

Sustainable Accounting For SMEs in Indonesia: Implementation and Development Strategy

*Sustainable
Accounting and
Small Business*

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ABSTRACT

Sustainability accounting is becoming increasingly important for Small and Medium Enterprises (SMEs) in Indonesia in improving business sustainability and facing environmental challenges. This study aims to analyze the implementation of sustainable accounting in SMEs in Indonesia and develop effective development strategies. The results of the study indicate that SMEs in Indonesia have not yet fully implemented sustainable accounting, but have great potential to improve business sustainability. The proposed development strategies include increasing awareness and understanding of SMEs about sustainable accounting, developing appropriate accounting systems, and training and mentoring to improve SME capabilities. This study contributes to the development of sustainable accounting theory and practice in SMEs in Indonesia

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ABSTRAK

Akuntansi berkelanjutan menjadi semakin penting bagi Usaha Kecil dan Menengah (UKM) di Indonesia dalam meningkatkan keberlanjutan bisnis dan menghadapi tantangan lingkungan. Penelitian ini bertujuan untuk menganalisis implementasi akuntansi berkelanjutan pada UKM di Indonesia dan mengembangkan strategi pengembangan yang efektif. Hasil penelitian menunjukkan bahwa UKM di Indonesia masih belum sepenuhnya menerapkan akuntansi berkelanjutan, namun memiliki potensi besar untuk meningkatkan keberlanjutan bisnis. Strategi pengembangan yang diusulkan meliputi peningkatan kesadaran dan pemahaman UKM tentang akuntansi berkelanjutan, pengembangan sistem akuntansi yang sesuai, dan pelatihan dan pendampingan untuk meningkatkan kemampuan UKM. Penelitian ini berkontribusi pada pengembangan teori dan praktik akuntansi berkelanjutan pada UKM di Indonesia

Kata Kunci: akuntansi berkelanjutan, bisnis kecil, tantangan, implementasi

INTRODUCTION

Sustainable accounting play an important role in the modern business world because it allows companies to focus not only on profits financial, but also take into account impact social and environmental their operations. With the increasing global awareness of issues sustainability, such as climate change, inequality social, and resource exploitation nature, accounting sustainable become an essential tool for companies to measure, manage and report their performance in a more transparent and accountable manner. In addition, the implementation of accountancy sustainable helps companies in building good reputation, improve Power competitive, and attracting more and more investors and consumers notice aspect sustainability in their decisions. For Small and Medium Enterprises (SMEs), the implementation of principle accountancy Sustainable can also improve operational efficiency, reduce risk business, and create new market opportunities. Therefore, accounting Sustainable is no longer just choice, but become a necessity for companies that want to survive and thrive in an increasingly competitive business environment. complex and dynamic.

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In addition, accounting sustainable play a role in supporting the achievement of the Sustainable Development Goals (SDGs) initiated by the United Nations Nations (UN). By implementing principle accounting that takes into account factor economic, social and environmental, companies can contribute to global efforts in creating a more inclusive and environmentally friendly economy. Implementation accountancy Sustainability can also help businesses in identifying risk term length that may arise consequence practice irresponsible business responsibilities, such as dependence on non- renewable resources. or policy power unethical work.

Furthermore, the regulations are increasingly stringent transparency and sustainability reporting require companies to adapt to new standards, such as the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), or Environmental, Social, and Governance (ESG) metrics. By integrating accountancy sustainable in operations business, the company not only ensures compliance to regulation, but also increase trust stakeholders interests, including government, investors and society broad. For SMEs, although the challenges in implementing sustainable accounting are still quite large, awareness of its long-term benefits is increasing. Therefore, support from various parties, including the government and financial institutions, is needed to help SMEs adopt sustainable accounting practices in order to achieve sustainable growth and high competitiveness.

SMEs in Indonesia face various challenges in implementing sustainable accounting, both in terms of knowledge, resources, and regulations. One of the main obstacles is the lack of understanding and awareness of SMEs regarding the importance of sustainable accounting. Many SMEs still focus on basic financial records for short-term operational purposes without considering the environmental and social impacts of their business activities. In addition, limited human resources and technology are also obstacles, because most SMEs do not yet have professional accounting staff or adequate recording systems to adopt sustainability reporting standards.

