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Challenges and Strategic Solutions for Implementing Accounting Systems among Micro, Small, and Medium Enterprises (MSMEs) in Soppeng Regency

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Abstract

Micro, Small and Medium Enterprises (MSMEs) play a strategic role in the regional economy, including in Soppeng Regency. However, the implementation of accounting systems in MSMEs still faces various obstacles that impact the quality of financial management and business decision-making. This study aims to identify the challenges faced by MSMEs in implementing accounting systems and to formulate practical solutions to improve the quality of financial record-keeping. The study employs a qualitative descriptive method, utilising data collection techniques such as interviews, observation, and documentation among MSME operators in Soppeng Regency. The findings indicate that the main challenges include low accounting literacy, limited human resources, insufficient use of digital technology, and a lack of awareness regarding the importance of financial reporting. Practical solutions include enhanced accounting training, ongoing mentoring, the use of simple accounting applications, and strengthening the role of local government and universities in supporting SMEs. It is hoped that this research will serve as a reference for the development of SME empowerment programmes focused on improving financial management.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are a sector that makes a significant contribution to the regional economy through job creation, increased community income, and the strengthening of the local economy. (Audina et al., 2024). In Soppeng Regency, MSMEs operate across various sectors such as trade, food and beverage, agriculture, and home-based industries. However, the success of MSME management is not solely determined by production and marketing capabilities but also by the ability to effectively manage business finances (Rahayu, Asmi; Achriaty, 2025). The implementation of a sound accounting system is essential for generating accurate financial information as a basis for decision-making. Therefore, research on the challenges and solutions for implementing accounting systems in MSMEs in Soppeng Regency is crucial to provide a realistic picture of the state of MSME financial management and the efforts that can be made to improve the quality of business governance.

The subjects of this study are MSME operators in Soppeng Regency, with a focus on the implementation of accounting systems in their business activities. The scope of the study includes identifying various challenges faced in the process of recording transactions, preparing financial statements, utilizing accounting technology, and understanding the accounting standards applicable to MSMEs (Seto Indarto, 2025). In addition, the study also examines internal and external factors that influence the implementation of accounting systems, including human resources, education levels, government support, and the use of digital technology(Agustina, S & Trisnawati, 2025). The research focuses on finding solutions that can be practically applied in accordance with the characteristics of MSMEs in Soppeng Regency.

Various previous studies have shown that the implementation of accounting systems in MSMEs still faces challenges in the form of low accounting literacy, limited human resources, and minimal use of information technology in financial management. Research by (Aisyah, 2023) found that accounting understanding influences the quality of SME financial reports, while research by (Olasunkanmi & Babatunde, 2024) indicates that the digitization of financial record-keeping can enhance business management efficiency. The strength of previous studies lies in their ability to explain the factors influencing the implementation of accounting in SMEs in general. However, most studies still focus on urban areas or regions with relatively high levels of technology adoption, so they have not yet revealed the specific conditions of SMEs in areas such as Soppeng Regency. In addition, previous studies tend to only identify problems without providing an integrated solution model that combines human resources, technology, and institutional support.

Current conditions indicate that digital transformation and the demand for access to financing are increasingly driving MSMEs to adopt better financial record-keeping systems that meet established standards (Ringan et al., 2025). However, many MSME operators are still unable to implement accounting systems optimally due to limited expertise and supporting resources. Given these conditions, this study aims to analyze the challenges of implementing accounting systems among SMEs in Soppeng Regency and to formulate solutions tailored to local needs and characteristics . The novelty of this study lies in an approach that not only identifies barriers to accounting system implementation but also develops solution recommendations that integrate aspects of accounting literacy, financial record-keeping digitization, ongoing mentoring, and collaboration between local governments, universities, and SME operators (Kusumadewi, R, Achriaty, n.d.). Thus, this study is expected to provide practical contributions in supporting the improvement of SME financial management quality in Soppeng Regency.

METHOD

This study employs a descriptive qualitative approach with the aim of analyzing the challenges and solutions related to the implementation of accounting systems in Micro, Small, and Medium Enterprises (MSMEs) in Soppeng Regency. The qualitative approach was chosen because it provides an in-depth understanding of the phenomena observed, based on the experiences and perceptions of MSME operators in applying accounting systems to their business activities. The research was conducted among MSMEs operating in Soppeng Regency, focusing on transaction recording practices, the preparation of financial statements, the utilization of accounting technology, and various obstacles encountered in business financial management.

Table 1. Characteristics of Research Informants

No	Informant Category	Number	Criteria
1	MSME Owners	10 people	Have managed a business for at least 2 years
2	SME Advisors	2 people	Actively provide guidance to SMEs
3	Relevant Government Agency	1 person	Responsible for SME development
Total		13 people	

Source: Compiled by the Researcher (2026).

