

Original Paper

Use of Accounting Information System, Accounting Standards of Small and Medium Entitles in SmallL and Medium Micro Businessesin Mojokerto Regency, East Java Province

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Abstract

This study is a qualitative study that analyzed Micro, Small and Medium Enterprises (MSMEs) in Mojokerto Regency, East Java Province in carrying out financial reporting through an accounting information system based on Financial Accounting Standards for Micro, Small and Medium-sized Entities (FAS EMKM). The research was conducted in the Mojokerto Regency, East Java Province where the research subjects were MSMEs actors, while the object studied was an accounting information system based on financial accounting standards for micro, small and medium entities in MSMEs. By using a triangulation approach in collecting data, namely interviews, observations and documentation, the data analysis carried out also refers to a triangulation approach, so that the data obtained are then analyzed and discussed with reference to theory and empirical. The results of data analysis show that MSMEs actors have not as a whole implemented an accounting information system. MSMEs actors only record simple transactions including sales, purchases, debts, receivables, profit or loss. Likewise, because the accounting information system has not been implemented, the financial accounting standards of micro, small and medium entities have not been implemented by MSMEs actors.

Keywords

AIS, FAS, MSMEs

1. Introduction

In Indonesia, Micro, Small and Medium Enterprises (MSMEs) have an important role in supporting the Indonesian economy, it is proved that based on data from the Ministry of Cooperatives and Small and Medium Enterprises, in 2019 there were around 65 million MSMEs involving around 123 million workers. So big is the role of MSMEs in the economy in Indonesia, but in the course of this long MSMEs have faced various obstacles and obstacles that made the potential for MSME development to be less than optimal. Among some of the obstacles to the development of MSMEs is the lack of MSMEs getting access to additional financing or capital so that MSMEs are less than optimal in their development. Investors and investors in providing funding to MSMEs are still afraid if one day MSMEs are unable to provide added value for investors or investors because MSMEs do not have comprehensive financial reports and are able to project the sustainability of MSMEs in the future. Some of the research results that make it difficult for MSMEs to get access to capital include, Shinozaki (2012), explaining that the obstacles in accessing formal financial institutions include the high prerequisites for guarantees and the interest rate imposed on MSMEs. Furthermore, Mourougane (2012) stated that in addition to guarantees, the limited access to financing was also caused by the low knowledge and skills of MSMEs managers in applying for and meeting the standard loan requirements set by the banks.

Compiling good financial reports is not an easy thing for MSMEs, because MSMEs only have the view that MSMEs are important to be able to run a business and earn profits. With this view, most MSMEs do not prepare financial statements in accordance with standards and do not prepare personnel who are able to make these financial reports. Many other researchers have examined the importance of standardized accounting information systems for the success of MSMEs. Among these studies, Abd-Alghani and Ameen (2005), argue that to ensure the success of MSMEs, these companies should apply an accounting system that gives them an overview of the performance of their business and financial position, enabling them to compare their performance over time and between companies. and assisting the administration to identify the weaknesses, strengths, opportunities and obstacles faced by them in order to make good use of resources in the short and long term. Research by Mitchell et al. (2000) and Son et al. (2006) explained that in the context of MSMEs, accounting information is important because it will be able to help companies to manage their short-term problems in several important aspects, such as financing, expenses, and cash flow by providing information to support the management and supervision processes.

Recognizing the importance of the role of Accounting Information Systems (AIS) on MSMEs to access financing and manage businesses, MSMEs need to implement AIS in accordance with the standards, namely Financial Accounting Standards (FAS) for Micro, Small and Medium Entities (EMKM). regarding the application of AIS based on FAS EMKM needs to be done so that SMEs can provide accounting information that is accountable and transparent so that investors can consider investing in

MSMEs. This research is expected to be able to provide a comprehensive picture of the implementation and utilization of AIS with FAS EMKM standards in MSMEs. Furthermore, this research is expected to be able to formulate recommendations and policy suggestions that are useful for helping MSMEs to improve or improve the implementation and utilization of AIS and FAS EMKM. Apart from that academically, this study is expected to contribute to the development of knowledge and literature related to the application and utilization of AIS and FAS EMKM. Based on the above background, the problem in this study is “how SMEs apply AIS with FAS EMKM standards”.

