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MSME Balance Sheet in Strengthening Capacity Building and Trust Access to Capital

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Abstract

This study aimed to determine the balance of MSME balances in strengthening capacity building and trust access to capital. The research used in this study was a qualitative approach. The type of this research approach is descriptive. The type of qualitative descriptive research used in this study was intended to obtain information from informants, namely MSMEs in East Lombok Regency, Indonesia, totalling 30 MSMEs. The study results were 1) The financial recording system is carried out manually and is still very simple. The reason for making financial records is to make it easier for owners to give bonuses to their employees, 2) Factors that cause the failure of internal factors in the form of lack of understanding, discipline and human resources.

Keywords: Capacity Building; Capital Access Trust; MSME Balance

INTRODUCTION

Release of Bappenas, BPS, and UNPF (2018), Micro Small Medium Enterprises (MSMEs) are 58.97 million people (Azhari, 2018; Laksamana & Giovanni, 2019; Zuliyati, Budiman, & Delima, 2017). In the same year, Indonesia's population was estimated at 265 million people. The number of people engaged in the MSME sector is around 33% of the total population of Indonesia. The economic source of developing countries such as Indonesia is MSMEs, considering that the economic level of the community can reach the circulation of goods and services through MSMEs. Therefore, the government must provide a stimulus and initiate strategies to increase entrepreneurship through financial institutions, including MSMEs. In developing countries, the economy will grow and develop if the finances positively improve the economy. Knowledge and competence in

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financial management are significant for MSMEs (Budiarto et al., 2018; Hertadiani & Lestari, 2021; Kara, 2013). MSMEs will successfully manage their business if they understand financial management well (Nicolaou, Shane, Cherkas, & Spector, 2008). they state that financial literacy is a person's ability to obtain, understand, and evaluate relevant information for decision making by understanding the financial consequences it causes. Opinion (Desiyanti, 2017b; Rapih, 2016). They suggest that implementing financial literacy education earlier will significantly affect the future welfare level. Understanding and competence in financial management are fundamental to be implemented in MSME finances; one indicator of the health of MSMEs is seen from how MSMEs manage finances well. However, the problems of MSMEs in Indonesia, such as a snowball that keeps on turning, are endless. (Munir, 2005) revealed in his article that the role of small and medium enterprises (MSMEs) in the Indonesian economy is very important: 1) its position as a major player in economic activity in various sectors, 2) the largest provider of employment, 3) an important player in the development of local economic activities and empowerment. community, 4) creators of new markets and sources of innovation, 5) their contribution in maintaining the balance of payments through community export activities so as to reduce poverty levels. Some of the problems that are often experienced by MSMEs are financial management problems including: 1) there is no separation of accounts between business and personal 2) not having a mature financial plan 3) not having financial reports. In line with that (Anggraeni, 2016) also found that the basic financial literacy level of MSME owners is still deficient, so education and training on financial management are necessary. (Desiyanti, 2017a) revealed in his research Most of the MSMEs did not prepare the budget ideally, which was 71 per cent. From the results of a survey conducted on 100 respondents, it is known that only 29% of SMEs make ideal budget allocations. MSME actors often feel trapped in their ability to apply to account because they are not used to practising accounting in financial management). (Puspitaningtyas, 2017) also revealed in his research that the accounting process consists of recording, classifying or classifying, reporting, and analysing financial information that MSMEs must carry out to see the financial condition of MSMEs for sure. Research results (Studi et al., 2014) found that 1) MSMEs have not been able to make financial/bookkeeping reports, and many still only record transactions that are done manually. 2) Many MSMEs already have a computer as a tool in their business and production, but they have not used the computer in making financial reports. 3) MSMEs need software to assist them in making financial reports correctly and accurately. (Heru Lestiawan, 2015) The basic problem of MSME managers is the lack of knowledge about

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accounting and making accountable financial report formats. In addition, one of the service constraints at the Cooperatives and MSME Training Center in Central Java province is the training time which takes one week while MSME actors have to leave their businesses and this will have an impact on their business processes. (Heru Lestiawan, 2015; Lestiawan & Mahmud, 2005).

