



Implementation of the Accounting Bookkeeping System for MSMEs During the Covid 19 Pandemic

Sulastri Sulastri¹, Dhika Maha Putri¹(✉), Ferby Mutia Edwy¹, and Mohd. Rizal Palil²

¹ Faculty of Economic, Universitas Negeri Malang, Malang, Indonesia
dhika.maha.fe@um.ac.id

² Faculty of Economics and Management, Universiti Kebangsaan Malaysia Selangor, Bangi, Malaysia

Abstract. The purpose of this study was to find out how the practice of financial accounting in MSMEs in East Java Province, especially during the Covid Pandemic. This research is qualitative research using a case study approach. The data used in this study are primary data and secondary data. Primary data is processed from interviews with MSME owners and secondary data is processed from literature studies. The data search is based on the use of the accounting bookkeeping system by MSME owners during the COVID-19 pandemic. The results obtained concluded that there was positive perception towards the application of financial accounting. Although MSME owners do not understand financial accounting principles perfectly, MSME owners try to apply accounting principles. MSME owners realize that accounting is one part of good corporate governance. By recording using an accounting bookkeeping system, owners can manage finances comprehensively. Financial accounting helps MSME owners to maintain business continuity, especially during the Covid-19 pandemic.

Keywords: Accounting · MSME · Covid-19 · Business

1 Introduction

Economic growth in East Java Indonesia cannot be separated from the role of MSMEs. 54.98% of East Java's GRDP (Gross Regional Domestic Product) is obtained from the MSME sector. Based on the BPS census, it is known that the number of MSMEs in East Java reaches 9.59 million businesses. The development of MSMEs in East Java, on average, is 54.34% per year and is able to employ up to 98% of the workforce.

Byrd and Maggison [1] in their book suggest that small business or MSME is a form of business that has the ability to compete in the competition. Sener, Savrul, and Aydin [2] also explained that MSMEs have dynamic and flexible businesses, high levels of productivity, innovation, and competitive characteristics. Small and medium enterprises can support the national economy when facing an economic recession (Hadi, 2015). These small and medium enterprises will become strategic drivers of economic growth in maintaining the availability of goods and employment.

© The Author(s) 2023

N. Eltivia et al. (Eds.): AMBEC 2021, AEBMR 224, pp. 92–99, 2023.

https://doi.org/10.2991/978-94-6463-026-8_10

According to Indonesian grammar, the business has the meaning of activity by mobilizing the mind, or energy to obtain a goal [3]. In the economy of a country, it is recognized that MSMEs have an important role related to the development and economic growth. Tambunan [4] also said that MSMEs play a significant role not only for developing countries but also for developed countries. In Indonesia itself, Bank Indonesia [5] revealed that MSMEs have a very large contribution to the economy. MSMEs are the driving force of the economy with a big role.

MSMEs have unique characteristics that are different from large businesses. One of the reasons why MSMEs are growing rapidly in Indonesia is because many entrepreneurs consider MSMEs to be easy to manage [6]. Byrd and Meggison [1] explain the characteristics of this type of small business are able to encourage innovation and business flexibility, are able to maintain good relations with customers and other small businesses, dare to make decisions, absorb a lot of labor and provide large jobs. Tambunan [4] revealed that the characteristics of MSMEs include a large number of MSMEs spread throughout rural areas, MSMEs use technologies that are more suitable for the proportions of production factors and local conditions that exist in developing countries, and MSMEs have resilience. This is an extraordinary thing that has been proven by MSMEs being able to survive when the Indonesian economy was hit by a major crisis in 1997–1998.

On the other hand, there are several obstacles that become the weakness of MSMEs, including (1) lack of capital gains; (2) the lack of quality of human resources owned by MSMEs; (3) weak management internal control; (4) lack of competitiveness; (5) lack of ability in managing MSMEs and (5) difficulties in accessing financial assistance [7]. One of the things that threaten the sustainability of MSMEs is the COVID-19 pandemic. This pandemic affects social communities around the world and has succeeded in hampering world economic growth. [8]. Economic activity has slowed considerably as a result of this global pandemic [9]. According to the Central Statistics Agency, the value of Indonesia's economic growth in the third quarter of 2020 was minus 3.49 percent and in the second quarter of 2020 it was minus 5.32%. The sustainability of the MSME sector is very important to maintain because it is a vital sector that provides many benefits.