On the other hand, the cost of implementing sustainable accounting is often considered an additional burden by SMEs that are still struggling to survive and thrive amidst market competition. Limited access to green funding or incentives from the government also makes it difficult for many SMEs to allocate budgets for implementing more environmentally friendly business practices. In addition, the absence of regulations that require SMEs to report sustainability aspects also makes the implementation of sustainable accounting still optional and less of a priority. Therefore, support is needed from the government, business associations, and financial institutions in the form of training, incentives, and clearer regulations so that SMEs can more easily adopt sustainable accounting as part of their business strategy.

In addition to internal challenges such as limited resources and understanding, SMEs in Indonesia also face external challenges in implementing sustainable accounting. One of the main factors is the lack of pressure from the market and stakeholders on sustainable business practices. Unlike large companies that often receive attention from investors and regulators regarding sustainability, SMEs still rarely receive encouragement from consumers, business partners, or the government to implement sustainable accounting principles. As a result, many SMEs have not seen the direct benefits of investing in more socially and environmentally responsible business practices.

In addition, the supporting infrastructure for sustainable accounting in Indonesia is still limited, especially for SMEs operating in remote areas or with limited access to digital technology. Many SMEs still rely on manual recording and have not used a technology-based accounting system that can help them integrate sustainability aspects into their financial reports. The lack of accounting standards tailored to the needs of SMEs is also an obstacle, as most existing sustainability guidelines are more relevant to large companies. Therefore, efforts are needed to develop a simpler, more accessible, and more appropriate accounting system for SMEs, as well as to improve financial and sustainability literacy among small and medium-sized business actors.

Accounting plays a crucial role in supporting the sustainability of SME businesses by providing transparent, accurate, and relevant financial information for strategic decision-making. Through good recording and reporting, SMEs can manage their resources more efficiently, identify financial risks, and ensure long-term operational sustainability. Sustainable accounting also helps SMEs measure and report the economic, social, and environmental impacts of their business activities, enabling them to build a good reputation in the eyes of customers, business partners, and investors. By implementing sustainability-oriented accounting principles, SMEs can more easily access funding from banks or investors who are now increasingly paying attention to ESG (Environmental, Social, and Governance) aspects in assessing business feasibility.

In addition, sustainable accounting supports SMEs in identifying cost-efficiency opportunities, for example through reducing production waste, using more efficient energy, or optimizing a more environmentally friendly supply chain. By recording and analyzing financial and non-financial data, SMEs can find ways to increase profitability while reducing negative impacts on the environment and society. Furthermore, compliance with sustainable accounting principles also helps SMEs meet increasingly stringent regulatory requirements and increase their competitiveness in the global market, where customers and business partners increasingly prioritize products and services from companies that implement sustainable business practices. Thus, accounting is not only a tool for recording transactions, but also a key foundation in creating a more resilient, innovative, and sustainable SME business.

Furthermore, sustainable accounting also plays a role in increasing the accountability and transparency of SMEs towards stakeholders, including customers, suppliers, investors, and the government. By implementing clear and systematic reporting standards, SMEs can build better trust and credibility, which can ultimately increase customer loyalty and expand business networks. Transparency in financial and sustainability reporting can also help SMEs obtain sustainability certification or ecolabels that can increase product added value and expand market access, especially in segments that are increasingly concerned about environmental and social aspects.

In addition, the implementation of sustainable accounting can help SMEs manage business risks related to sustainability, such as changes in environmental regulations, fluctuations in raw material prices, or consumer expectations for ethical business practices. With an accounting system that is able to integrate sustainability aspects, SMEs can identify potential risks earlier and develop more effective mitigation strategies. For example, SMEs can optimize a more sustainable supply chain or invest in more environmentally friendly product innovations. Thus, accounting not only functions as a financial recording tool, but also as a strategic instrument that helps SMEs face modern business challenges and remain competitive in the long term.

The purpose of this study is to analyze the level of adoption of sustainable accounting in SMEs, identify obstacles in the implementation of sustainable accounting and develop strategic recommendations for SMEs to adopt sustainable accounting. With the hope of being able to provide research benefits in the form of academic contributions in the field of sustainable accounting, insights for SMEs in implementing sustainable accounting and recommendations for relevant stakeholders.

