

Making Economic Decisions through the Implementation of SAK EMKM at IKM Pamekasan, Indonesia



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ABSTRACT: The phenomenon is the emergence of small-scale businesses with medium-low income to large-scale businesses with medium-high turnover. In its development, although many SMEs have sprung up, not many have survived for quite a long time. One of the factors is the lack of product innovation to consumers significantly so that there is no recording of financial reports according to SAK EMKM standards so that these IKM actors do not fully know whether the business is profitable or even experiencing losses due to the absence of proper financial reporting. The research object is an IKM under the auspices of the Pamekasan Regency DISPERINDAG in the form of a batik center. The purpose of this research is to find out the right economic decision-making through the implementation of SAK EMKM using fundamental analysis. This type of research is descriptive quantitative. This research was conducted using the method of direct observation to the field. The results of the study revealed that there were no IKM financial reports that complied with SAK EMKM standards. Based on the results of calculating efficiency ratios, effectiveness and fundamental analysis, only IKM Hadi Batik produces good performance and is in accordance with company standards and appropriate economic decision-making is investment decisions in order to create an IKM that will be stronger and more developed in the future.

KEYWORDS: Financial statements; SAK EMKM; SME; Fundamental analysis; and Economic decision making

I. INTRODUCTION

Conditions and the existence of unemployment increasingly can not be avoided. From this, the desire to become an entrepreneur arises, especially for people of productive age. At this time, it can be said that the opportunity is very big. This is due to the encouragement from the government both at the central scale to the local government scale for the surrounding community to become entrepreneurs. Not only that, the banking sector also contributed to the success of one of these government programs by providing low bank interest costs for loans used as entrepreneurial capital. Recently there were regulations regarding taxes for MSME business actors, namely 0.5%. If you look at the phenomenon, there are lots of business forms emerging, both on a small scale, such as those whose turnover is classified as medium to low to large scale with turnover classified as medium to high. Even so, until now there are still many MSMEs that experience problems ranging from how to market their products, difficulty getting injections of fresh funds, to providing raw materials and labor (Tulus, 2011). The various forms of IKM in Pamekasan district include:

Table 1. List of SMIs in Pamekasan Regency

No.	Form of Business
1	Limited Liability Company (PT)
2	Limited Partnership (CV)
3	Cigarette Company (PR)
4	Business Enterprise (UD)
5	Joint Business Group (KUB)
6	Other

Source: DISPERINDAG data

The emergence of these Small and Medium Industry (IKM) actors apart from increasing the standard of living also has an impact on the enthusiasm for entrepreneurship for most of the surrounding community. This is inseparable from the role of all parties involved in helping the surrounding community to be able to avoid what is called unemployment in particular and poverty in general. With the existence of SMEs and SMEs, it also indirectly has an impact on improving the country's economy in the scope of small or large scale.

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In its development, although many forms of IKM have emerged, not many have been able to survive for a long period of time. This is due to many factors that unknowingly these factors can become an obstacle to an industry developing rapidly or even just *survive* in a competition. One of the factors is the absence of significant product innovation presented to consumers and the absence of standardized financial reporting so that these IKM actors do not fully know whether the business they are running is fruitful (profitable) or even experiencing invisible losses due to there is no proper recording of financial statements. A small example, small businesses in the UK still have a lot of records using manual work papers or using a cash book compared to using accounting software (Sian and Roberts, 2009). The existence of financial reports can help predict or foresee the conditions of the business it is engaged in. In addition, IKM actors can control and evaluate the running of the business. In preparing the financial statements, of course, they must be prepared with good standards even though in a simple form. With the Entity Financial Accounting Standards Without Public Accountability (SAK ETAP) for MSMEs and Micro, Small and Medium Entity Financial Accounting Standards (SAK EMKM) for IKM, the preparation of financial reports can be prepared properly and correctly.

