WHY DO MSMEs NOT PREPARE FINANCIAL STATEMENT ?

THESIS

To fulfill the Requirements for Obtaining a Bachelor's Degree

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MENGAPA UMKM TIDAK MENYUSUN LAPORAN KEUANGAN ?

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ABSTRAK

Usaha Mikro, Kecil, dan Menengah (UMKM) memainkan peran penting dalam perekonomian Indonesia, tetapi masih banyak ditemukan pelaku usaha yang tidak menyusun laporan keuangan secara formal. Penelitian ini bertujuan untuk memahami alasan di balik fenomena tersebut serta mengidentifikasi tantangan yang dihadapi oleh UMKM dalam menyusun laporan keuangan. Penelitian ini menggunakan metode penelitian kualitatif dengan pendekatan wawancara mendalam terhadap lima pelaku UMKM di sektor perdagangan di Kota Pontianak. Hasil penelitian ini menunjukkan bahwa faktor utama yang menyebabkan UMKM tidak menyusun laporan keuangan adalah keterbatasan pengetahuan akuntansi, kurangnya penelitian, serta tidak adanya tekanan eksternal dari pemerintah atau lembaga keuangan. Selain itu, banyak pelaku UMKM yang menganggap pencatatan keuangan tidak penting karena bisnis mereka masih berskala kecil dan lebih berfokus pada keuntungan jangka pendek. Penelitian ini diharapkan dapat meningkatkan kesadaran pelaku UMKM akan pentingnya laporan keuangan dalam pengelolaan bisnis. Selain itu, hasil penelitian ini dapat menjadi acuan bagi pemerintah dalam menyusun kebijakan atau program pelatihan guna meningkatkan literasi keuangan di kalangan UMKM.

Kata Kunci: UMKM, Laporan Keuangan, Akuntansi, Faktor Penghambat

WHY DO MSMEs NOT PREPARE FINANCIAL STATEMENTS?

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ABSTRACT

Micro, Small and Medium Enterprises (MSMEs) play an important role in the Indonesian economy, but there are still many businesses that do not formally prepare financial statements. This study aims to understand the reasons behind this phenomenon and identify the challenges faced by MSMEs in preparing financial statements. This study used a qualitative research method with an in-depth interview approach with five MSME players in the trade sector in Pontianak City. The results of this study show that the main factors that cause MSMEs not to prepare financial statements are limited accounting knowledge, lack of research, and the absence of external pressure from the government or financial institutions. In addition, many MSME actors consider financial records to be unimportant because their businesses are still small-scale and more focused on short-term profits. This research is expected to increase MSME actors' awareness of the importance of financial reports in business management. In addition, the results of this study can serve as a reference for the government in developing policies or training programs to improve financial literacy among MSMEs.

Keywords: MSMEs, Financial Statements, Accounting, Inhibiting Factors

MENGAPA UMKM TIDAK MENYUSUN LAPORAN KEUANGAN?

RINGKASAN

1. Latar Belakang

Usaha Mikro, Kecil dan Menengah (UMKM) memiliki peran penting dalam perekonomian Indonesia dengan kontribusi yang signifikan terhadap Produk Domestik Bruto (PDB) dan penciptaan lapangan kerja. Data menunjukkan bahwa UMKM menyumbang sekitar 61% dari PDB Indonesia dan menyerap lebih dari 97% tenaga kerja nasional. Namun, meskipun jumlah UMKM terus bertambah setiap tahunnya, banyak pelaku usaha masih menghadapi berbagai tantangan dalam pengelolaan bisnis mereka, terutama dalam hal pencatatan dan penyusunan laporan keuangan. Laporan keuangan memiliki peran krusial dalam mengevaluasi kinerja usaha, membuat keputusan bisnis yang lebih baik, serta memperoleh kinerja usaha, membuat keputusan bisnis yang lebih baik, serta memperoleh akses pembiayaan dari lembaga keuangan. Namun, kenyataan masih banyak UMKM yang tidak menyusun laporan keuangan secara sistematis sesuai dengan standar akuntansi yang berlaku.