To solve these problems, MSME actors need to receive ongoing education and training related to effective business financial management. How to do business management effectively (Agustina & Utama, 2018; Ghofirin & Wahyuningtyas, 2018). MSME actors need to understand the benefits of accounting for business sustainability to implement effective business financial management. One of the benefits of implementing accounting-based financial management is obtaining financing from financial institutions to increase added value and business productivity (Puspitaningtyas, 2017). Preparing financial reports has entered the digital era, synergising accounting and information technology using electronic equipment such as computers and smartphones (Akbar, 2018). Accounting science is often considered difficult to understand, complicated, and boring for users. However, the learning process of accounting science can be more straightforward if it is designed to utilise various types of appropriate media to attract more attention and foster motivation. The results obtained through this study are strategically helpful in managing the finances of micro, small and medium enterprises (MSMEs) and as a guide for MSMEs to manage their finances better to create Capacity Building and Trust Access Capital.

METHOD

Judging from the type of data, the research approach used in this study is qualitative. The type of this research approach is descriptive. Descriptive research seeks to describe current problem solving based on data. The type of qualitative descriptive research used in this study was intended to obtain information from informants, namely, MSMEs located in East Lombok Regency, West Nusa Tenggara, Indonesia totalling 30 MSMEs. The research object can be expressed as a social situation of research that wants to know what is happening. In this research, researchers can observe in depth the activities of people (actors) in a particular place. (Raco, 2018). Data collection methods used in this study include interviews, documentation and instruments. Data analysis techniques are Data Collection, Data Reduction, Data

RESULT AND DISCUSSION

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The failure of the pattern of economic development that relies on large business conglomerates has encouraged financial planners to shift development efforts by depending on the empowerment of micro, small and medium enterprises (MSMEs). The MSME sector has proven to be resilient during the 1998 economic crisis and has been promoted and made into the main agenda of Indonesia's economic development. The contribution of MSMEs to Indonesia's Gross Domestic Product (GDP) in 2010 reached 53.6 per cent, and in 2011 increased by 17.76 per cent from 2010 (BPS Indonesia, 2011). The number of SMEs in 2010 reached 99.98 per cent, while large companies were only 0.02 per cent. However, in its development, the development of small businesses still faces several obstacles such as the level of ability, skills, expertise, human resource management, entrepreneurship, marketing and finance. (Atmaja, 2018; Gunadi, 2021; Nasarudin, 2013). In general, there are four main MSME problems. First access to capital, generally MSME actors are not bankable because they do not have legal and adequate assets to be pledged as collateral to banks. The second problem is access to marketing. Network limitations have caused MSME actors to not fully access the market, only to be misunderstood by orders from traders or large traders. The third problem related to micro, small and medium enterprises (MSMEs) has not been well-organised between costs and income. The fourth problem is that micro, small and medium enterprises (MSMEs) focus on multi-business.

Home industry or MSMEs have been recognised as strategic and essential for economic growth and equitable income distribution. Due to its very strategic and vital role, the Government of Indonesia pays special attention to their developments, including fostering an environment with a conducive business climate, facilitating and providing access to productive resources and strengthening entrepreneurship and competitiveness.

Approximately 51 million existing businesses, or more and 99.9% of business actors, are Micro and Small Enterprises, with business scales that are difficult to develop because they do not reach an economical business scale. Most businesses are managed securely with business legality and inadequate institutional administration with individual business entities. Efforts to empower MSMEs are increasingly complicated because the number and reach are so large and wide, especially for disadvantaged, isolated and border areas. MSMEs also face the problem of the low quality of human resources. Most MSME human resources have low education with minimal technical skills, competencies, entrepreneurship and management. The steps for change can be carried out in various forms of curriculum policies, education and training implementation, and revitalising

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education and training institutions. This needs to be realised early on because as a support for creating new entrepreneurs, the number and existence of business development institutions, training institutions and incubators are very few and far sufficient.