2. Methods

This study is a qualitative research that explores information on MSMEs in the East Java Province related to the use of AIS with the FAS EMKM standard using a triangulation approach that starts with triangulation of data collection to data analysis. The subjects of this study were several MSMEs actors located in Mojokerto Regency, East Java Province, Indonesia, while the object of this research was the application of FAS EMKM standard AIS to MSMEs. Data collection in this study was carried out through a triangulation approach, namely three data collection techniques including: interviews, surveys and documentation. The triangulation used in addition to technical triangulation, in this study also uses source triangulation and time triangulation. So that in this study in data collection used three approaches, namely technique, source and time. This study uses a qualitative descriptive analysis, which is an analysis of research data that has been collected using a triangulation approach, which is examined by comparing the theory of AIS and the theory of FAS EMKM with its application in practice by MSMEs actors. Data collection to obtain information in this study includes: 1) knowledge of MSMEs actors on FAS EMKM, 2) MSMEs actors' ability in implementing FAS EMKM and 3) accounting implementation that produces an accounting information system.

2.1 Profile of MSMEs in East Java

Based on data collectors who use documentation, the number of MSMEs in East Java Province based on information from the East Java Province Information and Communication Service is as follows:

Table 1. East Java Province MSMEs Data for 2019-2020

Number	Regions/City	MSMEs Quantity	Number	Regions/City	MSMEs Quantity
1	Kota Batu	44.963	20	Madiun	191.880
2	Kota Surabaya	385.054	21	Nganjuk	288.119
3	Kota Madiun	36.555	22	Jombang	299.273
4	Kota Mojokerto	18.995	23	Mojokerto	216.518
5	Kota Pasuruan	35.596	24	Sidoarjo	248.306
6	Kota Probolinggo	43.478	25	Pasuruan	362.320
7	Kota Malang	117.840	26	Probolinggo	333.453

8	Kota Blitar	29.123	27	Situbondo	217.042
9	Kota Kediri	45.629	28	Bondowoso	271.793
10	Sumenep	401.210	29	Banyuwangi	480.687
11	Pamekasan	247.269	30	Jember	647.416
12	Sampang	229.644	31	Lumajang	287.778
13	Bangkalan	248.664	32	Malang	600.054
14	Gresik	225.242	33	Kediri	380.056
15	Lamongan	312.376	34	Blitar	373.447
16	Tuban	319.477	35	Tulungagung	288.371
17	Bojonegoro	376.316	36	Trenggalek	246.618
18	Ngawi	253.780	37	Ponorogo	283.967
19	Magetan	181.760	38	Pacitan	212.197

Data source: East Java Provincial Information and Communications Office 2019-2020

2.2 Accounting Information System

In terms of terminology, financial and accounting information have a very close relationship. Financial information or often known as accounting information is information provided by the accounting system created by accountants. This information is usually represented in the form of financial statements, such as income statements and balance sheets. This information also includes all financial ratios resulting from these financial reports. Meanwhile, accounting itself is essentially the measurement, processing and communication of financial information from economic entities, although there are various definitions of accounting that have been put forward by experts. The term accounting is often used synonymously with financial reporting.

Accounting itself can actually also be seen as a financial information system. Werren et al. (2005), argues that accounting can be defined as an information system because it processes and processes data and information as input and produces output in the form of information from accounting that can be used by interested parties, both internal and external, to find out activities and financial performance of a business. Furthermore, Romney and Steinbart (2008) more clearly define an accounting information system specifically as a system that collects, records, stores and processes data in order to produce useful information for decision makers.

Stefanou (2006) explains that the main purpose of an accounting information system is to collect and record all data and information about events that can have an economic impact on the organization and then manage, process and communicate this information to stakeholders from internal and external to the organization. Smirat (2013), an accounting information system is responsible for analyzing and monitoring the company's financial condition, preparing documents needed for tax purposes, and

providing information to support other organizational managerial functions, including production, marketing, human resource management, and strategic planning.