Through a survey conducted by the Katadata Insight Center (KIC), a total of 82.9% of MSMEs (out of 206 samples) felt the negative impact of the pandemic condition. Based on the total turnover, 63.9% of MSMEs admit that they have lost more than 30% of their turnover. The KIC survey also shows various efforts made by MSMEs to maintain their business, including (1) reducing the amount of production; (2) reducing the working hours of employees; (3) reducing the number of employees, and (3) adjustments to sales or marketing techniques (Katadata.co.id, 2021).

The results of studies from institutions such as BPS, Bappenas, and the World Bank show that during the pandemic many MSMEs had difficulty paying operational costs and repaying loans. This has resulted in MSMEs being forced to terminate their employment. Other difficulties faced by MSMEs are (1) obtaining raw materials; (2) obtaining capital; (3) declining number of customers and sales; (4) distribution difficulties; and (5) difficulties in production. In addition, changes in consumer behavior and increasingly fierce business competition are additional challenges for the sustainability of MSMEs. Changes in industrial patterns and new competitive maps that must be faced by MSMEs are

hygiene lifestyle, low-touch lifestyle, less crowded lifestyle, and low-mobility lifestyle (CNBC Indonesia, 28 April 2021).

One solution for the recovery of MSMEs during the pandemic is through increasing the efficiency of MSME management. Tambunan [4] states that structuring and strengthening the competence of organizational managers are needed to ensure optimism for the development of MSMEs. In the era of the Covid-19 pandemic, capital support, management capabilities, and the quality of human resources are important requirements in order to optimize the performance of MSMEs in a sustainable manner. In addition, the success of a company or MSME in realizing its goals, both short and long term, cannot be separated from the role of financial management. In carrying out its function. Financial management is a major aspect of the company's progress. This management can be done through the help of an accounting bookkeeping system. Accounting is a systematic process for producing financial information. This information will later be used by stakeholders for decision-making. In addition, management functions in the form of planning and control can be realized through the accounting bookkeeping system. Through the use of an adequate accounting bookkeeping system, it is hoped that the resilience of MSMEs during the Covid-19 pandemic will increase.

2 Methods

This research is qualitative descriptive research with a case study approach. Qualitative research is research that focuses on understanding problems based on real conditions in social life [10]. Descriptive research is a type of research that describes a situation in as much detail as possible without any treatment to the object under study [11]. Meanwhile, case study research according to Narbuko and Achmadi [12] is an in-depth study of a particular case, the results of which are a complete and organized description of the case. This type of research is a case study research conducted in the MSMEs in East Java. The rationality of the object of research is that MSMEs in East Java are MSMEs that have successfully developed their businesses so that they have become one of the biggest contributors to GRDP for the Province of East Java. The business criteria taken as the object of research are businesses, both goods and services industries whose turnover value is still within the criteria for MSMEs according to Law No. 20 of 2008. The number of informants as research objects is not determined because according to [13–15]. Qualitative research design has a flexible nature so that there are no definite rules in the number of informants that must be taken for research activities. The number of informants really depends on what is considered useful and can be done with the time and resources of the researcher. The number of informants is also determined by the level of saturation of the data obtained.

The main problem that will be discussed in this study is the implementation of the accounting bookkeeping system for MSMEs in East Java. The data used in this research is primary and secondary data. This data can be in the form of opinions of subjects (people) individually or in groups. Sources of data that will be used in this study are informants who are owners or managers of SMEs. Research data collection activities were carried out through observation and interviews with informants. Observation is a method for obtaining data by observing and making documentation related to the

observed event [12]. Interview according to Mardalis [16] is a data collection technique to obtain information through face-to-face conversations with informants. Through this interview activity, researchers get information from informants who are wanted directly. Besides that, the secondary data was obtained from literature studies about financial accounting and the Covid 19 Pandemic.

The data were analyzed using several steps adapted to the theory of Miles, Huberman [17], data condensation (data condensation), data display (data display), and verification (and verification). The final step is to verify the results of the study using triangulation techniques. Triangulation is one of the techniques that can be implemented by researchers to maximize qualitative data processing. Triangulation technique can be said as a technique of checking data reliability. In this study, the triangulation method was carried out by source triangulation. The researcher compares the answers of one informant with other informants regarding the same question.

