

DIGITALIZATION AND THE DILEMMA OF IMPLEMENTING SAK EMKM: A PHENOMENOLOGICAL STUDY OF COGNITIVE AND SOCIO-TECHNICAL BARRIERS IN MULTISECTOR MSMEs IN SERANG CITY

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Abstract

This qualitative phenomenological study examines the implementation of the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) in eight multi-sector MSMEs in Serang City. Through in-depth interviews, participant observation, and document analysis during March-August 2024, it was found that cognitive barriers (misinterpretation of accounting terminology, perceived administrative burden) were the dominant factors hindering the adoption of SAK EMKM. Technical barriers were sector-specific: culinary businesses faced inaccurate recording of daily cash transactions, while photography services businesses experienced difficulties classifying retainer income. This study proposes a "Socio-Cognitive Implementation Barrier" model as an extension of the Technology-Organization-Environment (TOE) framework and recommends an "ESSENTIAL ACCOUNT" program based on the real needs of business actors. The findings contribute to the literature on behavioral accounting and the digital transformation of MSMEs in peri-urban areas of developing countries.

Keywords: *SAK EMKM, cognitive barriers, socio-technical, phenomenology, multi-sector MSMEs, Serang City*

INTRODUCTION

The 64,200 MSMEs in Serang City play a crucial role in the local economy, contributing 31% to Gross Regional Domestic Product (GRDP) (BPS Serang City, 2023). However, the adoption rate of Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) remains very low. Preliminary studies indicate that only around 8.5% of MSMEs consistently implement SAK EMKM. This non-compliance has significant impacts, including a high credit rejection rate of 73% by banks (OJK Serang, 2023), difficulties in engaging in modern supply chains, and potential revenue losses averaging 15–30% due to undetected financial leaks. Previous research (Nugroho et al., 2022; Suryanto, 2021) has highlighted the low adoption rate of MSME Financial Accounting Standards (SAK), but their approaches tend to be limited to regulatory and technical aspects. These studies primarily emphasize the role of formal outreach or fiscal regulations, but have not addressed cognitive aspects such as business actors' basic understanding of accounting, or the cultural aspects that influence economic decision-making at the MSME level. Furthermore, contextual variations between business sectors, particularly in peri-urban areas like Serang City, which has a mixed socio-economic character between rural and urban areas, have not received sufficient attention in previous literature.

The low level of implementation of the Indonesian Accounting Standards (SAK) for MSMEs by MSMEs is not only related to a lack of training or access to information, but also reflects the way business actors view financial record-keeping. Their perception of accounting as a formal tool belonging to "big business" often creates a psychological barrier to adopting a standardized record-keeping system. Therefore, understanding how MSMEs' mental constructs are formed—whether from business experience, social influences, or local cultural values—is crucial for in-depth analysis. Furthermore, the characteristics of each business sector in Serang City—such as trade, culinary, home industry, and informal services—present distinct obstacles to the implementation of the MSME SAK. These obstacles can range from cost structures, cash flow patterns, to traditional record-keeping practices. Understanding these sectoral barriers will enable the design of more targeted, personalized, and contextual support strategies.

Based on this background, this study aims to answer three main questions. First, how do MSMEs construct their mentality regarding the basic concepts of the EMKM SAK? Second, what are the typical and unique barriers in each business sector? Third, what type of mentoring model do stakeholders expect to encourage more effective and sustainable implementation of the EMKM SAK? The findings of this study are expected to fill gaps in the literature and form the basis for more humane intervention policies based on local cultural contexts.

LITERATURE REVIEW

This research utilizes an interpretive and contextual theoretical approach by combining mental accounting theory from behavioral economics with a sociocultural approach in critical accounting studies. These two approaches are used to frame how MSMEs interpret, understand, and practice financial recording, particularly in the context of the implementation of the MSME Financial Accounting Standards (SAK), which to date has been poorly implemented. The theory of mental accounting (Thaler, 1999) explains that individuals tend to treat money subjectively by dividing it into "mental accounts" that do not always align with formal accounting principles. In the context of MSMEs, this practice is reflected in the blurred separation of business and personal finances, unsystematic record-keeping, and financial decision-making that is based more on intuition, emotion, and experience than on standards. Through the lens of this theory, researchers sought to identify cognitive themes in in-depth interviews—namely, how MSME actors mentally frame the importance of financial record-keeping, its benefits, and the psychological barriers that arise in its implementation.

