

THE ROLE OF FINANCIAL REPORTING BOOKKEEPING IN MICRO, SMALL AND MEDIUM ENTERPRISES (CASE STUDY ON CULINARY UMKM WARUNG BAKSO MAS ONE MEDAN JL. BILAL UJUNG)

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Abstract: This study aims to analyze the role of financial report bookkeeping in improving business management and sustainability in Micro, Small, and Medium Enterprises (MSMEs), with a case study at Warung Bakso Mas One Medan . Financial report bookkeeping is an important tool in business management, because it helps business owners understand financial conditions, manage cash flow, and plan more effective business strategies. This study uses a qualitative descriptive approach with interview and direct observation methods to obtain data related to the implementation of bookkeeping and its benefits for business. The results of the study show that structured financial report bookkeeping makes finances clearer, financing more accessible, and decision making more accurate. However, one of the challenges faced by business actors is not having knowledge adequate accounting so that reporting financial arrangements Not yet in accordance with standard accountancy finance for SMEs .

Keywords: Financial Reports , MSMEs , Business Sustainability

Introduction

Micro, Small, and Medium Enterprises (MSMEs) play an important role in the Indonesian economy. Based on data from the Ministry of Cooperatives and SMEs, MSMEs contribute more than 60% to the national gross domestic product (GDP) and provide jobs for the majority of Indonesian people. This strategic role makes MSMEs the driving force of the economy, especially in the midst of post-pandemic economic recovery efforts. However, various problems often hinder the sustainability of small and medium enterprises (MSMEs), one of which is less than optimal financial management. Business continuity is highly dependent on good financial management. Financial reporting is an important part of financial management. Financial reporting is used to record all financial transactions

periodically, provide relevant and accurate information about the company's financial condition, and assist in strategic decision-making. Micro, Small, and Medium Enterprises (MSMEs) play an important role in the Indonesian economy. Based on data from the Ministry of Cooperatives and SMEs, MSMEs contribute more than 60% to the national gross domestic product (GDP) and provide jobs for the majority of Indonesian people. In Indonesia, the growth of micro, small, and medium enterprises (MSMEs) is very rapid. In addition, these MSMEs have the potential to advance the process of community progress and maximize income, support economic growth, and participate in national infrastructure projects. These MSMEs also have the potential to increase community economic activities so that they become the main source of income for most people, thereby increasing the overall level of community welfare. (Ningtyas and Kusuma 2024)

Good financial management is the main foundation in supporting business sustainability. One of the main elements in financial management is financial statement bookkeeping. Financial statement bookkeeping functions to record all financial transactions systematically, provide relevant and accurate information regarding the financial condition of the business, and support strategic decision-making. Furthermore, good bookkeeping allows MSMEs to monitor cash flow, measure business profitability, and facilitate access to financial institutions in obtaining financing. However, in practice, there are still many MSMEs that do not fully understand the importance of financial statement bookkeeping. Most MSMEs rely on personal memory or unsystematic recording to manage their business finances. This condition is caused by various factors, including minimal accounting knowledge, lack of resources, and the assumption that bookkeeping is only relevant for large businesses. As a result, many MSMEs have difficulty in maintaining financial stability, face obstacles in developing their businesses, and even risk bankruptcy. Several weaknesses of MSMEs hinder their progress (Fujianti et al. 2022).

Warung Bakso Mas One Medan, one of the MSMEs engaged in the culinary sector in Medan, is an interesting case study. As one of the culinary businesses that is quite popular with the public, Warung Bakso Mas One Medan has the potential to continue to grow. However, like other MSMEs, this stall faces obstacles in managing reports finance. Business owners tend to manage finances simply without a structured bookkeeping system. This can affect the owner's ability to evaluate business performance, develop development plans, and face market competition.

According to Law Number 20 of 2008 concerning Micro, Small, and Medium Enterprises (MSMEs), small businesses are defined as productive economic activities that stand alone. This business is carried out by individuals or business entities that are not subsidiaries or branches of companies owned, controlled, or are part of either directly or indirectly medium-sized or large businesses and meet other criteria. Currently, business competitors in the culinary field are increasing and developing rapidly, along with the development of the times, there are also more and more culinary businesses with various unique and modern menus but tend to be seasonal and do not last in the long term. MSME Culinary Warung Bakso Mas One Medan is one of the culinary businesses established in Medan City, East Medan District. Geographically, Medan City is located in a lowland area. Location of Culinary UMKM Roadside stall Bakso Mas One Medan is a strategic place to open a business because it is located on the edge of a main road that is often passed by the public, therefore the area is suitable for UMKM Warung Meatballs Mas One Medan, . (Evita Bela, Putra, and Fahlevi 2023) UMKM Warung Bakso Mas One Medan which is very strategically easy to access its marketing can be very helpful. Based on the observations above, the author is interested in conducting research with the title "The Role of Micro, Small and Medium Enterprises (MSMEs) The Role of Financial Reporting in Micro, Small and Medium Enterprises (Case Study of MSME Culinary Warung Bakso Mas One Medan. (Jamil Rifani 2022) Actually, there are many benefits if MSME actors understand the importance of financial reports: (Ardianto, 2019) 1. As a business plan, with planning MSMEs can manage their costs and capital so that daily activities can run effectively and efficiently 2. Can find out the financial position every month, with financial reports, can find out the position of capital, debt, and assets 3. Easy to control costs and every activity carried out every day . (Liliek Nur Sulistyowati, Mila Eviana 2022)

