



Digitalization of Accounting for MSMEs in Tegal City

Study of Opportunities and Challenges

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Abstract. The change from manual to digital in the accounting process provides opportunities for MSMEs to be able to develop even though there are challenges faced by MSME actors in Tegal City to be able to implement accounting digitization. This study aims to analyze the opportunities and challenges faced by MSME actors in Tegal City in implementing digital-based accounting. This research was conducted through a qualitative descriptive study and analysis. Data collection techniques used the approach of observation, interviews, and literature study. The results of the study indicate that the digitization of accounting for MSMEs has a great opportunity for the development of MSMEs in Tegal City. The existence of accounting digitization in MSMEs makes it easier for MSME actors in financial management and increases efficiency in presenting digital-based financial reports. The digitalization of accounting in MSMEs also has challenges that are felt by MSME actors, namely human resources that need to be increased in competence, adaptation to new technologies, and the necessary infrastructure.

Keywords: Accounting digitization · MSMEs · Opportunities and challenges

1 Introduction

The business sector that supports the regional and national economy is Micro, Small and Medium Enterprises (MSMEs). People's daily activities are inseparable from various services and goods created by MSME actors. So that MSMEs have a strategic role for the community, not only as providers of services and goods, but also to support regional economic growth, provide employment opportunities, and become an important foundation for the Indonesian economy. Therefore, both the government and other parties are very concerned about the sustainability and development of MSMEs as a priority and very vital [1].

According to data from the Ministry of Cooperatives, Small and Medium Enterprises (KUKM) in 2018, MSME actors in Indonesia amounted to more than 64 million actors or 99.99% of the total number of business actors in Indonesia. MSMEs in Indonesia absorb 117 million workers in 2018 or 97% of the total workforce absorption. Meanwhile, the contribution of MSMEs to Gross Domestic Product (GDP) is 61.1% of the total business in Indonesia [2]. Looking at the data, it shows the potential for a strong national economic

base seen from the very large number of MSMEs and the very large absorption capacity of the workforce.

MSMEs, which have enormous potential, are faced with the challenge of being able to adapt to the development of information technology. Current technological developments have changed the work system that was previously done manually to an automated work system. MSMEs must be able to follow these developments in order to survive in business competition. Especially in the midst of the crisis during the Covid-19 pandemic which forced MSME actors to be able to utilize digital technology in running their business.

Changes from a manual system to an automated system also occur in the recording and reporting of MSME financials. Digitization of the accounting process in MSMEs is a necessity that must be carried out by MSME actors. Digitalization of accounting in this case is a change in accounting practice that is done manually which involves journal papers, calculators, and stationery switching to a computerized system. Accounting with a computerized system allows data or transactions to be recorded efficiently and can minimize recording errors.

Accounting digitization or other terms e-accounting is one of the developments of accounting in the process of financial transactions where transactions will be recorded online using servers such as the web [3]. Digital accounting results not only produce accounting information in digital form, but cover the entire accounting process cycle and all functions of entities that use accounting information such as sales data, inventory data, and so on. Digital accounting refers to accounting information in the form of a digital format that can be processed and transmitted.

This is an opportunity and a challenge for MSME actors, especially in Tegal City, to be able to apply digital accounting in managing their business. MSMEs need to present accountable information in their financial statements, the main purpose of which is to find out the business profit or loss obtained in each accounting period. The application of a digital-based accounting system for MSMEs also has an important goal for the owner, namely to obtain accurate information related to the description of the business cycle that is being carried out.

2 Literature Review

2.1 Micro, Small and Medium Enterprises (MSMEs)

In Government Regulation Number 7 of 2021 concerning Ease, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises (MSMEs) [4] the definition of MSMEs is as follows:

- a. Micro Enterprises are productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro Enterprises as regulated in this Government Regulation.
- b. Small Business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or branches that are owned, controlled or become a part, either directly or indirectly, of a medium or large business that meets the criteria. Small business as referred to in this Government Regulation.

- c. Medium Enterprises are productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become a part either directly or indirectly with Small Businesses or Businesses that meet the criteria for Medium Enterprises as regulated in this Government Regulation.