The success of a business is highly dependent on the existence of a good accounting information system. Without such a system it is very difficult for a business to assess business performance, identify balance sheet reports from customers and suppliers, and predict the future performance of an organization. This is in line with the opinion expressed by Weygandt, Kimmel, and Kieso (2009) at the beginning of their book which states that the success of any business will ultimately depend on the numbers generated by the accounting information system. They describe the stakeholders who rely on these numbers to make decisions and which managers use to evaluate organizational performance. This applies to all parties regardless of whether they are involved in marketing, production, management, or information systems. In a business, as they further state, accounting and financial reports are tools for communicating numbers. They emphasize that a person does not really know the performance of his business, if he does not know how to read financial reports.

2.3 Financial Accounting Standards for Micro, Small, and Medium Entities (FAS EMKM)

The Indonesian Institute of Accountants has issued Financial Accounting Standards for Entities, Micro, Small, and Medium (FAS EMKM) approved by the Financial Accounting Standards Board on 18 May 2016, FAS EMKM is effective for the preparation of financial statements starting on 1 January 2018. Based on space The scope of Financial Accounting Standards for Micro, Small and Medium Entities (FAS EMKM) According to IAI (2016), this standard is intended to: 1) Financial Accounting Standards for Micro, Small and Medium Entities (FAS EMKM) are intended for entities, micro, small and medium, 2) Financial Accounting Standards for Micro, Small and Medium Entities (FAS EMKM) can be used for entities that do not meet the criteria for Financial Accounting Standards for Entities Without Public Accountability (FAS ETAP).

2.4 Financial Report Based on FAS EMKM

The purpose of financial statements is to provide information on an entity's financial position, financial performance, and cash flow statements that is useful to a wide range of users in making economic decisions by anyone who is not in a position to request specific financial statements to meet specific information needs. In meeting its objectives, financial statements also show what management has done or is responsible for the resources entrusted to it. Complete financial statements include: a) Statement of financial position at the end of the period. The entity's statement of financial position may include the following items: Cash and cash equivalents, Receivables, Inventories, Fixed assets, Accounts payable, Bank loans, Equity, b) Income statement, An entity's income statement may include the following items: Revenue, Finance expense, Tax expense, and c) Notes to financial statements contain: A statement that the financial statements have been prepared in accordance with ED FAS EMKM, Summary of accounting policies, Additional information and details of certain items that

explain important and material transactions so that they are useful for users to understand financial statements.

2.5 AIS and FAS EMKM on MSMEs

Just like in large businesses, accounting information systems have an important role in organizational management and business financing for SMEs. Good financial management is essential for the survival and growth of MSMEs (McMahon & Holmes, 1991; Gordon, 1999). Several studies, such as Berryman (1983), Peacock (1985), and Hall and Young (1993), show that careless and poor financial management is one of the most common causes of MSMEs failure. In fact, as stated by Ismail (2009), general belief implies that good financial information management in MSMEs means control and supervision as well as a high chance of success.

To ensure the success of good financial management, MSMEs owners and managers need to be more strategically oriented and this requires improvements in the management of financial information that can open up greater business opportunities. In this context, information technology assistance in the form of a Computerized Accounting System (CAS) may be needed. Gorton (1999), for example, found that companies that make financial planning when starting a business and use CAS are likely to have a high probability of growing better. This finding is supported by other studies, such as Smith (1999) who found that the use of information technology can improve company performance in terms of higher returns on capital and sales. In line with that, Reid and Smith (2002) believe that information processing plays an important role for the success of the company. Furthermore, because the growth of MSMEs has an impact on increasing financial challenges faced by companies, McMahon (2001) argues that there is a great need to pay careful attention to financial management and financial reporting if growing MSMEs are to succeed and prosper. McMohan further concludes that improvements in financial supervision and management in growing MSMEs can and should begin with significant improvements in the quality of their financial reporting systems.

