



THE MEANING OF FINANCIAL REPORTING FOR MSMEs: A PHENOMENOLOGICAL STUDY OF BEHAVIORAL ASPECTS IN COMPLIANCE AND DECISION MAKING

MAKNA PELAPORAN KEUANGAN BAGI UMKM: STUDI FENOMENOLOGI ASPEK PERILAKU DALAM KEPATUHAN DAN PENGAMBILAN KEPUTUSAN

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Abstract

This research is motivated by the low level of compliance of Micro, Small, and Medium Enterprises (MSMEs) in preparing financial reports in accordance with applicable accounting standards. This study aims to understand the meaning of financial reporting requirements for MSMEs, analyze behavioral aspects that influence compliance with financial reporting, and examine the use of financial reports in the business decision-making process. This study uses a qualitative approach with a phenomenological method. Data were obtained through in-depth interviews with MSMEs and analyzed thematically to explore the informants' subjective experiences. The results show that MSMEs interpret financial reporting as a simple recording tool that functions to control cash flow and business continuity, rather than as a formal administrative obligation. Compliance with financial reporting is influenced by the perception of ease, experience, and habits of business actors. Furthermore, financial reports are used only to a limited extent in business decision-making and are often combined with intuition and personal experience. These findings emphasize the need for a behavioral approach to improve the quality of MSME financial reporting.

Keywords : MSMEs, financial reporting, behavioral accounting, decision making.

Abstrak

Penelitian ini dilatarbelakangi oleh rendahnya tingkat kepatuhan Usaha Mikro, Kecil, dan Menengah (UMKM) dalam menyusun laporan keuangan sesuai dengan standar akuntansi yang berlaku. Studi ini bertujuan untuk memahami makna persyaratan pelaporan keuangan bagi UMKM, menganalisis aspek perilaku yang memengaruhi kepatuhan terhadap pelaporan keuangan, dan menguji penggunaan laporan keuangan dalam proses pengambilan keputusan bisnis. Studi ini menggunakan pendekatan kualitatif dengan metode fenomenologi. Data diperoleh melalui wawancara mendalam dengan UMKM dan dianalisis secara tematik untuk mengeksplorasi pengalaman subjektif informan. Hasilnya menunjukkan



bahwa UMKM menafsirkan laporan keuangan sebagai alat pencatatan sederhana yang berfungsi untuk mengontrol arus kas dan kelangsungan bisnis, daripada sebagai kewajiban administratif formal. Kepatuhan terhadap pelaporan keuangan dipengaruhi oleh persepsi kemudahan, pengalaman, dan kebiasaan pelaku usaha. Selain itu, laporan keuangan hanya digunakan secara terbatas dalam pengambilan keputusan bisnis dan sering kali digabungkan dengan intuisi dan pengalaman pribadi. Temuan ini menekankan perlunya pendekatan perilaku untuk meningkatkan kualitas pelaporan keuangan UMKM.

Kata Kunci : UMKM, pelaporan keuangan, akuntansi perilaku, pengambilan keputusan.

1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a strategic role in the national economy, both as drivers of the local economy and as job creators. Their contribution to gross domestic product (GDP) and national economic stability makes them the backbone of the Indonesian economy. However, despite this strategic role, MSMEs still face various structural and managerial challenges, one of which relates to financial reporting. The primary challenge faced by MSMEs is the low level of compliance in preparing financial reports in accordance with applicable accounting standards. Many MSMEs have not yet implemented the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) as stipulated by the Indonesian Institute of Accountants. Financial reporting is often perceived as complex, time-consuming, and provides no direct benefit to business continuity. As a result, financial records are kept simply, unsystematically, or even neglected altogether. This situation has the potential to hinder business development, particularly in terms of business decision-making, performance evaluation, and access to external financing sources. Various efforts have been made by the government and related institutions to encourage improvements in the quality of MSME financial reporting, including through the development of specific accounting standards and mentoring programs. However, normative and technical approaches are often not fully effective. This indicates that MSME financial reporting issues are not only related to limited accounting knowledge but are also influenced by behavioral aspects of business actors, such as perceptions, motivations, experiences, and habits in managing their businesses. In this context, behavioral accounting is a relevant perspective for understanding how MSME actors interpret and respond to financial reporting requirements. Furthermore, in practice, reports finances in MSMEs have not fully utilized as base taking decision business. Many MSME actors are more depend on intuition, experience personal, and informal considerations in determine policy effort. Although thus, some perpetrator business still do recording finance simple as tool control cash flow and capital. Phenomenon This show existence gap between ideal reporting objectives finance and practice actual activities carried out by MSME actors.