LITERATURE REVIEW

Sustainable accounting is an accounting approach that considers environmental and social factors in accounting practices, such as the environmental and social impacts of business activities. The main goal is to ensure that business practices carried out by the company are sustainable and do not damage the environment and surrounding communities. (ditor.or.id)

The basic principles of sustainable accounting include transparency and accountability, materiality, integration with business decisions, long-term sustainability, stakeholder participation, and compliance with standards and regulations. Transparency and accountability require companies to provide sustainability information openly and

responsibly to stakeholders. The materiality principle focuses on aspects that have a significant impact on business and the environment. Integration with decisions means that sustainability must be part of the company's strategy and operations. Long-term sustainability ensures that companies do not only pursue short-term profits but also pay attention to social and environmental impacts. Stakeholder participation involves various related parties in sustainability decision making. Compliance to standards and regulations require company follow guidelines such as Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB). (repository.uniba.ac.id). By implementing this principle, companies can integrate aspect sustainability in practice their accounting, improving reputation business, and create mark term long for all stakeholders interest.

4 Sustainable accounting based on three main pillars known as the concept **Triple Bottom Line (TBL)**, ie economic, social and environmental. Pillars of the economy emphasize on achieving profit sustainable financial for the company, but with attention to impact term long to business. In this case, accounting sustainable not only records profit financial, but also evaluate how decisions economy companies can create broader added value, including benefit social and environmental. **Social** pillars related to responsibility answer company to welfare society, such as ensuring fair working conditions, has an impact positive for the community local, as well as notice employee and stakeholder welfare other interests. Companies that implement social pillars in accounting sustainable focus on development capacity human and contribution to welfare wider social. **Environmental** pillars covers effort company to reduce impact negative to nature, such as reduction emission carbon, waste management, and resource conservation nature. Sustainable accounting enables companies to measure and report how far they operate within the corridor environmental sustainability, with the aim of minimizing footsteps their ecological. These three pillars work in an integrated manner to ensure that companies not only optimize profit economy, but also contributes positive to society and the environment, so that create sustainability business in the long term long.

The three main pillars in accounting sustainable, namely economic, social and environmental, interdependent related and mutually supportive to create system more holistic and sustainable business. Implementation These three pillars in business help companies to not only measure performance through financial measures traditional, but also through his contribution to welfare social and environmental. For example, by paying attention to aspect social, companies can create stronger relationships with the community local and employees, which in turn can improve loyalty, productivity and image brand. Likewise with the approach environmentally friendly, which not only complies with regulation, but also opens up opportunity innovation and efficiency in operations, such as reducing cost energy or resource utilization a wiser nature.

Overall, accounting sustainable integrate these three pillars into every aspect decision business, starting from strategic planning to performance reporting. By implementing these principles, companies can face future challenges with more resilience, reducing risks associated with climate change or inequality social, as well as create mark term long term that benefits all parties. It also provides an opportunity for companies to differentiate themselves in an increasingly global marketplace. prioritize practice responsible business answer. Therefore, adopting accountancy Sustainable is not just about obligations social, but also about opportunities strategic for growth and sustainability company.

Medium Enterprises (SMEs) in Indonesia have a number of characteristics that distinguish it from big companies, both from structural, operational, and challenges faced. In general, SMEs in Indonesia tend to own scale smaller businesses, with limited number of employees and relatively little capital. low. Most SMEs operate in the sectors traditional such as trade, services, and manufacturing scale small, with a primary focus on the local market or regional. However, SMEs in Indonesia have high flexibility in adapting to market changes and quick in responding to consumer demand, making it important actors in the economy domestic.

However, SMEs also face challenge significant, such as limited access to financing, low level financial literacy, and dependence on resources limited human resources. In addition, many SMEs have not yet utilized technology optimally in operations their business, which limits their ability to compete in the global market. SMEs in Indonesia also often have difficulty in complying with formal regulations, including standard accounting and financial reporting, which makes them less visible to investors or financial institutions. Nevertheless, SMEs have great potential to grow, especially if given support in terms of training, market access, and ease of accessing resources financial and technology. With a better understanding of the importance of accountancy sustainable, SMEs can improve Power competition and its contribution to development a more inclusive and sustainable economy in Indonesia.

