

Experiential Learning Model for Accounting Literacy Development of Micro, Small, and Medium Enterprises

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Abstract—Micro, Small & Medium Enterprises (MSMEs) gave high contribution for developing countries' economic condition but their contributions have not been realized properly due to certain problems. Most MSMEs were involved in a business transactional records that did not have qualified audit reports to affect the business performance. The representations of the non-capability of MSMEs finance administrators are shown in some false attitudes in doing business such as not taking care of the finance and income statements. It is caused by the lack of information about the exact profit they gained, the amount of stock product they had, and the strategy they applied to improve the business development. An improvement to bookkeeping skill is necessary for MSMEs so that members and administrators are able to run the organization professionally. The improvement for the human resources is not only needed for the newly started company but also for the long standing one. Improving the quality of MSMEs human resources can be done with an educational approach. This research used transformation learning theory, experiential learning theory, and stakeholder theory. The ADDIE model (*Analysis, Design, Development, Implementation, and Evaluation*) was used to develop this research study. This research was conducted to develop an experiential learning model in developing accounting literacy for fisheries MSME groups as a guide in implementing accounting learning in MSMEs. This book serves as: 1) a control tool so that learning focuses on learning accounting in the fisheries business. 2) tools to help improve the ability of financial management of MSMEs managers.

Keywords: *experiential learning model, accounting literacy, micro, small and medium enterprises (MSMEs)*

I. INTRODUCTION

Indonesia has been focusing on the development of industrial sector through co-operative movement and Micro, Small & Medium Enterprises (MSMEs). This is done due to their economic limitation and potential. The United Nations (2014) states that MSMEs support up to 60% of developing countries' economic growth and employ around 22% of the population in developing countries. Based on the report of the ministry of cooperatives and MSMEs in

2017, the condition of Indonesia's MSMEs, for large business the turnover per year reached more than IDR 50 billion in assets and more than IDR 10 billion in wealth, the medium-sized businesses reached IDR 300 million to 50 billion and assets of IDR 500 million to 1 billion, the small businesses reached IDR 300 million to 2.5 billion and assets of IDR 50 million to 500 million, while the micro business reached up to IDR 300 million and assets up to IDR 500 million.

Along with the business growths and the needs of finance acquisitions, an accounting information system is needed to facilitate the growth and sustainability of the entity. The aim of any business entity is to maintain the sustainability (going concern concept) of its company [1]. Going concern concept is an assumption that the company's financial statements can prove its sustainability [2]. Hence, if the financial statements of an entity are arranged based on going concern concept, it will be assumed that the company will survive in a long term. By holding on to the audited financial statements, the stakeholders can take the right decision based on the precise condition.

The fact is that MSMEs give high contribution to the economics of developing countries but their contribution has not fully realized due to certain problems. Based on a particular study in Ghana, most MSMEs work on small cash flow margin and face common financial problems, the absence of resources to persist their operations [3]. Most MSMEs were involved in a business transactional records that did not have qualified audit reports to maintain the business performance [4]. Similar results were also found from the results of a survey that 118 small micro business operators showing that 94.9% of respondents did not keep records because they did not have the knowledge to do so.

This problem causes the performance measurement becoming very difficult. The tendency of the non-professional business operators who put aside the importance of their financial records can result to any misdirection in the future. The problem faced by business organizations that does not concern

the importance of bookkeeping system risks their businesses in the loss of business expansion chance and in the mismanagement of fund.

The reasons why there were many business organizations which had not applied bookkeeping were based on the lack of specific knowledge and that there were no manuals and certain training for the owner and the employees [5]. Those were implied by some factors such as: the high cost of recruiting qualified personnel, the misperception about the benefits of bookkeeping system; bookkeeping as concerned to be wasting time and money. Even though there are some companies that still consider the essential recruitment of accounting staff but according to Most small-scale business owners prefer to recruit non-experience personnel that can cause its stagnation or even bring their businesses to an end [6]. Based on the studies above, it shows that the main problem of the continuity of the business entity is the quality of the human resources itself.

Based on the 2015 Bank Indonesia financial report, the most basic MSMEs business constraint is the quality of human resources. The need to maintain accounting records is considered a waste of time and money. Meanwhile, there were several factors causing the failure of the application of financial records in MSMEs, namely internal factors such as lack of understanding, discipline and human resources, while external factors such as lack of supervision from stakeholders authorized with the financial statements [7]. Due to the conditions that occur in Indonesia and the global community, it is necessary to change the quality of MSMEs human resources management.

