

Digital Transformation of Service Business SME Financial Report

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ABSTRACT

Aim from this study to determine the Digital Transformation of Financial Statements of SMEs in the trading service business in Malang with the accompanying elements. The method used is a qualitative approach, using field research. The research instrument was carried out by the researcher himself with the process of listening, observing, interviewing business actors, and taking data according to the research topic. The results show that the digital transformation of SME Financial Reports from manual to digital carried out by this company is very good by using software with financial accounting standards and the elements in the financial statements meet the standards. In conclusion, the implications of the study show that digital recording makes it easier for users (companies) to find out the current condition of their company. The weakness of this study is that financial software features such as financial ratios and cash flow statements do not yet exist, this is useful for analyzing finances as an assessment of company performance and seeing the company's future. This weakness can be developed for further researchers to explore more deeply and can be used as community service to introduce the importance of financial ratio analysis and corporate cash flow for SMEs.

Keywords: *Digital Transformation, Software, Financial Reports, Trading Business, SME*

1. INTRODUCTION

The condition of SMEs that are already digital and connected to a new platform is about 13% of the 63 million micro businesses, only 8 million SMEs are connected to the digital platform. SME Cooperatives that previously supplied to wholesalers, wholesalers or distributors have now switched to digital platforms and sent consumers directly, as stated by Mr. Ir. Eddy Satrya, MA as deputy for Business Restructuring of the Ministry of Cooperatives and SMEs in the October 2020 edition of the e-bulletin interview "Digital Transformation for SMEs".[1]

Digital transformation is not only on the marketing and supply chain side, it is also needed on the financial side. For SMEs to record financial statements which include administrative and accounting records, it is still very rarely done because of the constraints of knowledge about accounting and the complexity of the recording system from sales, purchases, debts, receivables as

conveyed by SMEs in Malang when interviewing researchers. There are a small number of SMEs who are willing and aware of the need for a digital transformation of financial statements for their companies, as stated by the owner "SHERIN BAN" who is engaged in the trading business of car and tire parts as well as car repair services in Bululawang Malang said:

"I am very concerned about computerized financial records, this will make it easier for me to analyze my company's financial position, whether I make a profit or loss and how much assets I have, even though I am a small trader".

It is still rare for research that focuses on the transformation of digitalization of SME financial reports. There are several studies and services on the topic of SME digital transformation towards financial management based on Android digital technology, which does not discuss in detail the applications used in SMEs.

The implementation of community service for SME and Cooperative business actors is carried out on the synergy of academics (in this case carried out by the Postgraduate. School of Accounting, Pancasila University, Faculty of Economics and Business, Pancasila University and the Faculty of Tourism, Pancasila University) in collaboration with the Office of Cooperatives and SMEs in Bogor Regency. , including training, mentoring, and research on financial management and presentation of business results based on PSAK ETAP based on Android digital technology. [2]

Digital transformation is the implementation of digital technology to improve services in a business through changing services from manual processes to digital processes or replacing old technology with new ones. Digital solutions aim to achieve efficient automation and new innovation and creativity. Digital transformation requires organizations to change in a more professional way.[2]

This study presents software that is recommended in the features of recording sales, purchases, required reports and accounting records properly and neatly according to the request of business owners according to Indonesian Accounting Standards. The implication of the research shows that computerized recording / digitization makes it easier for the user (company) to know the current condition of the company. The conveniences contained in the accounting software features make it easier for operators or employees to enter existing transactions, and make work easier and more comfortable without being complicated. Further researchers can explore the elements of financial statements as indicators of further research variables to be developed with International Accounting Standards.

The motivation of this researcher is to present the transformation of digitalization of financial statements for SMEs, what elements are contained in financial reports and what form of digitalization transformation of financial reports is used, as the object of research are SMEs in the car and tire parts trading business and car repair services "SHERIN BAN" in Bululawang Poor. This is also a problem that arises in this company to be resolved;

1. What are the elements in the financial statements of SMEs?
2. How is the transformation of the digitization of SME financial reports?

