

Practical Experience of Financial Management and Accounting in Indonesian Medium Enterprises: A Descriptive Study in Facing Economic Dynamics

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ABSTRACT

This study explores the subjective experiences of financial management and accounting practices among medium-sized enterprises in Indonesia amidst economic dynamics. Despite the significant role of medium-sized enterprises in Indonesia's economy, challenges in financial decision-making and accounting practices persist due to limited resources and volatile economic conditions. This study addresses the knowledge gap by examining how owners and managers perceive and navigate these challenges. Using a phenomenological approach, the research reveals that financial decision-making is often intuitive, influenced by personal experiences rather than structured data analysis. The study also finds inconsistent accounting practices, mainly manual, leading to reporting difficulties. Participants interpret financial prudence as essential for business sustainability, emphasizing cost efficiency and debt management. These findings provide practical insights for developing tailored financial strategies and contribute to theoretical understanding in financial management phenomenology. Future research could further explore the influence of cultural factors on financial decision-making in similar contexts.



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INTRODUCTION

Financial management and accounting practices are critical factors that influence the long-term success and stability of businesses (Munodawafa dkk., 2024). In particular, medium-sized enterprises (SMEs) play a significant role in the economic growth of many developing countries, including Indonesia. These businesses often face unique challenges in managing their finances effectively due to limited resources, insufficient access to professional financial advice, and a lack of formal accounting systems (Alkhalailah dkk., 2024). Despite their potential for growth and contribution to the economy, many SMEs struggle to implement proper financial management practices, which can hinder their ability to scale and thrive in competitive markets. This issue is particularly pressing in Indonesia, where SMEs make up a substantial portion of the business sector yet often lack the infrastructure and expertise to establish efficient financial systems.

Technological advancements, such as the increasing adoption of digital accounting software and financial management tools, offer potential solutions to these challenges. However, the transition to digital systems remains slow in many SMEs due to factors such as cost, lack of technical skills, and resistance to change. The integration of technology into accounting practices is often seen as a significant leap, requiring both technical knowledge and organizational willingness. While some businesses have made strides in automating their financial systems, many continue to rely on manual methods or outdated software, which can exacerbate issues related to financial reporting and decision-making.

Previous research on financial management in SMEs has primarily focused on identifying the technical aspects of accounting systems, such as software implementation, financial reporting practices, and the role of professional accountants (Mungai, 2021). However, less attention has been given to understanding the lived experiences of business owners and managers in relation to these practices.

Phenomenological research provides an opportunity to fill this gap by exploring the subjective experiences and perceptions of those who are directly involved in managing financial operations within their organizations. Understanding how these individuals interpret their challenges, make decisions, and navigate the complexities of financial management can provide deeper insights into the barriers and enablers of effective accounting practices in SMEs.

The aim of this study is to explore the personal and professional experiences of SME owners and managers in managing their financial operations and accounting practices. By focusing on the lived experiences of these individuals, this research seeks to uncover the underlying meanings and challenges they face, offering valuable insights into how financial practices are perceived, adopted, and implemented within the context of small and medium enterprises.

Research on the lived experiences of individuals within specific phenomena has emerged as a crucial area in understanding complex social and organizational issues. Particularly within the context of medium-sized enterprises (SMEs), exploring the personal and professional experiences of business owners and managers can offer invaluable insights into the challenges they face in financial management and accounting. Understanding these experiences is essential for capturing the nuanced ways in which SMEs navigate financial decision-making, implement accounting practices, and adapt to external and internal pressures. This type of research is particularly relevant for contexts where traditional, quantitative methods may overlook or fail to capture the depth of subjective experiences and the meanings that individuals attribute to their practices.

However, exploring deep, subjective experiences presents several methodological challenges. One of the key difficulties lies in the limitations of quantitative approaches, which primarily focus on measurable variables such as profitability, turnover, and operational efficiency. While such data provide useful insights into the overall performance of SMEs, they fail to address the underlying personal experiences, perceptions, and decision-making processes that drive these outcomes (Sreih dkk., 2019). Qualitative research, and phenomenology in particular, is better suited to uncover these hidden dimensions, as it allows for an in-depth examination of the participants' lived realities and the meanings they attach to their financial practices.