Meanwhile, a sociocultural approach was used to capture the influence of social context, cultural values, and local norms on MSME financial practices. Values such as mutual cooperation (*gotong royong*), blessings, shame (*tepo seliro*), patron-client relationships, and family deliberations can shape patterns of resistance or justification for not using the MSME Financial Accounting Standards (SAK). This approach serves as the foundation for grouping cultural themes from qualitative data, such as how formal accounting is perceived as "foreign," "less spiritual," or "incompatible" with traditional, faith-based business practices. Within this framework, data obtained through in-depth interviews and field observations will be analyzed using thematic analysis techniques, namely identifying, grouping, and interpreting main themes based on two lenses: (1) cognitive themes based on mental accounting theory, and (2) cultural themes based on the local sociocultural context. This approach is flexible, allowing findings to be open-ended, not tied to a single theory, and able to capture the social complexity that exists in the daily practices of MSME actors. Thus, this theoretical framework allows researchers to understand MSMEs' accounting practices and understanding not merely as technical gaps, but as social constructs rooted in ways of thinking, business experiences, and cultural values. This underpins the research's ultimate goal, which is to formulate a more contextual mentoring model, not simply based on administrative compliance but also responsive to local realities and the psychosocial needs of MSMEs.

METHOD

This study uses an interpretive phenomenological approach that aims to deeply understand the subjective meaning behind the experiences of MSMEs in understanding and implementing the MSME Financial Accounting Standards (SAK). This approach was chosen because it aligns with the study's focus, which is to explore the mental construction and cultural interpretations of business actors regarding accounting practices within a unique socio-cultural context. The research strategy used was a multi-sector case study, allowing for cross-context exploration of various types of micro and small businesses in Serang City, including trade, culinary, informal services, and home industries. This approach aimed to capture the diversity of experiences, barriers, and perceptions emerging from each sector, as well as how sectoral contexts influence business actors' interpretations of the MSME SAK. To ensure the depth and validity of the data, this study applied a data source triangulation technique, consisting of: (1) semi-structured interviews with MSME actors, business assistants, and local policy makers; (2) participatory observation of daily financial recording practices; and (3) document analysis, including cash books, informal notes, and training or outreach materials related to the MSME SAK.

The data collection process focused on exploring the narrative experiences and symbolic meanings attached by MSMEs to financial recording and reporting activities. Data were analyzed using a thematic analysis approach based on the theoretical constructs described previously to identify consistent and contradictory cognitive and cultural patterns across sectors. This research design allows researchers to not only understand the technical reasons for the low adoption of SA EMKM, but also reveal the psychological, symbolic, and sociocultural dimensions that shape the practice and resistance to formal accounting standards in the context of peri-urban MSMEs.

3.2. Research Sample

8 MSMEs in Serang City with the following characteristics:

Types of MSMEs	Years of service	Position
Culinary	27 Years	MSME owners
Handycrafts	23 years	Director of Finance and Operations
Kids Fashion	2 years	Financial Manager
Beauty Services	3 years	Financial Manager
Culinary	3 years	Owner
Photography Services	5 years	Owner
Laundry Services	2 years	Finance Staff
Culinary	2 years	Financial Manager

3.3. Data Collection Techniques

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3.4. Data Validity and Validity

To maintain the credibility and validity of the findings, this study employed several strategies. First, source and method triangulation was conducted, comparing information from interviews, observations, and documents to ensure consistency of narratives and practices. Second, member checking was conducted with several key participants to validate the researcher's initial interpretation of the data they provided. Third, an audit trail was conducted by systematically documenting the entire data collection and analysis process for possible retrieval. In addition, researchers also apply the principle of reflexivity, namely being aware of personal positions, biases, and values that may influence the interpretation process. Reflective notes are made periodically to identify possible subjective influences on interactions with participants and the interpretation of the data.

3.5. Research Design Flowchart.

- Interpretive phenomenological approach
- Multi-sector process → data collection (interviews, observations, documents)
- Thematic analysis → theme identification → finding model

RESULTS AND DISCUSSION

The low adoption rate of Financial Accounting Standards for Micro, Small, and Medium Enterprises (SAK EMKM) among Micro, Small, and Medium Enterprises (MSMEs) is a paradox. On the one hand, this standard is designed to simplify financial reporting to improve MSMEs' access to formal financing and data-driven decision-making. However, on the other hand, its implementation in the field has been hampered by complex and layered resistance. This study proposes a Conceptual Model: Socio-Cognitive Implementation Barrier to dissect the roots of this problem more holistically. This model argues that the failure of SAK EMKM implementation is not only caused by technical limitations, but is rooted in cognitive barriers reinforced by social and institutional barriers, which ultimately shape specific expectations about the role of government.