Below are the results of research that has been done and is related to research currently being conducted, including: 1. Yane Devi Anna (2011). The results of the study show that most MSMEs in sacred areas do not record transactions properly. There are still many MSMEs that make simple financial reports, incomplete financial reports, and don't even make financial reports. The obstacles they face in making financial reports are they do not understand accounting itself and they think that financial reports are not needed yet; 2. Siti Nurlaela (2014). The results of this study are very useful for assessing business performance and can help in dealing with problems in running a business, especially Small and Medium Enterprises. So that in order to achieve successful business performance, one way is to keep business records, financial management, credit management, both payment and collection from the Financial Statements; 3. Aprilia Whetyningtyas (2015). The results of testing the hypothesis show that the ability to prepare financial reports affects the operational performance of MSMEs. Entrepreneurial spirit does not affect the operational performance of MSMEs. Simultaneously shows that both have an effect on the operational performance of MSMEs; 4. Fitriani Saragih and Surikayanti (2015) Survey results reveal that financial reporting for SMEs is still simple; 5. Arya Bee Grand Christian and Maria Rio Rita (2016) The results show that the use of accounting information can contribute to the success of SME businesses; 7. Jilma Dewi Ayu Ningtyas (2017) The results of the study show the financial reports of Bintang Malam MSME in the form of a statement of financial position or balance sheet, income statement and notes to financial statements

II. THEORETICAL BASIS

A. SAK EMKM

According to Sirait (2013), financial reports are the end result of an accounting process, as a summary of financial transactions during the current period, whereas according to Hery (2014) that financial reports are the result of an accounting process that can be used as a tool to communicate financial data or company activities to interested parties. The main financial statements for an individual company are the income statement, changes in equity, balance sheet, and cash flow statement. According to Sofyan (2012), the purpose of financial reports is to provide information regarding the financial position, performance and changes in the financial position of a company that is useful for a large number of users in making economic decisions. According to Fahmi (2012), the general purpose of financial reports is as follows: a. To provide information to those who need it about the condition of a company from the point of view of figures in monetary units; b. Provide useful information to business and economic decision makers by current and professional investors, creditors, management, governments, and other users; c. Providing information concerning the financial position, performance and changes in the financial position of a company that is useful for a large number of users in making economic decisions; and D. Provides information about financial position, performance changes in equity, cash flows and other information. According to ToharinRatnasari and Kirwani (2013), there are several aspects used in the concept definition of small businesses, including: 1) ownership, 2) capital and assets, 3) and the number of workers. For the purpose of convenience, the financial statements for MSMEs regulated in SAK EMKM (2016) consist of at least: 1. Statement of financial position at the end of the period; 2. Income statement during the period; and 3. Notes to the financial statements containing additions and details of certain relevant items

B. IKM

The results of Agustina's research (2010) revealed that SMEs have their own advantages, namely having the absorption capacity of a large workforce because this sector does not require educational qualifications to implement them. According to the Regulation of the Minister of Industry of the Republic of Indonesia No. 13/M-IND/PER/2/2013 Concerning Technical Instructions for the Restructuring Program for Small and Medium Industry Machinery and/or Equipment Article 1 paragraph (1), (2), and (3) which states: 1. Small and Medium Industries (IKM)) is a small and medium industrial company; 2. Small Industrial Company (IK) is an industrial company with a total investment of up to Rp. 500,000,000, excluding land and buildings for business premises; and 3. Medium Industrial Companies (IM) are industrial companies with a total investment value of more than Rp. 500,000,000 up to a maximum of Rp. 10,000,000,000, excluding land and buildings for business premises.

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The supporting factors for SMIs surviving and tending to increase in number during a crisis are: (1) the majority of SMEs produce consumer goods and services with low elasticity of demand for income; (2) the majority of SMEs use their own capital and do not receive capital from banks or other financial institutions. So that during the crisis the downturn in the banking sector and rising interest rates had no effect on IKM and (3) The occurrence of a prolonged economic crisis caused the formal sector to lay off many of its workers. So that the existing unemployed carry out small-scale business activities, as a result the number of IKM is increasing (PartomoinRatnasari and Kirwani, 2013)

C. ECONOMIC DECISION MAKING

Changes in the decision-making strategy of SMEs play an important role in the development of an organization because the decisions taken are the first determinant of the future of their business. Individuals who do not have the ability to make the right decisions will have an impact on the future development of the organization. Individuals will experience a process of self-evaluation and change when faced with new conditions (Himam, 2005). Decision making on the basis of risk reduction can lead to better decision outcomes. Many SMEs *cansurvive* in responding to change because he reconsidered his decision strategy to develop his business and his potential (Kasali, 2014).