Based on problem said, research This designed For give greater understanding deep about reporting MSME finance from corner view perpetrator business That alone. Approach phenomenological chosen For dig experience subjective and meaning-making process MSME actors towards reporting finance, so that obtained comprehensive overview about the behavior and decisions they make take related recording and reporting financial. The objectives of this



study are to understand the meaning of financial reporting requirements for MSMEs, analyze the behavioral aspects that influence MSME compliance with financial reporting requirements, and explain how MSMEs utilize financial reports in the business decision-making process. The results of this study are expected to provide theoretical contributions to the development of behavioral accounting studies, particularly in the context of MSMEs, as well as provide practical benefits for MSMEs, the government, and supporting institutions in designing more effective and contextual financial reporting policies and development programs. Furthermore, this research is expected to provide an alternative perspective on MSME financial reporting practices, which have traditionally been assessed primarily from a formal compliance perspective. By placing MSMEs as the primary research subjects, this study seeks to uncover empirical realities often overlooked by quantitative and normative approaches. A deeper understanding of the experiences and mindsets of MSMEs is expected to form the basis for developing financial reporting policies and standards that are more adaptive to real-world conditions. This research also has practical relevance for MSME education and development, particularly in designing training materials and financial reporting mentoring that emphasize not only technical aspects but also psychological and social factors of business actors. Thus, a more humanistic and contextual approach is expected to increase MSME awareness and willingness to prepare and utilize financial reports sustainably.

2. RESEARCH METHOD

This research methods section briefly explains how the research was conducted. This study used a qualitative approach with a phenomenological method (Nugraha, 2025). This approach was chosen because the research aims to understand the meaning, subjective experiences, and how Micro, Small, and Medium Enterprises (MSMEs) interpret financial reporting requirements in their daily business practices. This study was not intended to quantitatively test the relationship between variables, but rather to explore the essence of MSMEs' experiences related to compliance and the use of financial reporting. The research was conducted among MSMEs located in Ambon City. The location selection was based on the diversity of MSME types and variations in financial reporting practices relevant to the research focus. The research subjects were MSMEs categorized as micro, small, or medium, who had been in business for at least one year, and had experience in recording or reporting financial data, both in simple and more structured ways. Informants were selected purposively, considering their ability to provide in-depth information. In this qualitative study, the researcher acted as the primary instrument. The researcher was directly involved in the data collection process, maintaining objectivity through suspending initial assumptions (bracketing) so that the meaning of the phenomenon could be understood from the informant's perspective. The presence of researchers in the field was intended to foster interactions that enabled in-depth and contextual data collection. Data collection was conducted through in-depth interviews, observation, and documentation. Interviews were conducted semi-structured to explore the experiences, perceptions, and interpretations of MSMEs regarding financial reporting, behavioral factors influencing compliance, and the use of financial reports in



business decision-making. Non-participatory observations were conducted to observe the recording and use of financial information in business activities. Documentation in the form of financial records, administrative documents, and other supporting evidence was used to strengthen the data from the interviews and observations. Data analysis was conducted qualitatively, following the stages of phenomenological analysis. The analysis process began with identifying significant statements from informants, then grouping them into meaningful units. Next, these meaningful units were organized into main themes that represent the experiences and interpretations of MSMEs regarding financial reporting requirements. Based on these themes, researchers compiled descriptions of experiences and synthesized them to obtain the essence of the phenomenon being studied. Data validity was maintained through triangulation of sources and methods, as well as member checking by reconfirming the findings with informants. Furthermore, researchers engage in reflexivity to minimize bias and maintain the credibility of their research findings. This procedure ensures that the research results have an adequate level of trustworthiness and validity for qualitative research.

3. RESULTS AND DISCUSSION

Object study This is a Micro, Small and Medium Enterprise (MSME) which operates in the field of trading fashion retail. This business has operate during more from 18 years and is business inherited family from parents to generation next. In its operations, the owner business manage direct all over activity business with assisted by two employees. This business has two branches operating stores every day with sufficient operating hours long. Products sold covering various type fashion women, such as robes and hijabs, which have level request relatively stable. Stock goods obtained from external suppliers area and sent regularly every week, so that rotation stock ongoing Enough fast. In case management finance, all activity recording Still done manually using transaction notes, books notes, and calculators. MSME actors have not yet use application recording digital finance and not yet apply reporting finance in accordance standard formal accounting. Record keeping finance done limited to For fulfil internal business needs, in particular For know condition finance and sustainability business. Based on results interview, MSME actors interpret condition reporting finance as activity recording simple with purpose For know income and expenses business. Reporting finance No understood as obligation administrative matters that must be follow standard certain, but rather as tool practical For control condition finance business. During the recording the capable show whether business get profit or experience losses, MSME actors assess that reporting finance has done with good. Meaning reporting the financial situation of MSMEs is greatly influenced by experience. operate business in term long time. Recording manual finance provides a sense of security and confidence Because all over transaction can controlled in a way directly. In view MSME actors, reporting finance functioning as tool internal control and protection business from risk loss, not as formal documents that must be arranged in accordance with SAK EMKM. Findings This show existence difference between meaning reporting finance according to regulation and meaning reporting finance according to MSME actors in the field.