Implementation practice sustainability in SMEs in Indonesia faces various significant obstacles. One of the main obstacles is limited resources, both from aspect financial, technology, and Humans. Many SMEs do not have enough budget to invest in technology. environmentally friendly, employee training, or system accountancy sustainable that can help them measure impact social and environmental. In addition, the limitations knowledge and understanding of the concept sustainability is also becoming obstacle main, because Lots UKM owners who are still more focused on achieving profits term short without considering impact term long towards the environment and society.

Another obstacle is the lack of incentives from government or financial institutions to support SMEs in implementing practice sustainability. Although some initiatives funding green is introduced, access to the funding is still limited, and often beyond the reach of smaller SMEs. or be in the area remote. In addition, SMEs also often face challenges in understanding and complying regulations related to sustainability, because existing regulations Still tend to be more aimed at large companies. This can lead to the inability of SMEs to adapt to regulatory changes. or to take advantage of market opportunities that focus on sustainability. Without adequate support in terms of access to information, resources, and more SME -friendly regulations, the implementation of practice sustainability among SMEs will remain limited.

Theoretical Framework

Triple Bottom Line (TBL) theory is a concept developed to measure performance a company not only from aspect profit financial, but also from impact social and environmental impacts caused by activities business. Introduced by John Elkington in 1994, TBL carries three main pillars that must be considered in operations. company, namely **Profit**, **People**, and **Planet**. The first pillar, **Profit**, focuses on achieving sustainable economic benefits for the company. However, TBL emphasizes that these benefits should not be achieved at the expense of social and environmental interests. The second pillar, **People**, refers to the company's responsibility towards the welfare of society, whether in terms of fair working conditions, the social impact of the products or services provided, or contributions to local communities. The third pillar, **Planet**, relates to environmental sustainability, where companies must strive to minimize negative impacts on nature, such as reducing carbon emissions, managing waste, and conserving natural resources.

TBL encourages companies to see success not only in terms of profit figures, but also in terms of their contribution to social and environmental sustainability. This approach seeks to create more ethical and responsible businesses, with the aim of providing long-term benefits for all stakeholders, including society and the planet itself. Implementing TBL can help companies identify opportunities to innovate, improve their reputation, and attract consumers and investors who care about sustainability issues.

Legitimacy Theory in the context of sustainable accounting focuses on how companies strive to gain and maintain legitimacy or social recognition from stakeholders, especially related to sustainability. This legitimacy is very important for companies, because gaining good legitimacy can strengthen the company's position in the market and increase public trust, which in turn can have a positive impact on their long-term performance. In

implementing sustainable accounting, companies will strive to show that they operate in accordance with existing social norms and expectations, especially related to environmental, social, and governance (ESG) issues.

According to legitimacy theory, companies conduct sustainability reporting to convey to stakeholders that they have met generally accepted social and environmental standards. This practice not only includes disclosing the company's social and environmental impacts but also demonstrating their commitment to responsible business practices. By conducting open and transparent reporting, companies can strengthen their reputation and gain social legitimacy, which in turn can improve their relationships with investors, consumers, and even regulators. Furthermore, companies that are perceived as not complying with accepted social or environmental norms may face the risk of losing legitimacy, which can lead to negative consequences such as decreased sales, public protests, or decreased investment. Therefore, the implementation of sustainable accounting and transparent reporting becomes an important tool in maintaining the legitimacy of companies in the eyes of the public.

Stakeholder theory in the context of sustainability focuses on the importance of companies to consider and meet the needs and expectations of various parties who have an interest (stakeholders) in the company's activities and performance. These parties can include shareholders, employees, customers, suppliers, the surrounding community, the government, and even the environment itself. In this theory, companies are not only responsible to their shareholders or owners, but also to all stakeholders affected by the company's operations. Therefore, the sustainability of a company is not only measured in terms of financial profit, but also from how the company contributes to social and environmental welfare, and how the company maintains good relationships with its stakeholders.