Mengingat perluasan dan perkembangan UMKM, hal ini menjadi signifikan. Apalagi menurut penelitian Syamsul (2022) yaitu "Analisis Pencatatan dan Pelaporan Keuangan UMKM di Kota Palu" hanya sekitar 25% dari UMKM yang berlokasi yang telah menghasilkan laporan keuangan secara komprehensif yang mencakup laporan laba rugi dan perubahan laba. modal. Hal ini menunjukkan bahwa masih terdapat kesulitan dalam menghasilkan laporan keuangan menyeluruh yang dapat memberikan rincian penting bagi pertumbuhan bisnis. Kurangnya pemahaman akuntansi menjadi salah satu alasan utama mengapa UMKM tidak menyusun laporan keuangan. Banyak pelaku usaha lebih fokus pada operasional harian dan perolehan keuntungan jangka pendek tanpa mempertimbangkan pencatatan transaksi secara rinci. Selain itu, keterbatasan sumber daya, baik dalam bentuk tenaga kerja maupun finansial, juga menjadi hambatan. Beberapa UMKM tidak memiliki kemampuan untuk menggunakan perangkat lunak akuntansi atau menyewa tenaga profesional, sementara yang lain menganggap bahwa laporan keuangan hanya diperlukan oleh usaha besar. Minimnya tekanan dari pihak eksternal, seperti pemerintah atau investor, semakin memperkuat kecenderungan UMKM untuk mengabaikan pencatatan keuangan yang terstruktur.

Fenomena ini menunjukkan bahwa masih terdapat kesenjangan antara kebutuhan akan laporan keuangan dengan kesadaran dan kemampuan pelaku UMKM dalam menyusunnya. Padahal, laporan keuangan dapat menjadi alat penting dalam perencanaan usaha, pengambilan keputusan yang lebih baik, serta peningkatan daya saing di pasar. Oleh karena itu, penelitian ini bertujuan untuk menganalisis faktor – faktor yang menyebabkan UMKM tidak menyusun laporan keuangan serta mencari solusi untuk meningkatkan pemahaman dan penerapannya. Dengan demikian, diharapkan penelitian ini dapat memberikan manfaat bagi pelaku UMKM, akademisi, serta pemerintah dalam upaya meningkatkan kesadaran dan literasi akuntansi di sektor UMKM.

2. Permasalahan

a. Bagaimana pemahaman pelaku UMKM terhadap pentingnya penerapan laporan keuangan pada usaha mereka?
b. Apa kendala UMKM dalam menyusun laporan keuangan?

3. Tujuan Penelitian

a. Mengetahui pemahaman dan persepsi pelaku UMKM tentang pentingnya menyusun laporan keuangan.
b. Untuk mengetahui kendala yang dihadapi UMKM dalam menyusun laporan keuangan.

4. Metode Penelitian

Penelitian ini menggunakan pendekatan kualitatif dengan metode studi kasus untuk memahami faktor-faktor yang menyebabkan UMKM tidak menyusun laporan keuangan secara sistematis. Penelitian ini dilakukan di Kota Pontianak, Kalimantan Barat, dengan subjek penelitian terdiri dari 5 pelaku UMKM di sektor perdagangan yang tidak menyusun laporan keuangan. Data dikumpulkan melalui wawancara mendalam dengan pemilik UMKM guna menggali pemahaman, kendala, dan alasan mereka tidak menyusun laporan keuangan, serta observasi untuk melihat langsung bagaimana mereka mengelola keuangan usahanya. Selain itu, teknik dokumentasi digunakan untuk memperoleh data sekunder dari catatan transaksi atau dokumen terkait. Data yang terkumpul dianalisis secara deskriptif kualitatif menggunakan Fishbone Diagram, dengan tahapan reduksi data untuk menyaring informasi yang relevan, penyajian data dalam bentuk narasi dan diagram, serta penarikan kesimpulan berdasarkan pola yang ditemukan. Melalui pendekatan ini, penelitian diharapkan dapat memberikan wawasan mendalam mengenai hambatan yang dihadapi UMKM dalam menyusun laporan keuangan serta solusi yang dapat diterapkan guna meningkatkan kesadaran dan keterampilan akuntansi di kalangan pelaku usaha kecil dan menengah.

