ALMUSA: Jurnal Ilmu Sosial dan Humaniora
Vol. 1, No. 1, (Mei, 2026), 291-296

Assessing Financial Statement Quality in Culinary MSMEs in Manado City Through the Qualitative Characteristics of Financial Information

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ARTICLE INFO

Keywords:
culinary MSMEs; financial statement quality; qualitative characteristics; financial literacy; SAK EMKM; Participatory Action Research

Article history:
Received 09-05-2026
Revised 15-05-2026
Accepted 22-05-2026

ABSTRACT

This study aims to assess the quality of financial statement presentation among culinary Micro, Small, and Medium Enterprises (MSMEs) in Manado City. The study employed a qualitative descriptive approach using a Participatory Action Research (PAR) framework, involving nine participants consisting of four culinary MSME owners and five employees. Data were obtained through observation, interviews, documentation, and direct participation in financial recording activities. The analysis focused on four qualitative characteristics of financial information: relevance, reliability, comparability, and understandability. The findings indicate that the quality of financial statement presentation among culinary MSMEs remains inadequate and has not fully met the requirements of SAK EMKM. Financial records are generally limited to basic cash receipts and expenditures, with business and personal transactions often not clearly separated. Inconsistent recording formats, the absence of verification and reconciliation procedures, and limited accounting knowledge further reduce the quality and usefulness of financial information. To address these problems, a financial literacy improvement program was implemented through three stages: socialization and counseling, technical training, and practical mentoring. The program improved participants' awareness of the importance of financial statements, strengthened their ability to perform daily financial recording and prepare simple monthly income statements, and increased their confidence in applying basic accounting practices independently.

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INTRODUCTION

The growth of the Micro, Small, and Medium Enterprise (MSME) sector in Indonesia plays a significant role in strengthening the national economy. As one of the main pillars of economic development, MSMEs contribute substantially to economic resilience, particularly through their capacity to create employment opportunities, generate income, and support the improvement of community welfare. (Khasanah, 2023) (Hidayat, 2022). The existence of MSMEs is also legally supported through various regulations aimed at realizing community welfare (Aliyah, 2022).

In Manado City, the culinary MSME sector has experienced significant growth and has become an important contributor to the local economy. The development of culinary businesses not only provides additional employment opportunities for the local community but also strengthens Manado's attractiveness as a tourism destination by promoting its distinctive local culinary products. (Sunaryo, 2019). Despite this considerable potential, culinary MSMEs continue to face fundamental challenges in achieving effective and professional business management, particularly in financial administration. A significant number of business owners still experience difficulties in preparing adequate financial reports due to limited awareness of the importance of financial reporting, insufficient familiarity with SAK EMKM and accounting applications for MSMEs, and inadequate accounting knowledge and skills. (Novitasari et al., 2023).

Accounting plays a very important role in the business world because it provides financial information needed for appropriate decision-making. With a good accounting system, a business can operate more efficiently, transparently, and sustainably (Ashari et al., 2025). Good financial statements are not only records of income and expenses, but also serve as the basis for business decision-making, strategy planning, and increasing the confidence of external parties such as investors, lenders, or the government (R. H. Tuerah et al., 2025).

Theoretically, quality financial information must meet four main qualitative characteristics: relevance, reliability, comparability, and understandability. These four characteristics are prerequisites for financial statements to provide maximum benefit to users. However, the reality of financial statement presentation in culinary MSMEs in Manado remains far from these standards. Existing records have not produced financial statements in accordance with SAK EMKM (R. H. Tuerah et al., 2022). Understanding of MSME owners toward accounting and educational background significantly influences the implementation of SAK EMKM in forming financial statements, while the income level from MSME activities does not influence it (Istiningrum et al., 2023). This study therefore aims to analyze the quality of financial statement presentation in culinary MSMEs in Manado based on qualitative characteristics of financial information and to identify effective financial literacy improvement efforts. While prior studies have examined SAK EMKM implementation among MSMEs in other regions and sectors, this study contributes a sector-specific diagnostic of culinary MSMEs in Manado City using the four qualitative characteristics as an explicit assessment framework, paired directly with a structured three-stage financial literacy intervention (socialization, technical training, and practical mentoring) designed to address the specific gaps identified in that diagnostic.