3 Results

3.1 Implementation of the Accounting Bookkeeping System for MSMEs During the Covid 19 Pandemic

Based on the results of interviews that have been carried out at MSMEs in East Java Province, it can be concluded that there are several things as follows,

MSMEs owners in Banyuwangi City, East Java already know the definition of The Accounting Bookkeeping System in general and know the benefits, but have not implemented The Accounting Bookkeeping System comprehensively. In this pandemic era, MSMEs are focused on maintaining the viability of the company.

“Not well structured, so it is not clear how much income and expenditure from MSMEs are” (Informant B).

“The most important thing is how to maintain the business in the era of the pandemic, financial records are the second focus at this time”. (Informant BA-1).

The MSMEs of the City of Batu have implemented simply The Accounting Bookkeeping System and felt its benefits as a management tool.

“It is quite clear to understand, but there is still a lack of consistency in recording” (Informant BA).

The Accounting Bookkeeping System that has been made is a Cash Accounting System to record cash flow. In the future, MSME owners want to learn how to make a comprehensive Accounting System, especially about sales and production. The MSMEs of the City of Batu explained that the deteriorating tourism conditions due to the Covid 19 Pandemic also affected all of them. In this case, financial records are enough to help survive because MSMEs have adequate documentation related to the company's financial condition.

“As we all know, Batu City is very dependent on the tourism sector. Therefore, the COVID-19 pandemic has greatly affected the continuity of our business. In this case, accounting helps us estimate the condition of the company”, (Informant BA-2).

MSMEs in Malang City, use an accounting bookkeeping system, especially in the production process. On the other hand, based on the results of interviews, it is known that

in the conditions of the COVID-19 pandemic, MSMEs really need a sales and recitation accounting system. Sales and payroll accounting are used to estimate the company's ability to manage employees. In this case, it is mainly to estimate whether the sales made by the company are able to cover production costs including salary expenses.

“Financial bookkeeping system, mainly used when recording daily turnover and expenses when purchasing raw materials” (Informant MA-1).

“According to my observations during the covid 19 pandemic, the most challenging thing for companies is managing employees. How companies can survive without firing employees” (Informant MA-2).

MSMEs in Surabaya have understood the meaning and benefits of the accounting bookkeeping system. In addition, training and provision of accounting materials from the Surabaya city government have been carried out. MSME owners have also made accounting books but have not detailed them and the books are only based on annual trends. On the other hand, the COVID-19 pandemic has resulted in decreased interest in making financial reports. Decreased sales and income make MSME owners feel no need to bother making financial reports.

“This pandemic period has made our turnover drop drastically, so it's not necessary to make detailed accounting records” (Informant S).

MSMEs in Lamongan City have implemented a simple Accounting Bookkeeping System in developing their business. This is because of the training and material provided by the Lamongan City Government. Bookkeeping System Accounting is mainly carried out to see cash flows and cash use plans in the next period. In the future, MSMEs in Lamongan City want to create a more detailed sales accounting bookkeeping system. During the COVID-19 pandemic, MSMEs have been greatly helped by the financial accounting system. Through good accounting books, MSMEs can adapt to the conditions of the COVID-19 pandemic.

“Accounting for us is very helpful. Even though it is difficult the company is able to adapt to the pandemic conditions” (Informant L).

MSMEs in the City of Mojokerto have quite well understood the meaning of accounting. The MSMEs have also carried out simple records that are carried out once a week based on evidence of incoming or outgoing transactions. Based on the results of the interview, it is known that the owner of the MSME is also the person in charge of bookkeeping or accounting. In connection with the COVID-19 pandemic, accounting bookkeeping helps MSMEs in organizing finances.

“It is recorded once a week based on notes, receipts, and others” (Informant Mo).

Some MSMEs in Kediri City have been able to carry out accounting records, to make financial reports. For those in charge of financial records, MSMEs have also used admin services. On the other hand, it is revealed that there are obstacles for MSMEs in making detailed financial reports especially when sales were increasing.

“Actually I have tried the accounting bookkeeping system using a balance sheet and more detailed records, but it is quite complicated, especially when orders are increasing” (Informant K).