According to MulyonoinDwi and Suartana (2013), so that decision making can be more directed, it is necessary to know the elements/components of decision making. The elements of decision making are as follows: a. The purpose of decision making; b. Identify decision alternatives that solve the problem; c. Calculations about factors that cannot be known in advance or are beyond human reach; and D. Means and equipment to evaluate or measure the results of a decision making.

Based on the results of various previous studies such as research conducted by Saragih and Surikayanti (2015) the focus of this research is on the application of SAK ETAP where the results of the research are that financial reporting is still simple and the application of accounting is not in accordance with SAK ETAP; Christian and Rita (2016) research using accounting information in SME decision making where the results of their research show that the use of accounting information can contribute to the business success of an SME; and Ningtyas (2017) focused on finding information and compiling MSME financial reports using SAK EMKM where the results of their research are the presentation of MSME financial reports based on SAK EMKM. So the research conducted by the researcher this time can be said to be something new because it not only applies SAK EMKM in financial reports on research objects but also provides strategic solutions in an effort to make the right economic decisions such as: 1. In the form of a long-term investment; 2. effective and efficient funding or; and 3. Provide appropriate dividends. This is used so that the IKM in the research can provide *added value* for interested parties in it and will have a broad impact on the surrounding community

III. RESEARCH METHODS

A. Types of research

This type of research includes quantitative descriptive research. This research was conducted to determine the value of the independent variable, either one variable or more (independent) without making comparisons/links between one variable and another. Pamekasan Regency has many IKM under the guidance of DISPERINDAG. Likewise with batik SMEs in Pamekasan which are spread to various sub-districts and villages

B. Sample

The sampling technique in this study was purposive sampling. According to Notoadmodjo (2010), *purposive sampling* Sampling is based on certain considerations that have been previously known. Based on the limitations of the problems that have been described, the sample taken in this study is a batik IKM in Pamekasan which has many craftsmen and is still active in running its business by recording administratively orderly financial reports every year. The data was obtained by making direct observations going into the field. You do this by conducting interviews or requesting the necessary financial report data from related parties, be it employees or owners/chairmen who carry out accounting records in the form of financial reports.

C. Research Model

The research data uses the financial reports of batik IKM in Pamekasan in the form of balance sheets and income statements to be evaluated and analyzed. Researchers evaluated the financial reports of batik IKM in Pamekasan using SAK EMKM. After that, the financial statements are analyzed using efficiency ratios and effectiveness ratios. Furthermore, from the results of this analysis researchers can make economic decisions in the form of 3 (things) including long-term investment, funding and dividend distribution in a fair and equitable manner. This will really help SMEs in Pamekasan, especially batik SMEs, to be able to take concrete steps forward with appropriate and accurate economic decisions.. This research model can be described as follows :

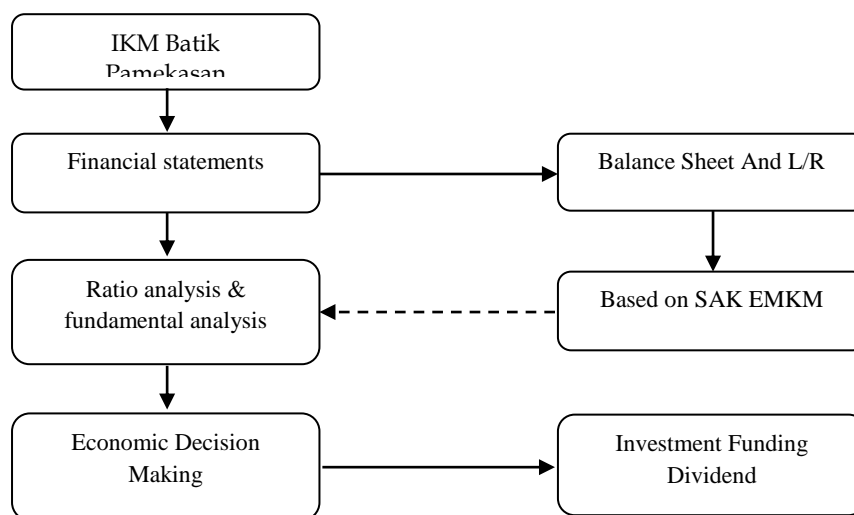


Figure 1. Framework of thought

D. Data analysis technique

To process the data in this study, the data analysis technique used by researchers is to use efficiency ratio analysis and effectiveness ratio and use fundamental analysis. Where in the efficiency ratio analysis there are 2 (two) measurement indicators including the realization of operational costs and the realization of income. The two indicators can be formulated as follows :

$$\text{efficiency ratio} = \frac{\text{realized operational costs} \times 100\%}{\text{realized revenue}}$$

$$\text{effectiveness ratio} = \frac{\text{realized revenue} \times 100\%}{\text{revenue target}}$$