Pokdakan Alam Tirto is one of the MSMEs which is engaged in the fisheries sector in Kalibawang, Kulon Progo, Yogyakarta. It is newly established MSMEs with members from various community members. Based on preliminary research results, Pokdakan Alam Tirto is included in the category of small-scale businesses based on MSMEs criteria created by Bank Indonesia, namely small businesses having criteria of assets of more than 50 million to 500 million and turnover reaching 300 million to 2.5 billion. Further preliminary research found that there were no members or administrators of Pokdakan Alam Tirto who came from the Accounting department. It implied that the company used traditional financial records. The impacts that have arisen from the absence of financial statements by Pokdakan Alam Tirto, namely; (1) difficulties in determining priority scale in making decisions such as making decisions to use profits as capital to develop a business or return business capital, (2) obstacles in determining the fair distribution of the amount of profit, (3) inability to project profit and loss, (4) the lack of financial transparency.

An improvement to bookkeeping capability is necessary for MSMEs so that members and

administrators are able to run the organization professionally. It is not only needed for the newly started company but also for the long standing one.

Improving the quality of MSMEs human resources can be done with an educational approach. As a community organization, MSMEs is an institution of non-formal education. Workplace learning must be placed in a practical context. The forms of learning programs in the workplace are based on education-and-training forms. It also provides a good opportunity for employees or residents to practice the theory in reality. The method used in the educational activities is different from which in the formal education one. That is caused by the distinguish interests, needs and characters of the learners. The majority of MSMEs personnel are adult. Adults have different characters from children because adults have experiences, learning motives and interests. The method selection in such educational activities can affect the personnel's interests and motivations in the learning process. Therefore, it is necessity to develop learning models that are more appropriate to the certain group or community. The learning model used is based on a more flexible working situation or daily life. The flexible learning model must support the learning activities that occur in daily working situations.

Applying experiential learning in the workplace, employees can manage their own learning without being told what to do and when to do it. Experiential learning lets people experience something and it, then, encourages employees to reflect on the experience to develop new skills, attitudes, or ways of thinking. Knowledge is developed from a combination of experience and transformation of experience. Therefore, learning models that are suitable to the needs of the community will make the process of improving the quality of MSMEs administrators more effective.

II. THEORETICAL FRAMEWORK

A. *The Importance of Accounting for MSMEs*

IFAC (*International Federation of Accountants*) defines that small entity and medium entity considered to be micro medium entity which points to quantitative aspects such as assets, employees, while qualitative characteristic such as concentrated ownership, and management on small individual ownership. The most important contribution of MSMEs in the field of economy is creating job opportunity [8].

Job opportunity is opened through business expansion by creating new business [9]. MSMEs promote economic growth and improve competitiveness and wealth within a country, facilitate rapid industrialization, also main booster of innovation and R&D. Entrepreneurship through micro business holds potential to provide sustainable

development and decrease the number of poverty in developing countries [10].

The relation between micro medium enterprises and accounting are considered important because MSMEs need documentation to obey the government policy, such as an audited financial statement. Micro medium enterprise and accounting are built as obeyed work result that hold potential aims to providing advice and support disobedience [11]. The benefit of accounting service are improving business accountability, reducing the risks of fraud, accurate earning measurement, and achievement of goals set by managements [12].

B. Sustainability of independent business through accountancy (going concern)

Applying business sustainability assumption is a basic accounting concept used to arrange financial reports [13]. Financial report packed with sustainable entity assumption will continue its operational activities in the future [14]. That purpose is the general aim of financial report which arranged based on accounting sustainability. The main idea is 'going concern' principle intended to offer problem solution.

A company becomes sustainable enterprise when it is able to pay out debt within due date, and continue to operate without any intention and interest to liquidate or end the operation for 12 months ahead [15].

Presenting financial report must inviting responsible party in management to make assessment in entity competence to continue and report material uncertainty revealed in the annual report [13].

