



COUNSELING ON THE PREPARATION OF FINANCIAL REPORTS AS A FORM OF EMPOWERMENT FOR MSMEs IN THE CITY OF PEMATANG SIANTAR

Christine Loist^{*1}, Loist Abdi Putra², Marthin Hutler Ambarita³, Boo Wang⁴, Uppaliry Suma⁵

¹²Accounting Study Program, Sekolah Tinggi Ilmu Ekonomi Sultan Agung, Indonesia

³Management Study Program, Sekolah Tinggi Ilmu Ekonomi Sultan Agung, Indonesia

⁴Chinese International College, Dhurakij Pundit University, Thailand

⁵Sri Sathya Sai Institute of Higher Learning, Anantapur, India

Article History:

Accepted: 17 July 2023

Revision: 24 July 2023

Publish: 18 Desember 2023

Keywords: Counseling, MSME Empowerment, Preparation of Financial Statements

Abstract

The city of Pematangsiantar also has industrial sectors, both small, medium and even large scale, and trade centers, both traditional and modern markets. The results of the initial survey found in the field when conducting research on the community beforehand, illustrated that several business actors who were categorized as MSMEs had not been systematically recorded so that problems that occurred in the field such as the lack of knowledge of business actors on how to grow their businesses, difficulty distributing products, lack of innovation products, lack of branding and lack of optimal online marketing cannot be optimally addressed because there is no real data available regarding the number of business actors, especially those categorized as MSMEs. The implementation method uses the Participatory Rural Appraisal (PRA) model which emphasizes community involvement in all activities starting from planning, implementing, and evaluating program activities. In accordance with the results of interviews after the implementation of community service activities, it is known that the understanding of MSME actors regarding the preparation of financial reports has increased by 90%. Counseling on the preparation of financial reports as a form of empowerment for MSMEs in Pematang Siantar City is one of the efforts to improve the quality of MSMEs and encourage economic growth in Pematang Siantar City.

INTRODUCTION

The development of micro, small and medium enterprises (MSMEs) and cooperatives has great and strategic potential in increasing national economic activity, including providing domestic goods and services. The existence of MSMEs and cooperatives which are widespread throughout the regions play a major role in absorbing labor, because more than 79.1 million workers (99.5 percent of the total workforce in 2004) work for MSMEs and cooperatives. Accordingly, SMEs and cooperatives still face various problems. One of them is the unfavorable business climate, which includes (1) legal aspects of business entities and unclear licensing procedures which result in high transaction costs, the lengthy licensing process and the emergence of various unofficial levies; (2) business practices and unfair business competition; (3) uncertainty of business location; and (4) weak cross-agency coordination in empowering cooperatives and SMEs. In addition, regional autonomy has not yet shown equal progress in efforts to accelerate the growth of a conducive business climate for cooperatives and MSMEs (Septika et al., 2021). This, for example, is reflected in the fact that there are still regions that view cooperatives and MSMEs as a source of local revenue by imposing new, unnecessary levies so that the costs of operating cooperatives and MSMEs increase. Therefore, the institutional aspect is still a serious concern in order to obtain the maximum possible range of results and benefits considering the large number, and diversity of businesses (Halim, Sherly, et al., 2021).

Another main problem is low productivity which results in a very wide gap between small, medium and large business actors (Sitinjak, 2021). The development of the labor productivity of micro and small enterprises has not shown significant progress. Based on current prices in 2004, the productivity per worker of micro and small businesses was Rp. 11.6 million and that of medium enterprises was Rp. 38.7 million, while the productivity per worker of large businesses had reached Rp. 2.2 billion. Such performance is related to the low quality of MSME human resources, especially in the areas of management, organization, mastery of technology, and marketing, as well as the low entrepreneurial competency of MSME (Halim et al., 2023).