In this efficiency ratio, if the resulting value is <100% then the ratio is said to be efficient in the use of costs while in the effectiveness ratio, if the resulting value is > 100% then the ratio is said to be effective in its work process to achieve company goals (Komarudin in Mudiaartini et al, 2015). Where this effectiveness ratio describes the level of the company's ability to realize the planned income compared to the targets or goals that have been set (Wiyashain Dwi and Suartana, 2013). For fundamental analysis using ROE and DER as measuring tools. The formula is as follows :

$$\text{ROE} = \frac{\text{profit}}{\text{capital}} \times 100\%$$

$$\text{DER} = \frac{\text{debt}}{\text{capital}} \times 100\%$$

In this fundamental analysis, the standard for ROE is 40% and DER is 90% where the company's financial performance is good if the resulting calculation results are greater than 40% for ROE and smaller than 90% for DER (Kasmir, 2016)

IV. RESEARCH RESULT

A. Efficiency ratio

As a basis for making the right economic decisions, it can be measured using efficiency ratios. Realization of sales of batik products in terms of efficiency, namely by comparing the realization of operational costs incurred with the realization of income. The results of obtaining efficiency ratios can be formulated into the criteria of IKM financial performance, which can then be seen whether the performance of IKM has been able to carry out operational activities with the use of funds and resources that are as minimal as possible owned by IKM. Due to the existence of these funds, the budget is provided not to be spent in vain but to be used as wisely as possible to avoid what is called waste

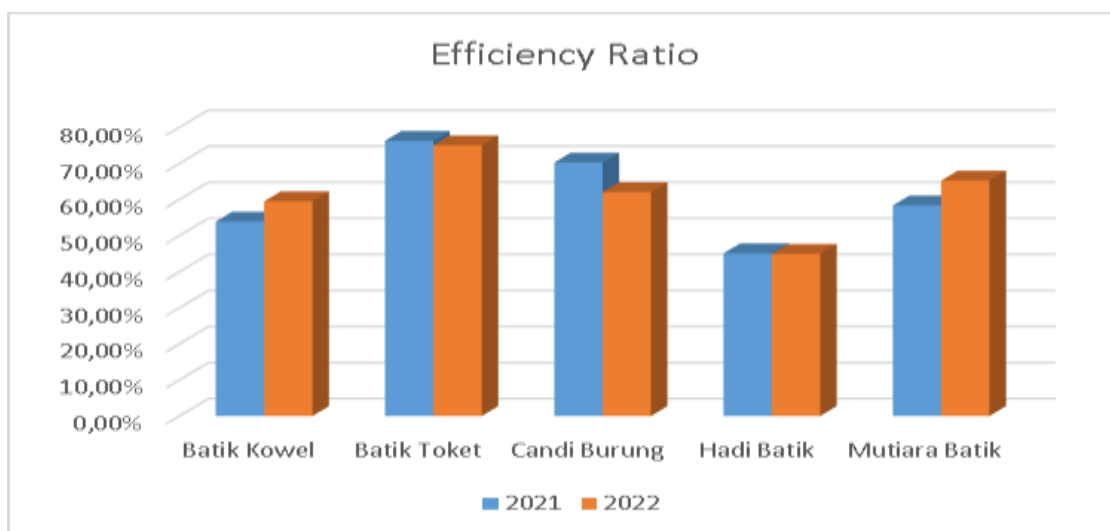


Figure 2. Efficiency ratio

From the results of the image2 regarding the results of obtaining the efficiency ratio obtained by the Pamekasan regency batik SMIs, it shows that the results obtained by each of these batik SMIs are different. The results also provide an overview of the performance of SMEs, especially on the efficiency side. However, these results are preliminary data before entering into a complete assessment so that maximum results can be obtained on the performance of the Pamekasan district IKM. Where the data used in this research ranges from 2 (two) years according to the data obtained in the field. Also from these results, the writer can see the performance of the efficiency ratio, whether it gets a good (efficient) predicate or vice versa

