

MANAGEMENT ACCOUNTING PRACTICES AND PERFORMANCE ON MSMES IN INDONESIA

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Abstract

*This study was designed to examine the effect of Management Accounting Practices (MAP) on the performance of Micro, Small, and Medium Enterprises (MSMEs) in the Kebumen Region of Central Java in Indonesia. **Methods:** A survey research design approach was used using a structured questionnaire to collect data from 140 MSME owners. Data were analyzed using descriptive and inferential statistical tools using SPSS version 20. **Result:** PAM does not affect the performance of MSMEs, except for Strategic Management when it is partially tested. PAM affects the performance of MSMEs when tested simultaneously. The results show a strong positive relationship between the dependent variable (company performance) and the independent variable (Cost Determining System, Budgeting System, Performance Evaluation System, Decision Support System, and Strategic Management Accounting System). **Implication:** This study recommends that SMEs make more use of contemporary MAP to ensure profitability and business sustainability.*

Keywords: *UKM, MAP, Performance*

INTRODUCTION

MSMEs (Micro, Small and Medium Enterprises) are the most important pillars in the Indonesian economy. Based on data from the Ministry of Cooperatives and SMEs, the number of MSMEs currently reaches 64.2 million with a contribution to GDP of 61.07% or worth 8,573.89 trillion rupiahs. The contribution of MSMEs to the Indonesian economy includes the ability to absorb 97% of the total workforce and can collect up to 60.4% of the total investment. However, the high number of MSMEs in Indonesia is also inseparable from the existing challenges. To answer this challenge, the Government has implemented several MSME support programs, including incentive and financing assistance through the PEN program, People's Business Credit, the Proudly Made in Indonesia National Movement (Germans BBI), Digitalization of MSME marketing, Strengthening. Alumni Entrepreneurs of the Pre- Employment Card Program through KUR Financing, and includes a long-term strategy to increase the MSME class through the Job Creation Act. (Coordinating Ministry for Economic Affairs 5/05/2021).

The role and great potential of MSMEs are still largely hindered by the obstacles that hinder the growth and development of MSMEs. These obstacles include capital, low product quality, and productivity, poor technology and financial administration systems, poor management and planning, increasing business competition, marketing, etc. (Bank Indonesia and LPPI, 2015; in Hendra et.al 2021).

Lack of managerial ability in solving accounting problems is the main factor that can cause the failure of MSMEs (Wichmann (1983). In addition, the lack of application of management accounting practices (cost systems) is also a factor that causes many MSMEs to fail (Hopper et al. 1999). Therefore, one of the efforts that can be done by MSMEs to achieve success is to apply management accounting practices.

Management accounting is defined as the process of supplying relevant information to managers or employees in an organization, both financial information and non-financial information (Atkinson et al.,

2012:2). These management accounting practices (PAM) have a strategic and important role (Jadat et al., 2018) in helping management manage the company, such as making decisions, allocating resources, conducting supervision, evaluating, and rewarding performance achievements (Atkinson et al., 2012: 2). In addition, management accounting is one of the most important tools for increasing the efficiency of a company's operations (Ghosh & Chan, 1997), helping organizations carry out and implement plans in following up in a competitive environment (Mia & Clarke, 1999) and/or facing competition (Atkinson, 1999). et al., 2012), and as a tool for assessing success (Lybaert, 1998).

Etim (2020) stated in his research that the effective implementation of PAM can also help companies by being competitive in the market, overcoming market dynamics, thereby increasing the trend and viability of their performance (Mia & Clarke, 2009 and Reid & Smith, 2014). However, simply practicing PAM may not guarantee company-wide success, however, not implementing and practicing it can ultimately damage the company's performance and competitive advantage (Folk, Ray, & Eric, 2012). The implementation of PAM in the company directs attention to problem areas and provides strategies to overcome them are the two main functions of accounting.

In the research of Prihastiwi and Solihin (2017) which states that SMEs in Indonesia, especially in Yogyakarta, are more dominant in using traditional management accounting practices than modern management accounting practices. Furthermore, Prihastiwi (2017) and Azudin & Mansor (2017) reveal that the use of management accounting practices in MSMEs is influenced by contingent factors, namely, operating technology, qualifications of internal accounting staff, owner/manager participation, and company size.

a. Main Problem

There are still few studies on the use of PAM in all MSMEs. This is due to the small structure of MSMEs in Indonesia. The need for a gradual study, teaching how to fully benefit from an effective PAM practice. Apart from that, there is little or no evidence to suggest that there is a correlation between PAM practices and improved performance of MSMEs in Indonesia.

