

## MSMEs Upgrade with The Concept of Green Accounting and Digitalization (Study Literature Review)

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### ABSTRACT

MSME is one of the products belonging to the small and environmentally friendly industrial sector. The concept of MSMEs related to green accounting and digitization is still not optimal, so this can be used as research. The purpose of this research is to see how the concept of green accounting and digitization of accounting for MSMEs is developing. To show macro and micro perspectives on green accounting, an issue related to the environment and ecological science, and the sustainable management of natural ecosystems. This research method was carried out using the study literature review method. The population used is 1,603 units of the MSME sector in the city of Medan. The results of this study state that SMEs will be able to upgrade to a high level by applying digitalization to their market place and the concept of green accounting which can provide income for the environment and MSMEs.

### Keywords

*green accounting; digital accounting; MSMEs*

### INTRODUCTION

According to government regulations No. 7 of 2021 concerning Ease, Protection and Empowerment of Cooperatives and Micro, Small and Medium Enterprises, MSMEs have the right to improve their economic sector (Government Regulation, 2021). Macroeconomic stability and a strong financial system need to be supported to achieve stable and long-term economic growth. Empowerment of the real sector, especially the growth of Micro, Small and Medium Enterprises (MSMEs) which make a significant contribution to Indonesia's economic expansion, is needed to support these efforts. It is difficult to compete in today's global market because MSME products must compete with products from other countries. To compete effectively, access and financial services for MSMEs must be expanded immediately because banks and other financial institutions still lack adequate information about the potential of MSMEs, including their business continuity, making it impossible for MSMEs to develop (Riana et al., 2014). In addition, MSMEs must provide adequate financial reporting information to increase MSME loans, regardless of whether they are connected to banks or other financial institutions.

Meanwhile, MSMEs only have a limited amount of information about bank products and services that suit their business development needs (Marlina & Rahmat, 2018). Information about procedures and requirements that must be met to obtain financing is also needed. We provide information media in the form of Minisite Info for MSMEs to fill this information gap. This information media can support MSMEs receiving financing from banks or other financial institutions as well as expanding MSME market access. We offer a variety of information such as profiles of MSMEs that are eligible to be financed, patterns of leading commodity financing, business models for MSME development, applications for recording MSME financial information, profiles of MSME that are eligible to be financed by banks, data on MSME development in Indonesia, MSME loan developments, and so on. Businesses can significantly reduce or eliminate many environmental costs by adopting clean manufacturing practices or investing in green technology processes or products (Cucchiella et al., 2017). Green accounting is considered as an important management system

that contributes to the activation and improvement of business economics and environmental performance. Green accounting is a type of accounting that incorporates environmental factors into an organization's financial results. A multidisciplinary understanding of behavior, engineering, sociology and even biology is necessary for green accounting (De Beer & Friend, 2006).

Environmental cost accounting is a basic principle of green accounting. Recording and measuring system environmental activities and impacts to reduce them is the goal of green accounting. The most important role of green accounting is to address social and environmental issues that can impact the achievement of sustainable development (Chen et al., 2014). In the field of human-related environmental accounting, environmental management and environmental policy making, green accounting is also a new concept and idea.

Green accounting and how to cut costs as a way to get a better insider view of any economic entity. It is also an instrument to provide basic data to independent directors, encourage ideal dual asset transactions, and protect and guard against climate hazards. The substance of the article includes: Perspectives on environmental stewardship: macro and micro views on the development of green accounting Several perspectives on how green accounting can be measured: Measuring environmental costs, costs based on the product life cycle, and costs using the ABC method Determining the factors that influence the use of green accounting in MSMEs in the city of Medan and digitizing their accounting.

The development of digital technology has accelerated, especially since the Covid-19 pandemic. This also encourages people's behavior to shop online. Not surprisingly, electronic trading platforms are selling well as the people's choice for shopping and transactions (Vasda, 2022). The Governor of Bank Indonesia, Perry Warjiyo, said that electronic trading platform transactions compared to February last year grew by around 12% to Rp 30.8 trillion. This transition certainly encourages Bank Indonesia to develop the MSME digitalization program. The acceleration of MSME digitalization is carried out in order to expand market access and increase competitiveness. The hope is to encourage stronger MSMEs. Through the 3 Pillars of BI's MSME Development Program, namely increasing production capacity, cost efficiency, and market expansion. One of the program implementations of the three pillars of MSME development is through the UMKM Digitalization Program.