METHODS

This research adopted a Participatory Action Research (PAR) approach, which emphasizes the active involvement of culinary MSME owners in Manado City throughout the research process. Rather than positioning participants solely as research subjects, the PAR approach engages them as collaborative partners in identifying problems, developing solutions, and implementing improvements in financial management practices. The approach was selected because it facilitates practical learning, responds directly to community needs, and simultaneously supports the generation of contextual knowledge and meaningful social change.

The study involved nine MSME participants, comprising four culinary business owners and five employees from selected culinary MSMEs in Manado City. The research activities were also supported by accounting lecturers and students from Politeknik Negeri Manado. The implementation consisted of three main stages. First, socialization and counseling were conducted to improve participants' awareness of the importance of financial statements, particularly their use in evaluating business profitability, monitoring cash flows, and facilitating access to external financing from banks and other financial institutions. Second, technical training was provided to equip participants with practical skills in recording revenues and expenditures, maintaining simple cash books, preparing monthly income statements, and utilizing smartphone-based financial recording applications. Third, practical mentoring enabled participants to apply the acquired knowledge by recording actual transactions from their respective businesses and subsequently organizing these records into monthly financial reports. The collected data were analyzed using a qualitative descriptive approach. The assessment focused on four qualitative characteristics of useful financial information, namely relevance, reliability, comparability, and understandability.

RESULTS AND DISCUSSION

Initial Condition of Financial Statement Presentation in Culinary MSMEs

The preliminary observations and interviews revealed several significant weaknesses in the financial reporting practices of culinary MSMEs in Manado City. One of the major challenges was the limited accounting competence among business owners and employees, which affected their ability to produce systematic and appropriate financial statements. In addition, many MSME owners had limited awareness of the strategic importance of financial reporting and therefore viewed bookkeeping as an administrative burden rather than as an essential instrument for managing their businesses.

The absence of well-organized and accountable financial records also created difficulties for MSMEs when seeking external sources of financing, particularly from banks and other financial institutions. At the same time, the increasingly competitive culinary business environment requires MSMEs to improve their professionalism, including the way they manage and report their financial activities.

These findings are in line with the study by Rumambi et al. (2022), which reported that financial recording practices among MSMEs had generally not resulted in financial statements that complied with SAK EMKM. Some business owners maintained only basic transaction records, while others did not keep financial records at all. Such practices ultimately limit the ability of MSME owners to obtain a clear and reliable understanding of their business's financial performance and condition. (Rumambi et al., 2022).

Analysis Based on Qualitative Characteristics of Financial Information

Quality analysis of financial statement presentation was conducted based on four qualitative characteristics. Table 1 below summarizes actual conditions compared to SAK EMKM ideal standards.

Table 1. Analysis Of Qualitative Characteristics Of Financial Statements Of Culinary MSMEs In Manado

Characteristic	Ideal Condition (SAK EMKM)	Condition of Culinary MSMEs Manado	Gap
Relevance	Information useful for user decision-making	Most only record basic income and cash expenses	Information does not reflect actual financial condition
Reliability	Free from material misstatement and bias	Unsystematic recording, prone to human error	Low - no verification or reconciliation procedures
Comparability	Comparable across periods and entities	Different recording formats across each business	No uniform recording standards applied
Understandability	Easily understood by users with adequate business knowledge	Informally structured; difficult for external parties to understand	Requires fundamental HR capacity building

Relevance

The relevance of financial information is reflected in its ability to provide useful input for economic decision-making. However, the financial recording practices observed among culinary MSMEs in Manado City remain relatively simple, with business owners generally documenting only cash receipts and disbursements. In many cases, business transactions are not clearly distinguished from the owners' personal financial activities. This practice reduces the reliability of the resulting information and limits its usefulness in representing the actual financial position and performance of the business.

Properly prepared financial statements serve a broader purpose than merely documenting revenues and expenditures. They provide an important foundation for evaluating business performance, formulating operational and strategic plans, and supporting informed managerial decisions. Furthermore, transparent and well-structured financial information can strengthen the credibility of MSMEs in the eyes of external stakeholders, including investors, financial institutions, and government agencies (R. H. Tuerah et al., 2025).