The reality shows that MSMEs generally often have poor financial information management, which hampers business growth prospects. In contrast to the amount of available financial information, in reality the use of financial reports by MSMEs owners and managers is often very limited (McMahon & Holmes, 1991). For example, Gordon (1999) conducted a comparative study of MSMEs in the UK using financial management techniques and did not find that more than half of the 366 MSMEs studied made financial plans and four out of ten respondents did not set annual financial performance targets. There are various causes explained by previous studies related to the low use of financial information in MSMEs. Bandokgi (2005), for example, found that the owners of MSMEs studied in Kota Jerash generally have low administrative skills related to business planning and organization and these MSMEs are unable to face economic problems or difficulties due to their weak capital.

Similar findings were also found by many other studies with different cases and countries. Another study in Jordan conducted by Qashi and Abadi (2010) in looking at the impact of the absence of an

accounting strategy on MSMEs on their efficiency performance found that most of the completeness of the basic accounting framework was not found in the accounting information system used by MSMEs as reflected in the lack of characteristics. qualitative accounting information contained in the financial statements of these companies. They further found that the shortage had a negative impact because the accounting staff had low incomes and the firms were unable to keep up with and compete with the larger firms. Meanwhile, Bin-Aishi (2013) examined the impact of implementing a financial accounting system on MSMEs in Algeria and concluded that it was necessary to increase the ability of the employees of the MSMEs studied and improve the accounting system used so that it complies with international accounting standards because the existing system was lacking. committed to joining and conforming to international standards.

As a result, Stein et al. (2013) explained that compared to large companies, MSMEs have difficulty growing because they have major obstacles in accessing and obtaining funding as a result of information asymmetry related to MSMEs so that they can create high business risks, especially financial risks. They further explained that banks are often unable to accurately assess the creditworthiness of MSMEs due to the lack of available information and the lack of neat and complete required documents that MSMEs are able to provide, especially those relating to the MSME's financial performance history.

In Indonesia, several studies on MSMEs also indicate problems similar to those in many other countries. Similar to previous studies, Irjayanti and Azis (2012), for example, found that in addition to business competition and high energy prices, access to finance is one of the most important constraints of ten problems faced by MSMEs in six areas on the island of Java (Jakarta), Banten, West Java, Central Java, Yogyakarta, and East Java). Of the more than 180 researched MSMEs, 62 percent consider the lack of capital to be the cause of slow business growth. These respondents think that financial institutions operate not on their side, because there are many difficulties when they try to apply for credit financing from banks due to the complexity of prerequisites that cannot be met by MSMEs.

This difficulty in accessing banking, as stated by Mourougane (2012) above, is caused by the low knowledge and skills of UMKN managers in applying for and meeting the loan standard prerequisites set by the banks. Furthermore, he argues that MSMEs borrowers often do not have a track record and are unable to provide reliable information, thereby increasing loan risk. Therefore, according to him, improving the provision of financial information, especially in accordance with accounting standards and financial audits, can facilitate MSMEs access to financing.

3. Result

Of the 38 regencies/cities in East Java Province, several MSMEs actors in Mojokerto Regency were used as informants to obtain data by means of interviews, observations and documentation and as a result of data collection the following information was obtained:

3.1 Understanding of Accounting Information Systems and Its Application

This study aims to investigate and evaluate the understanding and implementation and utilization of accounting information systems in SMEs. To achieve this goal, in addition to conducting a literature study, research conducted interviews, observations and documentation at random to 18 MSMEs actors located in several sub-districts in Mojokerto Regency, East Java Province. Using descriptive qualitative analysis, this study found the following findings: 1) First, most of the MSMEs studied have understood the importance of financial and accounting information for the success of their business. The importance of financial information for MSMEs can be seen from the large use of financial information as a basis for assessing the performance of MSMEs business success, as a basis for preparing business plans for the following year and as consideration for making other important decisions, 2) Second, although the majority of MSMEs have recorded and reported their financial transactions, there are still quite a number of MSMEs, especially micro and small businesses, which have not or have not recorded and managed their financial information periodically or separately from the owner's personal/family finances. Business, 3) Third, from the majority of MSMEs that record and book financial information periodically and separately, most of the implementation practices are carried out directly by the business owners themselves or other employees who generally have limited or simple accounting knowledge, 4) Fourth, as a consequence, very few MSMEs actually record and keep all documents regarding their business activities and make complete and comprehensive financial reports in accordance with the applicable formal financial accounting standards. Most MSMEs only record and report financial information in a simple manner, especially for activities that directly involve financial transactions (in and out of money or merchandise) and reports related to receipts and financing (profit and loss statements), 5) Fifth, of the various obstacles and obstacles faced by MSMEs, the lack of employees who specifically have accounting skills or qualifications and the lack of facilities that support good financial management are the biggest problems that result in the low quality of most of the existing accounting information systems in MSMEs that researched. This problem stems from the lack of capital and financial resources needed by selected MSMEs to build and implement a good accounting information system.

3.2 Application of FAS EMKM

The accounting books carried out by MSMEs are very diverse, but basically they do the bookkeeping to the extent of their respective understandings in running a business. Things like this are expressed by research subjects as follows: 1) Bookkeeping is carried out to control finances, from expenses to income every day but only to the extent of understanding and knowledge, 2) MSMEs actors are not able to understand accounting in detail, so the bookkeeping that is done is only limited to understanding, 3) Moreover, to do the correct bookkeeping according to accounting science is too complicated and takes a lot of time, 4) Bookkeeping is only limited to financial records, in the form of

records of receipts and disbursements of money, so there are no special reports in the form of complete and systematic financial statements.

Based on the results of these interviews, it can be seen that every MSMEs manager or owner has their own creativity in compiling their business records, but in compiling bookkeeping records they do not use accounting knowledge as a basis for bookkeeping, they do simple bookkeeping. Even though the bookkeeping is relatively simple, the managers or owners of MSMEs have used evidence of transactions that can be accounted for. This information was obtained from documentary evidence and the acknowledgment of interviews conducted by researchers with resource persons, that accounting bookkeeping for MSMEs in several sub-districts in Mojokerto Regency, East Java Province, seen from FAS EMKM has not been implemented.

The accounting bookkeeping process that occurs in MSMEs in Mojokerto Regency, East Java Province, in general has not shown any application of FAS EMKM in it, it can even be said that MSMEs managers in Mojokerto Regency, East Java Province have not carried out bookkeeping in accordance with applicable basic rules in accounting. This is reinforced by various evidences found in the field and statements from a number of informants regarding their financial records. The following statements were expressed by the informants, namely: 1) There is no balance sheet, the financial aspects that are considered are only money coming in and going out or usually only how much cash is owned. So it is not detailed financially as a whole, the value of the equipment and other equipment is also not clarified in nominal terms, only if there is damaged equipment, it is immediately repaired or bought again a new one, 2) Based on the results of the interview, it can be seen that MSMEs in Mojokerto Regency, East Java Province have not carried out bookkeeping containing FAS EMKM, which displays a statement of financial position, income statement, statement of changes in equity, cash flow statement and notes to financial statements. . The various reports made by MSMEs are still in the form of business reports compiled on the understanding or in their own way from MSMEs managers.

The obstacles or constraints faced are usually about the problem of time and limited human resources in managing a good and correct financial system according to accounting science. This explanation was conveyed by the informant, namely as follows: 1) As far as the recording is done, so far it can still be done well, it's just that the problem of time is sometimes still an obstacle, sometimes there is no time to record everything because it clashes with other activities, 2) To do proper bookkeeping according to accounting science, it is not sufficient because so far business finance problems are still being handled alone, so it is only limited to knowledge. In addition, there is also no time to present correct bookkeeping as in accounting.