The digitization of MSMEs is a step for BI in accelerating the development of digital MSMEs amidst the rapid development of digital technology. The UMKM Digitalization Program includes e-Farming by utilizing digital technology in agriculture to increase production capacity and cost efficiency (Sunaryono et al., 2022). e-Commerce includes strengthening capacity in digital marketing and marketing MSMEs to global markets through digital platforms (Handayani & Soeparan, 2022). Supporting e-financing in the form of digital applications for SMEs (SI APIK). Also, digital payment facilities to facilitate MSME transactions (QRIS UMKM).

This article presents macro and micro perspectives on green accounting, an issue related to the environment and ecological science, and the sustainable management of natural ecosystems. This article also aims to find solutions to the problem of rational use of resources by outlining green accounting measures and approaches, such as measuring costs by product life cycle, measuring costs using the ABC method, and measuring costs in the environment. This article also measures and identifies the factors that influence the use of green accounting in business, showing that the use of green accounting influences sustainable development in business.

## **METHODS**

The type of exploration used by experts is Quantitative. Quantitative research is the study of data that is analyzed through the use of statistical methods and is represented by numbers as symbols of events (Creswell & Creswell, 2017). Secondary data in the form of recording the company's financial statements related to this research are used in this study. Sampling in this study used purposive sampling, with data selected based on a set of criteria related to the research objectives. Part of the population that can be used as the object of research is known as the sample. Data analysis is the process of systematically searching for and compiling data from interviews, field notes, and other sources so that the findings can be communicated to others and the data can be easily understood (Wijaya, 2018).

## **RESULTS**

### **Green Accounting**

Companies use green accounting to identify macroeconomic indicators. occur more slowly, a more advanced accounting system must be used to collect superior data on the domestic economy and the global economy. Even though the standard is still used, understanding is difficult, making it difficult for individuals to understand its contents. As a result of this profession, a person must use his physique to determine whether or not he is able to maintain his current needs because there is a generational credit that will be used to maintain their needs. To implement green accounting, the company's accounting system must be restructured and innovated, as well as the composition, materials and natural resources, cost, environment and impact of business activities related to the natural environment (Yasrawan & Werastuti, 2022).

World Shows for all capital—man-made, natural, and man-made—the ratio of shares at the end of the period to the ratio at the beginning," as stated above. We conducted several observations in several supervisory firms to facilitate the adoption of green accounting and found that as part of a green accounting system, more than one type of measurement will be used, as it will be used to collect and analyze data from multiple sources, including multiple criteria (Harrison, 1989).

In addition, a comprehensive and comprehensive employee performance criteria evaluation system should be used in conjunction with green accounting accounts. In order to reduce costs and improve the quality of life of the average person, an audit must be carried out using economic technology. The use of the green model should focus on the use of various indicators (Bernard, 1990; House, 1990; Kuik & Verbruggen, 2012). Many environmental quality indicators were proposed in the 1970s by the Environmental Quality Council (1981), and more recently by the World Assets Establishment (1992) that green accountants should also use product life cycle assessment tools to measure how business activities affect the environment, promoting cleaner production by evaluate total costs, and combine traditional accounting with environmental financial disclosures for companies (Cairns, 2001). Green accounting systems need to be dynamic and adaptable, and they need to be structured in a way that allows organizations to keep up with new indicators and information from society and the environment. A special conceptual model of the relationship between the economy and the environment must be connected to a green accounting system. It was necessary to construct the database in a way that made it accessible to various delivery models, particularly the environment model.