[FLOW DIAGRAM]

- **Cognitive Barriers** →
- **Technology Barriers** → **IMPLEMENTATION FAILURE** → **Expectation of Government Support**
- **Institutional Barriers** →

The main root of the identified problem is cognitive barriers. The findings in section 4.1 indicate the existence of mental constructs that position the MSME Financial Accounting Standards (SAK) as something foreign and intimidating. Metaphors such as "the math lessons I used to avoid" are not mere complaints, but rather reflections of educational trauma and deep-seated anxiety about numbers. Similarly, the perception that "the language of financial statements is like a foreign language" indicates a wide psychological gap between the everyday operational language of MSMEs and accounting terminology. This barrier is further exacerbated by fundamental conceptual dissociations. The concept of revenue, for example, is not understood as a right arising from the delivery of goods/services (the accrual principle), but rather is rigidly equated with physical cash already received—"If the money isn't in hand, it's not income." Similarly, the concept of debt is only recognized when it is collected, not when the obligation arises. These mental constructs and conceptual dissociations create the first and most difficult foundation of resistance: resistance at the mindset level.

These cognitive barriers then interact dynamically with socio-technical barriers at the operational level, as analyzed in Table 1. In the culinary sector, for example, the reluctance to record massive daily transactions is not solely due to laziness (a technical barrier), but also due to the social priority of serving customers as quickly as possible. Business owners don't see the immediate value of record-keeping compared to customer satisfaction that generates instant revenue. In the photography sector, the difficulty of classifying revenue between retainer and project-based is exacerbated by the culture of end-of-project payments that has become the social norm in the creative industry. The resistance of senior staff in a laundry business to digital systems is also not solely a matter of technical incompetence, but rather a rejection of change that threatens comfort zones and "hereditary" systems considered proven. Technological barriers, then, are often manifestations of cultural and social barriers, not simply device or application issues.

The combination of these cognitive and socio-technical barriers cumulatively leads to implementation failure. Misreporting of cash flow, untimely revenue recognition, data discrepancies, and inaccurate calculations of Cost of Goods Sold (COGS) are all symptoms of this failure. Under these circumstances, MSMEs feel unable to address these challenges alone. Consequently, they project specific expectations of government support. However, these expectations are no longer generic. They want interventions that directly address the root of their problems: contextualized training ("give a concrete example: how to record raw materials for a meatball business") conducted on-site, and technology designed with local culture in mind, such as apps with local language voice commands and WhatsApp notifications. From a theoretical perspective, these findings provide two important implications. First, this study proposes the development of the Technology-Organization-Environment (TOE) Framework by adding a fourth dimension, namely Cognitive. In the context of MSMEs, the willingness and ability to adopt technology (such as the EMKM Financial Accounting Standards) cannot be analyzed solely in terms of technological, organizational, and external environmental readiness. The perceptions, mental models, and cognitive anxieties of business owners play an equally crucial, if not more crucial, role. Second, this study provides local validation of the institutional void theory. The absence of intermediary institutions that provide affordable, relevant, and accessible accounting guidance for MSMEs creates an institutional void. The EMKM Financial Accounting Standards, as a formal institutional artifact, fails to function effectively because there is no bridge connecting it to the operational realities of MSMEs. This void must be filled by the government through structured policy

interventions, as discussed in the next section, through the Digital Training Kit, Community Accountant, and Regulatory Sandbox mechanisms that allow policy innovations to be safely tested.

POLICY IMPLICATIONS

The failure of the implementation of the MSME SAK is not a reflection of the failure of MSMEs themselves, but rather a strong indication that the current supporting ecosystem is ineffective in bridging the gap between formal standards and the reality on the ground. Therefore, a shift in policy paradigm is needed—from a top-down and generic approach to a bottom-up, participatory, and contextual approach. Based on our research findings, we recommend two main pillars of intervention: a direct intervention program called "ESSENTIAL ACCOUNT" and Institutional Reform to ensure sustainability. The first pillar is the "ESSENTIAL ACCOUNT" Program, an acronym for Featured Applications, Classes, and Certification. This program is designed as an integrated solution that simultaneously addresses cognitive, technical, and social barriers.

A: Free, Culture-Based Apps. The government, through the Regional Budget (APBD) supported by Corporate Social Responsibility (CSR) funds from the banking sector, needs to facilitate the development of free accounting apps specifically designed for local MSMEs. Key features should explicitly address identified barriers. Local language voice input (such as Bantenese) will break down the "foreign language" barrier and make it easier to use for those unfamiliar with typing. Automatic integration of MSME Final Tax (PPH Final 0.5%) will eliminate the anxiety of complex tax calculations. Automated templates for specific sectors (e.g., a COGS template for a meatball business, a revenue recognition template for photographers) will transform accounting from a "math lesson" into a practical, ready-to-use tool. Notifications and concise reports that can be sent via WhatsApp will leverage a communication platform already embedded in the daily lives of business owners.