C. Experiential Learning Model to Develop Accounting Literacy in the Workplace

Organization must learn and act quickly to compete in the change of economics to be able to contend with the other organizations [16]. Another change involves the flexibility of employees [17]. Organizations rely on the induction of new smart employee in order to make it up to date and dynamic [18]. The importance of learning in the workplace constitutes main supporting factor towards company competitiveness. The competitiveness is affected by knowledge and skill in the workplace [19]. Learning in the workplace owns particular relevancy because it offers collaborative and localized model to focus on the employee, the job giver and external supplier in the best collective regulation for educational implementation and training. Performance improvement in the organization can be achieved by improving individual performance through training program. Besides, assessment in terms of organization development and individual needs are required. Learning in the workplace can be supported by flexible learning method [20].

The increasing adaptation of the company toward the dynamic change can be done by building learning model based on working situation or daily life which is not rigid and more flexible. This kind of learning method is called informal learning approach. Informal learning method happens in the formal and non-formal institution with the following characteristics: (1) integrated to daily activities (2) triggered by internal and external factors (3) happened without being realized (4) happened carelessly and affected by situations (5) reflection process and inductive act (6) related to others people learning. Informal learning has clear characters and happens in the daily work life [21]. Formal leaning itself is not enough to anticipate the change in society because it takes long time to manage. In this case, formal approaches have its limit in comply the dynamic change.

Informal learning in the workplace needs optimal context in order to make individual grow and evolve in their job [22]. Organization can facilitate informal learning through culture, policy, and particular procedure from the company. Learning activities are participative and purposive. Informal learning such as independent study, building networking, training and guiding [22]. An individual learning in a workplace, family, group, and society can interpret the situations and acts based on social norms and other's culture. In attempt to apply learning in the workplace, the first thing needed to be understood is the main models of learning in the workplace.

1) Concept of learning in the workplace

A new perspective is seen as a learning system and a management process is seen as a learning process [23]. There are three forms of learning in the workplace:

- a. Instrumental, instrumental learning aims to develop skills and productivity.
- b. Dialogic, dialogic learning focuses on organization, individual, and society.
- c. Self-reflection, the learners' understanding about themselves in the workplace, questioning about their identity and the feeling to change themselves that involves transformation of how to see themselves and their relationship.

2) Individual transition from school to work life as a preparation process for employee

The process of transition from school to work life marks the critical moment in an individual's life and company. The first placement in work place becomes haunting moment for the new employees. Research showed that students experience passivity, confusion and disorganization when they first came to their work places, as they had unwanted burden [18]. First day of newcomers and supervisor's role: the best supervisor that considered to be the most effective by newcomers is the person that does not act as an expert

with knowledge to transmit, but as a facilitator with sensitivity toward the needs of newcomers, aware to the level of comfort and their best skills at that time, also knowledge about places, people, and social phenomenon which help the development of the new employees.

3) *Experiential Learning in the Workplace*

Experiential learning model is applicable to any aspect in daily life, including in the workplace. It functions as a useful framework to design and implement management development program. It can be divided into two main categories: field-based learning and classroom-based learning. Field-based learning includes internship, practical, service learning, and so on [24].

Experiential learning places experience as the main idea and enhances the employee's skill, reflexivity, attitude, and critical thinking. Knowledge is developed from a combination of experience and transformation of experience [23]. The model represents two modes of experience that are dialectically related: concrete experience (CE) and abstract conceptualization (AC), and the dialectical relation to evolve the experience – reflective observation (RO) and active experimentation (AE). This model is applied in a process to develop knowledge concerning the creative skill between the four modes of responsive learning toward contextual demands. The process is represented as an ideal cycle where the employees reach all main aspects: experiencing, reflecting, thinking, and reacting in a recursive response process toward the learning situation. The direct experience is the main idea in order to observe and reflect. The reflection process is assimilated and selected in the abstract concepts from new implication to react. This implication can be studied actively and functioned as a manual to develop new experience.

By using experience as a learning basis in the workplace, the trainer should act as a guide, moderator, main resource, and supporter. The instructor should give high responsibility to the employee as a learner. The successful learner is the one who has wills to resemble or change their concept about certain topic. When the skills and necessary information has been given, the instructor should step back and function as a respondent, moderator, and facilitator. The instructor must help the learners to understand what they have reached during the experience.