Research result This in line with perspective accountancy behavior that states that meaning information accountancy shaped by experience, perception, and use practical for users (Siegel & Ramanauskas-Marconi, 1989). Research Rudiantoro and Siregar (2012) also found that more MSME actors interpret report finance as internal management tools business compared to as formal obligations. Although reporting finance done in a way simple and manual, results study show that report finance still utilized by MSME actors in the decision-making process decision business. Record keeping finance used as base For control cash flow, managing business capital, and determining amount purchase stock goods. With existence notes finance, MSME actors can estimate ability business in fulfil need operational and maintenance stability finance.

In addition, the report finance simple used For evaluate performance business and determine sales strategies. MSME actors can identify most popular products consumers and adapt amount inventory in the period next. Recording finance also helps MSME actors separate finance business and finance personal, so that management business become more orderly. Findings This show that report finance, although no arranged in accordance formal standards, fixed own role important in support taking decision managerial. This is in line with research by Astuti and Wirama (2016) which states that report MSME finance has function strategic as base taking decision business. Research results This show that reporting finances in MSMEs are not solely influenced by formal provisions or standard applicable accounting, but is greatly influenced by how MSME actors interpret reporting finance the in context his efforts. Based on results interview, MSME actors view reporting finance as tool practical For know condition business, especially related cash flow and profits, not as obligation administrative matters that must be filled in accordance standard certain findings This in line with Rudiantoro and Siregar (2012) stated that that MSMEs tend to compile report finance based on internal business needs, not For compliance to standard accounting. From the perspective accountancy behavior, meaning reporting The financial situation built by MSME actors is greatly influenced by perceptions benefits and convenience usage. Interview results show that more MSME actors choose recording simple Because considered more easy understandable and direct can used in activity business everyday. Condition This in line with the Technology Acceptance Model (Davis, 1989) which states that perception convenience and perception benefit influential significant to reception something system. In the context of MSMEs, reporting finances that are considered complex tend rejected although in a way normative required.

In addition, the results study disclose that aspect behavior like past experiences and habits own role important in determine level compliance MSME actors towards reporting finance. MSME actors who have experience positive in use recording finance For control business tend maintain practice said, although Still in form simple. On the other hand, the limitations literacy accounting and digital literacy become inhibitor main in implementation reporting more formal finance. Findings This strengthen results Siregar and Wardoyo's (2018) research states that that low literacy and lack of mentoring become factor main inhibitor implementation of SAK EMKM in MSMEs. The interview results also showed the presence



of behavioral bias in taking decision business, where MSME actors tend to depend on intuition and experience personal compared to information formal accounting. Conditions This can explained through behavioral economics theory states that individual often use heuristics and intuition in take decisions, especially in the situation that is considered complex or No certain (Kahneman & Tversky, 1979). In the context of MSMEs, the decision based intuition considered more fast and practical compared to analysis based report formal finance. Although Thus, research This find that report finance still own role important in taking decision MSME business . Recording finance simple used For control cash flow, managing business capital, and determining purchase inventory. Findings This in line with research by Astuti and Wirama (2016) and Nugroho and Sari (2021) which shows that report finance simple still contribute in support taking decision operational of MSMEs. With however, although Not yet follow standard formal accounting, reports finance still own mark informative for perpetrator business approach phenomenological used in study This allows researchers For dig experience subjective MSME actors in interpret reporting finance and taking decision business approach This relevant Because focus study No only at the level compliance, but also on the underlying meaning -making process behavior MSME actors. This matter in line with Creswell's (2013) view states that that approach phenomenological appropriate used For understand meaning experience individual to something phenomenon certain. With understand experience and perception MSME actors, research This give greater understanding comprehensive about practice reporting finance in MSMEs. In general overall, discussion This show that improvement compliance reporting MSME finances are not can done only through approach regulatory. Required a considerate approach aspect behavior, understanding, and needs practical MSME actors. Reporting simple, easy finance understood, and relevant with need business potential increase level compliance and utilization report finance in taking decision business.

4. CONCLUSION

This study concludes that financial reporting practices in MSMEs are predominantly shaped by practical needs, long-term experience, and behavioral factors rather than formal accounting standards. The MSME examined relies on simple, manual financial records that function effectively as internal control tools to monitor cash flow, profits, inventory decisions, and business sustainability. Although these practices do not comply with SAK EMKM, they remain meaningful and useful for managerial decision-making. The findings highlight a clear gap between regulatory definitions of financial reporting and MSME actors' interpretations, which view reporting as a practical, experience-based activity. Consistent with behavioral accounting, technology acceptance, and behavioral economics perspectives, perceptions of usefulness, ease, habit, and intuition strongly influence reporting choices. Therefore, improving MSME financial reporting compliance requires not only regulatory enforcement, but also behavioral-sensitive approaches, increased accounting and digital literacy, and reporting models that are simple, relevant, and aligned with MSME operational realities.



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