions, improving resource management, and fostering business growth. Without reliable accounting systems, MSMEs risk poor financial management, which can hinder both their immediate operations and future potential (Apriliani and Prakoso 2023).

BMT Mazaya, a Sharia-based microfinance institution located in Kartasura, Surakarta, Indonesia, plays a significant role in supporting the development and growth of MSMEs in the area. As a financial institution that adheres to Islamic principles, BMT Mazaya provides a range of financial services tailored to the needs of local micro, small, and medium enterprises. The MSMEs under BMT Mazaya's guidance span various industries, including culinary businesses, laundries, convenience stores, and other service-oriented ventures. By offering Sharia-compliant financing options and financial management assistance, BMT Mazaya helps these businesses access the capital they need to grow while maintaining ethical financial practices. Additionally, the institution provides business training and guidance, helping MSMEs improve their financial literacy, adopt effective accounting practices, and ensure compliance with regulations. This support not only enables MSMEs to manage their finances more effectively but also strengthens their ability to compete in the marketplace, thereby contributing to the overall economic development of the Kartasura region. Through its tailored financial products and ongoing business mentorship, BMT Mazaya plays a crucial role in fostering the resilience and sustainability of the MSMEs it serves.

Investigating the application of accounting practices in MSMEs is essential for several key reasons (Hafizi et al. 2023). Firstly, it sheds light on how these practices are

implemented in real-world scenarios, offering valuable insights into their effectiveness and the challenges faced by businesses. This examination can uncover specific issues and opportunities for refinement, allowing for more targeted support to address gaps and enhance financial management. Additionally, evaluating the impact of accounting practices on the performance of MSMEs can highlight the benefits of systematic financial oversight, such as increased profitability, optimized resource use, and better access to financial resources. Such analysis is also instrumental for policymakers and financial institutions, as it provides data to create more tailored and effective support programs and financial products for MSMEs. Overall, a comprehensive study of accounting practices not only advances theoretical knowledge but also delivers practical insights that can improve business support services, thereby strengthening the overall MSME sector.

On the other hand, the absence of well-organized accounting practices among MSMEs creates significant hurdles that impact their financial management. Many MSMEs rely on informal or basic accounting methods, leading to potential inaccuracies in financial reports and poor oversight of cash flow and expenditures (Kurniawati, Nugroho, and Arifin 2018). This disorganization often results in challenges with tracking financial performance, forecasting future needs, and making well-informed business decisions. Additionally, MSMEs commonly struggle with limited financial knowledge, lack of access to adequate training and resources, and the prohibitive cost of advanced accounting tools and services (Yuliati, Wardah, and Widuri 2019). These barriers exacerbate the difficulties of implementing effective financial management practices. Without formal accounting systems, MSMEs may experience problems such as inadequate record-keeping, fund mismanagement, and compliance issues, which can hinder their growth and sustainability. To overcome these challenges, MSMEs need targeted support and resources to transition to more structured and effective accounting practices, which will help improve their financial stability, performance, and long-term success.

Based on the background outlined, this research will examine three key aspects related to the implementation of accounting practices in MSMEs supported by BMT Mazaya. First, the study will explore how MSME accounting systems are applied within businesses under the guidance of BMT Mazaya, including the methods and practices used in their financial management. Second, the research will identify both the challenges and benefits associated with the adoption of MSME-based accounting systems, uncovering the obstacles faced and the advantages gained by microenterprises in implementing more structured accounting practices. Finally, the study will analyze how accounting

implementation affects the financial performance and decision-making processes of MSMEs, evaluating the impact of accounting systems on operational efficiency, fund management, and strategic planning. By understanding these three aspects, the research aims to provide in-depth insights into the effectiveness of accounting systems and how they can be improved to support the success and growth of MSMEs.