4) *Learning Assistance by Peer Tutors (Peer Tutoring)*

Peer tutoring method helps the learners to interact with the peer group and ask their queries without any hesitation. Peer tutoring is a teaching strategy using learners as tutors. The learners have opportunities to share their ideas and creativity emphasized by peer

tutoring method. The interactions in the peer tutoring model make the learners ask without hesitation and learn together with other students in a peer group intensively [25]. Furthermore, peer tutoring gives some benefits such as: (1) increasing literacy score, (2) developing reasoning and critical thinking skills, (3) improving confidence and interpersonal skills, (4) increasing comfort and openness, (5) versatility. Peer tutoring is not meant to introduce new material or concept. The way to apply this concept can be done by adjusting ability measurement, skill, and age of the learners.

III. RESEARCH METHOD

This study applied development research using ADDIE (*Analysis, Design, Development, Implementation, Evaluation*) model. It focused on the development of experiential learning model in a workplace. This research study aimed to establish an experiential learning model that can improve accounting literacy on the performance of micro, small, and medium enterprises (MSMEs). The subject of this study was a fish farming group named Alam Tirto having 14 members, including the administrators.

This study employed 5 stages of research procedure; analysis, development, design, implementation, and evaluation.

A. *Analysis*

This stage includes activities: needs analysis, member characteristics analysis, material analysis

B. *Design*

The assessment steps in this research are product adjustment, determining cases as material, and designing research instruments.

C. *Developments*

This stage is product assessment. Validation is carried out by material experts and experts in the media. Products that have been developed are then consulted with the supervisor 1, hereinafter referred to as draft 1. The guide book and assessment instrument (instrument) that has been validated by the expert is then analyzed and evaluated. Development of revised learning manuals and instruments based on expert advice, hereinafter referred to as draft 2.

D. *Implementation*

The implementation phase will test the product to determine the level of feasibility and effectiveness of the product in helping the facilitator and participants to achieve the learning objectives. The results of the implementation as a basis for making the final revision of the product developed and produce the final product.

E. Evaluation

This stage is carried out an analysis of the effectiveness of the products developed and enhancing the financial management capabilities of POKDARWIS members. The data collection technique implemented in this research study included product validation sheets, observation, interview, and documentation.

IV. FINDINGS

The results found in this study are data obtained from analysis, design and development. The Alam Tirto fish farming is a community organization located in Kalibawang, Yogyakarta. The administrators and the members of the group were mostly High School graduates with age ranging from 30 until 50. In connection with the education backgrounds of the administrators, the financial reports they made did not fulfill the Financial Accounting Standard that was generally accepted. A financial report is expected to be a consideration for the users. Besides, if a financial report is not prepared based on the generally accepted standard, the users of the report will have difficulty in understanding the report. It causes the aim of preparing the report remains unachieved. The result of field observation showed that the accounting literacy level of the total 14 members of the Alam Tirto fish farming group was only 20% in one accounting cycle. The data is presented in Table 1.

TABLE 1. STUDENTS' ACCOUNTING LITERACY LEVEL

No	Stages	Competency
1.	Proof of transaction	√
2.	Journal	-
3.	Ledger	√
4.	Adjusting journal entry	-
5.	Work sheet	-
6.	Financial report	
	a. Income statement	-
	b. Statement of Changes in Capital	-
	c. Statement of financial position	-
	d. Cash-flow statement	-
7.	Closing journal	-

Based on the data displayed above, the Alam Tirto fish farming group only recorded ledger transaction on some accounts, such as: treasury and staples including feed, antibiotic, and seeds.

In addition to the quantitative data presented above, the result of the interview dan observation in the field showed that the reason why the people did not record and report the financial statement using the financial accounting standard was because they did not have any backgrounds related to accounting. They also never join any training, consultation, or any related events that aimed to make people understand about bookkeeping and accounting for business.

Initially, the Alam Tirto fish farming started the business using financial capital collected from its members. In 2017, the group received 2,500

fingerlings from the local government. However, when they did harvesting, they only got 2,000 fish. There was a difference of 500 fingerlings that they did not receive from the third party who supplied it. This happened because the people did not recheck and count the fingerlings they received. At the same time, the business group also bought 2,500 fingerlings from another supplier. They harvested 2,450 fish which meant there was a difference of 50 fish. Due to this experience, their motivation to learn about bookkeeping and accounting started to grow.

Based on the results of the analysis, the material developed in this study was adjusted to the level of knowledge and needs such as proof of transaction, journal, ledger, work sheet, financial report: income statement and cash-flow statement, closing journal.

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