In the context of sustainability, stakeholder theory emphasizes that companies must identify and understand the impact of each business decision on stakeholders, and strive to create mutually beneficial value for all parties involved. For example, companies that implement sustainability principles not only focus on reducing environmental impacts, but also on protecting employee rights, improving community welfare, and complying with applicable regulations. By involving stakeholders in decision-making and reporting sustainability performance transparently, companies can gain greater support and trust from various stakeholders. This will help create more harmonious relationships and reduce the risk of conflict that can harm the company's reputation and sustainability.

Empirical Research

A study on the implementation of sustainable accounting in Small and Medium Enterprises (SMEs) in Indonesia shows that although awareness of the importance of sustainable accounting practices is increasing, its implementation still faces various challenges. Research by Yuliati et al. (2019) revealed that many SMEs in Seganteng Village have not implemented accounting formally, and they face obstacles such as limited knowledge and resources in preparing financial reports that meet standards. (iansi.ugr.ac.id)

In addition, a study by Weli (2019) showed that the characteristics of SMEs that tend to be informal and have limited resources are obstacles to the implementation of effective accounting information systems. Many SMEs in East Jakarta do not yet have an adequate internal control system, which is at risk of financial inaccuracy and inefficient resource management. (openjournal.unpam.ac.id)

Furthermore, research by Prabandari (2023) highlights the importance of implementing green accounting as a strategy to support the sustainability of SME businesses. This finding does not only focus on the financial aspect, but also considers the environmental impact of business operations, which is in line with the objectives of the Sustainable Development Goals (SDGs). (ocs.polije.ac.id)

Overall, these studies show that despite the awareness of the importance of sustainable accounting, many SMEs in Indonesia still face challenges in its implementation. Limited knowledge, resources, and infrastructure are the main obstacles. Therefore, collaborative

efforts are needed between the government, academia, and the private sector to provide the necessary training, resources, and support for SMEs to effectively adopt sustainable accounting practices.

Further studies show that the implementation of sustainable accounting in SMEs can also provide long-term benefits despite the significant challenges faced. For example, research conducted by Ardhani and Soesilo (2021) revealed that several SMEs that began to integrate sustainability practices, such as reducing the use of environmentally damaging raw materials and implementing efficient energy systems, experienced significant reductions in operational costs. The implementation of sustainable accounting in SMEs not only improves environmental performance but also opens up opportunities to obtain funding from institutions that support green and social initiatives. With wider adoption of sustainability principles, SMEs can increase their competitiveness in a market that increasingly prioritizes social and environmental responsibility.

However, despite the potential benefits, a study by Widya et al. (2022) shows that most SMEs are still hampered by a lack of awareness of the long-term benefits of sustainable accounting and a lack of access to technology that supports efficient sustainability reporting. In addition, existing regulations are often more focused on large companies, which makes SMEs feel that they do not get enough attention or incentives to adopt this system. Therefore, this study recommends the importance of forming more inclusive policies and technical support for SMEs to help them implement sustainable accounting more effectively.

Several countries have demonstrated best practices in implementing sustainable accounting in SMEs that can serve as models for other countries. In the Netherlands, for example, there is the "MVO Prestatieladder" program that provides guidance and certification for SMEs that integrate sustainability principles into their operations. This program not only focuses on measuring social and environmental impacts, but also on increasing transparency and accountability of financial reports that include sustainability aspects. SMEs that successfully meet these criteria receive recognition that can increase their competitiveness in the market (TNP2K, 2019). In Japan, the practice of "Environmental Accounting" is applied to help SMEs measure the costs and benefits of environmentally friendly activities. This approach allows SMEs to identify areas of cost efficiency, which also has an impact on reducing their environmental footprint (Fujita & Seki, 2017). In the United States, the Global Reporting Initiative (GRI) standards are often used by SMEs to report their sustainability performance. Although these standards are more familiar to large companies, SMEs' adoption of GRI enables them to increase transparency and attract investors who care about social and environmental issues (Jenkins & Yakovleva, 2006). These best practices demonstrate that with the right policy support, training, and access to technology, SMEs can adopt sustainable accounting that supports long-term sustainability.