This research is anticipated to offer indirect benefits to MSMEs by shedding light on the challenges they encounter in implementing accounting practices. Such insights are intended to help improve the quality of accounting record-keeping within these enterprises. Furthermore, the study aims to contribute to the advancement of accounting knowledge by serving as a reference for future innovations in the field. By providing valuable information on how accounting can be applied more effectively and efficiently, this research seeks to support the development of more robust accounting practices for MSMEs.

## RESEARCH METHOD

In this study, primary data is used, gathered through interviews and surveys with MSME owners. Convenience sampling is the chosen method, with a minimum of 30 participants as per Kurniawati (2018). The data collection involves conducting in-depth interviews to obtain detailed insights into MSME owners' accounting practices and experiences. The research adopts a case study approach, focusing on MSMEs supported by BMT Mazaya. The sample is drawn from microenterprises that are partners with BMT Mazaya. Data collection methods include interviews with MSME owners and surveys to assess accounting practices. Secondary data sources include financial records, MSME reports, and relevant documents. This qualitative methodology ensures a comprehensive analysis of accounting practices and the support mechanisms provided to MSMEs.

The study employs qualitative analysis with a descriptive approach. Qualitative research is distinguished by its use of data presented in its original form, without conversion into symbols or numerical values (Ugwu, Chinyere. N. and Eze Val 2017). The goal of descriptive research is to offer an accurate and objective portrayal of the phenomena under investigation. This involves detailing the phenomena as they are, without alteration, to provide a clear understanding of the data or facts (Creswell and Creswell 2018).

## RESULT AND DISCUSSION

This study was conducted with MSMEs supported by BMT Mazaya, located in Kartasura, Surakarta, Central Java, Indonesia. These MSMEs are situated near educational institutions, including elementary schools, junior high schools, high schools, and universities. The businesses in this area are diverse, but they generally cater to the basic needs of the local community. They provide essential goods and services to residents and students in the surrounding area, making them an integral part of the local economy.

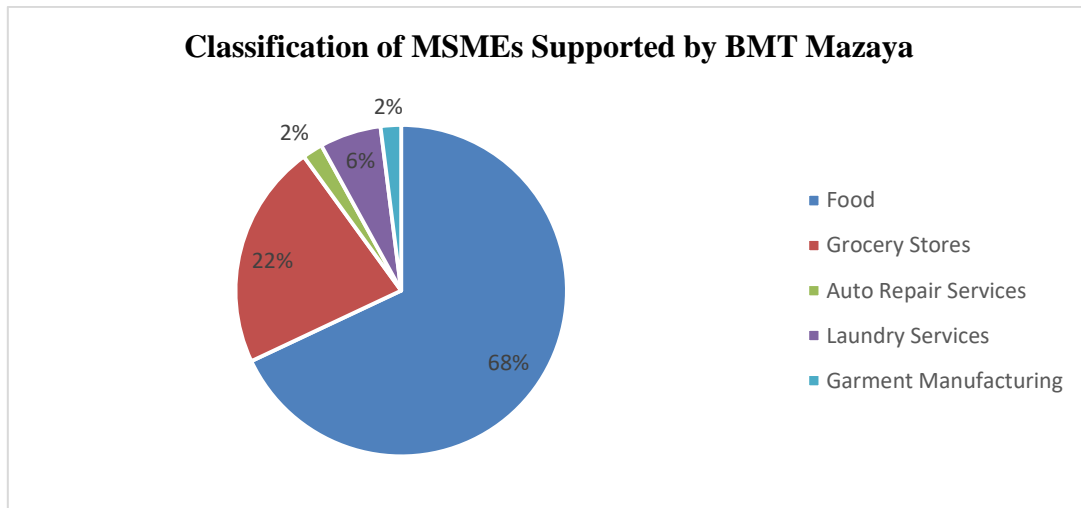


Figure 1. Classification of MSMEs Supported by BMT Mazaya

Based on figure 1, the majority of MSMEs are engaged in the food sector, with 34 businesses operating in this area. Following this, there are 11 grocery stores, 3 laundry services, 1 auto repair service, and 1 garment manufacturing business. This distribution indicates that BMT Mazaya's supported MSMEs are predominantly involved in food-related enterprises, with a significant presence of grocery stores and laundry services, while auto repair and garment manufacturing are less represented.

