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**Analysis of Expense Recording Reports in MSMEs in the  
Pangkalan Mahsyur Subdistrict**

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**ABSTRACT**

Micro, Small, and Medium Enterprises (MSMEs) are essential to Indonesia's economy, contributing over 60% to the national GDP and employing approximately 97% of the workforce. Despite their significance, many MSMEs struggle with effective financial management, particularly in terms of expense and cost reporting. Common challenges include a lack of accounting knowledge and limited access to technology, which impact the accuracy and efficiency of financial documentation. This study explores expense recording practices among MSMEs in the Pangkalan Mahsyur District, aiming to identify practical solutions to improve financial recording. Accurate expense documentation provides significant benefits for MSMEs, including better cost control, performance assessment, tax compliance, and the potential to attract investors or access financial loans. These advantages collectively contribute to the sustainable growth and resilience of MSMEs, allowing them to compete more effectively in the market. To overcome these record-keeping challenges, MSMEs can gain from ongoing education and training focused on basic accounting principles. This approach can be complemented by adopting accounting software or consulting services that cater specifically to their needs. By increasing financial literacy and leveraging relevant technologies, MSMEs can enhance their financial management practices, creating a foundation for improved operational efficiency, strategic planning, and future growth opportunities. Through these efforts, MSMEs can build a more robust financial infrastructure, ensuring they continue to thrive in Indonesia's dynamic economy.

*Expense Recording Reports, MSMEs, Pangkalan Mahsyur Subdistrict, Accounting Literacy.*

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**INTRODUCTION**

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in Indonesia's economy. According to data from the Ministry of Cooperatives and SMEs, MSMEs contribute more than 60% to Indonesia's Gross Domestic Product (GDP) and absorb almost 97% of the total workforce. Given this significant contribution, it is crucial for MSMEs to have a good and organized

financial recording system. One of the most important aspects of financial record-keeping is cost reports and expense reports. MSMEs continuously demonstrate their presence as drivers of the micro-economy in Indonesia. In 2021, MSMEs contributed approximately 61.07% to the GDP, totaling around IDR 8,573.89 trillion. Additionally, MSMEs can absorb 97% of the total workforce and account for 60.4% of total investment (Lestari et al., 2022).

Cost and expense reports are crucial elements in MSME financial management. These reports not only help business owners monitor and control operational costs but also provide a clear picture of the business's financial health. Accurate and timely record-keeping can serve as a basis for better decision-making, particularly in budget management, financial planning, and business growth strategies.

However, many MSMEs still face various challenges in implementing an effective accounting system. Some of these challenges include a lack of understanding of accounting principles, limited human resources with accounting expertise, and a lack of access to adequate technology and accounting software. Additionally, many MSMEs still use manual record-keeping, which is prone to errors and takes more time.

This research aims to analyze how MSMEs in the Pangkalan Mahsyur subdistrict record expense reports. This study will identify commonly used recording methods, the challenges faced, and solutions that can be applied to improve the efficiency and accuracy of MSME financial record-keeping. It is hoped that this research will provide tangible contributions in helping MSMEs improve their financial recording systems, which will ultimately support the sustainability and growth of their businesses.

Accurate and proper cost and expense record-keeping offer several key benefits for MSMEs. First, these reports help identify and control operational costs, allowing business owners to cut costs and increase profitability. Second, regular expense reports facilitate the evaluation of financial performance, which is essential for strategic decision-making. Third, proper record-keeping is necessary to fulfill tax obligations, helping MSMEs avoid legal issues and fines due to tax violations.

In addition to these benefits, accurate expense reports are also important in attracting investors and accessing financing. Clear and transparent financial reports increase investor confidence in MSMEs, making it easier to obtain additional capital for business expansion. Banks and financial institutions are also more likely to lend to MSMEs with a good financial record-keeping system, as they are perceived as more capable of managing funds effectively and responsibly.

Zahra (2023) revealed that many MSMEs still do not implement financial record-keeping that meets standards, resulting in a lack of detailed income and expenses in their financial reports. Therefore, efforts are still needed to improve the understanding and implementation of proper financial record-keeping among MSMEs.

To achieve good and effective record-keeping, MSMEs need to overcome various challenges. One of the biggest challenges is the lack of understanding of the importance of financial record-keeping and how to do it correctly. Many MSME owners focus on daily operations and pay little attention to financial aspects, often neglecting record-keeping. Therefore, efforts should be made to educate and train MSME owners on the importance of accounting and how to perform proper record-keeping.

Another challenge is the limited human resources with accounting expertise. Many MSMEs do not have dedicated staff for financial record-keeping, so this task is often performed by the business owner or staff without an accounting background. This can lead to errors in recording and inaccurate financial reports. To address this issue, MSMEs can use accounting consultancy services or affordable, user-friendly accounting software.