METHODS

In this study, the methodology used is the approach qualitative descriptive to analyze implementation accountancy sustainable development in Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. The approach qualitative chosen because it is possible to dig deeper understanding about practices, challenges, and benefits implementation accountancy sustainable in the SME sector. Data was collected through interview in-depth with SME owners, financial managers, as well as expert accounting and sustainability. In addition, case studies from several MSMEs that have implemented principles accountancy sustainable will also analyzed to describe implementation real in the field.

Data collection is also involved direct observation of practice operational and financial reporting management in selected SMEs involved in activities focused on sustainability social, economic, and environmental. The data analysis technique used is thematic analysis, where the data collected from interviews and observations will grouped into themes main related to the implementation accountancy sustainable, challenges faced,

and the impact generated. The results of this study are expected to provide a clear picture of the actual conditions. implementation accountancy sustainable development in Indonesian MSMEs and provide recommendations for improving awareness as well as implementation principle sustainability in this sector.

RESULTS AND DISCUSSION

Level of Adoption of Sustainable Accounting in SMEs

The adoption rate of sustainable accounting in Micro, Small, and Medium Enterprises (MSMEs) in Indonesia is still relatively low. Based on the 2022 National MSME Survey, only 17% of MSMEs utilize digital platforms to market their products, and only 10% use digital-based management information systems.

Factors that influence low level This adoption includes limited access to technique, low digital literacy, and lack of understanding about benefit accountancy sustainable. Research by Fauzan and Suratman (2023) shows that even though adoption Accounting Information Systems (AIS) among Indonesian MSMEs are increasingly increasing, still there is challenges such as lack of awareness will benefits of SIA, limitations of financial resources for investment technology, lack of skills technology in between owners and employees of MSMEs. (jurnal.umt.ac.id)

In addition, research by Yolanda et al. (2023) revealed adoption system modern accounting by MSMEs in the Bombana region, Sulawesi, is influenced by factors such as infrastructure technology and policy government. (journal-nusantara.id) To improve level adoption accountancy sustainable, necessary effort cooperative between government, institution education, and sectors private sector in providing training, resources, and support needed by MSMEs. This approach is expected to improve understanding and skills of MSMEs in implementing practice accountancy effective sustainability.

Adoption rate accountancy Sustainability in Indonesian SMEs is also influenced by factors external such as policies government and support from financial institutions. Based on research by Nugraha et al. (2021), although There are several policies that encourage MSMEs to pay more attention aspect sustainability, implementation the policy is not yet fully implemented effective in improving adoption accountancy sustainable. One of the main obstacles is the lack of understanding about sustainability reporting standards and their impact to performance business term length. In addition, the factor culture and customs traditional in business management in SMEs also becomes big challenge. Many SMEs focus more on basic financial records without considering aspect social and environmental in their reports.

Another study by Sari and Widodo (2022) found that although there is increasing awareness increasing about the importance of sustainability among SMEs, many of those who still consider accountancy sustainable as a complicated and expensive. Therefore, there needs to be a more intensive education and training program so that SMEs understand benefit term long from implementation accountancy sustainable, as well as importance integration sustainability in their financial reports to improve Power compete and attract more investors.

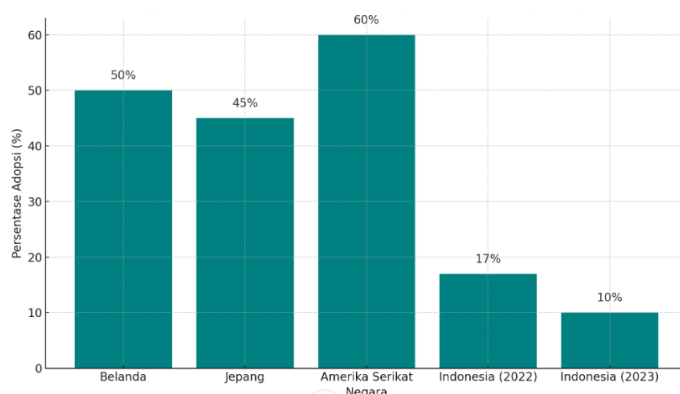


Figure 1 Level of Adoption of Sustainable Accounting in SMEs in Various Countries

Figure 1 illustrates level adoption accountancy sustainable in SMEs in several countries, including Indonesia. From the existing data, it can be seen that the adoption of accountancy sustainable in countries such as the Netherlands, Japan, and the United States is much higher compared to Indonesia. In the Netherlands and Japan, the level of adoption reached 50% and 45% respectively, while in the United States it reached 60%. On the other hand, the adoption rate adoption in Indonesia in 2022 was recorded at only around 17%, and even lower in 2023, at around 10%. This figure reflects challenges faced by SMEs in Indonesia in adopting accountancy sustainable, caused by factors such as limited knowledge, access to technology, and support policies that are not yet optimal. This shows the need greater efforts to improve understanding and application principle sustainability in Indonesia's SME sector.