2. LITERATURE REVIEW

2.1. Transformation

Transformation is a process of change gradually so that it reaches the ultimate stage, changes made by responding to the influence of external and internal elements that will direct changes from previously known forms through the process of duplicating repeatedly or multiplying. The transformation process is a change that occurs slowly or little by little, it is unpredictable when it starts and how long the process will end depending on the factors that influence it, is comprehensive and continuous and the changes that occur have a close relationship with the emotional (value system) exist in society. The transformation process contains the dimensions of time and the socio-cultural changes of the people who occupy it that arise through a long process that is always related to the activities that occur at that time. Thus, transformation is a change that occurs from a previous state to a completely new state. These changes are due to changing community conditions, changes can occur from internal factors such as people's mindsets and external factors such as the environment. Thus, people who have experienced a different mindset, the way they look at things will also be different. These changes are due to changing community conditions, changes can occur from internal factors such as people's mindsets and external factors such as the environment. Thus, people who have experienced a different mindset, the way they look at things will also be different. These changes are due to changing community conditions, changes can occur from internal factors such as people's mindsets and external factors such as the environment. Thus, people who have experienced a different mindset, the way they look at things will also be different.[3]

2.2. Digital

Digital technology is an information technology that prioritizes activities carried out by computer/digital rather than using human power. But it tends to be more automated and sophisticated operating systems with a computerized system/format that can be read by a computer. Digital technology is basically just a very fast computing system that processes all forms of information as numerical values. The development of this technology brings changes in the quality and efficiency of the data capacity that is created and

transmitted better and the capacity becomes more efficient and the delivery process is faster. Digital technology will continue to evolve. In the future, the development of this technology is influenced by three things, namely digital transition, network convergence, and digital infrastructure. Network convergence is the efficiency and effectiveness of communication networks that can be used such as telephone, video and communication both at home and in companies. The higher the need for network convergence, the technology will change towards this need.

The era of transition or technology transfer from previous technology to digital technology both from the producer and consumer side has switched to choosing a simpler technology, namely digital technology. Specifically for network convergence, it will refer to lifestyle tendencies, namely time at home that focuses on family and busy travel which is a combination of work and play. In addition, busyness in the office between work and entertainment needs. With this trend, digital product manufacturers will direct their business opportunities there. Products and technology will follow the development of people's lifestyles with technology in the digital era. Manufacturers of digital products must be able to provide comprehensive solutions in the era of network convergence.[4]

2.3. Digital Transformation

Digital transformation or digital transformation is a change in the way a job is handled by using information technology to gain efficiency and effectiveness. Some fields that have carried out this transformation such as education with e-learning, business with e-business, banking with e-banking, government with e-government and many others, the point is to increase the efficiency and effectiveness of work and supporting files by using databases. Paperless is the main goal, all transaction evidence in the form of documents has been replaced with a database so that it is more simple, flexible and can be accessed at any time. This change brings positive and negative impacts for every individual and company related to the business process. In a business with digital transformation, it makes it easy for customers to order products or place orders about various other things easily and cheaply. No longer do all have to transact directly, but online this