MSMEs and cooperatives also still face the problem of limited access to capital. In 2004, the amount of bank credit disbursed as micro, small and medium scale (MKM) loans amounted to 50.5 percent of total bank credit. Of this amount, most (50.5 percent) are still absorbed in consumptive activities. Meanwhile, the rest was absorbed for productive activities, namely for working capital loans of 39.4 percent and the smallest portion for investment loans of 10.1 percent. This situation is very difficult for MSMEs to increase business capacity or develop competitive products. In addition, even though the business is feasible, the loan requirements, such as the amount of collateral, are also not easily met by MSMEs. Mastery of technology, management, information and markets by SMEs and cooperatives are still far from adequate, whereas to meet these needs, it requires relatively large costs, let alone to be managed independently by SMEs (Mundiroh et al., 2020). Meanwhile, the availability of institutions providing services in this field is also very limited and not evenly distributed across regions. The role of the community and the business world in providing business development services as a commercial venture to MSMEs has also not developed because services to MSMEs are generally considered to be less profitable (Halim, Grace, et al., 2021).

Specifically regarding cooperatives, the main problems that are still being faced are the low quality of cooperative institutions and organizations, the lagging performance of cooperatives, and the unfavorable image of cooperatives. Although the number is quite large and continues to increase, the quality of cooperative institutions and organizations until then is still far from what was expected. For example, the number of cooperatives that actively carried out their business activities in 2003 was

93.8 thousand units or only about 76 percent of the existing cooperatives. Among these active cooperatives, only 44.7 thousand cooperatives or less than 48 percent hold an annual member meeting (RAT), one of the organizational instruments which is the highest decision-making institution (forum) in a cooperative organization. Besides that, on average, only 27 percent of active cooperatives have.

The economic development of Pematangsiantar City is currently directed at efforts to increase the per capita income of the people accompanied by institutional changes and modernization and economic growth by taking into account aspects of income distribution, employment opportunities, population growth rates, and changes in regional economic structure. The economic growth of Pematangsiantar City which is getting better is in line with the improvement of the regional and national economy, which has a significant influence on regional original income. Over the last four years, 2012-2015 Local Revenue (PAD) for Pematangsiantar City is as follows: In 2012, the target was Rp. 59,146,308,083.00 realized Rp. 49,915,366,002.98 or 84.39% and in 2013 from the target of Rp. 69,526,518,187.00 realized Rp. 61,357,963,445.49 or 88.25%, in 2014 of the target of Rp. 92,301,487,715.85 realized Rp. 90,477,498,193.76 or 98.02%, and in 2015 from the target of Rp. 120,786,489,041.00 realized Rp. 91,799,141,262.17 or 76.06%. In addition to the PAD of Pematangsiantar City, regional economic growth in general can be seen through the development of the Gross Regional Domestic Product (GRDP) and GRDP per capita. Data on Gross Regional Domestic Product (GDP) is very important for every local government to determine the level of economic growth and the level of community prosperity. GRDP can also be used to see the structure of the economy and can be used as a basic indicator in planning and determining development policies.

Preliminary studies found in the field when conducting research on the community beforehand, illustrated that several business actors who were categorized as MSMEs had not been systematically recorded so that problems that occurred in the field such as the lack of knowledge of business actors on how to grow their businesses, difficulty distributing products, lack of product innovation, do not yet have branding and the lack of optimal online marketing cannot be optimally addressed because there is no real data available regarding the number of business actors, especially those categorized as MSMEs (Sundara et al., 2020). The urgency of carrying out this community service activity is to help MSME actors in Pematang Siantar City have superior competitiveness than the previous conditions, so they are able to adapt to developments in information technology. Counseling on the preparation of financial reports as a form of empowerment for MSMEs in Pematang Siantar City is very important. MSMEs are the backbone of the Indonesian economy, and they really need accurate financial information to make the right business decisions. This counseling will provide understanding to MSME actors about the importance of financial reports, how to prepare them, and the benefits that can be obtained from these financial reports.