The case of lack of records on MSME PAM practices has increased the likelihood that policies and growth strategies will not produce the expected benefits. This gap consciously affects the joint efforts of policymakers in this country in formulating policies that can improve the smooth functioning of MSMEs. Consequently, with the significant economic importance of MSME growth.

b. Research Objectives

The main objective of this study is to assess the effect of management accounting practices on the performance of MSMEs in Indonesia. Identify factors that influence the implementation of MAP in Indonesian SMEs. Determine the relationship between MAP applications and the performance of SMEs in Indonesia.

c. Research Benefits

The results of this study will be very important in terms of theory and practice. From a theoretical point of view, this research will help enrich the theory of PAM in two main ways:

First, this study will provide practical advice on how PAM can best be used. Second, this study will provide a different view from existing studies on PAM, especially on how PAM practices can affect the performance and viability of MSMEs in the country. Thus, this research will be relevant for researchers and students because it will be a reference material for those who do similar research. It will also provide the necessary material for further studies on issues related to accounting practices and the viability of the MSME sector

LITERATURE REVIEW

a. an MSME

MSMEs have their laws. Law Number 20 of 2008 concerning MSMEs. The Law of the Republic of Indonesia Number 20 of 2008 concerning Micro, Small, and Medium Enterprises was ratified by President Dr. H. Susilo Bambang Yudhoyono on July 4, 2008, in Jakarta. Micro, Small, and Medium Enterprises (MSMEs) are business activities that can expand employment opportunities and provide broad economic services to the community, play a role in the process of equity and increase people's income, encourage economic growth, and realize national economic stability.

Medium Enterprises are productive economic businesses that stand-alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become a direct or indirect part of a Small Business or Large Business with a total net worth or sales proceeds. annually as regulated in this Law. Micro, small and medium enterprises have certain criteria as regulated in Law no. 20 of 2008 Chapter IV article 6, namely for micro-enterprises a maximum of Rp. 50,000,000.00 and maximum annual sales of Rp. 300,000,000.00 then for small businesses a maximum of Rp. 50,000,000.00 up to Rp. 500,000,000.00 and annual sales of a minimum of Rp. 300,000,000.00 up to Rp. 2,500,000,000.00, while medium-sized businesses have a maximum criterion of having assets of Rp. 500,000,000.00 up to Rp. 10,000,000,000.00 and annual sales of at least Rp. 2,500,000,000 to Rp 50,000,000,000.00.

Risnawati (2018) The MSME sector has proven to be resilient, when the Economic Crisis occurs only the MSME sector survives. Some of the reasons why MSMEs can survive during the monetary crisis are:

Most MSMEs produce consumer goods and services with low elasticity of demand for income, so the average income level of the community does not have much effect on demand.

Most MSMEs do not get capital from banks. The implication is that the slump in the banking sector and rising interest rates will not affect this sector much. SMEs have flexibility in doing business. In

this case, MSMEs are easy to move from one business to another, there are no barriers to entry and exit.

The prolonged economic crisis causing the formal sector to lay off many workers. The unemployed enter the informal sector, conducting business activities that are generally small in scale, as a result, the number of MSMEs increases.

b. Management Accounting and Management Accounting Practice

Chartered Institute of Management Accounting (CIMA) (2005) states that Management accounting provides useful information for the management of an organization that will be useful in achieving the following: formulating business strategies as well as making informed strategic decisions, designing long-term strategies, medium and short for an organization, evaluating the organization's capital and funding structure, designing reward models for the organization's executives and shareholders, making informed operational decisions, controlling operations to ensure effective and efficient use of organizational resources, evaluating and reporting on the performance of management and stakeholders interests of the organization, protect all organizational assets and implement corporate governance, risk management, and internal control measures.

The above definition provides a clear picture of what is meant by Management Accounting Practices (PAM) in any organization whether large, medium, or small. Some of these areas under the Practice of Management Accounting (PAM) include:

Cost

The information generated from products can be used for different purposes such as pricing decisions, cost control, evaluation of production processes, and transfer pricing (Bjornenak, 1997; and Van-Triest & Elshahat, 2007). Recently, Activity-Based Costing (ABC) is a common application by most companies (Abdel-Kader & Luther, 2006; Joshi, 2011), while absorption and marginal costing techniques have also been used from time to time to generate pricing data. cost. (Chenhall & Lang-Field-Smith, 1998; Etim, 2019).