Table 1. Transactions Recorded by MSMEs

No	Recorded Transactions	Recorded		Not Recorded		Respondents	
		Number	Percentage	Number	Percentage	Number	Percentage
1	Sales	32	64%	18	36%	50	100%
2	Purchase	27	54%	23	46%	50	100%
3	Inventory	11	22%	39	78%	50	100%
4	Cash Receipt	35	70%	15	30%	50	100%
5	Cash Disbursement	25	50%	25	50%	50	100%
6	Expenses	20	40%	30	60%	50	100%
7	Salary	17	34%	33	66%	50	100%

Among the MSMEs supported by BMT Mazaya, 74% have implemented basic financial recording practices. However, the types of records maintained vary, and the recording is not yet comprehensive. Based on table 1, these records encompass a range of financial activities, including expenses, cash inflows, debts, receivables, sales, purchases, inventory, cash receipts, cash disbursements, costs, and salaries. Despite these efforts, none of these businesses have implemented a comprehensive accounting system to fully assess their financial condition, such as determining profit or loss. This incomplete financial tracking limits their ability to accurately evaluate their business performance and overall financial insights (Matsoso and Benedict 2016).

Although many MSME operators have implemented various types of financial recording, they have not yet separated their personal finances from their business finances. This lack of distinction between personal and business accounts often leads to difficulties in accurately tracking business performance, managing cash flow, and ensuring proper financial reporting. The commingling of personal and business funds creates confusion and complicates effective financial management, making it challenging to assess the true profitability and financial health of the business. This situation highlights the need for improved accounting practices and financial management strategies to help MSMEs enhance their operational efficiency and overall financial stability (Remmang et al. 2023; Khominich et al. 2016; Asaidah and Izzaty 2020).

These problems create significant challenges for MSMEs in managing their finances, primarily due to limited resources, insufficient knowledge, and informal accounting practices (Salamah 2023; Khominich et al. 2016). Limited financial resources often prevent MSMEs from accessing advanced accounting tools or hiring professional help, while a lack of financial literacy hinders their ability to maintain accurate records and make informed decisions. Additionally, reliance on informal accounting methods leads to inconsistencies in financial tracking, further complicating effective business management and growth.

Often, these businesses lack the financial means to invest in advanced accounting software or to hire skilled accounting professionals, which can lead to inadequate financial management and reporting. Moreover, many MSME owners and managers do not possess extensive financial knowledge, which impedes their ability to apply effective accounting practices and make sound business decisions (Yuliati, Wardah, and Widuri 2019). This gap in understanding can result in inaccuracies in financial reporting and ineffective strategic planning. Additionally, the reliance on informal accounting methods, such as manual record-keeping or incomplete financial documentation, exacerbates these

problems, leading to errors and difficulties in tracking financial performance. These factors collectively contribute to inefficient financial management, which can stifle growth, limit access to credit, and threaten the long-term viability of MSMEs.

To effectively overcome the challenges faced by MSMEs in financial management, a multifaceted approach is essential. First, providing financial education programs can enhance MSME owners' understanding of essential accounting principles (Pedraza 2021; Hafizi et al. 2023; D. A. Prawestri, Silviani, and Astuti 2022), equipping them with the knowledge to manage their finances more accurately. These programs can include workshops, training sessions, and mentorships to develop their skills in financial planning, budgeting, and reporting. This program can be offered by the government or in collaboration with educational institutions and private sectors as a form of community service for the public (A. D. Prawestri 2022). Second, offering affordable and user-friendly accounting tools and software tailored to the needs and capacities of MSMEs is crucial (Utomo and Dewi 2021). Such solutions can help streamline financial record-keeping without the burden of high costs. Lastly, encouraging the adoption of structured and formal accounting practices is key to improving transparency and efficiency (Abed et al. 2022; Lawalata and Salle 2024). By promoting formal financial systems, MSMEs can separate personal and business finances, ensure accurate tracking of cash flow, and meet regulatory requirements, which in turn enhances their ability to secure loans or investments. A coordinated effort involving government agencies, financial institutions, and business development organizations can help provide these necessary resources and support.