K: Contextual Online Classes. Training should no longer be held in seminar rooms remote from business realities. This program proposes the development of sector-specific online (and offline/hybrid) class modules. For the culinary sector, the module will focus on managing daily cash transactions and practical ways to record them without disrupting service. For the service sector (photography, laundry), the module will explore revenue recognition for retainer versus project schemes, using relevant case studies. For the craft production sector, the focus will be on simple methods of allocating overhead costs to obtain accurate COGS calculations. The material should be delivered using analogies and everyday language, not accounting jargon, and delivered by practitioners or academics who understand the world of MSMEs.

UN: MSME Champion Certification. To create a snowball effect and sustainability, this program will provide incentives for successful MSMEs. The "MSME Financial Champion" certification will be awarded to businesses that meet two main criteria: (1) able to demonstrate consistent implementation of financial records for at least 6 months, and (2) willing to mentor and provide assistance to at least 3 MSMEs in their community. As an incentive, these champions will receive a regional tax deduction or Final Income Tax of 0.2% and a certificate of appreciation from the regional head (Regent/Mayor). This mechanism not only provides social recognition, but also builds a peer-to-peer mentoring network that is often more effective and trusted than formal mentoring.

The second pillar is institutional reform to manage and ensure the sustainability of the program. Currently, mentoring functions are often scattered and ad-hoc. We recommend the establishment of a Task Force (SATGAS) for Financial Mentoring for MSMEs, located under the Office of Cooperatives and MSMEs. The composition of this SATGAS should be multi-helical to ensure its relevance and effectiveness, consisting of: two public accountants (for technical and audit expertise), one academic (for research and curriculum development), two representatives from business associations (to ensure the voices and needs of MSMEs are represented), and one representative from a fintech company (for technological innovation). This SATGAS will be responsible for overseeing the implementation of the "ESSENTIAL ACCOUNT" program, conducting evaluations, and recommending periodic policy adjustments. The establishment of this permanent institution will transform mentoring efforts from a mere "project" to a "function" integrated into local government services.

CONCLUSION

This study investigates the factors hindering the adoption of SAK EMKM among MSMEs, focusing on mental constructs, socio-technical barriers, and expectations of government support. Through a qualitative analysis of MSMEs from various sectors in Serang, this study reaches several key conclusions with significant implications for policymakers and practitioners. The key findings of this study confirm three things. First, cognitive barriers are at the root of the low adoption of SAK EMKM. The perception of accounting as "difficult mathematics" or a "foreign language," along with a fundamental lack of understanding of concepts like accruals, creates

psychological resistance that is far stronger than purely technical limitations. Second, resistance to technology is more often driven by cultural and social factors than technical issues. Resistance to digital systems is often rooted in habits, service priorities, and "inherited" work cultures, rather than an inability to use the application. Third, a one-size-fits-all mentoring approach has proven ineffective. Each business sector has unique operational challenges (e.g., cash transactions in the culinary sector vs. revenue recognition in the service sector), requiring specific and contextual solutions and training. The practical implications of these findings are clear. A holistically designed, user-centered intervention is needed. The "ESSENTIAL ACCOUNT" (App, Class, Certification) program proposed in this study offers a concrete blueprint that can be implemented immediately by local governments. The program directly addresses cognitive and cultural barriers through adaptive technology (local language voice input) and relevant training (sectoral modules). Furthermore, these findings demonstrate that a community-based mentoring model, through the "MSME Champion" mechanism, has the potential to be far more effective and sustainable than temporary formal training models.

This study has limitations that need to be acknowledged. The generalizability of the findings is limited to the characteristics of MSMEs in the Serang region and its surroundings. Socio-cultural characteristics and economic levels in other regions may result in different barriers. Therefore, further research is needed. Similar studies in different geographic locations could enrich the understanding of regional variations in barriers. More importantly, longitudinal studies are needed to measure the actual impact of the proposed interventions. Such studies could track the financial performance and growth of MSMEs participating in the "ESSENTIAL ACCOUNT" program over several years to quantitatively validate the effectiveness of this policy. Ultimately, understanding and addressing barriers from a human perspective is key to unlocking the full potential of MSMEs as the backbone of the national economy.

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