H1: There is a significant relationship between financing and performance of MSMEs in Indonesia

Budgeting

Budgets are widely considered an integral part of every corporate organization (Hansen & Vander Stede, 2004). Previously, the reason for having a budgeting system in any organization was simply for its absorption rate and the purpose for which it was used. Recent studies have revealed that the main reason for budgeting practices in an organization is to plan the future performance of the organization; planning the future position of an organization; future cash flow design; futuristic planning of the company's daily operations and for cost control (Abdel-Kader & Luther, 2016; Joshi, 2011; Szychta, 2018). Some of the budgets that may be prepared by MSMEs are cash budgets, sales

budgets, overhead budgets, capital budgets, purchasing budgets, and others. This budget is intended to encourage smooth operations and improve performance.

H2: There is a significant relationship between budgeting and the performance of MSMEs in Indonesia

Performance evaluation

Emmanuel, Otley, & Merchant (1990) argue that performance evaluation is an important aspect of management accounting because it provides strategic information that company managers can use in achieving their organizational goals (Jusoh & Parnell, 2018). Given that, organizations have been trying to develop comprehensive management systems such as balanced scorecards and performance hierarchies that can help provide information on this (Hall, 2018), the big question is: which performance appraisal method should the organization adopt? (Ittner & Larcker, 1998). In making decisions regarding this matter, non-financial and financial measures have been implemented such as Value Based Management (VBM); ABC and activity-based management; balanced scorecard; bench manufacture; strategic enterprise management (SEM); Six sigma; Return on Investment (ROI); Economic Value Added (EVA) and other profitability measures (Ghosh & Kai- Chan, 1997; Yasin & Lisboa, 2004; Abdel-Maksound, Asada & Nakagawa, 2008; Abdel- Kader & Luther, 2016; Jusoh & Parnell, 2018). The reason for the performance measure is to motivate managerial and employee performance in the organization.

H3: There is a significant relationship between performance evaluation and the performance of MSMEs in Indonesia

Decision Support System

Wu, Boateng, & Drury (2007) suggest that quality decisions by company managers are very important especially in today's highly volatile business landscape. Decision Support Systems (DSS) in any organization can be either a short-term or a long-term perspective. Abdel-Kader & Luther (2016) stated that for short-term DSS, company managers can rely on Cost-Volume-Profit (CVP) analysis, product profitability analysis, customer profitability analysis, and inventory control models. For long-term DSS, company managers can also use Internal Rate of Returns (IRR) and Payback Periods (PBP) and other methods that rely on discounted cash flows. Similarly, techniques such as sensitivity analysis of the increasing required rate of return, game theory, and computer-based Monte Carlo simulation are also useful for making decisions under deep uncertainty, whereas the former method is used under conditions of certainty. (Kiammer, Koch & Wilner, 2018; Shields, Chow, & Kao, 2017 and Hermes, Smid & Yao, 2017). DSS should help managers deal with the turbulent business environment that encompasses all sectors of the economy.

H4: There is a significant relationship between decision support and the performance of MSMEs in Indonesia

Strategic management accounting

The last tool of PAM considered in this study is strategic management accounting (AMS). Chapman (1997) defines the concept as “the collection, provision and analysis of financial information about a company's products, markets and competitors, costs and monitoring the strategy of companies and competitors over time. The three basic scopes of SMA are: generating information relating to competitors, exploring new strategies to reduce costs among firms, and aligning the accounting systems practiced in the organization with the strategic position of the firm. Cadez & Guilding (2018) adds five (5) more dimensions, namely: (1) costing, (2) planning, controlling, and measuring performance, (3) strategic decision making, (4) competitor accounting, and (5) customer accounting. This practice is intended to give the organization a competitive advantage over competitors.

H5: There is a significant relationship between strategic management accounting and MSME performance

c. Theoretical Framework

In past accounting studies, various theories have been put forward to assess the correlation between PAM and MSME performance. In this study, contingency theory is considered as discussed below:

Contingency Theory

The contingency approach is applied to PAM because no accounting system can be applied in all situations (Chapman, 1997; Chenhall, 2003; Gerdin & Greve, 2004), but rather the application of a given accounting system depends on the prevailing situation within the organization (Otley, 1980). Although not identified, however, past accounting studies have attempted to explain the development and application of contingency theory by examining contingent variables which include the environment in which the organization operates, technology, size, firm structure, and strategy. These variables are internal and external to an organization (Halma & Laats, 2002).