Table 2. Performance efficiency ratio

IKM	Information
Batik Kowel	Less Efficient
Batik Toket	More Efficient
Candi Burung	More Efficient
Hadi Batik	More Efficient
Mutiara Batik	Less Efficient

Source: processed data

Based on the results of the efficiency ratio obtained in table 2 above, it illustrates that the Pamekasan kowel batik SMI and Klampar batik IKM experienced less efficient performance in 2017 when compared to the previous 2016. For other IKMs, namely the Proppo toket batik IKM, the Proppo bird temple IKM and the Hadi batik Rang Peranf Daya IKM experienced more efficient performance in 2017 when compared to the previous 2016. This table is also the result of the formulation of the IKM performance criteria, the source of which comes from KEPMANDAGRI No. 690/900/327 of 1996 concerning criteria for financial performance efficiency. In table 1.4 above, it can be seen the results of fluctuating efficiency ratios in all the IKM studied. The ratio value obtained is an efficient result every year because it is based on financial performance criteria where the indicator is <100%, so the SMIs studied as a whole can make economic decisions in the form of long-term investments

B. Effectiveness ratio

As a basis for making the right economic decisions, besides being able to be measured using the efficiency ratio as described above, it can also be measured using the effectiveness ratio. Realization of income from the sale of batik products in terms of effectiveness, namely by comparing the realization of income with the income target to be achieved. The results of the acquisition of the effectiveness ratio can be formulated into the criteria of IKM financial performance, where operational activities are said to be effective if the process of activities carried out achieves the targets and goals that have been previously set. The level of effectiveness focuses on achieving the final target, not looking at the costs incurred because these costs will be adjusted to the capacity of the goals to be achieved so that they can be realized to the fullest

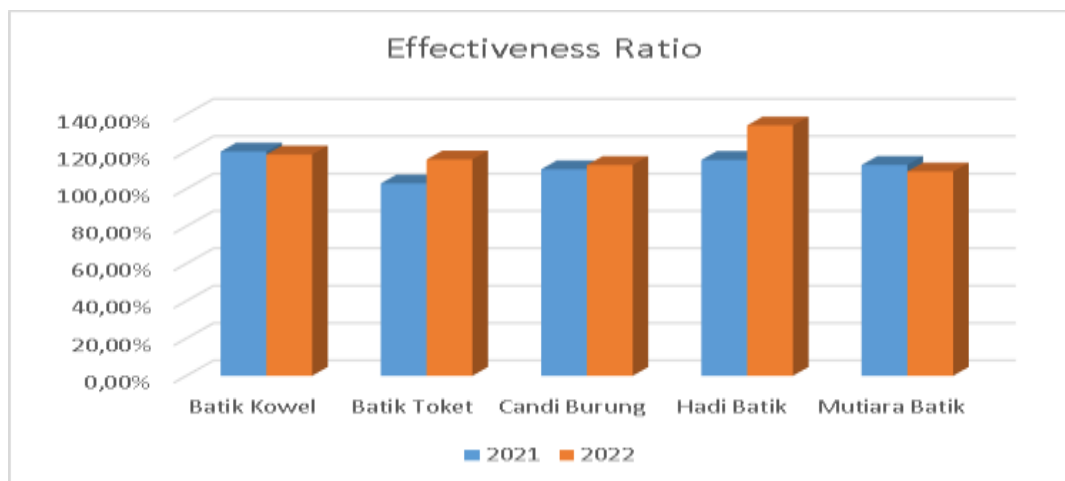


Figure 3. Effectiveness ratio

From the results of Figure 3 regarding the results of obtaining the effectiveness ratio obtained by IKM batik in Pamekasan district, it shows that the results obtained by each of these batik SMIs are different. The results also provide an overview of the performance of SMEs, especially in terms of effectiveness. However, these results are preliminary data before entering into a complete assessment so that maximum results can be obtained on the performance of the Pamekasan district IKM. Where the data used in this research ranges from 2 (two) years according to the data obtained in the field. Also from these results, the writer can see the performance of the effectiveness ratio, whether to get a good (effective) predicate or vice versa.