The research subjects consisted of MSME owners or managers directly involved in business financial management, as well as supporting informants from MSME mentors and government agencies playing a role in MSME development. Informants were selected using purposive sampling, which involves selecting individuals deemed to possess knowledge and experience relevant to the research focus. The research object is the implementation of accounting systems in SMEs, encompassing financial recording processes, the preparation of financial statements, the use of supporting technologies, and the factors influencing their application. Data collection techniques were conducted through interviews, observations, and documentation. Semi-structured interviews were used to gather information regarding accounting knowledge, financial management practices, as well as the challenges and solutions faced by MSME operators. Direct observations were conducted to examine the transaction recording and financial management processes implemented in business operations. Meanwhile, documentation was used to collect various supporting documents such as cash books, transaction records, simple financial statements, and other documents relevant to the research. The use of these various data collection techniques aimed to obtain more complete and accurate data.

Data analysis was conducted using the Miles, Huberman, and Saldaña interactive analysis model, which comprises three stages: data reduction, data presentation, and drawing conclusions. Data reduction involved selecting and grouping information relevant to the research objectives. Next, the data is presented in the form of narrative descriptions and tables to facilitate the interpretation of the research results. The final stage involves drawing conclusions and continuous verification based on field findings. To ensure the validity of the data, this study employed source triangulation and methodological triangulation by comparing data obtained from various informants and data collection techniques, thereby ensuring that the research findings possess a higher degree of validity and credibility.

RESULTS AND DISCUSSION

Results

The findings of this study indicate that the implementation of accounting systems among Micro, Small, and Medium Enterprises (MSMEs) in Soppeng Regency remains relatively limited. Based on interviews, observations, and document reviews conducted with 13 informants, most MSME owners have carried out basic financial recording activities; however, these records are generally restricted to daily cash inflows and outflows. Comprehensive accounting practices such as account classification, financial statement preparation, and separation of personal and business finances are still rarely implemented. As a result, the financial information generated by MSMEs is often insufficient to support strategic business decision-making and long-term financial planning.

Table 2. Current Condition of Accounting System Implementation among MSMEs

No	Implementation Aspect	Findings
1	Transaction recording	Conducted in a simple manner
2	Separation of business and personal finances	Mostly not implemented
3	Financial statement preparation	Incomplete
4	Use of accounting applications	Low adoption
5	Accounting knowledge	Limited

Source: Primary Data Processed by Researchers (2026).

The study identified several major challenges affecting the implementation of accounting systems. These include limited accounting literacy, inadequate human resources, low utilization of digital technology, insufficient awareness of the importance of financial reporting, and financial constraints. Among these factors, accounting literacy emerged as the most significant barrier because many business owners lack formal training in bookkeeping and financial statement preparation Dominant Challenges in Accounting System Implementation.

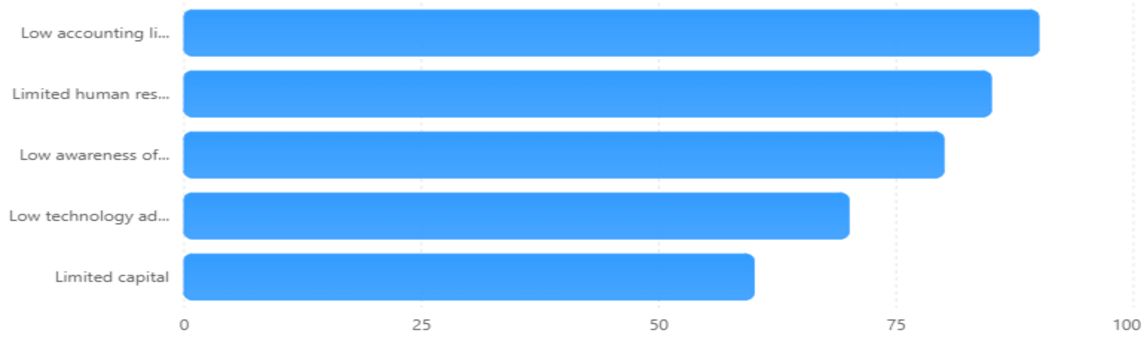

Figure 1. Dominant Challenges in Accounting System Implementation

The findings further reveal that many MSME owners perceive accounting practices as complex and time-consuming. Consequently, financial recording is often considered a secondary activity compared to production and marketing operations. Furthermore, limited exposure to digital accounting applications has hindered the adoption of technology-based financial management systems, despite the availability of affordable and user-friendly accounting software.

Table 3. Key Challenges and Their Impacts

No	Challenge	Impact
1	Low accounting literacy	Inaccurate financial records
2	Limited human resources	Inefficient financial management
3	Low technology utilization	Reduced recording efficiency
4	Low awareness of financial reporting	Difficulty evaluating business performance
5	Financial limitations	Restricted investment in accounting tools

Source: Primary Data Processed by Researchers (2026).