5. Hasil dan Pembahasan

Berdasarkan hasil penelitian yang dilakukan terhadap 5 pelaku UMKM sektor perdagangan di Kota Pontianak, ditemukan bahwa 3 informan menginformasikan bahwa mereka tidak menyusun laporan keuangan sedangkan 2 informan lainnya menginformasikan bahwa mereka menyusun laporan keuangan namun hanya secara sederhana saja ini dikarena kurangnya pemahaman akuntansi, fokus pada operasional harian, minimnya sumber daya, serta tidak adanya tekanan eksternal seperti regulasi atau tuntutan dari investor dan bank. Wawancara mendalam dilakukan menunjukkan bahwa sebagian besar pelaku UMKM tidak mengetahui pentingnya laporan keuangan dan menganggap pencatatan keuangan sebagai sesuatu yang tidak perlu atau terlalu rumit untuk diterapkan dalam usaha kecil mereka. Selain itu, mereka lebih memilih untuk mengutamakan kegiatan operasional seperti penjualan stok barang daripada menyisihkan waktu untuk mencatat transaksi keuangan secara sistematis.

Analisis menggunakan Fishbone Diagram mengelompokkan penyebab utama tidak disusunnya laporan keuangan oleh UMKM ke dalam enam faktor, yaitu :

1. People (Sumber Daya Manusia)
   - Keterbatasan pengetahuan akuntansi
   - Kurangnya pelatihan terkait penyusunan laporan keuangan.

2. Machine (Teknologi atau Perangkat Lunak)
    - Ketidaktersediaan perangkat lunak akuntansi.
3. Method (Metode dan Prosedur)
    - Tidak adanya sistem pencatatan keuangan yang baku.
    - Tidak memiliki waktu untuk membuat laporan keuangan formal karena fokus pada operasional harian.
4. Materials (Alat Bantu)
    - Ketidaktersediaan alat bantu seperti buku catatan standar.
5. Measurement (Indikator atau Evaluasi)
    - Tidak adanya indikator keberhasilan yang jelas dalam pencatatan keuangan
    - Tidak memiliki alat ukur untuk memantau arus kas atau laba rugi.
6. Environtment (Lingkungan dan Regulasi)
    - Kurangnya bantuan dari pemerintah atau lembaga lain terkait dengan pengelolaan keuangan usaha.
    - Ketidakadaan regulasi yang memaksa pelaku UMKM untuk menyusun laporan keuangan.

Keputusan UMKM untuk tidak menyusun laporan keuangan dijelaskan oleh teori pengambilan keputusan, di mana mereka memilih berdasarkan informasi, keterbatasan, dan tujuan yang dimiliki. Kurangnya pemahaman akuntansi membuat mereka tidak menyadari pentingnya laporan keuangan, sementara keterbatasan sumber daya seperti waktu, tenaga, dan biaya membuat pencatatan dianggap sebagai beban tambahan. Mereka lebih fokus pada operasional harian yang langsung menghasilkan keuntungan, dibandingkan pencatatan keuangan yang manfaatnya terasa dalam jangka panjang. Selain itu, minimnya tekanan eksternal seperti regulasi atau tuntutan dari bank dan investor semakin mengurangi urgensi penyusunan laporan keuangan. Dengan demikian, keputusan ini adalah hasil dari keterbatasan informasi, sumber daya, serta lingkungan yang kurang mendukung, sehingga diperlukan edukasi, simplikasi pencatatan, dan insentif agar UMKM lebih terdorong dalam menyusun laporan keuangan.