3.2 Benefits of Accounting for MSMEs During the Covid 19 Pandemic

Accounting Bookkeeping System is one way for MSMEs to realize efficient and effective organizational management. Accounting information can be used as a basis for decision-making in the management of MSMEs, in this case, related to market development, price determination, and others [18]. Accounting Bookkeeping System can estimate how the resource utilization plan will be carried out by the company in one period. Accounting systems can also show how a resource is managed by the organization. The Accounting System is an effective evaluation tool so that in the future the company can design a better management system than before. Information generated by accounting in financial statements allows MSMEs to make choices in decision making [19]. The financial statements produced by accounting describe the company's financial condition, in this case stakeholders can study the company's financial condition and position from the financial statements [20].

Based on the results of interviews conducted with MSMEs in East Java, it can be seen that MSMEs in East Java on average have not implemented a comprehensive Accounting Bookkeeping System. Organizational management is done manually and traditionally based on owner memories, simple records, and annual trends. This happens because there are still limited human resources who understand well the preparation of the accounting system. MSME owners find it difficult to use accounting in their business. The absence of guidelines or reference books is one of the drivers of the reluctance of SMEs to use accounting. According to MSME owners, currently, there are no books that focus on the financial management of MSMEs and most books only discuss accounting systems in large companies.

On the other hand, there are habits inherent in the management of MSMEs. MSME owners feel that even with simple management, MSMEs are still able to survive for years. A fairly common problem for MSMEs in Indonesia is the lack of attention from actors within the company [21]. In addition, MSME owners often only judge the business based on the results of production and the results of buying and selling [22]. This is certainly very worrying, especially in the current pandemic era. Some of the MSME actors have the belief that without accounting the company will continue to run smoothly and generate profits. However, if observed in-depth, these MSMEs have not developed. When MSME owners are asked to show the profit earned each period, most of them cannot show the nominal figures. This has resulted in the company's growth, especially in terms of financial performance, which cannot be clearly identified.

Economic conditions after the Covid-19 pandemic became one of the driving factors for the compilation of a comprehensive accounting bookkeeping system. The decline in the number of sales after the pandemic resulted in the amount of turnover, which also had a significant impact on the company's operations. The processing of raw materials to the payroll of employees will depend on the acquisition of turnover. This is supported by the fact that the economies of various countries during the COVID-19 pandemic are both facing problems increase in unemployment due to lack of productivity [23]. In this case, a good accounting bookkeeping system is expected to be able to help MSME owners prepare plans to anticipate changes in conditions due to declining sales.

Research findings related to the lack of preparation of accounting bookkeeping systems are certainly very worrying. MSMEs that do not want to adapt to post-pandemic

conditions in the long term can be eroded so they risk going bankrupt. With the level of business competition getting higher in the era of the COVID-19 pandemic, it is important for MSMEs to have an adequate management system so that their business can be run most efficiently and effectively.

In general, the benefits of accounting for MSMEs in the era of the covid 19 pandemic, are (1) knowing information about the financial position, financial performance, changes in owner's capital; (2) becoming one of the ingredients in decision making. Data in financial reports can be used for decision making, especially related to economic changes in the era of the COVID-19 pandemic; (3) Knowing the value of changes in cash and its distribution. Based on the cash flow report, MSME actors will know how much the value of the increase or decrease in cash in one period; and (4) serve as an evaluation tool for decisions taken. In the end, accounting is an effort to maintain business continuity, especially in the era of the Covid 19 Pandemic.

4 Conclusion

The results obtained concluded that there was positive perception towards the application of financial accounting. Although MSME owners do not understand financial accounting principles perfectly, MSME owners try to apply accounting principles. MSME owners realize that accounting is one part of good corporate governance. By recording using an accounting bookkeeping system, owners can manage finances comprehensively because they know and understand the extent to which assets are managed. Management of organizational decision-making is highly dependent on accounting information [24]. Financial accounting helps MSME owners to maintain business continuity, especially during the Covid-19 pandemic.