In addition, it is important to concentrate on articulating and integrating the conceptual framework in each area that poses multiple threats to sustainability, such as agriculture, forestry, fisheries, climate, species diversity, air, water, and soil quality, etc., when developing an accounting system green. In this kind of business, developing a green accounting system requires the help of specialists in each field. In their field, experts can identify the main conceptual framework and normative assumptions. In horticulture, for example, supportive associations of family breeders, natural breeders (large and small), business breeders, hereditary architects, and purchasers, who have been in the agribusiness field are needed. Individuals may be asked to describe how they evaluate soil degradation and quality, considering short-term and long-term threats to sustainability. Green accounting requirements include expanding corporate social responsibility, producing with environmental protection in mind, internalizing external production costs, redesigning product manufacturing and packaging processes, reducing wastage of resources, and implementing 3R (Reduce, Recycle, Reuse) policies (Stanojevic et al., 2010). Green design is the only solution that can be found for every aspect of green accounting. Product manufacturing process reorganization, also known as green design, is the process of designing products to meet profit and environmental objectives at the same time.

### **Digitalization of Accounting**

Many business operations are now carried out digitally as a result of the rapid development of information technology today. Digitization can be understood as the process of moving from analog to digital form (Anggraeni, 2019). The process of converting various information from an analog format to a digital format so that it is easy to produce, store, manage, and distribute back to information users for a certain period of time. various purposes and as a basis for decision making is one example of digitalization. Digitization of information is another example of digitization. Digitizing documents is the process of converting printed

documents into electronic documents; this step is no longer necessary if electronic documents have become standard in the organization's documentation process.

The general goal of digitalization is to reduce costs and improve operational processes of companies, such as the use of information systems that reduce employee usage and reduce errors by automating business processes and storing report data digitally (Pratami, 2022). This means that less paper is used for reporting, which reduces the need for paper. Organizations benefit from implementing information systems to manage internal and external tasks in day-to-day operations and make long-term decisions.

An information system is a system within an organization that combines the needs of daily transaction processing with the organization's strategic activities to complete reports required by external parties in order to support the operational functions of a managerial organization (Aprilianti, 2021). Financial accounting is a subfield of accounting that focuses on tracking company-specific economic transactions and producing output in the form of financial reports.

## DISCUSSION

The results show that the independent variables STRATE (Business strategy), CHAIN (Supply chain characteristics), and CHARAC (Business characteristics) have an impact on GA. The independent variables DOCU (Legal regulatory system), ACCOU (Enterprise accounting system) have no effect on GA. Likewise the variables CHAIN, ACCOU, CHARAC, GA have an impact on the dependent variable SUS (sustainability of business). The independent variables DOCU, STRATE do not affect SUS. The independent variable STRATE had the strongest impact on GA, and ACCOU and DOCU had no impact. The intermediate variable GA has the strongest effect on SUS. DOCU and STRATE have no impact. This proves that the implementation of green accounting is determined by the company's strategy. Business characteristics, as well as supply chain characteristics also influence the adoption of green accounting. This is a valid reason because the application of green accounting is not only decided by business managers, but also by the cooperation of stakeholders in the supply chain and the specificity of production technology and human resource qualifications. The next important thing is green accounting, which in turn has a positive influence on the level of sustainable business development. In addition to the characteristics of the supply chain, business, accounting systems also affect sustainable business development. which in turn has a positive influence on the level of sustainable business development. In addition to the characteristics of the supply chain, business, accounting systems also affect sustainable business development. which in turn has a positive influence on the level of sustainable business development. In addition to the characteristics of the supply chain, business, accounting systems also affect sustainable business development.

The synthesis of previous research also shows that green accounting is an issue related to environmental and ecological sciences, sustainable management of natural ecosystems, is a new idea and concept in the field of environmental science. Solving the problem of rational use of resources, providing measurement and approach methods is the main content of green accounting. Green accounting and its impact on cost reduction as a tool to improve the internal view of any economic entity. It is also a tool that provides important information for decision making, which leads to optimal exploitation of resources, protection and prevention of threats from the environment.

## CONCLUSION

The results of previous research also show that green accounting is an issue related to environmental science and ecology, sustainable management of natural ecosystems, is a new idea and concept in the field of environmental science. Solving the problem of rational use of resources, providing measurement and approach methods is the main content of green accounting. Green accounting and its impact on cost reduction as a tool to improve the internal view of any economic entity. It is also a tool that provides important information for decision making, which leads to optimal exploitation of resources, protection and prevention of threats from the environment. Moreover companies should apply green accounting as costs incurred to advance the surrounding environment and also the company and green accounting application must be encouraged by the government so that the application of green accounting can be implemented.

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