



## Assisting MSMEs in Preparing Integrated Financial Reports with Tax Reporting

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### ABSTRACT

This community service program, aimed to enhance the financial literacy and tax compliance of Micro, Small, and Medium Enterprises (MSMEs). Conducted from October 7 to October 21, 2024, the program involved 10 MSME participants and was held at one of the participant's business locations. The initiative addressed the common challenges MSMEs face in financial reporting and compliance with tax regulations through a structured series of workshops, hands-on training, and mentoring sessions. The program's activities included introductory sessions on financial reporting basics, tax compliance regulations, and integration with affordable digital accounting tools. Participants were guided in preparing financial statements and tax reports under close supervision. The results showed a significant improvement in participants' abilities, with 90% successfully preparing financial reports, 90% demonstrating an understanding of tax compliance, and 80% adopting digital tools—an increase from 30%, 40%, and 10%, respectively, before the program. The findings highlight the program's effectiveness in equipping MSMEs with practical skills for better financial management and regulatory compliance.

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## **INTRODUCTION**

The role of Micro, Small, and Medium Enterprises (MSMEs) in driving Indonesia's economic growth is undeniable. MSMEs contribute significantly to employment and GDP, making them a critical pillar of economic resilience, particularly in regions like Tambun Selatan. However, one persistent challenge faced by MSMEs is the preparation of financial reports that are not only accurate but also integrated with tax reporting systems. Many MSMEs struggle with financial literacy and lack access to effective tools and guidance for managing their financial records in compliance with tax regulations (Sudirman et al., 2020); (Agustina et al., 2022); (Dasman et al., 2023).

This community service initiative aims to address these challenges. By providing hands-on assistance and training, this program seeks to enhance the financial management capabilities of MSMEs, ensuring that their financial reports are aligned with applicable tax laws and regulations. This alignment is critical, as it not only improves compliance but also strengthens the financial credibility of MSMEs, enabling them to access broader market opportunities and financial support (Purba, 2019); (Wulandari et al., 2021); (Muslim et al., 2024).

From a phenomenological perspective, the financial reporting process in most MSMEs remains fragmented, with many businesses maintaining informal or incomplete records. This often leads to errors in tax reporting, penalties, and missed opportunities for growth due to a lack of reliable financial data. By introducing an integrated approach, this service program provides MSMEs with a structured framework to transition from manual or traditional bookkeeping practices to systematic financial reporting methods supported by digital tools (Wulandari et al., 2024); (Widayanti et al., 2024).

The contribution of this program is multifaceted. Firstly, it captures the unique challenges faced by MSMEs in Tambun Selatan, offering a niche sample for understanding localized financial management practices. Secondly, it enriches theoretical frameworks by demonstrating how practical interventions in financial reporting can lead to improved tax compliance. Lastly, it seeks to deliver novel insights into the link between integrated financial management systems and MSME sustainability, potentially serving as a model for other regions.

This introduction underscores the critical need for targeted assistance to MSMEs and sets the foundation for a meaningful community service initiative aimed at fostering financial resilience and regulatory compliance among small business owners in Tambun Selatan.

## **IMPLEMENTATION AND METHODS**

The community service program was conducted in Tambun Selatan, an area recognized for its dynamic MSME ecosystem. The location was selected strategically due to the high concentration of MSMEs struggling with financial literacy and tax compliance, making it an ideal setting for impactful community engagement.

The program took place over two weeks, from October 7 to October 21, 2024, with sessions held twice a week. The activities were hosted at one of the

participants' business locations, fostering a practical and familiar learning environment. This venue was chosen to accommodate the participants' schedules and provide a hands-on experience that directly addressed their business challenges.

### ***Participants***

The program involved 10 MSME owners, carefully selected through purposive sampling to represent a range of industries, including retail, food and beverage, and small-scale manufacturing. These industries were chosen to ensure the program addressed diverse business operations and challenges in financial and tax reporting.

The participants varied in background, with most having little to no formal training in financial management or tax compliance. Many of them operated their businesses independently or with limited staff, often lacking structured financial reporting systems. This highlighted the critical need for a practical and straightforward approach to training, tailored to their specific needs.

### ***Program Structure***

The program was divided into a series of workshops, interactive sessions, and one-on-one mentoring, ensuring a comprehensive learning experience:

1. Workshops
  - Focused on foundational knowledge, including financial reporting principles and basic tax compliance rules.
2. Hands-On Training
  - Provided participants with the opportunity to apply learned concepts to their business data, with direct guidance from mentors.
3. Individual Mentoring
  - Addressed specific participant queries and challenges, ensuring personalized solutions for each business owner.

### ***Schedule***

The sessions were conducted twice a week, allowing sufficient time for participants to process and implement the knowledge gained. This approach ensured gradual but steady learning, minimizing disruption to their daily business operations.