IMPLEMENTATION METHOD

The population in this study comes from primary and secondary data, namely the total number of MSMEs in the city of Pematangsiantar obtained through observation and documentation of the Central Bureau of Statistics for the City of Pematangsiantar. Based on data from the Central Bureau of Statistics for the City of Pematangsiantar in 2015, it is known that the number of small industrial businesses is in the range of 537 business units. To achieve the goal of PKM activities in the live yeast ulos weaving group, several approaches will be taken, including: Participatory Rural Appraisal (PRA) model which emphasizes community involvement in all activities starting from planning, implementing, and evaluating program activities. The solution offered to partners in

research activities is to provide and present valid data regarding the number of MSMEs in Pematangsiantar City to then be classified according to asset and turnover levels in accordance with Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises. The implementation method for this community service activity is carried out in the City of Pematang Siantar with the object of community service being MSMEs in North Siantar District.

RESULTS AND DISCUSSION

In order to facilitate the implementation of an economically efficient and healthy business climate and environment in competition for business continuity and improving the performance of MSMEs, the main steps taken include improving laws and regulations to build a strong foundation of business legality for MSMEs as well as simplify bureaucracy and licensing. In this regard, a comprehensive study has been carried out on Law no. 9 of 1995 concerning Small Business which is felt to be not optimal in supporting efforts to increase the role of small businesses in the national economy, especially in facing various obstacles and obstacles, both external and internal. In Law no. 9 of 1995 micro businesses are still grouped into small businesses. Whereas, the number reaches tens of millions and even as the main element of national business actors and has different characteristics from small businesses. On the other hand, firmer support is needed for medium-sized businesses in developing their businesses. As a result of this study, a draft of the Bill on the Empowerment of Micro, Small Enterprises and Medium Enterprises has been drafted which is a refinement of Law no. 9 of 1995. Furthermore, the improvement of Law no. 25 of 1992 concerning Cooperatives which have been carried out since previous years continue to be continued. The draft Cooperative Draft Bill has also been socialized and discussed with various related and interested parties. In this regard, efforts have been made to include the Cooperative Bill in the 2005 National Legislation Program (Prolegnas). The main changes in the Cooperative Bill, among others, concern organizational arrangements, cooperative capital, legalization of legal entities, business activities of savings and loan cooperatives, , inspection of cooperatives, and the surplus of business results.

At the operational level in an effort to strengthen cooperative institutions, the concept of Developing the Position of Cooperative Deed Making Officer (Notary) has been produced through the Decree of the State Minister for Cooperatives and SMEs No.98/KEP/M.KUKM/IX/2004 concerning Notary as Maker of Cooperative Deeds and Strengthening Status Cooperative Legal Entity. This effort is expected to provide guarantees for the existence and existence of cooperatives in running their business besides facilitating the granting of permits. Then, as an effort to improve the quality of government apparatus services in carrying out cooperative development, improvements were made to the systems, procedures and procedures for establishment/registration of cooperatives. This is intended so that these matters can be organized in an orderly, simple, easy, fast and informative manner so as to create legal certainty. This effort is also a follow-up to the Decree of the Minister of Cooperatives and SMEs No. 104.1/Kep/M.KUKM/X/2002 concerning Guidelines for the Establishment, Ratification of the Establishment Deed, and Amendments to the Articles of Association of Cooperatives. In addition, systems and procedures have also been developed for the implementation of accounting and auditing standardization for cooperatives.

Another activity that has been carried out is to review the implementation of subcontracting partnership partnership activities which are still experiencing problems, both internal and external. Internal factors that become obstacles, among others, are the unequal bargaining power (bargaitung power) between subcontractors, compliance with the quantity, quality, and timely delivery of products (Inrawan, Silitonga, Halim, et al., 2021). Meanwhile, external factors that are still an obstacle, among others, are the number of MSME competitors, delays in payments, and the absence of specific laws

and regulations regarding subcontracting. The practice of subcontracting is often accompanied by exploitative behavior from the main contractor or the company providing the work to the subcontractor. As an effort to facilitate MSMEs in expanding access and market share, among other things, continuous promotion of MSME products is carried out through exhibitions, both at home and abroad. This activity was also carried out by encouraging community participation in developing promotional activities for MSME products. The important thing that has been done is to initiate the development of a database of MSME products, both export-oriented and domestic market-oriented. The results are then used to build a trading board that functions as an electronic market place that can be accessed electronically (on-line).