Discussion

The results demonstrate that accounting literacy plays a critical role in determining the effectiveness of accounting system implementation among MSMEs. Business owners with limited accounting knowledge tend to focus solely on recording cash transactions and often fail to prepare financial statements that can provide meaningful insights into business performance. This finding supports previous studies suggesting that accounting competence significantly influences the quality of financial reporting among MSMEs. Without adequate accounting knowledge, business owners face difficulties in monitoring profitability, managing cash flow, and evaluating operational efficiency. Another important finding concerns the limitation of human resources within MSMEs. Most businesses are owner-managed, meaning that financial management responsibilities are handled by individuals who simultaneously oversee production, marketing, and administrative activities. This multitasking environment often results in inadequate attention being paid to accounting practices. Consequently, financial information is not systematically recorded, which reduces the usefulness of accounting information for managerial decision-making.

The study also highlights the challenges associated with digital transformation.

Although digital accounting applications have the potential to improve accuracy and efficiency, adoption rates remain relatively low. This situation indicates that technology alone cannot solve accounting-related problems. Instead, successful digital transformation requires adequate training, technical support, and continuous mentoring to enhance users' confidence and competence in utilizing digital tools.

Figure 2. Priority Solutions for Improving Accounting System Implementation

The findings suggest that accounting training and continuous mentoring are the most effective strategies for improving accounting system implementation among MSMEs. Training programs can enhance accounting literacy and provide practical knowledge regarding bookkeeping and financial reporting. However, training alone may not produce sustainable changes unless accompanied by ongoing mentoring and technical assistance. Continuous support enables MSME owners to apply accounting concepts directly to their business operations and overcome implementation challenges. Furthermore, collaboration among local governments, universities, financial institutions, and MSME communities is essential for creating a supportive ecosystem for accounting system development. Such collaboration can facilitate knowledge transfer, improve access to digital technologies, and strengthen financial management capabilities. Therefore, improving accounting system implementation among MSMEs requires an integrated approach that combines human resource development, digital transformation, and institutional support.

Table 4. Summary of Findings and Recommended Solutions

Main Findings	Recommended Solutions
Low accounting literacy	Accounting education and training
Limited human resources	Continuous mentoring programs
Low technology adoption	Digital accounting implementation
Low awareness of financial reporting	Financial literacy campaigns
Weak institutional support	Collaboration among stakeholders

Source: Research Analysis Results (2026).

Overall, the study concludes that the challenges faced by MSMEs in implementing accounting systems are multidimensional and require comprehensive interventions. The integration of accounting capacity building, technology adoption, and stakeholder collaboration is expected to improve the quality of financial management and enhance the sustainability and competitiveness of MSMEs in Soppeng Regency.

CONCLUSIONS AND SUGGESTION

This study aimed to examine the challenges and solutions related to the implementation of accounting systems among Micro, Small, and Medium Enterprises (MSMEs) in Soppeng Regency. The findings reveal that the implementation of accounting systems remains relatively limited, as most MSMEs still rely on simple financial records that focus primarily on cash receipts and disbursements. Comprehensive accounting practices, such as the preparation of financial statements, account classification, and the separation of personal and business finances, have not been widely adopted. The study identified several major challenges, including low accounting literacy, limited human resources, low adoption of digital technology, insufficient awareness of the importance of financial reporting, and financial constraints. These challenges hinder the ability of MSMEs to generate reliable financial information that can support business planning, performance evaluation, and access to external financing. Furthermore, the results indicate that improving accounting system implementation requires a comprehensive and integrated approach. Accounting training and continuous mentoring were identified as the most effective solutions for enhancing financial management capabilities among MSME owners. In addition, the adoption of digital accounting applications can improve the efficiency and accuracy of financial recording processes. The study also highlights the importance of collaboration among local governments, universities, financial institutions, and MSME communities in creating a supportive ecosystem that facilitates accounting literacy development and technology utilization. Therefore, strengthening both human resource capacity and institutional support is essential for improving accounting practices and ensuring the long-term sustainability of MSMEs in Soppeng Regency.

Based on the findings of this study, several recommendations are proposed. First, MSME owners should improve their accounting knowledge and skills through participation in accounting training programs and financial literacy activities. Second, local government agencies responsible for MSME development should provide regular training and mentoring programs that focus on practical accounting applications and financial reporting. Third, universities and academic institutions should expand community service activities by offering accounting assistance and consultation services to MSMEs. Fourth, financial institutions and policymakers should encourage the adoption of simple digital accounting systems by providing technical support and incentives for MSMEs. Finally, future researchers are encouraged to conduct quantitative studies involving larger samples and different regions to validate and extend the findings of this study. Such efforts will contribute to the development of more effective strategies for strengthening accounting system implementation and improving the financial performance of MSMEs.

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