transaction can be done using various information technology media, ranging from ordering, payment, confirmation to the process of checking the delivery of goods, all done digitally. The effect continues to the price of the product which will be cheaper, this is because the marketing and administration process does not require large costs. Finally, those who do business traditionally will reap the losses due to the shift of customers to digital transactions that are easy, cheap, fast, and efficient. provide convenience for customers to order products or place orders about various other things easily and cheaply. No longer do all have to transact directly, but online this transaction can be done using various information technology media, ranging from ordering, payment, confirmation to the process of checking the delivery of goods, all done digitally. The effect continues to the price of the product which will be cheaper, this is because the marketing and administration process does not require large costs. Finally, those who do business traditionally will reap the losses due to the shift of customers to digital transactions that are easy, cheap, fast, and efficient. provide convenience for customers to order products or place orders about various other things easily and cheaply. No longer do all have to transact directly, but online this transaction can be done using various information technology media, ranging from ordering, payment, confirmation to the process of checking the delivery of goods, all done digitally. The effect continues to the price of the product which will be cheaper, this is because the marketing and administration process does not require large costs. Finally, those who do business traditionally will reap the losses due to the shift of customers to digital transactions that are easy, cheap, fast, and efficient. No longer do all have to transact directly, but online this transaction can be done using various information technology media, ranging from ordering, payment, confirmation to the process of checking the delivery of goods, all done digitally. The effect continues to the price of the product which will be cheaper, this is because the marketing and administration process does not require large costs. Finally, those who do business traditionally will reap the losses due to the shift of customers to digital transactions that are easy, cheap, fast, and efficient. No longer do all have to transact directly, but online this transaction can be done using various information technology media, ranging from ordering, payment, confirmation to the process of

checking the delivery of goods, all done digitally. The effect continues to the price of the product which will be cheaper, this is because the marketing and administration process does not require large costs. Finally, those who do business traditionally will reap the losses due to the shift of customers to digital transactions that are easy, cheap, fast, and efficient. [5]

2.4. Financial Statements

Financial statements are information records of a company in the accounting period that describe the company's performance. Financial statements are useful for bankers, creditors, owners and interested parties in analyzing and interpreting the financial performance and condition of the company (Indonesian Accounting Association, 2009). Financial statements are the result of the accounting process that provides financial information of a company that is useful for interested parties in making economic decisions. Financial Statements consist of five types, namely Profit/Loss Statements, Balance Sheet, Changes in Capital, Cash Flows, and Notes to Financial Statements.

In meeting its objectives, financial statements also show management's accountability for the resources entrusted to it. [6] The purpose of financial statements in general according to provide information to parties in need about the condition of a company from the point of view of numbers in monetary units. 2) Provide information that is useful to business and economic decision makers by existing and professional investors, creditors, management, governments and other users. 3) Provide information regarding the financial position, performance and changes in financial position of an enterprise that is useful for a large number of users in making economic decisions. 4) Provide information about financial position, performance of changes in equity, cash flow and other information.

2.5. Financial Report Digital Transformation

Recording of financial statements using computerized digitalization is assisted by cashier accounting software. Software has grown into a tool to help improve work efficiency and minimize human errors. Software in the accounting field is also designed to be able to detect data anomalies so that they can be traced further and users can avoid bigger problems in the future. The software used is

software that is really of good quality and in accordance with the conditions of the company. With good software various types of tasks can be performed automatically. This automation system has been adopted by various parties. The existence of this system will increase work effectiveness and reduce costs.[7]

2.6. SMEs

Micro, Small and Medium Enterprises (SMEs) are business activities that develop in the community that can provide new jobs, provide economic services more closely and widely to the community, are able to provide economic services more closely and widely to the community, are able to provide a role in improving and equitable distribution of community income, as well as encouraging economic growth, which in turn plays a role in national stability[8].

SMEs have a strategic role in the domestic economy, as reflected in the number of business units that absorb a large number of workers, and their large contribution to GDP. SMEs also have high resilience in the face of various previous crises, even though the current Covid-19 crisis is placing enormous pressure. The high resilience of SMEs has been acting as a cushion for the economy because of its ability to withstand periods of stress and be able to grow back faster[9].

2.7. Trading Business

Trading business can be defined as the activity of buying and selling goods and services and aims to seek profit, including carrying out activities as an intermediary for these buying and selling activities. There are many kinds of trading business that can be done. Starting from a small scale with small capital to large scale with large capital. Depending on the type of merchandise and the target to be achieved. All these types of businesses have the opportunity to make a profit. The following are examples of various trading businesses based on their scale or reach.

A. Retailer

Becoming a retailer can be in the form of small or large scale. Can be started as a retailer for goods that are in stalls or grocery stores. If there is sufficient capital, the business can develop by becoming a retailer of goods for minimarkets, supermarkets, online businesses, to work in the form of direct selling.