Despite its advantages, phenomenological research also faces challenges in data collection and analysis. The reliance on subjective accounts can introduce biases and variations in interpretation, making it difficult to generalize findings across a broader population. Additionally, the complexity of human experience often requires careful and systematic analysis to identify themes and meanings that are representative of the phenomenon as a whole. Given these challenges, traditional research methodologies often fall short in providing a comprehensive understanding of the essence of financial management practices in SMEs.

These methodological limitations highlight the need for research that goes beyond numerical analysis to capture the full spectrum of experience and meaning. Phenomenology, with its focus on the lived experiences of individuals, offers a powerful tool to address these gaps and deepen our understanding of how SME owners and managers perceive and engage with financial and accounting practices in their everyday lives.

In the context of financial management and accounting practices within medium-sized enterprises (SMEs), conventional approaches typically rely on practical, quantitative methods to analyze financial performance. These methods often focus on numerical data, such as cash flow, profit margins, and financial ratios, to assess the effectiveness of financial practices. While these approaches provide valuable insights into the operational aspects of SMEs, they fall short in capturing the deeper, subjective experiences of business owners and managers, which are critical for understanding the true challenges and nuances they face in their day-to-day financial decision-making.

The existing solutions, grounded in practical frameworks and quantitative data, tend to overlook the personal and emotional aspects of financial management, such as how decisions are made under pressure, the perceived barriers to implementing accounting systems, or the sense of satisfaction or frustration that accompanies financial success or failure. These gaps in understanding prevent a comprehensive view of the phenomenon, as they fail to account for the meanings that individuals

attribute to their practices, nor do they explore how these meanings influence their actions and decision-making processes.

Thus, a more holistic approach is needed to capture the essence of these experiences. Adopting a phenomenological method allows for a deeper exploration of the lived experiences of SME owners and managers, providing a richer understanding of how they navigate the complexities of financial management and accounting practices. Phenomenology offers the unique advantage of uncovering the underlying meanings and personal interpretations of financial practices, going beyond mere performance metrics to reveal how these individuals perceive, experience, and make sense of their financial roles within their businesses. By focusing on the subjective experiences of participants, this approach promises to generate more profound insights into the barriers, motivations, and strategies that shape financial decision-making in SMEs.

Research on financial management and accounting practices in medium-sized enterprises (SMEs) has primarily relied on quantitative methodologies to assess performance and efficiency. However, studies focusing on the lived experiences of business owners and managers in this context are limited. Some research has explored the challenges faced by SMEs in managing finances, often focusing on operational constraints and external economic factors. However, few have delved into the personal, subjective experiences that shape financial decision-making, such as the emotional and cognitive processes behind these decisions. Theories such as financial management theory and cognitive decision-making have guided much of the literature, but they do not fully capture the meaning-making process of individuals in real-world settings.

The proposed phenomenological approach offers a solution to this gap by focusing on the lived experiences of SMEs' financial managers and owners (Feng dkk., 2024). By utilizing phenomenology, this study aims to uncover the underlying meanings, perceptions, and emotions that influence financial practices within these organizations. This method allows for an in-depth exploration of how participants perceive and experience financial management and accounting within their unique business contexts, which are often shaped by personal values, cultural norms, and specific challenges. The phenomenological approach is chosen because it provides an avenue to explore the subjective world of individuals, uncovering the complexities of their lived realities, which traditional quantitative methods cannot capture.

The structure of this article follows a clear path to address the research questions and objectives. It begins with an introduction that outlines the phenomenon under study and the rationale for choosing a phenomenological methodology (Owen dkk., 2023). The subsequent sections provide a detailed explanation of the research context and the methodological approach, including data collection and analysis processes. The findings are presented through thematic analysis, followed by a discussion that ties the results to existing literature and offers insights into the implications for practice. Finally, the article concludes with key takeaways and suggestions for future research.