Literature Review

Micro, Small and Medium Enterprises (MSMEs).

Over the years, this economic strength has proven to be able to help the economy of the country and regions of Indonesia. This is especially true when the world economy and the Indonesian economy are in recession, where micro, small and medium enterprises (MSMEs) do not experience symptoms or negative effects from the recession. (Evita Bela, Putra, and Fahlevi 2023)

Definition of Micro, Small and Medium Enterprises (MSMEs) Industry is an activity economy that processes raw materials, raw materials, semi-finished goods, and becomes food ingredients that contain high nutrition for customers. Industrial groups are the main part of industrial activities, namely upstream industrial groups or also called basic industrial groups, downstream industrial groups, and small industrial groups. While industrial branches are part of an industrial group that has the same general characteristics. According to Law of the Republic of Indonesia No. 20 of 2008, micro, small, and medium enterprises are defined as:

1. Micro-enterprises are productive businesses carried out by individuals or individual business entities that meet the criteria set out in this law.
2. Small Business is a stand-alone productive economic enterprise, carried out by an individual or business entity that is not a subsidiary or company. open.

Micro production process.

The formation of wealth that tends to be macro in nature is an economic activity that creates added value and generally becomes an industrial producer. Industry has two meanings, namely the general meaning where industry is interpreted as a company that carries out activities in the field of economic activities that are included in the secondary sector.

The Central Bureau of Statistics groups the size of an industry based on the number of workers it has. In this case, the manufacturing industry sector is divided into four industrial groups based on the number of workers, namely:

1. Large industry, has a workforce of more than 100 people
2. Medium industry, has a workforce of between 20-99 people
3. Small industry, has a workforce of 5-19 people
4. Home industry, has a workforce of between 1-4 people

(Hidayani and Sagara 2022)

Micro and medium enterprises (MSMEs) should not be underestimated. MSMEs have shown the strength of the people's economy in facing and overcoming various regional and national economic problems. (Kahar, Tenripada, and Halwi 2020)

Based on data from the Ministry of Cooperatives and SMEs, micro, small, and medium enterprises (MSMEs) number 64.2 million and contribute 61.07% or 8,573.89 trillion rupiah to Indonesia's GDP. MSMEs are also able to absorb 97% of the workforce and collect up to 60.4% of total investment. (Rahmi 2021b) The challenges for Micro, Small and Medium

Enterprises (MSMEs) include mentoring, (Rahmi 2021a) licensing, certification, product innovation, financing, export market access, partnerships in industrial supply chains and logistics management, and digitalization.

Characteristics of Micro, Small and Medium Enterprises (MSMEs) have their own characteristics which include advantages and disadvantages. Here are some of the advantages of MSMEs:

- a. The resilience of small business motivation is very strong to maintain their business because their business is the only source of family income. Therefore, small business owners are very capable of adapting to changes that occur in their business environment.
- b. Labor-intensive: Most small and medium enterprises (SMEs) in Indonesia are labor-intensive. Small businesses prefer to use labor rather than machines in their production processes. (Parmono and Zahriyah 2021)

Financial statements

Financial management is necessary for every business because it is very important nowadays. It cannot be considered as an alternative for any business. (Yusanto 2022)

Financial reports are records of financial information of a company or small and medium business that are useful for creditors, owners, and interested parties in analyzing and interpreting financial performance. Financial reports are the end result of a series of recording and summarizing business transaction data. The purpose of financial reports is to provide information about the financial position, financial performance, and cash flow statements of an entity that are useful for a large number of users in making economic decisions by anyone who is not in a position to request special financial reports to meet certain information needs... (Putri Hapsari and Nahdiatul Hasanah 2017) Report finance in the beginning only used as tool tester For work part bookkeeping , but they can also used as base For evaluate position finance company and provide information to interested party For make decision . With Thus , the report finance required For know position finance a company and the results that have been achieved during period the time that has passed determined . (Accounting , Economics, and Semarang 2018) . According to the Creative Economy Agency, many small and medium enterprises (SMEs) do not yet have the ability to prepare their own financial reports. According to Yuke Sri Rahayu, Head of the Sharia Banking Sub-Directorate of the Creative Economy Agency (Bekraf), while at the DIY Bank