To calculate the number of SMEs in Indonesia that adopt accountancy sustainable, we need to know **the total number of SMEs in Indonesia** and **the average percentage of SMEs that have adopted accountancy sustainable**.

Latest data (2024): The total number of SMEs in Indonesia is around **65 million**.

Based on data from various sources, the average percentage of SMEs that adopt accountancy sustainable is around **70%**.

Calculation :

Number of SMEs Adopting = $65,000,000 \times 70\% = 45,500,000$ SMEs { Number of SMEs Adopting } = $65,000,000 \times 70\% = 45,500,000$ { SMEs }

So, **around 45.5 million SMEs** in Indonesia have adopted sustainable accounting.

Based on the latest data, the number of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia will reach more than 65 million units in 2024. (indonesia.go.id]. However, the adoption of sustainable accounting among MSMEs is still a challenge. According to the Indonesian Employers Association (Apindo), around 69% of MSMEs in Indonesia do not know or do not understand the Sustainable Development Goals (SDGs), which are the foundation for sustainable economic practices. (antaranews.com)

Table 1 Adoption of Sustainable Accounting by SMEs in Indonesia

Region	Adoption Percentage
West Java	75%
Jakarta	85%
East Java	70%
North Sumatra	65%
South Sulawesi	60%
East Kalimantan	55%
Bali	80%

Table 1 shows **percentage of SMEs that have adopted accountancy sustainable** in various regions in Indonesia. Here are some important points:

1. **DKI Jakarta (85%)** own percentage highest, which may be related to higher consciousness will practice sustainability and access to training and technology.
2. **Bali (80%)** occupy second order, showing great commitment to sustainability, especially because tourist green which encourages SMEs to be more environmentally friendly.
3. **East Kalimantan (55%)** has the lowest percentage, likely due to the challenges of access to information and local policy support that are still developing.

Factor affecting Difference :

- **Awareness and Education** : Regions with centers big businesses like Jakarta and Bali tend to have more accounting related training sustainable.
- **Support Policy** : Policy government local that drives sustainability play a big role.
- **Technology Access** : More developed areas from aspect infrastructure own higher adoption.

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Inhibiting and Supporting Factors for the Implementation of Sustainable Accounting

The implementation of sustainable accounting in various organizations, especially in Micro, Small, and Medium Enterprises (MSMEs), faces several significant **inhibiting factors**. One of the main obstacles is the **low understanding and literacy of sustainable accounting** among business actors. Many business actors still consider traditional accounting practices sufficient, without realizing the long-term benefits of a more environmentally and socially friendly approach. In addition, **the lack of adequate technology and information system support**, especially in remote areas, makes the recording and reporting process difficult. **Implementation costs** are also often considered high, so business actors are hesitant to invest in new systems that support sustainability.

On the other hand, there are several **supporting factors** that encourage the adoption of sustainable accounting. **Increasing government support and regulations**, such as tax incentives and pro-sustainability policies, are the main drivers. **Pressure from the global market** also forces many businesses to adopt sustainable practices to remain competitive, especially for those engaged in the export sector. In addition, **increasing consumer awareness of environmentally friendly products** encourages business actors to adopt more socially and environmentally responsible business practices. **Digitalization and technological innovation**, such as cloud-based recording applications, also make it easier for business actors to carry out sustainable accounting at a more efficient cost.

One example of a case that reflects **the inhibiting factors** is in the **South Sulawesi region**, where many MSMEs in the agribusiness sector have not adopted this practice due to a **lack of accounting literacy** and **limited access to digital-based financial recording technology**. In addition, **the cost of implementing a new system** and **dependence on traditional methods** make them hesitant to switch. This causes the recording of the environmental impact of their business activities to be poorly documented.