RESEARCH METHODS

Study Design

This study employed a phenomenological approach to explore the lived experiences of medium-sized enterprise (SME) owners and managers regarding their financial management and accounting practices (Dvorský dkk., 2023). Phenomenology is particularly suited for investigating subjective experiences and understanding the meaning participants attach to their lived realities. The goal of this approach is to capture and describe how individuals experience a particular phenomenon, focusing on the essence and meaning of these experiences rather than on numerical data or generalizations. In this study, a descriptive phenomenological approach was adopted to explore the participants' personal and professional experiences in managing finances and accounting practices, thereby providing a deep and nuanced understanding of the challenges and practices within SME financial management. This approach allows for an in-depth exploration of how participants interpret their roles and actions in the context of financial management and how these experiences influence their business practices.

Participants

The participants in this study were 20 individuals from medium-sized enterprises, including 10 business owners and 10 managers. These participants were selected using purposive sampling to ensure they had relevant experience in financial management within their respective companies. The inclusion criteria required participants to be actively involved in managing the financial operations of companies that had been in business for at least five years, with an annual turnover between IDR 5 billion and IDR 50 billion. Participants were also required to have experience of at least three years in their respective roles, ensuring a sufficient level of familiarity with financial management and accounting practices (Leung dkk., 2019). The exclusion criteria involved companies that lacked clear financial management systems or had experienced a financial crisis in the two years prior to the study.

Demographically, the sample consisted of 15 male participants and 5 female participants, with an average age of 42 years. The participants' professional backgrounds varied, with a mix of finance, marketing, and operations experience, but all had direct involvement in decision-making related to financial reporting and accounting practices within their organizations.

Data Collection

Data were collected through in-depth, semi-structured interviews and direct observations. The interviews were conducted face-to-face in a private and comfortable setting, ensuring a relaxed environment that facilitated open and honest communication (del Pilar López-Peña, 2020). The interview protocol was designed to explore the participants' experiences, perceptions, and challenges related to financial management and accounting. The interviews lasted between 45 to 90 minutes, depending on the depth of discussion. All interviews were audio-recorded with the consent of the participants and transcribed verbatim for analysis.

In addition to the interviews, observations were conducted at the participants' workplaces to gain insight into the real-time financial management processes and practices. These observations allowed for a more comprehensive understanding of the daily challenges faced by the businesses, particularly in relation to accounting methods, systems, and tools used by the staff.

Data Analysis

Data were analyzed using thematic analysis, which is a common method in phenomenological research for identifying and interpreting patterns within qualitative data (X. Yao dkk., 2024). The analysis involved a systematic process of transcribing interview data, coding the transcriptions, and organizing the codes into themes. Thematic analysis was used to identify key themes related to financial management practices, the challenges faced by the businesses, and the impact of these practices on the companies' growth and success. The analysis was guided by the principles of phenomenology, focusing on the lived experiences of the participants and the meaning they attributed to their experiences.

NVivo software was utilized to assist in organizing and managing the large volume of data, allowing for efficient coding and theme identification. However, the analysis remained fundamentally qualitative, with the software serving as a tool for organizing data rather than influencing the thematic outcomes.

Ethics

Ethical approval for this study was obtained from the relevant research ethics committee prior to data collection. Informed consent was acquired from all participants, who were fully briefed on the purpose of the study, the voluntary nature of their participation, and their right to confidentiality (Onken dkk., 2019). Participants were assured that their identities would remain anonymous and that all data would be handled with strict confidentiality. Written consent was obtained from each participant before conducting the interviews and observations. The study adhered to ethical guidelines for conducting research with human participants, in compliance with both international and local ethical standards for qualitative research.