When MSMEs overcome challenges related to financial record-keeping and successfully implement formal accounting practices, they unlock several benefits that significantly improve their performance. The benefits of accounting on MSME performance have been extensively documented through various case studies and research, demonstrating notable improvements in financial results, transparency, and business expansion following the implementation of formal accounting practices. With proper financial documentation, MSMEs can better track their income, expenses, and cash flow, allowing for more informed decision-making and strategic planning (Salamah 2023). This improved financial visibility can help them identify areas for cost reduction, optimize resource allocation, and increase profitability (Yuliati, Wardah, and Widuri 2019; Febriana et al. 2023). Furthermore, well-organized financial reports make it easier for MSMEs to access external financing and investments, as they demonstrate transparency and financial



health to lenders and investors (Kurniawati, Nugroho, and Arifin 2018; Apriliani and Prakoso 2023). Overall, by maintaining accurate financial records, MSMEs can strengthen their operational efficiency, improve sustainability, and position themselves for future growth (Asaidah and Izzaty 2020).

For example, research indicates that MSMEs that adopt structured accounting systems see enhancements in financial performance, including better cash flow management, reduced operational costs, and increased profitability (Salamah 2023). These gains are often a result of more accurate financial reporting, which supports informed decision-making and strategic planning. Additionally, adopting formal accounting practices boosts transparency, which builds greater trust with key stakeholders such as investors, suppliers, and financial institutions (Asaidah and Izzaty 2020). This improved transparency can lead to greater opportunities for financing and investment, thereby facilitating business growth. Case studies of MSMEs that have successfully integrated structured accounting practices show that these enterprises are more capable of scaling their operations, exploring new markets, and achieving long-term sustainability. Ultimately, embracing accounting practices not only enhances financial management but also lays a strong foundation for overall business success and growth

## CONCLUSION

This study indicates that while 74% of MSMEs supported by BMT Mazaya have engaged in basic financial recording practices, the extent and consistency of these records vary significantly. None of the businesses have adopted comprehensive accounting systems that would enable a thorough understanding of their financial health, including profit and loss analysis. A major issue identified is the lack of separation between personal and business finances, particularly among food sector enterprises. This commingling complicates cash flow management, expense tracking, and decision-making. The findings highlight the critical need for enhanced financial literacy, more structured accounting practices, and greater transparency to improve MSMEs' financial performance, access to credit, and overall business sustainability.

The study has several limitations that should be acknowledged. First, it focuses solely on MSMEs supported by BMT Mazaya in Kartasura, Surakarta, which limits the generalizability of the findings to other regions or MSMEs not affiliated with BMT Mazaya. Additionally, while the study examines the financial practices of these MSMEs, it does not explore in-depth the barriers that prevent the businesses from adopting formal

accounting systems or the potential impact of external factors such as economic conditions, market access, or government policies. The study also lacks a longitudinal approach, meaning it does not track the long-term financial performance of MSMEs after implementing improved accounting practices.

To address the challenges highlighted in this study, it is crucial for MSMEs to receive targeted support in the form of financial education, affordable accounting tools, and mentorship. Government agencies, educational institutions, and the private sector should collaborate to offer financial literacy programs and easy-to-use accounting solutions tailored to the needs of MSMEs. Furthermore, stakeholders should encourage the adoption of formal accounting practices, which will enable MSMEs to separate personal and business finances, maintain transparency, and improve access to financing. By fostering a more structured financial management approach, MSMEs can enhance their operational efficiency, scale their businesses, and secure sustainable growth..

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