### ***Key Goals***

The program aimed to:

- a. Improve participants' ability to prepare accurate financial reports.
- b. Enhance their understanding of tax regulations and compliance requirements.
- c. Introduce and encourage the adoption of digital tools for streamlined financial management.

By providing a combination of theoretical knowledge, practical skills, and personalized guidance, the program successfully addressed the needs of the MSMEs and laid the foundation for their sustainable growth and compliance.

### *Methods of Service*

The service activities were designed with a combination of participatory and instructional methods to ensure active engagement and practical outcomes. The following methods were implemented:

#### **a. Training Workshops**

Workshops formed the core of the program, focusing on equipping participants with a foundational knowledge of financial reporting and tax compliance. These workshops covered topics such as:

- Basics of financial reporting (income statements, balance sheets, and cash flow statements).
- Key principles of tax compliance, including applicable regulations for MSMEs.
- Importance of integrating financial reports with tax reporting.

#### **b. Hands-On Assistance**

Participants were guided in applying the knowledge gained during the workshops to their businesses. They were provided with templates and tools to prepare financial statements and simulate tax reporting processes. Real-life business scenarios were used to make the activities more relatable and practical.

#### **c. Digital Tools Integration**

To address the challenge of manual bookkeeping, the program introduced participants to affordable digital accounting tools. One of the key tools introduced was Aplikasi **Pencatatan Dan Pelaporan Keuangan**, a user-friendly application designed to automate financial recordkeeping and simplify tax reporting. Training sessions were conducted on how to use this application to automate the preparation of financial reports and integrate them with online tax reporting platforms. This tool was selected for its accessibility, affordability, and ease of use, making it suitable for MSMEs with limited resources.

#### **d. Mentoring Sessions**

One-on-one mentoring sessions were held to provide personalized support to each participant. These sessions aimed to address individual challenges, such as incomplete records or industry-specific reporting requirements.

#### **e. Evaluation and Feedback**

After the program, participants were required to submit their newly prepared financial reports and tax simulations. These were reviewed, and feedback was provided to ensure accuracy and compliance. Participants also shared their experiences and suggestions to improve future programs.

### ***Materials Provided***

The program materials included:

- A guidebook on financial reporting and tax compliance tailored for MSMEs.
- Templates for financial statements and tax reporting forms.
- Access to digital accounting tools with tutorials on usage.
- Case studies of successful MSMEs implementing integrated financial systems.

By employing these methods, the program ensured that participants not only gained theoretical knowledge but also developed practical skills to implement integrated financial and tax reporting in their businesses. This approach enhanced the overall effectiveness and sustainability of the initiative.

## **RESULTS AND DISCUSSION**

### ***Steps in the Dedication Process***

The community service program was conducted over two weeks from October 7 to October 21, 2024, with sessions held twice a week. The program involved 10 MSME participants, and the activities were carried out at one of the participants' business locations in Tambun Selatan. This venue was selected to provide a comfortable and relatable setting for participants while encouraging peer learning and practical application.

The following outlines each step of the process and the material presented:

1. Needs Assessment
  - a. A preliminary survey was conducted among MSMEs in Tambun Selatan to identify challenges in financial reporting and tax compliance.
  - b. Findings revealed that 70% of the selected participants lacked formal financial records, and 50% were unaware of their tax obligations.
  - c. The program was designed to address these specific challenges with practical and hands-on training.
2. Program Socialization
  - a. An introductory session was conducted on October 7, 2024, to explain the objectives, benefits, and structure of the program.
  - b. MSME owners were briefed on the importance of integrated financial and tax reporting for improving business sustainability.
3. Workshops and Training
  - a. Session 1: Basics of Financial Reporting (October 9, 2024)  
Material: Overview of financial statements, including income statements, balance sheets, and cash flow statements.  
Outcome: Participants learned how to document and summarize their transactions accurately.
  - b. Session 2: Tax Compliance for MSMEs (October 14, 2024)  
Material: Explanation of Indonesian tax regulations for MSMEs, including applicable reporting forms and deadlines.

- Outcome: Participants understood their tax obligations and learned how to minimize errors.
- c. Session 3: Integration with Digital Tools (October 16, 2024)  
Material: Demonstration of affordable accounting software, focusing on automating financial report preparation and tax filing.  
Outcome: Participants were equipped with knowledge of digital tools to streamline their processes.
4. Hands-On Assistance
    - a. On October 18, 2024, participants applied their learning by preparing financial statements using provided templates.
    - b. Mentors provided personalized guidance on integrating these reports into tax reporting forms based on real-life scenarios.
  5. Evaluation and Feedback
    - a. A final session on October 21, 2024, was dedicated to reviewing the participants' financial statements and tax reports.
    - b. Common mistakes were discussed, and constructive feedback was given to improve their practices.