In today's digital era, technology can be a solution to overcome many obstacles in MSME financial record-keeping. Using accounting software can facilitate the recording process, reduce the risk of errors, and speed up financial report preparation. Technology also allows MSME owners to monitor the financial condition of their businesses in real-time, enabling faster and more accurate decision-making. Some accounting software even comes with automation features that can integrate various financial transactions, making record-keeping more efficient.

However, adopting technology also presents its challenges. Many MSMEs are still hesitant to switch to digital record-keeping for various reasons, such as cost, limited infrastructure, and a lack of understanding of the technology. Therefore, support from the government and related institutions is needed to provide socialization, training, and incentives to encourage MSMEs to adopt accounting technology. Mentorship programs and technical assistance can also help MSMEs transition from manual to digital record-keeping.

Overall, this research is expected to provide comprehensive insights into the practice of MSME cost and expense reporting in Indonesia. By understanding existing challenges and opportunities and identifying suitable solutions, it is hoped that MSMEs can improve the quality of their financial record-keeping. Ultimately, this will contribute to improving the performance and competitiveness of MSMEs and supporting national economic growth.

## RESEARCH METHODE

This study uses a qualitative research methodology. Qualitative research is a method applied descriptively and consistently seeks patterns in the data obtained from the research project. Bogdan & Biklen (1992: 21) describe findings that show qualitative research methods as a technique for obtaining descriptive data in the form of written or oral interviews, as well as evidence obtained from observations. The purpose of this research is to gain general knowledge about social beliefs from the participants' perspectives. This study uses primary data from both survey results and information from business owners. Interviews are one method of data collection, involving pointed questions directed at business owners. This study method will examine in more depth the understanding and practices of financial accounting, as well as the accounting practices used by MSME participants in the Pangkalan Mahsyur Subdistrict.

## RESULT AND DISCUSSION

### Description of the Research Object

Pangkalan Mahsyur is one of the six villages/sub-districts in Medan Johor District, Medan City, North Sumatra Province, Indonesia. The research object is the MSME actors located in the Pangkalan Mahsyur sub-district. The reason the researcher chose this object is to understand the implementation of expense report recording by MSME actors in Pangkalan Mahsyur. The study seeks to determine whether they have recorded their expense reports and if their records comply with accounting standards.

### Implementation of Expense Reporting

The research on the analysis of expense report recording for Micro, Small, and Medium Enterprises (MSMEs) in Pangkalan Mahsyur Subdistrict has revealed various key findings that reflect the actual conditions of financial recording among business operators in the area. The research results indicate a significant difference in expense recording practices among MSMEs, with some businesses not recording expenses at all and others recording expenses but not yet in compliance with applicable accounting standards..

#### a. MSMEs That Have Not Yet Recorded Expenses

In this research, one significant finding that emerged is that a number of Micro, Small, and Medium Enterprises (MSMEs) have not yet recorded their expenses. This indicates that many MSME operators still lack understanding and awareness of the importance of financial recording in running their businesses. In their daily operations, their main focus is more on business continuity rather than on financial management, especially expense recording. In fact, recording expenses is a crucial part of healthy financial management

and serves as a primary tool for comprehensively understanding the business's financial condition.

One of the possible consequences of this lack of recording is that business owners are unable to monitor cash flow clearly. Without organized and consistent records, they do not have an accurate picture of income and expenses. This makes it difficult to conduct financial evaluations or plan for the future, which could potentially hinder the growth and sustainability of the business. For example, MSMEs that do not record daily operational expenses may struggle to identify areas of waste or to recognize opportunities to reduce costs.

This phenomenon is not only caused by a lack of awareness but also by limitations in resources and knowledge. Many MSME operators do not have formal educational backgrounds in accounting or financial management. As a result, they have a limited understanding of the importance of financial recording, let alone recording that complies with accounting standards. Additionally, a lack of training and support from the government, financial institutions, or business associations exacerbates this condition. With limited access to information and proper guidance, financial recording is often seen as a complex and time-consuming process. MSME operators often choose to ignore it, feeling that the effort required does not match the perceived benefits.

Some MSMEs also face constraints in terms of time and manpower, as many of them still operate on a very small scale and rely on limited human resources. In this situation, business owners often prefer to focus on production and sales rather than devote attention to financial aspects. Without proper management, their financial condition often goes unchecked, which can lead to serious issues in the future, such as the inability to meet payment obligations or difficulties in accessing funding sources.