The successful identification of these contingency variables can be traced back to the development of several management theories. For example, the inevitable changes that companies undergo are seeing the development of the application of contingency theory (Otley, 1980). This effort began with the works of Burns and Stalker (1961), Otley (1980), Lawrence & Lorsch (1967). Supporting that study, Chenhall (2003) tries to ascertain how the organizational structure affects certain production indices such as unit production, small-batch, large batch, production mass, and process

production. He revealed that given how dynamic the business environment is, the preferred organizational structure of the company is flat. Overall, technological innovation, technology, and demands caused by interdependence between functional units cause a lot of anxiety experienced in the environment.

Research Method

The methodology adopted for this study is described under the appropriate sub-headings: A survey research design was adopted during this study. This involves using a structured questionnaire to get responses from MSME operators.

a. Data collection

The data was obtained from the distribution of questionnaires in the form of Google forms to the MSME groups. And pliers fill several 140 respondents. The use of google forms is due to the COVID-19 pandemic. It is not possible to fill out questionnaires by meeting respondents directly.

b. Questionnaire

The questionnaire was divided into two (2) sections: a biographical section and a variable section. The variable section includes five independent variables and one dependent variable. The independent variables are the cost system, budgeting system, performance evaluation system, decision support system, and strategic management accounting system while the dependent variable is performance. A five-point Likert scale ranging from 1 to 5 was used to measure how often and which MAP were used by these companies, and their effect on the performance of the SMEs studied. An average of 2.5 above is considered to measure satisfaction on the test variable. Test the validity and reliability of the instrument to ensure the content and internal consistency was carried out using the Cronbach alpha reliability test with a coefficient of 0.756. This coefficient indicates that the instrument is suitable for use in research.

c. Test Equipment

The test in this research uses SPSS 24, by testing the classical assumption. This study involves the use of a regression model to estimate the extent to which the identified independent variables have an impact on the dependent variable. The model in certain terms is stated as follows:

$UKM Pf = o + 1Cs + 2Bs + 3Pes + 4DSs + 5SMA + \dots$ model 3.1 Where; SMEs Pf = SME performance measured by sales trend 0 = Constant

1 – 5 = The expected independent variable coefficient is positive = stochastic error term
Cs = Practice costing system

PEs = Practice of Performance Evaluation System
 DSS = Practice of Decision Support System
 SMA = Strategic management accounting system practice

RESULT AND DISCUSSION

a. MSMEs profile

MSMEs profile	Frequency	Percentage
Age		
1-3 years	80	57%
4-10 years	42	30%
More than 10 years	18	13%
Total	140	100%
Number of employees		
0 until 4	130	93%
5 until 50	10	7%
Total	140	100%
Perputaran Penjualan		
Kurang dari Rp 250,000	20	14%
Rp 250,000 – 1 juta	46	33%
Rp 1juta – Rp 5 Juta	25	18%
Rp 5 juta sampai Rp 10 juta	19	14%
Rp10 juta sampai Rp 25 juta	14	10%
Lebih dari Rp 25 juta	16	11%
Total	140	100%
Sektor Usaha		
Perdagangan	5	4%
Makanan dan Minuman	92	66%
Fashion	9	6%

Kerajinan	19	14%
Furniture	2	1%
Jasa	7	5%
Peternakan	2	1%
Pertanian	3	2%
Perikanan	1	1%
Total	140	100%

Conclusions

Data conclusion:

Most MSMEs

are 1-3 years old, 80 MSMEs (57%)

The number of MSME employees is at most 1-4 people, 130 (93%)

Highest sales turnover in the range of 250.00 – 1 million rupiahs, 46 MSMEs (33%) Most business sectors are food and beverage 92 SMEs (66%)

b. The Influence of Management Accounting Practices on Performance

Multiple linear analysis table with the company's performance variable as the dependent variable

Variabel	Std.Error	B	T	Sig
Constant	1,153	12,890	11,183	0,000
Pembiayaan	0,105	-0,157	-1,497	0,137
Penganggaran	0,090	0,095	1,048	0,296
Evaluasi Kinerja	0,082	0,118	1,434	0,154
Pendukung	0,118	-0,39	-0,330	0,742
Keputusan	0,063	0,314	4,987	0,000
Akuntansi manajemen strategis				

The results from the table above show that only strategic management accounting has an effect on company/SME performance with a significance value of $0.000 < 0.05$. While other variables such as financing, budgeting, performance evaluation and decision support have no effect on the performance of the company / MSME.