6. Kesimpulan dan Saran

Berdasarkan hasil penelitian yang telah dilakukan, dapat disimpulkan bahwa sebagian besar pelaku UMKM di Kota Pontianak tidak menyusun laporan keuangan secara formal karena keterbatasan pengetahuan akuntansi, minimnya sumber daya, serta kurangnya kesadaran akan pentingnya pencatatan keuangan. Analisis menggunakan Fishbone Diagram mengidentifikasikan enam faktor utama yang menjadi penyebabnya, yaitu keterbatasan sumber daya manusia, kurangnya penggunaan teknologi, metode pencatatan yang tidak terstruktur, keterbatasan finansial, kurangnya pengukuran dan evaluasi, serta minimnya dukungan eksternal dari pemerintah dan lembaga keuangan. Banyak pelaku UMKM lebih fokus pada operasional harian dan keuntungan jangka pendek, sehingga pencatatan keuangan tidak menjadi prioritas. Selain itu, regulasi yang belum cukup memberikan dorongan bagi UMKM untuk menerapkan standar laporan keuangan yang lebih baik. Akibatnya, UMKM kesulitan dalam mengakses pembiayaan dan merencanakan strategi bisnis jangka panjang. Untuk meningkatkan penerapan pencatatan keuangan di UMKM, diperlukan peningkatan literasi keuangan melalui

pelatihan akuntansi yang sederhana dan relevan. Pemanfaatan teknologi, seperti aplikasi akuntansi yang mudah digunakan, juga dapat membantu efisiensi pencatatan. Selain itu, pemerintah perlu menerapkan regulasi yang mendorong UMKM menyusun laporan keuangan, misalnya sebagai syarat akses pendanaan. Dukungan dari lembaga keuangan dalam bentuk edukasi dan pendampingan berkelanjutan juga penting agar UMKM dapat menerapkan pencatatan keuangan secara konsisten. Dengan langkah-langkah ini, UMKM diharapkan lebih profesional, transparan, dan memiliki daya saing yang lebih kuat.

WHY DO MSMEs NOT PREPARE FINANCIAL STATEMENTS?

SUMMARY

1. Background

Micro, Small and Medium Enterprises (MSMEs) play an important role in the Indonesian economy with significant contributions to Gross Domestic Product (GDP) and job creation. Data shows that MSMEs contribute around 61% of Indonesia's GDP and absorb more than 97% of the national workforce. However, despite the growing number of MSMEs every year, many businesses still face various challenges in managing their business, especially in terms of recording and preparing financial reports. Financial reports play a crucial role in evaluating business performance, making better business decisions, and obtaining business performance, making better business decisions, and obtaining access to financing from financial institutions. However, the reality is that there are still many MSMEs that do not prepare financial reports systematically in accordance with applicable accounting standards.

Given the expansion and development of MSMEs, this is significant. Moreover, according to Syamsul's (2022) research, namely "Analysis of Financial Recording and Reporting of MSMEs in Palu City" only about 25% of the located MSMEs have produced comprehensive financial statements that include income statements and changes in capital. This shows that there are still difficulties in producing comprehensive financial reports that can provide important details for business growth. Lack of accounting understanding is one of the main reasons why MSMEs do not prepare financial statements. Many businesses focus more on daily operations and short-term profits without considering recording transactions in detail. In addition, limited resources, both in terms of manpower and finance, are also an obstacle. Some MSMEs do not have the ability to use accounting software or hire professionals, while others assume that financial statements are only required by large businesses. The lack of pressure from external parties, such as the government or investors, further reinforces the tendency of MSMEs to ignore structured financial records.

This phenomenon shows that there is still a gap between the need for financial reports and the awareness and ability of MSME actors to prepare them. In fact, financial reports can be an important tool in business planning, making better decisions, and increasing competitiveness in the market. Therefore, this study aims to analyze the factors that cause MSMEs not to prepare financial reports and find solutions to improve their understanding and application. Thus, it is hoped that this research can provide benefits for MSME actors, academics, and the government in an effort to increase awareness and accounting literacy in the MSME sector.

2. Problems

a. How do MSME actors understand the importance of applying financial reports to their businesses?
b. What are the constraints for MSMEs in preparing financial statements?

