

## Factors Influencing the Implementation of Accounting in MSMEs: Understanding, Concern, and Institutional Support (Case Study on MSMEs in Demak)

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### ABSTRACT

*This study aims to examine various factors influencing the implementation of sustainability accounting among Micro, Small, and Medium Enterprises (MSMEs), particularly in the food sector operating in Demak Regency. This study focuses on three main components: the level of understanding of the concept of sustainability accounting among MSMEs, their concern for the social and environmental dimensions, and the support provided by various external institutions. This study uses a qualitative approach with data collection methods through in-depth interviews and field observations. The results show that the implementation of sustainability accounting among MSMEs in Demak is still low. Understanding and implementation of socio-environmental aspects are not optimal, while institutional support is limited so that the concept of sustainability has not been integrated into accounting practices. It is hoped that the results of this study can provide a comprehensive picture of the extent to which MSMEs in Demak understand and implement sustainability accounting principles and the factors that influence the implementation process.*

**Keywords:** sustainability accounting, MSMEs, understanding, care, institutional support.

### INTRODUCTION

MSMEs are one of the main pillars of the national economy. According to the Ministry of Cooperatives and SMEs (2023), MSMEs employ more than 97% of the national workforce and contribute approximately 61% to Indonesia's GDP. However, in reporting practices, most MSMEs still focus on conventional financial records and have not integrated sustainability aspects. The implementation of sustainability accounting is a strategic approach to creating a balance between economic performance, social responsibility, and environmental conservation efforts. Sustainability accounting serves as a tool for business actors to assess and report performance comprehensively, encompassing financial, social, and environmental aspects [7]. However, in practice, many MSMEs still face obstacles such as a lack of understanding of the concept, limited human resource capacity, and a lack of support from relevant institutions [12]. Based on these conditions, this study seeks to analyze various factors influencing the implementation of sustainability accounting in the food MSME sector in Demak Regency.

Demak Regency was chosen as the research location because this area has a relatively large number of MSMEs spread across various sectors, particularly in the processed food and home-based business sectors, which are among the driving factors of the local economy. According to data from the Demak Regency Cooperatives, Small and Medium Enterprises Office (DKPM) in 2024, there were more than 50,000 active MSMEs, the majority of which were engaged in the food, beverage, and agricultural processing sectors. Furthermore, Demak is known as a region with growing creative economic potential, but still faces challenges in financial recording and reporting in accordance with sustainability principles. This situation makes Demak Regency an appropriate location to examine the extent to which understanding, awareness, and support from relevant institutions influence the implementation of sustainability accounting among MSMEs, particularly in the food sector.

Sustainability accounting is important for MSMEs because it helps businesses assess economic, social, and environmental impacts in an integrated manner, ensuring long-term business sustainability. However, various previous studies have shown that MSMEs still have low understanding, lack clear guidelines, and

limited institutional support. Previous research has also not focused much on MSMEs in the food sector in certain regions, including Demak, which has a large number of MSMEs but lacks integrated sustainability practices. Therefore, this study fills this gap by analyzing the factors of understanding, concern, and institutional support that influence the implementation of sustainability accounting in food MSMEs in Demak Regency.

## **LITERATURE REVIEW**

The concept of sustainability accounting is based on the Triple Bottom Line theory proposed by Elkington (2013), which highlights three important dimensions of sustainable business practices: economic benefit (profit), social welfare (people), and environmental sustainability (planet). Gray (2002) states that sustainability accounting is an extension of conventional accounting that focuses not only on achieving financial performance but also takes into account social responsibility and the environmental impacts of business activities. Fahmie et al. (2025) emphasize that implementing sustainability accounting has the potential to help MSMEs achieve a balance between economic success and environmental preservation. Gunawan et al. (2022) explain that institutional support is a crucial factor in strengthening MSMEs' commitment to sustainable practices. The government and supporting institutions play a role through policies and facilities that encourage the implementation of social and environmental principles in business activities. DWI Astuti et al. (2023) emphasize that training and mentoring provided by the government and universities can improve MSMEs' ability to implement financial reporting that takes social and environmental aspects into account.