Counseling on the preparation of financial reports as a form of empowerment for MSMEs in Pematang Siantar City is one of the efforts that can be made to improve the quality of micro, small and medium enterprises (MSMEs) in Pematang Siantar City. This counseling can provide understanding to MSME actors about the importance of preparing financial reports and how to prepare them correctly. Thus, MSME actors can better understand the financial condition of their business and can make more informed business decisions (Sherly et al., 2020). The purpose of counseling on the preparation of financial reports for MSMEs in Pematang Siantar City is to increase MSME actors' understanding of the importance of preparing financial reports, increase the ability of MSME actors to prepare financial reports correctly, help MSME actors to better understand the financial condition of their businesses, and assist SMEs to make more informed business decisions. Counseling on the preparation of financial reports for MSMEs in Pematang Siantar City can be carried out by various parties, such as local governments, banks, non-governmental organizations, and universities (Inrawan, Silitonga, Sianipar, et al., 2021). This counseling can be done face-to-face or online. Counseling on the preparation of financial reports for MSMEs in Pematang Siantar City is one of the efforts that can be made to improve the quality of micro, small and medium enterprises (MSMEs) in Pematang Siantar City. This counseling can provide understanding to MSME actors about the importance of preparing financial reports and how to prepare them correctly. Thus, MSME actors can better understand the financial condition of their business and can make more informed business decisions (Inrawan et al., 2022).

CONCLUSION

Counseling on the preparation of financial reports as a form of empowerment for MSMEs in Pematang Siantar City is one of the efforts to improve the ability of MSMEs to manage their finances. Financial statements are important documents for MSMEs to find out the company's financial condition, make the right business decisions, and obtain funding from other parties (Silalahi et al., 2020); (Putri et al., 2020). Counseling on the preparation of financial reports is an important effort to improve the ability of MSMEs to manage their finances. By having good financial management skills, MSMEs can more easily achieve their goals and provide benefits to society (Siahaan et al., 2020). The following suggestions are given to partners for compiling good financial reports, including: Use accounting software that is simple and easy to use, record all financial transactions in detail, check financial reports periodically to ensure accuracy, and use standard financial report formats that make it easier to compare financial reports from period to period. Increasing MSME financial literacy. Financial literacy is the ability to understand and use financial information to make the right decisions. MSMEs that have good financial literacy will be better able to understand the importance of preparing financial reports and will find it easier to prepare them. Provide training on preparation of financial reports for MSMEs. Training on preparing financial reports can help MSMEs understand basic accounting concepts and how to prepare financial reports correctly. This training can be done face-to-face or online. Develop accounting software that is easy to use by MSMEs. Easy-to-use

accounting software can help MSMEs track financial transactions, create financial reports, and manage their business finances more easily. Providing accounting services for MSMEs. Accounting services can assist MSMEs in compiling financial reports, managing their business finances, and fulfilling their tax obligations.