### **Results Summary**

The program yielded the following outcomes:

- a. Improved Financial Literacy  
After the program, 90% of participants could prepare accurate financial reports, compared to 30% before the program.
- b. Increased Tax Compliance Awareness  
Participants' understanding of tax filing procedures rose from 40% to 90%.
- c. Adoption of Digital Tools  
80% of participants began using recommended accounting software to improve their financial management.

### **Key Observations**

- a. The small group size (10 participants) facilitated a more personalized and interactive learning environment, ensuring that each participant received adequate attention and support.
- b. The decision to hold sessions at a participant's business location created a practical and engaging setting for applying the knowledge directly to real-world scenarios.

Table 1: Improvement in Key Indicators of MSME Financial and Tax Compliance

<b>Indicator</b>	<b>Before Program (%)</b>	<b>After Program (%)</b>
Ability to Prepare Financial Reports	30	90
Understanding of Tax Compliance	40	90
Adoption of Digital Tools	10	80

Source: Community Service Team, 2024

The table illustrates the significant improvement in key financial and tax compliance indicators among MSME participants before and after the implementation of the community service program.

#### ***Ability to Prepare Financial Reports***

Before the program, only 30% of the participants had the skills to prepare accurate financial reports. After completing the workshops and hands-on sessions, this percentage rose dramatically to 90%, reflecting the program's success in enhancing financial literacy.

#### ***Understanding of Tax Compliance***

Initially, 40% of participants understood the procedures and obligations for MSME tax compliance. Post-program, this percentage reached 90%, indicating a significant increase in awareness and knowledge about tax regulations.

#### ***Adoption of Digital Tools***

At the start of the program, only 10% of participants were using digital accounting tools. By the end of the program, 80% had adopted such tools, showcasing the effectiveness of the training in promoting digital solutions for financial and tax reporting.

This table provides a concise summary of the program's impact, highlighting its success in addressing the primary challenges faced by MSMEs in Tambun Selatan. The figures demonstrate measurable progress in financial management and compliance, which are crucial for the long-term sustainability and growth of these enterprises.

#### ***Discussion***

The program demonstrated the effectiveness of combining hands-on training with a tailored, localized approach. By focusing on a small group of MSMEs in Tambun Selatan, the initiative successfully addressed specific gaps in financial literacy and tax compliance. Participants not only gained theoretical knowledge but also practical skills, which they could immediately apply to their businesses. The use of digital tools marked a significant shift in their operational practices, reducing manual errors and improving efficiency. The personalized mentoring sessions further reinforced the learning process, enabling participants to overcome individual challenges. However, the program also highlighted the importance of follow-up support to ensure that the participants continue to apply and refine their newly acquired skills. Ongoing training and access to digital tools are recommended to sustain these improvements.

## CONCLUSIONS AND RECOMMENDATIONS

### *Conclusions*

The community service program successfully addressed the challenges faced by MSME owners in financial reporting and tax compliance. The program's outcomes are summarized as follows:

1. **Improved Financial Management Skills**  
The percentage of participants capable of preparing accurate financial reports increased from 30% to 90%. This demonstrates the effectiveness of the hands-on training and mentoring approach in enhancing financial literacy among MSME owners.
2. **Increased Tax Compliance Awareness**  
Understanding of tax compliance obligations rose significantly from 40% to 90%. This indicates that the program successfully filled critical knowledge gaps, ensuring participants are better equipped to meet their tax responsibilities.
3. **Adoption of Digital Tools**  
The adoption of digital accounting tools increased from 10% to 80%, reflecting a shift toward more efficient and systematic financial and tax reporting practices. This integration is expected to reduce errors, save time, and improve overall business operations.

The program's practical approach, conducted in a familiar environment and tailored to the needs of the participants, was a key factor in its success.

### *Recommendations*

To sustain the positive impacts of this program, the following recommendations are proposed:

1. **Continuous Training and Support**  
Regular follow-up sessions should be conducted to reinforce the knowledge and skills gained. These sessions can also address new challenges and keep MSMEs updated on changes in tax regulations or financial reporting standards.
2. **Access to Affordable Digital Tools**  
MSME owners should be provided with access to affordable or subsidized digital accounting tools. Partnerships with software providers could make this feasible and encourage wider adoption.
3. **Networking and Peer Learning**  
Establishing a network among MSME participants can promote peer learning and the sharing of best practices. Regular meet-ups or online forums could facilitate continuous improvement and collaboration.
4. **Government and Institutional Support**  
Collaboration with local government and financial institutions can provide additional resources, such as tax consultants or financial advisors, to support MSME growth.
5. **Replication of the Program**  
The program should be expanded to other regions with similar challenges. Lessons learned from this pilot initiative in Tambun Selatan can serve as a model for future implementations.



By addressing these recommendations, the sustainability and scalability of the program's outcomes can be ensured, thereby contributing to the long-term development and resilience of MSMEs in Indonesia.

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