Table 3. Performance effectiveness ratio

IKM	Information
Batik Kowel	Less effective
Batik Toket	More effective
Candi Burung	More effective
Hadi Batik	More effective
Mutiara Batik	Less effective

Source: processed data

Based on the results of the acquisition of the effectiveness ratio in table 3 above, it illustrates that the Pamekasan kowel batik SMI and the Klampar batik IKM experienced less effective performance in 2017 when compared to the previous 2016. For other SMEs, namely the Proppo toket batik IKM, the Proppo bird temple IKM and the Hadi batik Rang Daya IKM experienced a more effective performance in 2017 when compared to the previous 2016. These results are in line with the results of the acquisition of efficiency ratios. This table is also the result of the formulation of the IKM performance criteria, the source of which comes from KEPMANDAGRI No. 690/900/327 of 1996 concerning criteria for the effectiveness of financial performance. In table 1.6 above, it can be seen that the results of the acquisition of the effectiveness ratio fluctuated in all the IKMs studied. The value obtained is an effective result every year because based on financial performance criteria where the indicator is > 100%, the SMIs studied as a whole can make economic decisions in the form of long-term investments

C. Fundamental analysis

Fundamental analysis is part of economic analysis in general where this analysis is a method of analyzing companies based on the company's economic fundamentals which include the company's financial and operational performance. the focus of this analysis lies in financial ratios and phenomena in the field that have an impact on company performance. Investors are required to use this fundamental analysis because this analysis does not only monitor the company's financial performance but as a whole. Investors when determining their investment decisions, this fundamental analysis is one of the analyzes that needs to be done. There are 2 approaches that can be used in this fundamental analysis, namely the top down approach and the intrinsic value approach and financial ratios which in this case can be represented by ROE and DER

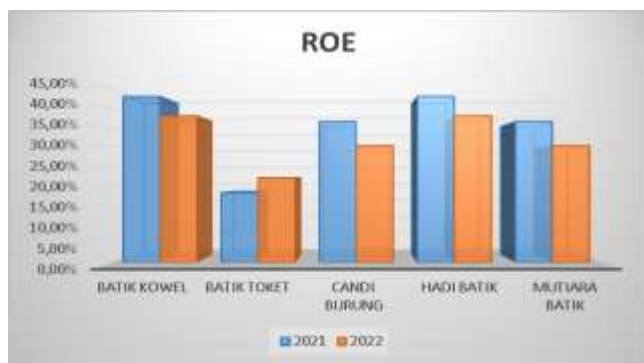


Figure 4. ROE Ratio



Figure 5. DER ratio

From figures 4 and 5 above, the results of fundamental analysis calculations for the Pamekasan IKM are calculated from 2021 to 2022. For the ROE results, it can be seen that the average IKM is experiencing a decreasing trend while the DER calculation results are experiencing an increasing trend. With the results obtained, the performance of IKM Pamekasan for these two ratios is not good. However, if this is related to company standards, it will produce different performance

Table 4. ROE and DER Performance

IKM	ROE average	Standar	Analysis	DER average	Standar	Analysis
Batik Kowel	40,58%	40%	Rendable	7,23%	90%	Solvabel
Batik Toket	20,03%		Inrendable	8,31%		Solvabel
Candi Burung	33,44%		Inrendable	13,27%		Solvabel
Hadi Batik	40,58%		Rendable	7,23%		Solvabel
Mutiara Batik	33,44%		Inrendable	13,27%		Solvabel

Source: processed data

It is said to be low because the capital owned by the company can generate net profit. ROE performance for these IKMs is that some are low but some are not because the capital owned is only able to generate below standard net profit. It is said to be solvable because the calculation results are below company standards. DER performance is solvable because the capital owned by SMEs to be used as collateral for debt is very small, so the concern for SMEs is that if they cannot pay off debts, capital outages will not occur (minimal). In table 4 above, it can be seen that the Pamekasan SMIs that perform well from the 2 ratios are Kowel Batik and Hadi batik where both of these SMIs are good in terms of ROE and DER performance producing yieldable and solvable results. Which means that in terms of profits, these two IKMs can exceed the target and in terms of debt guarantees, these two IKMs do not depend too much