The author analyzes the suitability of bookkeeping or recording in MSMEs with standard bookkeeping standards as regulated in financial accounting standards for MSMEs, namely FAS EMKM is "MSMEs have not prepared financial reports according to standards in FAS EMKM which contain components of financial statements, namely the Statement of Financial Position (Balance Sheet), Income Statement,

Statement of Changes in Equity, Statement of Cash Flows, and notes to the Financial Statements”; it can be concluded that: 1) MSMEs have not implemented FAS EMKM, 2) Reports presented by MSMEs management in an effort to supervise or control business management are only limited to business reports made on the basis of personal understanding which is considered easy to know the development of the business being run, 3) The preparation of financial statements is presented in a mixed manner, where there is no separation between company assets and personal assets. Profit and loss monitoring is carried out directly from the calculation of money in and money out in a certain period. The documents used are the result of their own creations which are arranged based on the needs of each MSMEs.

Obstacles in preparing correct financial statements and applying the rules in FAS EMKM resulted in the reports being prepared not reflecting the accounting processes commonly applied. This causes the lack of achievement of the objectives of the preparation of financial statements, namely to provide information about transactions and financial position, performance and changes in financial position of an enterprise that is useful for a large number of users in making economic decisions. Financial statements show what management has done or is responsible for the resources entrusted to it. However, it does not provide all the information that users may need in making economic decisions because they generally describe the financial effects of past events and are not required to provide non-financial information. As one of the considerations in making economic decisions, incorrect financial statements are in accordance with the rules of accounting science and applicable FAS. In the research that the author did, the preparation of financial statements had not yet implemented FAS EMKM. The reports compiled are still limited to business reports that are made by themselves according to the understanding of each entity manager. The limitations of entity managers in implementing or compiling financial reports in accordance with FAS EMKM are caused by several factors, as follows: 1) Limited time in managing the finances of the business being run, because in addition to having to manage finances, business owners must also control employee performance and business development from time to time, 2) Business management does not know about the existence of FAS EMKM which regulates financial reporting standards for the type of business they manage or the business they run, 3) Limited human resources from an ongoing business, because in general financial management is still handled by business owners.

4. Discussion

Although MSMEs have an important role in the Indonesian economy, several obstacles and constraints have limited the growth prospects of these companies. Previous literature has shown that access to finance and capital is one of the biggest problems hindering the growth of MSMEs in Indonesia. In this context, the poor quality of financial reporting, together with high loan interest rates and lack of collateral/collateral, have been considered as one of the underlying causes for the difficulty of

accessing MSMEs to credit from banks and other formal financial institutions. MSMEs owners/managers often lack the knowledge and skills needed to register loan applications or meet the standard requirements imposed by banks, particularly with regard to good and reliable financial reporting.

Based on these findings, this study considers it necessary to encourage educational institutions in collaboration with district/city and provincial governments to conduct training or education programs that are widely affordable for MSMEs actors on the basics of financial management and the creation of a good accounting information system so that it is appropriate with available formal financial accounting standards. In addition, educational institutions and the government can also directly assist MSMEs by providing consulting and mentoring services to MSMEs who want to create an accounting information system or MSMEs that require an assessment/examination of the practice of implementing and utilizing accounting information systems that have been implemented so far.

In addition to the above findings, it should be noted that this study also has several weaknesses. First, due to the limited resources of the author, the scope of this research was forced to limit the number of informants, the type of business sector and the size of the area to only 18 MSMEs in the trade sector located in Mojokerto Regency, East Java Province. Therefore, it would be better if further studies related to this topic were to be expanded in scope by increasing the number of research subjects and types of business sectors, as well as regional coverage to other cities/regencies in East Java Province or even other provinces in Indonesia. Second, this research has not or not tried to dig deeper into the factors that influence the success of implementing financial management information systems on MSMEs in East Java Province, especially those using technology assistance and computer programs. Consequently, further exploration of these factors or fields in subsequent studies will be needed to enrich and improve understanding of the utilization and implementation of accounting information systems for MSMEs, so that they can be used as a basis for consideration in implementing a better accounting system and providing more benefits for MSMEs entrepreneurs.

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