3. Research Objectives

a. Knowing the understanding and perceptions of MSME actors about the importance of preparing financial reports.
b. To find out the obstacles faced by MSMEs in preparing financial reports.

4. Research Methods

This research uses a qualitative approach with a case study method to understand the factors that cause MSMEs not to prepare financial reports systematically. This research was conducted in Pontianak City, West Kalimantan, with the research subjects consisting of 5 MSMEs in the trade sector that did not prepare financial reports. Data were collected through in-depth interviews with MSME owners to explore their understanding, constraints, and reasons for not preparing financial reports, as well as observation to see firsthand how they manage their business finances. In addition, documentation techniques were used to obtain secondary data from transaction records or related documents. The data collected was analyzed descriptively qualitatively using the Fishbone Diagram, with data reduction stages to filter out relevant information, data presentation in the form of narratives and diagrams, and conclusion drawing based on the patterns found. Through this approach, the research is expected to provide in-depth insight into the obstacles faced by MSMEs in preparing financial reports as well as solutions that can be applied to increase accounting awareness and skills among small and medium enterprises.

5. Results and Discussion

Based on the results of research conducted on 5 MSME players in the trade sector in Pontianak City, it was found that 3 informants informed that they did not prepare financial reports while the other 2 informants informed that they prepared financial reports but only in a simple manner due to a lack of understanding of accounting, focus on daily operations, lack of resources, and the absence of external pressures such as regulations or demands from investors and banks. In-depth interviews conducted showed that most MSMEs do not know the importance of financial statements and consider financial recording as unnecessary or too complicated to implement in their small businesses. In addition, they prefer to prioritize operational activities such as selling stock rather than taking the time to systematically record financial transactions.

Analysis using the Fishbone Diagram categorizes the main causes of not preparing financial statements by MSMEs into six factors, namely:

1. People (Human Resources)
   - Limited accounting knowledge
   - Lack of training on financial report preparation.
2. Machine (Technology or Software)
   - Unavailability of accounting software.
3. Method and Procedure
   - No standardized financial recording system.
   - No time to prepare formal financial statements due to focus on daily operations.

4. Materials
    - Unavailability of tools such as standardized notebooks.
5. Measurement (Indicator or Evaluation)
    - No clear indicators of success in financial recording
    - No measuring tools to monitor cash flow or profit and loss.
6. Environment and Regulation
    - Lack of assistance from the government or other institutions related to business financial management.
    - The absence of regulations that force MSME players to prepare financial reports.

MSMEs' decision not to prepare financial statements is explained by decision-making theory, where they make choices based on their information, limitations and objectives. Their lack of understanding of accounting makes them unaware of the importance of financial statements, while limited resources such as time, energy and costs make record-keeping considered an additional burden. They focus more on daily operations that immediately generate profits, rather than financial records that benefit them in the long term. In addition, the lack of external pressures such as regulations or demands from banks and investors further reduces the urgency of preparing financial statements. Thus, this decision is the result of limited information, resources, and a less supportive environment, so education, simplicity of recording, and incentives are needed so that MSMEs are more encouraged to prepare financial reports.

6. Conclusions and Suggestions

Based on the results of the research conducted, it can be concluded that most MSME players in Pontianak City do not prepare formal financial reports due to limited accounting knowledge, lack of resources, and lack of awareness of the importance of financial records. Analysis using the Fishbone Diagram identified six main factors that cause this, namely limited human resources, lack of technology use, unstructured recording methods, financial limitations, lack of measurement and evaluation, and lack of external support from the government and financial institutions. Many MSME players are more focused on daily operations and short-term profits, so financial recording is not a priority. In addition, regulations have not provided enough encouragement for MSMEs to implement better financial reporting standards. As a result, MSMEs struggle to access financing and plan long-term business strategies. To improve the implementation of financial recording in MSMEs, it is necessary to improve financial literacy through simple and relevant accounting training. The utilization of technology, such as easy-to-use accounting applications, can also help with record-keeping efficiency. In addition, the government needs to implement regulations that encourage MSMEs to prepare financial reports, for example as a condition for accessing funding. Support from financial institutions in the form of continuous education and mentoring is also important so that MSMEs can consistently implement financial record-keeping. With these steps, MSMEs are expected to be more professional, transparent, and have stronger competitiveness.