**b. MSMEs That Record Transactions but Are Not Yet Compliant with Accounting Standards**

On the other hand, there are also groups of MSMEs (Micro, Small, and Medium Enterprises) that have recognized the importance of financial record-keeping and have begun efforts to record their expenses. Unfortunately, the records kept are not yet fully compliant with applicable accounting standards. Most of them still use very basic manual recording methods, such as simply noting expenses in an ordinary notebook without a clear format. Although this type of recording is a good first step, it has many weaknesses. For example, without a standardized record-keeping structure, business owners may struggle with financial reconciliation at the end of the month or year.

Inconsistent or poorly organized data can lead to confusion in assessing the overall financial condition of the business.

Furthermore, such manual record-keeping is more prone to errors, whether in entering figures or losing important information. Additionally, non-standard records make it difficult for MSMEs to connect with financial institutions or potential investors. Financial institutions often require financial statements that comply with accounting standards to assess the financial health of a business before providing loans or investments. If the records do not meet expected standards, MSMEs may have difficulty obtaining the financing they need to grow their businesses.

Many MSME owners who use these simple recording systems acknowledge that they find standard accounting record-keeping too complicated and requiring specialized knowledge. However, some have started to realize that as their businesses grow, simple manual record-keeping is no longer adequate. They are beginning to look for ways to improve their financial recording capacity, for instance, by using basic accounting software or financial recording applications widely available today. These applications can help them record their finances in a more organized and structured way, although they may still not fully comply with formal accounting standards.

In addition to using software or applications, some MSMEs also strive to improve their records by attending training or seminars on financial management organized by the government or private institutions. This initiative is commendable because it shows awareness of the need to improve financial record-keeping to support business growth. Unfortunately, not all MSME owners have the opportunity or access to such training. Particularly in remote areas, these training sessions may be difficult to reach, so many MSMEs continue with their existing recording methods without significant improvements.

To address this issue, several solutions can be proposed. First, there should be intensive educational and training efforts for MSME owners on the importance of expense recording and how to do it according to accounting standards. The government and related agencies can organize regular workshops or training sessions to enhance the understanding and accounting skills of business owners. In this regard, the role of universities and educational institutions is also essential in providing competent human resources in the field of accounting.

Second, increasing access to accounting technology is also necessary. The government could offer incentives or subsidies for MSMEs to purchase accounting software or provide technology-based financial recording services

that can be accessed free of charge or at an affordable cost. Furthermore, developing user-friendly accounting applications tailored to the needs of MSMEs can be an effective solution. These applications should be designed to be easy to use, even for those without an accounting background.

Third, ongoing assistance and consultation for MSMEs are needed. Accounting consultants or business mentors can help business owners implement a recording system that complies with accounting standards. They can provide direct guidance and help resolve issues that may arise during the implementation process. With this kind of support, MSME owners will feel more confident in maintaining accurate financial records..

c. Case Study of Successful SMEs

As a case study example, we can look at how some MSMEs in Pangkalan Mahsyur Village have successfully implemented expense recording in line with accounting standards. For instance, "Paw Coffee," a small business operating as a coffee shop, has managed to adopt simple accounting software to record all their operational costs. With the help of this technology, they can monitor cash flow in real-time, generate accurate financial statements, and conduct in-depth financial analysis. As a result, they have been able to identify unnecessary expenses and make savings, ultimately improving the profitability of their business.

## **CONCLUSION**

Accurate and standardized expense reporting is crucial for the sustainability and growth of small and medium enterprises (SMEs). However, this study shows that several SMEs in Pangkalan Mahsyur Subdistrict have yet to implement proper financial record-keeping. The main challenges include a lack of understanding, limited resources, and resistance to change. Therefore, greater efforts are needed from various parties, including the government, educational institutions, and the community, to provide the necessary education, technology, and support for SMEs. This would ideally enable SMEs to improve their financial records and contribute more significantly to the national economy.

Hence, there is a need for educational and training initiatives for SME owners regarding the importance of accounting and proper record-keeping. The researcher also provides the following recommendations:

1. Education and Training: The government and related institutions should provide education and training for SME owners on the importance of accounting and proper record-keeping. This can help increase awareness

and understanding among business owners about the importance of financial reporting.

2. Technology Utilization: SMEs should utilize user-friendly and affordable accounting technology to facilitate record-keeping and reduce the risk of errors.
3. Government Support: The government should provide support and incentives for SMEs to encourage and enable them to adopt accounting technology.
4. Mentoring Programs: Mentorship and technical assistance programs should be provided to help SMEs transition from manual to digital record-keeping.
5. Monitoring and Control: The government should monitor and oversee SMEs to ensure they accurately record expenses in accordance with accounting standards.

It is hoped that these efforts will enable SMEs in Pangkalan Mahsyur to improve the quality of their financial records, ultimately enhancing their performance and competitiveness, as well as contributing to national economic growth.

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