### **1) Understanding**

Understanding of sustainability accounting and the Triple Bottom Line (TBL) principles indicates the level of knowledge, awareness, and ability of an individual or business actor in recognizing and implementing sustainability values. This includes the extent to which they recognize that in business, it is important to maintain a balance between economic profit, social responsibility, and environmental protection. For MSMEs, this understanding serves as the primary foundation for implementing sustainable business practices, such as recording environmental costs, reducing energy use, and improving the welfare of the surrounding community. Without sufficient understanding, the comprehensive application of the Triple Bottom Line (TBL) principles will be difficult, as business actors lack a strong knowledge base regarding the importance of sustainability [10].

### **2) Concern**

Concern in the context of the Triple Bottom Line (TBL) reflects a business actor's attitude and commitment to the surrounding environment and social welfare, as well as to achieving economic benefits. This concern can be seen in concrete actions, such as properly managing waste, using environmentally friendly raw materials, and creating a fair working environment for employees. This concern arises because business actors have a good understanding of the value of sustainability. This means that when they understand the importance of balancing social, environmental, and economic aspects, they will be motivated to act in accordance with these principles. In the TBL approach, this concern represents the integration of two pillars: people and planet, which supports the achievement of long-term profits ethically and sustainably [2].

### **3) Institutional Support**

Institutional support plays a crucial role in encouraging the implementation of TBL principles, particularly in the small and medium-sized business sector. This support can take the form of government policies, training, guidance, incentives, and financing facilities or environmentally friendly technologies. With institutional support, business actors can more easily access the resources and information needed to implement sustainability principles. Furthermore, educational and financial institutions also play a crucial role in strengthening business actors' ability to implement sustainability accounting. In the context of TBL, institutional support serves as a driving force, ensuring the integration of the three pillars of people, planet, and profit can proceed in a balanced and sustainable manner [5].

## **RESEARCH METHODOLOGY**

This study used a descriptive qualitative approach to gain a deeper understanding of the factors influencing the implementation of sustainability accounting among MSMEs in the food sector in Demak Regency. Data were obtained through in-depth interviews, direct field observations, and document collection from 63 business owners. Data analysis was carried out in three stages: data reduction, data presentation, and conclusion drawing based on the approach [11].

The findings of this study were obtained through purposive sampling, a deliberate and selective sampling method based on specific criteria established by the researcher. Purposive sampling is a data source sampling technique with specific academic considerations [13]. The researcher deliberately selected informants who were MSME owners. Not all business owners were sampled, but only those who met certain characteristics, such as having a simple financial recording system, actively running their businesses, and showing initial concern for social or environmental aspects in their business activities. This technique was effective in capturing respondents who were truly relevant to the research topic, so that the results could reflect the actual conditions of MSMEs in the context of sustainability.

This study employed a qualitative approach because the researcher sought to understand the experiences and meanings directly felt by MSMEs related to the implementation of sustainability accounting. A phenomenological approach was chosen to explore how informants understand, perceive, and receive support from institutions in running their businesses. Data were analyzed operationally with initial coding steps to identify important themes, followed by focused coding to group response patterns, and finally formed into main themes based on the Miles & Huberman model. The study also utilized supporting documents such as simple financial records, business activity documents, and training materials to strengthen the data triangulation process. The number of informants involved, as many as 63, was still accepted in the qualitative study because MSMEs in Demak Regency have many varied characteristics, and data collection was carried out until information saturation point was reached. Therefore, a large number of informants is not a problem as long as it supports the depth and variety of findings.

## **RESULTS AND DISCUSSION**

The study shows that business owners still lack a grasp of the concept of sustainability accounting. When asked, "Do you know what sustainability accounting is?", only 42 answered yes, while the remaining 21 still viewed it from a financial perspective. In terms of concern, the majority expressed a positive interest in the environment and society, such as caring about the impact of their business, striving to reduce waste, or using environmentally friendly materials. They also considered reporting social and environmental impacts important. However, this concern has not yet translated into concrete actions in the form of systematic reporting or management of business impacts. In terms of institutional support, some business owners have participated in training or mentoring from universities or financial institutions, and received assistance from communities or MSME associations [1]. However, no training specifically addressed sustainability accounting. The existing support focuses more on standard financial records and has not yet encouraged the implementation of more sustainable accounting. Overall, they lack an understanding of social, environmental, and resource efficiency indicators as part of sustainability reporting. This is due to a lack of understanding and minimal external support. Although concern for socio-environmental aspects is beginning to emerge, it has not been systematically implemented in financial recording and reporting [4]. Judging from the three main aspects studied: understanding, concern, and institutional support, each aspect exhibits varying conditions.