Indonesia Representative Office, only 20% of MSMEs are able to prepare financial reports, although they are still not recorded with certainty (Mahrizal, 2017). (Khoirudin, Indriyawati, and Widodo 2021). Financial reports can function as a tool to be responsible and assess the performance of a business. Financial reports are useful for knowing the financial position of MSMEs, knowing whether the business is making a profit or loss during its operating period, and can provide information to parties outside the business. (Bustomi et al. 2021)

MSMEs need to prepare financial reports because financial reports are very important in describing their business performance and are a useful means of information for users of financial reports (Rahadiansyah, 2018). However, we cannot know the financial condition of the business, because the business party did not inform the research team. (Hamongsina, Sumual, and Tala 2022)

Indeed, the preparation of financial reports according to standards is an obstacle for small and medium enterprises (SMEs). In fact, having financial reports and their preparation according to standards is very helpful for this business. In addition, the function of financial reports is used to determine the financial condition of the company which includes income, expenses, total assets, debts, and others. According to Ningtiyas (2017), because MSME businesses are growing, they must relate to external parties such as banks or other financial institutions to obtain funding or capital to develop their businesses. This is because business financial reports are usually needed when applying for credit because they are part of the requirements of banks or financial institutions to assess creditworthiness. (Emilda, Meiriasari, and Suwartati 2022).

Method

This study uses a qualitative descriptive research type. The data obtained were obtained using primary data. Primary data here is data obtained by conducting interviews or interviews directly with several MSME owners in Medan Timur District, Medan City, one of which is Warung Bakso Mas One Medan , a representative of Micro, Small and Medium Enterprises partners to obtain information related to the problems underlying business conditions as conveyed by the research team. (Micro 2024) . Warung UMKM Bakso Mas One Medan is located on Jl. Bilal Ujung, Medan City. This meatball stall business has been pioneered since 2024 and this business is a home-based meatball stall seller business that is included in the culinary industry.

Results and Discussion

Interview Stages

The interview stage was conducted by visiting the Bakso Mas One Medan stall on Jl. Bilal Ujung, Medan City. The Bakso Mas One Medan stall on Jl. Bilal Ujung, Medan City is a face-to-face activity. The research team did not provide information on financial bookkeeping, but the owner of the Bakso Mas One Medan stall only provides information about obstacles experienced when selling. MSMEs of Warung Bakso Mas One, especially those located in Medan, are experiencing difficulties in capital. This difficulty is not only due to limited business capital but also inadequate financial management .

1. Bookkeeping Conditions at Warung Bakso Mas One Medan

interview results showed that the bookkeeping carried out was still simple, limited to manual recording of daily transactions without creating formal financial reports.

2. Benefits of Bookkeeping for MSMEs

Business owners acknowledge that bookkeeping helps monitor cash flow and calculate monthly profits. However, without formal financial statements, it is difficult to comprehensively evaluate business performance.

3. Role

Role study This done For know importance recording debt efforts in MSMEs and challenges in its implementation . Case study This focused on MSMEs. Warung Bakso Mas One Medan is located on Jl. Bilal Ujung , Medan City. The method used in study This includes primary data through interview .

4. Obstacles Faced

Owner of Bakso Mas One Medan business often experience obstacles due to increases in raw materials such as the recent increase in the price of chicken meat and also obstacles that have quite an impact on the profits of the Bakso Mas One Medan business which has just started its business, such as the large number of competitors.

5. Solution

To increase profits and income from the Bakso Mas One Medan business, there has been an increase in the price of basic ingredients, so the solution taken by the owner of the Bakso Mas One Medan business is to work together and utilize technology, by posting food and beverage menus available at the Bakso Mas One Medan business assisted by influencers

Conclusion

Good financial management is the main foundation in supporting business sustainability. One of the main elements in financial management is financial report bookkeeping. Financial report bookkeeping functions to record all financial transactions systematically, provide relevant and accurate information regarding the financial condition of the business, and support strategic decision making. Furthermore, good bookkeeping allows MSMEs to monitor cash flow, measure business profitability, and facilitate access to financial institutions in obtaining financing. However, in practice, there are still many MSMEs that do not fully understand the importance of financial report bookkeeping. Most MSMEs rely on personal memory or unsystematic recording to manage their business finances. This condition is caused by various factors, including minimal accounting knowledge, lack of resources, and the assumption that bookkeeping is only relevant for large businesses. As a result, many MSMEs have difficulty in maintaining financial stability, face obstacles in developing their businesses, and even risk bankruptcy.

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