2.2 Digitalization Accounting

Accounting digitization system is a system that aims to provide accounting information involving people and supporting tools, databases, software and hardware, procedures, and network communications that are useful as a basis for decision making [5]. This application is designed to present information that is combined from financial and non-financial data so that it can be used as a reference and communicated to every decision maker [6]. Currently, many companies apply digital-based information in their accounting information systems for more accurate and faster decision making.

The general purpose of digitization is to make cost efficiency and improve the company's business operational processes, such as the use of information systems which have an impact on reducing the use of employees and minimizing errors because business processes are carried out in an automated manner, minimizing the use of paper for reporting purposes, this is because report information is stored in digital form.

3 Research Methods

The purpose of this study was to analyze the opportunities and challenges faced by MSME actors in Tegal City in implementing digital-based accounting. This research was conducted in the City of Tegal, namely the perpetrators of Micro, Small and Medium Enterprises (MSMEs). This type of research is survey research with a qualitative approach. The type of data that will be used in this research is qualitative data. The data source used is primary data. The primary data in this study is the main data obtained from respondents of MSME actors through interviews and surveys. In-depth interviews were conducted with metal sector SMEs.

4 Results and Discussions

4.1 Barriers to the Use of Accounting Digitization

MSME actors experience obstacles and obstacles in the implementation of accounting digitization, namely the limited knowledge of accounting and finance owned by business owners and staff. In addition, as the business grows, the transaction data that must be recorded is also increasingly complex, causing business owners to find it difficult to record and must have staff specifically tasked with recording these transactions. MSME actors also experience obstacles and constraints on limited capital, causing MSME actors to feel they cannot focus on the use of digital accounting records. This is because MSME actors are more focused on developing businesses with limited capital.

4.2 Accounting Digitization Opportunities

The results of interviews and research observations show that the digitalization of accounting for MSMEs has a great opportunity for the development of MSMEs in Tegal City. The existence of digitalization of accounting in MSMEs makes it easier for MSME actors in financial management. In the past, transaction recording was done manually in the form of recording on paper, with the digitalization of accounting can switch to digital-based recording. This will minimize the occurrence of errors in terms of recording and calculating. Digitalization of accounting in SMEs also provides opportunities, namely increasing the level of efficiency in presenting financial reports. The presentation of financial statements that were previously done manually in the form of a handwritten ledger or in the form of printed reports, with the digitalization of accounting, the presentation of financial statements is more concise in the form of digital financial reports. With digital financial reports, the display of reports will be easier to read and the information displayed can be adjusted to the needs of report users.

One of the MSME actors who became the respondent said that with the change in accounting records from manual to digital, it made work easier, namely that financial reports could be accessed at any time. With digital accounting, producing financial reports that are neater, clearer and more orderly will have an impact on when MSME entrepreneurs will apply for capital loans to banking institutions. This is a great opportunity for MSMEs to be able to develop their business with a loan from the bank.

4.3 Accounting Digitization Challenge

The digitalization of accounting in MSMEs also has challenges that are felt by MSME actors. The competence and expertise of human resources owned by MSMEs is the biggest challenge. Most MSME actors do not yet have competence related to bookkeeping and accounting records. This is a challenge to be able to improve the competence of small business actors in recording transactions digitally. MSME actors must also be able to adapt to the rapid development technology, especially in terms of digital-based accounting information system technology. This is a challenge for MSME actors to be able to apply technology in managing their business. Another thing that becomes a challenge for MSMEs in implementing accounting digitization is the inadequate infrastructure. MSME actors need to have accounting applications, smartphones, internet access, and even need a computer or laptop if they want a more sophisticated accounting information system. MSME actors must be able to choose which application or system is in accordance with the form of business and resources they have.

5 Conclusion

Accounting digitization is something that cannot be avoided and must be done by MSME actors, especially in the City of Tegal. Accounting digitization in MSMEs is not a burden, but it is an opportunity to develop business quality and challenges that must be faced by MSME actors. The existence of accounting digitization in MSMEs makes it easier for MSME actors in financial management and increases efficiency in presenting digital-based financial reports. The digitalization of accounting in MSMEs also has challenges

that are felt by MSME actors, namely human resources that need to be increased in competence, adaptation to new technologies, and the necessary infrastructure.

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