RESULTS AND DISCUSSION

Lack of Adequate Knowledge in Financial Management and Accounting Practices

A recurring theme among the participants was the lack of in-depth understanding and experience in financial management and accounting practices, which significantly impacted their decision-making processes. Several participants, both owners and managers, expressed frustration over their inability to apply proper accounting systems due to limited knowledge and training. One participant, a company owner, stated: "I've always relied on external consultants to handle the accounting part because I don't have the expertise. This has caused delays, and sometimes I feel the information I get isn't entirely accurate." (Owner, Participant 5)

Another manager shared similar concerns, noting the challenge of managing finances with limited accounting skills: "We try our best to manage, but often we don't know if what we are doing is right. We use a manual system because we can't afford an automated one." (Manager, Participant 3) This theme highlights how the lack of formal financial management training and the reliance on external help or outdated manual methods often led to inefficiencies in managing company finances, increasing the risk of inaccuracies and delays in reporting.

Dependence on Manual and Outdated Systems

The second theme that emerged from the data was the widespread use of manual systems and outdated accounting practices, particularly in companies that had not yet adopted modern accounting software. This issue was observed during site visits, where staff in the finance departments were still using paper-based records or basic spreadsheets to track financial data. One of the managers explained the drawbacks of using manual methods: "It's hard to keep track of everything accurately. We write everything down manually, and when we need reports, it takes too long to compile them." (Manager, Participant 8)

Similarly, another owner commented on the challenges of using basic tools: "We don't have the capacity to implement a more sophisticated system. Our bookkeeping is still done by hand, and the reports are often delayed." (Owner, Participant 2) The reliance on these outdated methods not only slowed down the financial reporting process but also raised concerns about data accuracy and timeliness. This theme points to a critical gap in technological adoption and investment in digital tools for financial management, which could potentially enhance efficiency and accuracy.

Impact of Inefficient Financial Management on Business Growth

A significant theme that emerged from the interviews was the direct impact that inefficient financial management and accounting practices had on the growth and stability of the companies. Participants consistently reported that their inability to make informed financial decisions, due to inaccurate or delayed financial reports, hindered the company's ability to scale or invest in growth opportunities. One participant, a manager, elaborated on the negative effects: "When we don't have accurate financial data, we can't plan for expansion or new investments. It feels like we are constantly reacting to problems instead of planning for the future." (Manager, Participant 6)

Another owner also reflected on how poor financial management had limited their ability to grow: "Our growth is held back because we don't have a clear picture of where we stand financially. Without proper accounting, it's hard to take the right steps forward." (Owner, Participant 10) This theme underscores the broader consequences of neglecting proper financial practices, as the lack of reliable financial insights leads to reactive decision-making rather than strategic planning.

The findings from this study emphasize three critical aspects of financial management and accounting practices in medium-sized enterprises: a lack of sufficient knowledge among business owners and managers, a heavy reliance on manual and outdated accounting systems, and the direct impact of these challenges on business growth. The participants expressed a clear need for better financial education, more efficient systems, and improved decision-making tools to ensure the long-term success and growth of their businesses.

The findings of this study reveal that the experiences of medium-sized enterprise (SME) owners and managers in managing finances and accounting practices are deeply influenced by both subjective perceptions and contextual factors. The central theme that emerged from the data is that financial

decision-making is not solely based on objective financial data, but is shaped by personal experiences, cognitive biases, and emotional responses to business challenges. This study provides valuable insights into how business owners and managers interpret their financial practices and the challenges they face, contributing to a deeper understanding of the complexities involved in SME financial management.

The research answers the key question posed in the introduction regarding the subjective experiences of SME owners and managers in financial management (Z. Yao & Liu, 2023). By exploring how participants interpret their financial practices, this study highlights the significance of personal and emotional dimensions in financial decision-making processes. The participants' narratives revealed that the lack of a structured financial management system, combined with emotional factors such as fear of failure and the pressure to sustain the business, often led to ad hoc decision-making. These insights underscore the complexity of financial practices in SMEs, extending beyond mere technicalities to encompass a range of subjective experiences that impact financial health and decision-making.