CONCLUSION

From the results of the research previously described, it can be seen that the financial performance of batik SMEs in Pamekasan can be seen from the profit achieved in 2021 to 2022 tends to be different, some have increased significantly and some have tended to decrease. Judging from the financial reports of the batik IKM in Pamekasan, the financial condition has been going well so that it can be used as material for consideration in making economic decisions in the form of long-term investments. Thus, it can be concluded that the financial performance of batik SMEs in Pamekasan is good. The results of this study are in line with the results of research by Ernawati and Ihsan (2007), where their research explains that the role of financial reports as a basis for decision making used by a manager for small and medium enterprises shows that around 60% of MSME units use financial reports as a basis for decision making.

The results of this ratio can be used as a guideline for SMEs in Pamekasan to be able to use the budget to run the program properly so that waste does not occur. The financial performance of IKM in Pamekasan as a basis for making economic decisions in the form of long-term investment which has a ratio of <100% indicates that the performance of IKM in Pamekasan is classified as efficient. This finding is in accordance with the opinion of Munawar (2006), where the process of operational activities can be said to be efficient if a particular work product/result can be achieved with the lowest possible use of resources and funds (*Spending Well*). So, the smaller the efficiency means the better the company's performance. The effectiveness ratio does not pay attention to the costs incurred, only pays attention to the level of achievement of goals in accordance with predetermined targets (Mardiasmo in Mudiaartini et al, 2015). Measurement of financial performance using efficiency ratios and effectiveness ratios reflects the financial activities carried out by IKM in Pamekasan. In making economic decisions in the form of long-term investments, the results of calculating the effectiveness ratio must meet the effective and efficient requirements. The results of the

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calculations that occur in IKM in Pamekasan show that these two ratios can be used as economic decision making in the form of long-term investment

The results of fundamental analysis can also be used as a basis for making good economic decisions where the calculation above reflects the performance of the two measurement ratios using the ROE and DER ratios. These two ratios analyze the company's ability to generate profits and analyze the company's dependence on debt. For the results of the DER analysis, all Pamekasan IKMs produce solvables, namely good performance, while for the ROE analysis, there are 2 IKMs that produce low yields, namely good performance, while the other IKMs have not maximized performance.

ACKNOWLEDGMENT

According to the results of the research and discussion above, it can be concluded that the financial performance of IKM in Pamekasan as a basis for making economic decisions in the form of long-term investments is as follows: 1. Financial performance seen from the profit achieved by IKM in Pamekasan in 2021 to 2022 tends to different and fluctuating. Judging from these financial reports, the financial condition of IKM in Pamekasan has been going well, so it can be used as material for consideration in making economic decisions in the form of long-term investments; 2. From performance measurements based on efficiency ratios, it was found that less efficient results occurred in the Kowel batik SMI and pearl batik SMIs and more efficient performance occurred in other SMIs, namely toket batik SMI, bird temple SMI and hadi batik SMI. Every year, the financial performance of IKM in Pamekasan has an efficiency ratio of <100%, which means that the financial performance is classified as efficient; 3. The overall effectiveness ratio of IKM in Pamekasan is > 100%, which means that the financial performance of IKM in Pamekasan is classified as effective. Historically, there have been a number of IKMs that have decreased, which is due to the existence of IKMs that minimize the output costs and the impact of sales that are run properly. *financial* as well as physical sales.; 4. The calculation results of the fundamental analysis represented by ROE and DER yield good performance for all Pamekasan IKMs for the DER ratio while for the ROE ratio there are several IKMs whose performance is not optimal

Based on the conclusions above, several suggestions can be put forward, including: 1. For SMEs in Pamekasan, it is advisable to use measurements in the form of efficiency ratios and effectiveness ratios to evaluate financial performance. This is because it can provide an overview of the implementation of financial performance and aims to measure performance *financial* and *non financial* in a balanced and gradual manner so that it is easy to trace the development of the achievement of the company's financial performance; and 2. For future researchers who intend to conduct research in the field of corporate financial performance, it is hoped that they will conduct further and in-depth research related to financial performance as the basis for making economic decisions with the same research methods and different corporate objects in order to apply these findings more broadly.

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