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Correlations

		Pembiayaan	Penganggara n	Evaluasi Kinerja	Pendukung Keputusan	Akuntansi Manajemen Strategis
Pembiayaan	Pearson Correlation	1	.828**	.804**	.743**	.648**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	140	140	140	140	140
Penganggaran	Pearson Correlation	.828**	1	.869**	.824**	.773**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	140	140	140	140	140
Evaluasi Kinerja	Pearson Correlation	.804**	.869**	1	.856**	.799**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	140	140	140	140	140
Pendukung Keputusan	Pearson Correlation	.743**	.824**	.856**	1	.824**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	140	140	140	140	140
Akuntansi Manajemen Strategis	Pearson Correlation	.648**	.773**	.799**	.824**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	140	140	140	140	140

** . Correlation is significant at the 0.01 level (2-tailed).

The results of the data above all variables are correlated with each other. This is evidenced by all significance $0.000 < 0.05$ and all have a strong correlation. This is evidenced by all Pearson values more than 0.61.

F test table

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	716.342	5	143.268	6.034	.000 ^b
	Residual	3181.451	134	23.742		
	Total	3897.793	139			

a. Dependent Variable: Kinerja Perusahaan

b. Predictors: (Constant), Akuntansi Manajemen Strategis, Pembiayaan , Pendukung Keputusan, Penganggaran, Evaluasi Kinerja

The results in this study show that together the strategic management accounting variables, financing, budgeting decision support and performance evaluation affect the company's performance or the performance of MSMEs.

T test table

		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	12.890	1.153		11.183	.000
	Pembiayaan	-.157	.105	-.221	-1.497	.137
	Penganggaran	.095	.090	.195	1.048	.296
	Evaluasi Kinerja	.118	.082	.277	1.434	.154
	Pendukung Keputusan	-.039	.118	-.058	-.330	.742
	Akuntansi Manajemen Strategis	.169	.120	.210	1.413	.160

a. Dependent Variable: Kinerja Perusahaan

- 1) The results of this study financing does not affect the company's performance? MSMEs in Kebumen Regency, this is evidenced by a significance value of $0.137 > 0.05$.
- 2) The results of this study budgeting does not affect the performance of companies / MSMEs in Kebumen Regency, this is evidenced by a significance value of $0,296 > 0.05$.
- 3) The results of this study did not affect the performance evaluation of the performance of companies / MSMEs in Kebumen Regency, this was evidenced by a significance value of $0.154 > 0.05$.
- 4) The results of this study indicate that decision support does not affect the performance of companies / SMEs in Kebumen Regency, this is evidenced by a significance value of $0.742 > 0.05$.
- 5) The results of this study indicate that strategic management accounting does not affect the performance of companies/SMEs in Kebumen Regency, this is evidenced by a significance value of $0.160 > 0.05$.

CONCLUSION

Conclusion

The main objective of this study is to assess the effect of management accounting practices (PAM) on the performance of MSMEs in Indonesia. PAM variables used are costing system, budgeting system, performance evaluation, decision support system, and strategic management accounting. The results confirm that all variables are good predictors of MSME performance, although with different levels of significance.

Limitations

The limitations in this study are

- 1) Data retrieval in the form of a google form for filling out questionnaire data is due to the COVID-19 pandemic, which does not allow direct interviews with respondents
- 2) The scope of MSMEs is only in the Kebumen area (Central Java)

- 3) Lack of understanding of respondents with knowledge of Management Accounting Practices.

Recommendation

- 1) Cost control measures under the costing system should be strengthened to minimize the emergence of irrelevant costs which can ultimately increase the total cost of production or services.
- 2) MSMEs should avail themselves with relevant budget preparations such as sales budget, purchasing budget, cash flow planning to understand trends related to their operations.
- 3) Other aspects of decision support systems and performance evaluation measures such as inventory turnover, accounts payable, and receivable periods, as well as accounts receivable and payable analysis, should be studied and applied.
- 4) Other strategic management accounting measures such as product life cycle analysis, value chain analysis, industry, or sectoral analysis should also be applied to increase understanding of the constantly changing business environment.

Further Research

Further research can be done on the determinants of MAP adopted by MSMEs.

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