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CHAPTER I
INTRODUCTION

1.1. Background

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in Indonesia's economy. With their strong, effective, and dynamic qualities, MSMEs are regarded as a vital source of Indonesia's economy and dominate the economic sector. Therefore, MSMEs have the potential to accelerate the nation's economic expansion. MSMEs aim to enhance and develop their businesses to build a national economy based on equitable economic democracy. Micro, Small, and Medium Enterprises (MSMEs) can reduce poverty, boost national entrepreneurship, improve societal welfare, and create jobs in various countries. However, MSMEs face several challenges in managing their businesses, one of which is the lack of experience in preparing financial statements.

The majority of Indonesia’s population consists of people in their productive age working in office jobs, while the rest are business operators. Most of them are involved in MSMEs, and this trend is increasing every year. This is due to the growing realization that running a business is profitable and provides more freedom to manage time. MSMEs play a significant role in Indonesia’s economic growth, accounting for 99% of all business units. In 2023, there were approximately 66 million MSME business operators in Indonesia. MSMEs contribute 61% to Indonesia’s GDP (Gross Domestic Product), equivalent to IDR 9,580 trillion. MSMEs also absorb around 117 million workers (97%) of the total workforce.

Table 1.1 2018-2023 MSMEs Data

Years	2018	2019	2020	2021	2022	2023
Number of MSMEs (million)	64.19	65.47	64	65.46	65	66
Growth (%)		1.98%	-2,24%	2.28%	-0,70%	1,52%

Data Source : KADIN Indonesia. (2023)

"The activities of Micro, Small, and Medium Enterprises (MSMEs) are closely tied to their accounting practices. The survival of MSMEs heavily relies on accounting operations, which also serve as a valuable source of information to assess the performance of these enterprises and reveal their financial status and growth. Thus, MSMEs are becoming increasingly sophisticated. In managing MSMEs, financial reporting is crucial for obtaining accurate accounting information. This is especially relevant when making evaluations regarding fair pricing according to market prices, MSME market development, and other related matters. Accounting data, such as financial statements, are essential for the performance of MSMEs. MSMEs in Indonesia prepare their financial statements in accordance with SAK EMKM standards, with the goal of simplifying financial reporting for MSMEs. The financial reporting standard known as SAK EMKM is based on core assumptions applied by businesses regarding reserves and business continuity. Specific regulations for MSMEs are outlined in Law Number 20 of 2008, which governs Micro, Small, and Medium Enterprises (MSMEs)."

According to (Suryani & Subardjo, 2020), the EMKM financial reporting standard still meets business demands, even though it was developed as a simplification of SAK ETAP. This standard aims to eliminate the misconception that accounting is difficult to record and report, thanks to its simple format. Under SAK EMKM, an organization is only required to prepare three financial statements: the Income Statement, the Statement of Financial Position, and Notes to the Financial Statements (CALK).

The use of financial reporting by MSMEs has been the subject of many studies. In a previous study titled *The Importance of Financial Management Implementation for MSMEs*, (Wardi et al., 2020) found that the financial management of MSMEs in Tenayam Raya District, Pekanbaru City, was considered very concerning. Four main criteria—budget utilization, reporting, recording, and control—are often neglected. For business expansion, MSMEs require investment capital. Given the growth and development of MSMEs, this becomes significant. Furthermore, according to (Syamsul, 2022) study titled *Analysis of MSME*

Financial Recording and Reporting in Palu City, only about 25% of MSMEs in the region have produced comprehensive financial statements, including income statements and changes in equity. This indicates that there are still difficulties in producing comprehensive financial reports that can provide critical details for business growth. Lastly, the study (Risal & Kristiawati, 2020). This causal-comparative study found that the growth of financial report recording in the Micro, Small, and Medium Enterprises (MSMEs) sector in Pontianak City is greatly influenced by independent variables such as business size, accounting skills, and educational attainment. This shows the importance of these variables in determining financial report recording techniques.