References

1. Byrd, M. J., & Megginson, L. C. (2013). *Small business management: An entrepreneur's guidebook*. McGraw Hill.
2. Şener, S., Savrul, M., & Aydın, O. (2014). Structure of small and medium-sized enterprises in Turkey and global competitiveness strategies. *Procedia-Social Behavioral Science*, 150, 212–221.
3. K. KBBI (2016). *Kamus Besar Bahasa Indonesia (KBBI)*. Kementerian. Pendidik. Dan Budaya.
4. Tambunan, T. T. H. (2010). The Indonesian experience with two big economic crises. *Modern Economy*. <https://doi.org/10.4236/me.2010.13018>
5. B. Bank Indonesia. (2016). *Pemetaan Dan Strategi Peningkatan Daya Saing UMKM Dalam Menghadapi Masyarakat Ekonomi Asean (MEA) 2015 dan Pasca MEA 2025*. Bank Indonesia.
6. Ardila, I., Zurriah, R., & Suryani, Y. (2019). Preparation of financial statements based on financial accounting standards for micro, small and medium entities. *International Journal of Accounting & Finance in Asia Pasific*, 2(3), 1–6.
7. Suyono, E., Al Farooque, O., & Riswan, R. (2016). Toward a model of traditional retailers and sellers empowerment in improving competitiveness against modern markets in Banyumas region, Indonesia. *DLSU Business and Economic Review* 25(2), 147–165.
8. Mishra, N. T. P., et al. (2020). Global impacts of pre-and post-COVID-19 pandemic: Focus on socio-economic consequences. *Sensors International*, 1, 100042.

9. Pan, K., & Yue, X.-G. (2021). Multidimensional effect of covid-19 on the economy: Evidence from survey data. *Economic Research-Ekonomika Istrazivanja*, 1–28.
10. Supomo, B., & Indriantoro, N. (2005). *Metodologi Penelitian Bisnis Akutansi dan Manajemen*. BPFE Yogyakarta.
11. Kountur, R. (2018). Metode penelitian untuk penulisan skripsi dan tesis. PPM.
12. Narbuko, C., & Achmadi, A. (2015). *Metodologi Penelitian, Metodol. Penelit.*
13. Patton, M. Q. (1990). *Qualitative evaluation and research methods*. SAGE Publications, inc.
14. Poerwandari, E. K. (2007). Pendekatan kualitatif untuk penelitian perilaku manusia. LPSP3 Fakultas Psikologi Universitas Indonesia.
15. Armando, Z. (2014). Eksplorasi Dan Remodelling Akuntansi Pada Usaha Mikro Dan Kecil (UMK). Universitas Brawijaya.
16. Mardalis, A. (2008). Meraih Loyalitas Konsumen. *Surakarta: Benefit Jurnal Manajemen dan Bisnis*. Diakses pada tanggal.
17. Milles, M. B., & Huberman, A. M. (1992). *Analisis data kualitatif: buku sumber tentang metode-metode baru*. Jakarta UIP.
18. Wahid, N. N. (2017). Pengaruh kemampuan menyusun laporan keuangan dan motivasi terhadap kinerja ukm di kota tasikmalaya. *Jurnal Akunt*, 12(1), 53–68.
19. Jaf, R. A., Shatnawi, H., & Al-Kake, F. (2019). The impact of strategic analysis for operating income on the performance evaluation case study on Baghdad soft drink company. In *International conference on accounting, business, economics and politics, ICABEP*, (pp. 414–423).
20. Lakada, M. N., Lapijan, S. J., & Tumiwa, J. R. (2017). Analyzing the financial statement using horizontal–vertical analysis to evaluating the company financial performance period 2012–2016 (Case Study at PT. Unilever IndonesiaTbk). *J. EMBA J. Ris. Ekon. Manajemen, Bisnis dan Akunt*. 5(3).
21. Dewi, F., & Mahendrawathi, E. R. (2019). Business process maturity level of MSMEs in East Java, Indonesia. *Procedia Computer Science*, 161, 1098–1105.
22. Indarti, N., & Langenberg, M. (2004). Factors affecting business success among SMEs: Empirical evidences from Indonesia. *Journal of Asia Entrepreneurship and Sustainability*, 3(2), 1–14.
23. Wang, M., et al. (2020). Remdesivir and chloroquine effectively inhibit the recently emerged novel coronavirus (2019-nCoV) in vitro. *Cell Research*, 30(3), 269–271.
24. Gardi, B. (2021). Investigating the effects of financial accounting reports on managerial decision making in small and medium-sized enterprises. Available SSRN 3838226.

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