Reliability

The reliability of financial information relates to freedom from material errors and bias in presentation. The condition of unsystematic recording in culinary MSMEs in Manado is highly susceptible to human error, as no verification or reconciliation procedures are applied. Existing recording has not produced financial statements in accordance with SAK EMKM (R. Tuerah et al., 2024), so the reliability of the information produced is highly questionable. The use of digital web-based recording applications was then proven to help improve recording consistency, which in turn contributes to improving the reliability of financial information.

Comparability

Comparability enables financial information to be assessed consistently across different accounting periods and between different business entities. However, observations of culinary MSMEs in Manado City revealed considerable variation in the way financial transactions are recorded. Each MSME tends to apply its own bookkeeping format, while some businesses also modify their recording practices from one period to another. This lack of consistency makes it difficult to compare financial performance and financial conditions either over time or across MSMEs. Therefore, the adoption of a standardized accounting framework is essential for producing comparable financial information. Previous studies on the implementation of SAK EMKM among MSME groups have also demonstrated that adequate understanding of accounting standards is an important foundation for achieving consistency and comparability in financial reporting.

Understandability

Understandability relates to the ease of financial information to be understood by users with adequate knowledge. Field conditions showed that financial statements, to the extent they exist, are informally structured making them difficult for external parties such as banks or financial institutions to understand. Understanding of MSME owners toward accounting and educational background significantly influences the implementation of SAK EMKM in forming financial statements (Istiningrum, Kristianto, and Kanivia, 2023). Improving understandability requires fundamental HR capacity building through sustained technical training.

Results of the Financial Literacy Improvement Program

The financial literacy intervention, which consisted of three sequential stages, generated noticeable improvements in participants' understanding and financial management practices. During the socialization stage, participants experienced a shift in their perception of financial recording. Prior to the intervention, bookkeeping was largely viewed as a routine administrative activity with limited relevance to daily business operations. Following the socialization activities, participants began to recognize financial statements as an important managerial instrument for assessing the financial position of their businesses, monitoring cash movements, determining profitability, and supporting applications for external financing from banks and other financial institutions.

The technical training stage focused on developing participants' practical accounting skills. Participants were introduced to basic procedures for documenting daily revenues and expenditures, maintaining simple cash books, and preparing monthly income statements. The training materials were presented using straightforward language and practical examples, enabling participants with limited or no formal accounting education to follow the procedures and apply them to their businesses. The introduction of smartphone-based financial recording applications further provided participants with a convenient alternative for maintaining more regular and systematic records.

During the practical mentoring stage, participants applied the accounting knowledge gained during the previous stages to their actual business transactions. Direct assistance allowed participants to receive guidance and discuss difficulties encountered during the recording and reporting process. This continuous support contributed to improvements in participants' ability to maintain daily financial records and prepare monthly financial reports with greater independence. Overall, the mentoring process helped strengthen the participants' confidence and consistency in applying basic financial management practices within their businesses.

CONCLUSION

Based on the analysis of the quality of financial statement presentation in culinary MSMEs in Manado City based on qualitative characteristics of financial information, it can be concluded that the condition of financial statement presentation is still far from SAK EMKM standards. All four qualitative characteristics, namely relevance, reliability, comparability, and understandability, have not been adequately met. The community service program through three stages (socialization, technical training, and practical mentoring) was proven effective in building awareness, improving technical skills, and providing tangible impacts for culinary MSMEs in Manado toward more professional financial management. MSME owners became accustomed to daily financial recording, preparing cash reports, and producing simple income statements. As this study involved a limited number of participants from the culinary sector in a single city, the findings should be interpreted as context-specific rather than generalizable to MSMEs in other sectors or regions; further studies with a broader and more diverse sample are needed to confirm the extent to which these patterns hold elsewhere. It is recommended that similar programs be expanded to other MSME sectors; synergy with local governments, financial institutions, and universities be developed to create sustainable mentoring ecosystems; and the use of digital technology continue to be promoted accompanied by further digital literacy training so that business owners can not only use applications but also understand the data produced for strategic decision-making.

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