These findings align with and expand upon existing literature on SME financial management. Previous research often focused on the technical aspects of financial management, such as cash flow analysis and budgeting, with less attention paid to the lived experiences of those involved in the process. While studies have acknowledged the role of emotional and cognitive factors in decision-making (e.g., Kahneman, 2011), this research adds depth by illustrating how these factors manifest in the context of financial management within SMEs (Ferraro dkk., 2023). It also supports the arguments made by authors like Grey (2017), who emphasized the importance of understanding the individual experiences of managers in shaping business practices. The study confirms that financial management in SMEs is not just a rational, numbers-based task, but a complex interplay of personal experiences, emotions, and external pressures, which often leads to decisions that are not fully aligned with ideal financial strategies.

The findings of this study have significant implications both in terms of theory and practice. From a theoretical perspective, this research contributes to a deeper understanding of the subjective factors influencing financial management decisions in SMEs. By emphasizing the emotional and cognitive dimensions of financial decision-making, the study challenges the conventional view that financial decisions are purely rational or based on objective data (Belas dkk., 2024). Practically, the results suggest that financial management practices in SMEs could benefit from a more holistic approach, one that incorporates not just technical skills but also an awareness of the emotional and personal factors that influence decisions. Given the emotional burdens faced by business owners, interventions such as emotional support and financial counseling could help mitigate cognitive biases and enhance decision-making in these businesses. Furthermore, the findings highlight the need for tailored financial literacy programs that take into account the subjective experiences and challenges of SME owners, ensuring that financial education is not only technical but also responsive to the lived experiences of entrepreneurs.

While this study provides valuable insights, it is not without its limitations. One of the main limitations is the relatively small sample size, consisting only of a select group of SME owners and managers. As a result, the findings may not be fully representative of all SMEs, particularly those in different industries or regions (Liu dkk., 2023). Additionally, the study relies on qualitative data collected through in-depth interviews, which, although rich in detail, may be influenced by the biases of both the interviewer and the participants. The subjective nature of the data collection also means that the findings are context-dependent and may not be easily generalized to larger populations. Lastly, the study's focus on the personal experiences of the participants may overlook other significant factors, such as market conditions or policy changes, which could also affect financial management decisions in SMEs. These limitations suggest that further research with a larger, more diverse sample and a broader set of variables would be beneficial.

The findings from this study open several avenues for future research (Suci dkk., 2024). One potential direction is to explore how financial decision-making in SMEs evolves over time, particularly in response to changing economic conditions or personal life events. Future studies could investigate whether the emotional and cognitive factors influencing financial decisions in SMEs are consistent across different industries or whether they vary by business type, such as family-owned versus non-

family-owned businesses. Another avenue for future research is the examination of interventions designed to address the emotional and subjective aspects of financial decision-making in SMEs. For instance, exploring the effectiveness of financial coaching or peer support networks in reducing the emotional burden on SME owners could provide valuable insights. Ultimately, future research could build on these findings to develop more comprehensive frameworks for understanding and improving financial management practices in SMEs, both at the individual and organizational levels.

CONCLUSION

This study explored the subjective experiences of SME owners in financial decision-making, addressing the gap in understanding how emotional and cognitive factors influence financial practices. The findings revealed that financial decisions are deeply intertwined with personal emotions, cognitive biases, and social pressures, which have not been fully considered in prior research. By examining these factors, the study contributes a more holistic understanding of SME financial management, highlighting the importance of emotional and psychological elements in decision-making. These insights offer a valuable perspective for enhancing financial education and support systems for SMEs, ensuring they are more attuned to the personal and emotional challenges business owners face. Although the study's scope is limited, it lays the groundwork for future research, particularly in exploring interventions to support emotional aspects of decision-making. Future studies could expand on these findings by investigating how different industries or business types may experience financial decision-making differently, or how specific interventions could address the emotional needs of SME owners.

CONFLICT OF INTEREST

The authors declare that there is no conflict of interest.

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