There is also previous research, namely (Lasmi et al., 2024) which discusses the importance of business owners' accounting knowledge is one of the factors for not preparing financial reports, besides that a simple manual recording system increases the risk of errors and reduces report accuracy. Limited resources are also an obstacle, preventing the allocation of time and effort required for comprehensive financial reports. A lack of understanding of the importance of financial reports, as well as time divided between day-to-day operations and report preparation, further complicates the situation. Identifying these challenges is important to provide recommendations that can help MSMEs achieve better accountability and transparency. While there are also other studies, namely (Nugroho et al., 2024) the results of the analysis found that MSMEs face various challenges in preparing financial reports based on SAK EMKM, including lack of knowledge and education in accounting, limited trained human resources, and minimal utilization of information technology. In addition, limited financial resources prevent them from allocating funds for training, while complex regulations can confuse business owners in fulfilling reporting obligations. Without adequate support from the government and related institutions, socialization regarding the implementation of SAK EMKM becomes difficult, thus hampering the ability of MSMEs to prepare accurate and standardized financial reports. Based on the phenomena that occur and supported by data and findings from previous research, this study was conducted to further analyze the factors that cause MSMEs not to prepare financial reports and

find solutions that can be applied to increase their awareness and ability in financial management.

Many MSMEs in Indonesia, including in Pontianak, do not prepare financial statements properly and regularly. However, financial statements are crucial for assessing company performance, obtaining financing, and ensuring business survival. Despite this, it is often found that MSME operators are unaware of the importance of financial reporting. They tend to focus solely on day-to-day operations, such as making and selling products, and how to generate high daily profits, while financial management is seen as something simpler. In addition, many MSMEs do not understand accounting, which makes it difficult or even discouraging for them to create proper financial reports. Furthermore, MSMEs often lack the human and financial resources to hire an accountant or use accounting software. Since there is no pressure from government regulations or demands from external parties, such as banks or investors, MSMEs do not feel the need to prepare complete and accurate financial statements. This phenomenon highlights a significant gap between the practices needed for proper financial management and what MSMEs actually do. Ultimately, this can impact the sustainability and growth of their businesses.

Here is the table of initial observation data for research in Pontianak City, based on the classification of the main obstacles for MSMEs in preparing financial statements.

Table 1.2 Data from Initial Research Observation in Pontianak City

No	Sector	Applying Financial Statement	Does Not Apply Finansial Statements
1.	Trade	3	6
2.	Manufacturing	8	7
3.	Service	3	3
	Total	14	16

Source: Data Processed by Researchers (2024)

The data in the table above represents the initial observation by the researcher, who distributed the preliminary questionnaire for this study, with 30 completed questionnaires collected. Based on the data in the table, a variety of MSME sectors were found in Pontianak. Of the 30 respondents, 14 (46.70%) prepared financial statements, while 16 (53.30%) did not prepare financial statements. However, those who did prepare financial statements only did so in a simplified manner, without following the accounting standards that have been established. This may be due to a lack of knowledge of how to prepare financial reports, limited Human Resources (HR), limited time and costs, difficulties in recording financial transactions, and perhaps because the proceeds from this business are used to increase the costs of daily needs, and because income is uncertain every day are the main obstacles for MSMEs in preparing financial reports.

MSMEs that do not prepare financial statements are found across almost all sectors, with various causes depending on the characteristics of each sector. The two largest sectors among MSMEs are the trade sector, particularly retail and wholesale, and the culinary sector. According to data from BPS (Central Bureau of Statistics) and the Ministry of Cooperatives and MSMEs, the trade sector dominates due to the large number of small businesses operating in the goods industry, both traditional and modern. Financial activities in the trade sector tend to be simple, such as daily buying and selling transactions. However, many business in this sector do not prepare formal finansial statements, making it relevant subject for research. The trade sector also plays a significant role in driving local economic activity, wheter through traditional markets or small retail business.