REFERENCES

- Halim, F., Grace, E., Lie, D., & Sudirman, A. (2021). Analysis of Innovation Strategies to Increase the Competitive Advantages of Ulos Products in Pematangsiantar City. *Jurnal Manajemen Dan Bisnis*, 10(2), 80–90.
- Halim, F., Sherly, Grace, E., & Sudirman, A. (2021). *Entrepreneurship And Innovation Small Business*. Media Sains Indonesia.
- Halim, F., Sherly, S., Lie, D., Supitriyani, S., & Sudirman, A. (2023). Optimalisasi Digital Entrepreneurship Melalui Pelatihan Digital Marketing bagi Siswa-Siswi SMA Swasta Sultan Agung Pematangsiantar. *Jurnal ABDINUS : Jurnal Pengabdian Nusantara*, 7(1), 90–97.
- Inrawan, A., Silitonga, H. P., Halim, F., Lie, D., & Sudirman, A. (2021). Impact of Adoption of Financial Standards And Innovations on SME Business Performance: The Role of Competitive Advantage As a Mediation. *Jurnal Ilmu Keuangan Dan Perbankan*, 11(1), 81–93.
- Inrawan, A., Silitonga, H. P., Sianipar, R. T., Lie, D., & Sudirman, A. (2021). Analisis Peluang Usaha di Kota Pematangsiantar Menghadapi Destinasi Wisata Danau Toba. *Jurnal Media Ilmiah*, 15(10), 5961–5968. <https://ejournal.binawakya.or.id/index.php/MBI/article/view/1074/pdf>
- Inrawan, A., Silitonga, H. P., Sianipar, R. T., Lie, D., & Sudirman, A. (2022). SWOT Analysis as a Basis for Tracking Business Opportunities in the City of Pematangsiantar. *The 3rd International Conference on Advance & Scientific Innovation (ICASI), 2022*(3), 441–455. <https://doi.org/10.18502/kss.v7i10.11383>
- Mundiroh, S., Stiawan, H., Asmedi, S., Ningsih, F. E., & Syarifudi. (2020). Sosialisasi Penyusunan Laporan Keuangan Sederhana Bagi UMKM. *Glow: Jurnal Pengabdian Kepada Masyarakat Vol.1, 1*(1), 17–24.
- Putri, D. E., Sinaga, O. S., Agustina, S. S., Silitonga, H. P., & Sudirman, A. (2020). Minat Kunjungan Ulang Pasien yang Ditinjau dari Aspek Persepsi dan Kepercayaan pada Klinik Vita Medistra Pematangsiantar. *Inovbiz: Jurnal Inovasi Bisnis* 8, 8(1), 41–46.
- Septika, B. H., Krisnahadi, T., Aryani, M., Wulandari, Y. E., & Dianti, I. (2021). Pelatihan Manajemen Usaha Bagi Kelompok Usaha Bersama (KUBE) Jupiter Jaya di Dusun Mavilla Rengganis Kabupaten Lombok Barat. *Jurnal Pengabdian UNDIKMA: Jurnal Hasil Pengabdian & Pemberdayaan Kepada Masyarakat*, 2(1), 30–35.
- Sherly, Halim, F., & Sudirman, A. (2020). The Role Of Social Media In Increasing Market Share Of Msme Products In Pematangsiantar City. *Jurnal Manajemen Dan Bisnis*, 9(2), 61–72.
- Siahaan, Y., Susanti, E., & Sudirman, A. (2020). Effect of firm characteristics on firm value through triple bottom line disclosure: Pharmaceutical companies listed on Indonesia stock exchange. *International Journal of Scientific and Technology Research*, 9(2), 2228–2234.
- Silalahi, M., Komariyah, I., Sari, A. P., Purba, S., Sudirman, A., & Purba, P. (2020). *Dasar-Dasar Manajemen & Bisnis*. Yayasan Kita Menulis.
- Sitinjak, M. (2021). Perhitungan Harga Pokok Produksi dan Penyusunan Laporan Keuangan Pada Usaha VCO Bertuah Di Perumahan Hariguna Rt. 04 / Rw. 11 Kel. Sidomulyo Barat, Kec. Tampan Kota Pekanbaru. *Glow: Jurnal Pengabdian Kepada Masyarakat*, 1(1), 30–37.
- Sundara, D., Laksoso, R., & Gultom, J. R. (2020). Sosialisasi Etika Bisnis Dan Entrepeneur UMKM Setu Babakan Srengseng Sawah Jagakarsa Jakarta Selatan. *Jurnal Pengabdian Teratai*, 1(2), 141–152. <http://ejournal-ibik57.ac.id/index.php/teratai/article/view/131>