### **1) Understanding**

The results of this study indicate that MSMEs' understanding of the concept of sustainability accounting remains very limited. The majority of informants were unfamiliar with the term or principles of sustainability accounting and still viewed financial recording as an administrative activity focused solely on recording expenses. However, several informants demonstrated an initial understanding of the concept. This reflects that profit remains the primary focus for MSMEs, in accordance with the Triple Bottom Line theory [6]. They tend to focus on short-term economic gains without considering the social (people) or environmental (planet) dimensions. This low level of understanding hinders the integration of sustainability values into MSME financial management practices.

### **2) Concern**

MSMEs' understanding of the concept of sustainability accounting remains limited, although awareness of social and environmental impacts tends to be higher. The majority of informants expressed the importance of preserving the surrounding environment and providing benefits to the community. However, this concern has not yet been translated into structured actions, such as waste measurement, energy efficiency, or socio-environmental reporting. Within the context of the Triple Bottom Line theory, the people and planet dimensions are beginning to be understood, but have not yet been implemented in concrete practices or formal reporting. This means that business actors hold moral sustainability values, but have not yet been able to translate them into a measurable and reportable accounting system.

### 3) Institutional Support

From an external perspective, MSMEs acknowledged that assistance or mentoring from institutions is still limited and does not focus on sustainability accounting. Several informants had attended training from institutions or universities, but the material provided emphasized aspects of entrepreneurship and business management. In fact, some business actors had not received any training at all. Based on the Triple Bottom Line theory, institutional support plays a crucial role in strengthening the three dimensions of sustainability: profit, people, and planet through knowledge transfer, training, and supportive policies. This limited support prevents MSMEs from balancing economic achievement with social and environmental responsibility.

Based on these three findings, it can be concluded that MSMEs are concerned about sustainability but lack the knowledge and institutional support to implement sustainability accounting in practice. Current field conditions indicate that the concept of sustainability has begun to be understood in terms of value and awareness, but has not yet been translated into systematic recording and reporting practices. This is due to two main factors: low understanding and limited external support. Therefore, the implementation of sustainability accounting in MSMEs requires interventions in the form of:

- a) Specific education on sustainability accounting.
- b) Simplification of reporting models for the MSME level.
- c) Mentoring and training from relevant institutions.

## CONCLUSIONS AND SUGGESTIONS

This study concludes that the implementation of sustainability accounting among food MSMEs in Demak Regency is still relatively low. The main factors influencing this situation are a lack of understanding among business actors, a low level of application of social and environmental values in accounting practices, and limited support from institutions such as the government and educational institutions.

However, some MSMEs demonstrate an awareness of operating responsibly, but these efforts have not yet been translated into a sustainable recording and reporting system. Therefore, there is a need to improve sustainability accounting literacy, develop appropriate reporting guidelines for MSMEs, and provide support and guidance from various institutions to ensure optimal implementation of sustainability practices. The implications of this research are as follows:

- (1) For MSMEs, the results of this study indicate the need to improve understanding of sustainability so that business actors can more deeply understand the impact of their business activities.
- (2) For the government and institutions supporting MSMEs, this research provides an opportunity to create modules or guides on sustainability accounting that are easier to understand and tailored to the needs of MSMEs.
- (3) For educational institutions, this research opens up opportunities for collaboration to provide direct assistance in the process of preparing sustainability reports for MSMEs.

Suggestions for future researchers:

- (1) Future research could include MSMEs from different sectors to examine the various ways sustainability is implemented in each industry.
- (2) Quantitative or a combination of quantitative and qualitative research could be used to examine the relationship between various factors influencing the adoption of sustainability accounting.
- (3) Future researchers could explore the simplest and most practical sustainability reporting model for MSMEs to implement.

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