Therefore, understanding the challenges faced by this sector can provide valuable recommendations for improving business capacity. The culinary sector has also grown rapidly, driven by consumer demand for food and beverages, as well as the relatively low capital required to start a business. However, in reality, many MSMEs still ignore the importance of finansial statements, which can actually limit their growth and their abilty to access capital from formal finansial institutions. The reluctance of MSMEs actors to prepare finansial statements is influenced by various factors, ranging from limited knowledge on how to prepare finansial statements are

only needed for large business. They tend to focus solely on how to increase daily profits. In this context, Decision-Making Theory plays an important role in understanding why MSMEs choos not to preapre financial statements.

According to Decision-Making Theory, every individual or organization makes decisions based on the information they have, the goals they want to achive, and the limitations they face. In the case of a MSMEs, the decision not to prepare finansial statements can be linked to a decision-making process influenced by perceptions, knowledge, and limited resources. MSME actors prioritize daily operations and short-term profits, while the long-term benefits of finansial statements, such as business planning and access to financing, tend to be overlooked. Therefore, the use of Decision-Making Theory in this research will aim to explore more deeply the reason behind MSME actors decisions not to prepare finansial statements, and how those decisions are influenced by factors such as limited resources, knowledge, and accounting perspectives. It is hoped that this understanding will help develop better strategis to encourage MSME actors to become more aware of the importance of applying finansial statements to their businesses.

Current research, as demonstrated by (Wardi et al., 2020), (Syamsul, 2022), and (Risal et al., 2020), has not addressed the factors contributing to the low implementation of financial reporting. Nonetheless, understanding the reasons behind MSMEs' failure to prepare financial statements and the potential solutions is crucial for local governments and MSME operators to enhance MSME management in the future. Therefore, this study is conducted to identify the causes of the lack of financial reporting among MSMEs in Pontianak City, as well as the challenges faced and potential solutions.

In Indonesia, MSMEs continue to grow and develop each year. However, there are still many MSMEs that have not prepared financial statements properly. One of the main challenges is the lack of knowledge or reluctance of MSME operators to prepare financial statements regularly in accordance with the applicable accounting standards. In light of this issue, researcher interested in exploring the reasons why

MSMEs do not prepare financial statements and attempting to provide solutions related to this problem.

1.2. Problem Statement

1. How do MSME operators understand the importance of implementing financial statements in their businesses?
2. What are the challenges faced by MSMEs in preparing financial statements?

1.3. Research Objectives

1. To understand the knowledge and perceptions of MSME operators regarding the importance of preparing financial statements.
2. To identify the challenges faced by MSMEs in preparing financial statements.

1.4. Research Contribution

1.4.1. Theoritical Contribution

The results of this research are expected to serve as a means of broadening knowledge and understanding, as well as contributing to the body of knowledge for conducting further research.

1.4.2. Practical Benefits

1.4.2.1. Contribution to the Author

This research can help the author develop a deeper understanding of the challenges faced by MSMEs (Micro, Small, and Medium Enterprises) in preparing financial statements. It can broaden the author's knowledge of MSME finance and accounting. Additionally, the author gains valuable experience in conducting observations, interviews, and qualitative data analysis, which will be useful for future research

1.4.2.2. Contribution to Future Researchers

This research is expected to provide valuable information and serve as a foundational reference for future studies aiming to develop similar topics, particularly regarding the factors that influence MSMEs (Micro, Small, and Medium Enterprises) not to prepare financial statements. Future research can expand on this study by broadening its scope, such as examining other MSME sectors or different regions, to gain a more comprehensive understanding.

1.4.2.3. Contribution to UMKM

This research is expected to help raise awareness among MSME owners about the importance of financial statements in their businesses. Additionally, it is hoped that this study will provide insights that can be used by the government to implement policies or training programs more effectively, aimed at enhancing the accounting and financial management skills of MSME entrepreneurs.