Another classic problem MSMEs face is limited access to productive resources (Budiarto et al., 2018; Nuari, 2017; Suyahya, 2017). Access to abundant resources, especially financial reports, raw materials, capital, technology, marketing tools and market information. Concerning access to technology, most MSMEs use simple technology, not using technology that provides added value to the product. Likewise, it is difficult for MSMEs to take advantage of product and business development information. Empowerment efforts are also covered by inequality in controlling productive resources between business actors, regions, and centres and regions. (Andriani, Atmadja, & Sinarwati, 2014) The results of this study indicate that; 1) The financial recording system is done manually and is still very simple. The reason for making financial records is to make it easier for owners to give bonuses to their employees, 2) The factors that caused the failure of SAK ETAP at Peggy Salon were internal factors such as lack of understanding, discipline and resources. Human resources, while external factors are due to lack of supervision from stakeholders with interest in financial statements.

Research results (Agustina & Utama, 2018) show that home production financial reports can be described as the first. Two participants (3%) stated that they know how to manage home production finances using simple accounting. Second, as many as 40 participants (50%) said they understood, and 22 participants (28%) stated not learning. Fourth, as many as 13 participants (16%) stated they did not know. Fifth, two participants (3%) indicated that they did not know how to manage home production finances using simple accounting.

In line with research results (Diyani, Kusumawati, & Meita, 2021), it was revealed that before being given the training, most of the participants did not understand how to make financial reports using simple accounting for MSMEs. Still, after the training, there was an increase in understanding of creating financial statements using simple accounting for MSMEs.

Thirty MSMEs revealed that education and training, including financial reports, are crucial in strengthening capacity building and trust in access to capital for MSMEs in the East Lombok district. This is in line with the findings (Cohen, 2014). Education and training are one of the strategies of companies or SMEs in increasing capacity building. They are revealed that exercise can change employee behaviour for the better. (Jusoh, Ziyae,

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Asimiran, & Kadir, 2016) As shown in his findings, education and training can make an excellent contribution to the company or business. In line with that (de Mel, McKenzie, & Woodruff, 2014), In his research, education and training will make business people more successful than business people who have never attended training (Conway, 2008). Research results (Wolmarans & Meintjes, 2015) revealed that the success of SMEs is seen from how their financial management is poor, the SMEs will not last long, and vice versa. (Kurniawanysah, 2016)

The results showed that MSMEs did not need accounting information and stated that it was challenging to do accounting records with all their limitations. Maintaining accounting records is considered a waste of time and money. These findings indicate that MSMEs need financial education and training by using effective and efficient financial records applications. In line with the findings of (Heru Lestiawan, 2015), The result of the research is the development of independent learning prototype software for web-based accounting application systems for MSMEs. The separate learning software for this web-based accounting application system is expected to provide convenience for MSMEs to manage various financial resources in the MSMEs concerned and be more effective and efficient.

CONCLUSION

This study's conclusions show that; 1) The financial recording system is done manually and is still very simple. The reason for making financial records is to make it easier for owners to give bonuses to their employees, 2) Factors that cause the failure of internal factors are lack of understanding, discipline and human resources. In contrast, external factors are due to a lack of supervision from stakeholders interested in financial statements. The results showed that MSMEs did not need accounting information and stated that it was challenging to do accounting records with all their limitations. Maintaining accounting records is considered a waste of time and money. These findings indicate that MSMEs need financial education and training by using effective and efficient financial records applications. For MSME Balance Sheet to occur in Strengthening Capacity Building and Trust Access to Capital, MSMEs need to carry out education and training, including making financial reports properly by utilising up-to-date applications to make MSME financial reports effective and efficient.

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