However, there are also **examples of success** in **Bali**, where many MSMEs in the tourism sector have successfully adopted sustainable accounting practices thanks to **the support of local government regulations** and **high awareness of sustainable tourism**. Training programs and partnerships with international institutions have helped businesses record and report their environmental performance, such as waste management and renewable energy use. **Digitalization** through cloud-based accounting applications also makes it easier for them to adopt new systems at a lower cost.

In the sector agribusiness, implementation accountancy sustainable face significant challenges. One of the main **inhibiting factors** is **the low digital and accounting literacy of small business actors**, especially independent farmers and village cooperatives. Many of them still use manual recording methods, making it difficult to integrate data related to environmental impacts, such as water use and carbon emissions. In addition, **reliance on conventional technology** and **lack of access to environmentally friendly funding sources** slow down the transition to more sustainable practices.

However, the sector agribusiness also has **factor potential supporters**. **Government programs, such as Good Agricultural Practices (GAP) training and incentives** for

farmers who implement practice environmentally friendly, encouraging perpetrator efforts to start keeping better records on sustainability. **Partnerships with large companies and institutions international** also opens opportunities for farmers small to adopt based recording technology applications. For example, in **East Java**, cooperatives agriculture in collaboration with companies agritech has successfully implemented system tracking footsteps carbon of their products, increasing transparency, and attract more buyer from international markets concerned with practices sustainable.

Implications of Implementing Sustainable Accounting on SME Performance

The implementation of sustainable accounting has a significant positive impact on **SME performance**, both in terms of finance, operations, and business image. From a **financial performance perspective**, sustainable accounting helps SMEs manage resources more efficiently, such as reducing operational costs through monitoring energy consumption and waste management. This allows SMEs to increase long-term profitability. In addition, transparent reporting of environmental and social performance can **improve access to funding**, especially from investors or financial institutions that support environmentally friendly business practices.

From an **operational perspective**, the implementation of sustainable accounting encourages SMEs to improve the efficiency of production processes and adopt more innovative technologies. This not only reduces environmental impact but also increases business competitiveness in domestic and international markets. **The image and reputation of the business** also improve, because modern consumers tend to choose products from companies that care about social and environmental issues. For example, SMEs in the agribusiness and fashion sectors that have implemented carbon footprint tracking of their products are more likely to attract consumers in export markets that demand sustainability standards.

However, this implementation also has challenges, especially for SMEs that have limited human resources and technology. Therefore, support from the government, training, and collaboration with private institutions are very important to ensure that the implementation of sustainable accounting can run effectively and provide a positive impact on the overall performance of SMEs.

CONCLUSION

The implementation of sustainable accounting among SMEs in Indonesia is a strategic step in supporting more inclusive and environmentally friendly economic development. Although it offers significant benefits, such as operational efficiency, increased access to funding, and improved business image, its implementation still faces various challenges. Low literacy in sustainable accounting, limited technology, and minimal financial support are the main obstacles for SMEs in making the transition to more sustainable practices.

However, the potential for successful implementation of sustainable accounting is quite large, especially with increasing support from the government, digitalization of financial recording systems, and market awareness of the importance of socially and environmentally responsible business practices. Collaboration between the government, business actors, and private institutions is essential to ensure that SMEs can adopt sustainable accounting properly.

By encouraging wider implementation, it is hoped that SMEs in Indonesia will be able to increase their competitiveness in the global market and contribute more to achieving the Sustainable Development Goals (SDGs). Sustainable accounting is not just a trend, but a necessity for SMEs to survive and grow in a modern business ecosystem that is increasingly aware of sustainability.

Recommendations that can be given to improve the implementation of sustainable accounting in SMEs in Indonesia. First, the government and related institutions need to increase awareness and understanding of SMEs about the importance of sustainable accounting in improving business sustainability. Second, it is necessary to develop an accounting system that is in accordance with the needs of SMEs and can be integrated

with existing accounting systems. Third, training and mentoring are needed to improve the ability of SMEs in implementing sustainable accounting. Finally, further research is needed to develop a sustainable accounting model that is more in line with the needs of SMEs in Indonesia."

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