B. Agent

The trading business of selling agents is still above the retailer's capacity. This business has a wider network. To pursue this business, you can sell goods to many areas on a larger scale. Even by becoming an agent, you can mobilize small agents or a team of retailers to develop a wider sales business both online and offline.

Dropshipping

The concept of dropshipping is quite different from the various existing trading businesses. This business can be done with small capital or even without capital. In this business, act as a marketing agent. Armed with a catalog, market goods and invite potential buyers to buy goods. Prospective consumers decide the goods to be purchased, then order the goods to the producer. The producer will send the goods to various agents who have collaborated with the producer to serve dropshippers or consumers to serve and pick up goods. Dropshipping can be done easily through online and offline systems.

Export Import

The import-export trading business also has a system that is also different from other trading businesses. In this import-export business, it has an extensive network to foreign countries and the transaction process is also carried out across countries. Working in this type of import-export business does not need to be related to the production process because its main task is to find foreign buyers to buy domestic products. In contrast to imports, what needs to be done is to find domestic buyers to buy products from abroad.

C. Distributor

If you have large capital and intend to have a trading business with a larger scale and capacity, then choose to do business in a large goods distribution business. Large goods distribution business allows you to have a wider network and business circle. Even some business actors who have this type of business already have several kinds of trademarks. If the business of distributing goods on a large scale is successful, then all product sales in several cities are under the auspices of this business.[9]

3. RESEARCH METHODOLOGY

This research is descriptive research. The research method used in this research is using field research with social and personal interactions. The

researcher's primary data was collected through observation and interviews. This research was conducted on small and medium enterprises in the car & tire spare parts trade in Bululawang, Malang Regency. Data collection techniques used by researchers include: interviews and documentation.

The research instruments used are; interview guide and documentation guide. In this research, the problem solving process is descriptive. Descriptive research as a problem solving procedure in carrying out research by describing the status of research and research topics based on visible facts or what they are.

The validity and validity of a data is very necessary. The validity of the data was tested using the confirmation method between the results of field research, library studies, and several previous research studies. The research focus is as follows:

1. Financial reports on small businesses
2. Digitizing financial reports

4. RESULTS AND DISCUSSION

4.1. Research result

4.1.1. Elements of Financial Statements

The elements of the Financial Statements can be grouped into two, namely;

- 1) The first group includes assets, liabilities and equity (net assets). This group describes the amount of resources owned by the company
- 2) Group two, includes investment, distribution, comprehensive income, income, expenses, gains, and losses.

Elements of Financial Report Elements of the SME business unit "SHERIN BAN", there are four items of recognition in the elements of financial statements, namely;

- 1) Assets, which will be recognized when it is estimated that future economic benefits will be available to the company. Asset items will be recognized in the balance sheet.
- 2) Liabilities, which will be recognized when it is estimated that an outflow of resources embodying economic benefits is required to perform or settle the obligation. Liability items will be recognized in the balance sheet.
- 3) Revenue, which will be recognized when there is an increase in economic benefits associated with an increase in assets or a decrease in liabilities in the future. Revenue items will be recognized in the income statement.

- 4) Expenses, which will be recognized when there is a decrease in economic benefits associated with decreasing the set and increasing the liability in the future. Expense items will be recognized in the income statement.

The financial statements owned by this company consist of an income statement and a balance sheet.

Based on the results of the company's profit and loss report in a one month period (January 2021), this company earned a profit of Rp. 2,420,035. The elements in the income statement include income and expenses.

SHERIN BAN	
JL.RAYA BULLUWANG MALANG 0341-805558	
Laba Rugi	
Mula Tanggal : 01/01/2021 s/d tanggal : 31/01/2021	
PENDAPATAN	
410001.1	Penjualan Ban 72.092.170
410001.2	Penjualan Spare Part 6.934.000
410001.3	Pendapatan Bengkel 22.895.000
410001.4	Pendapatan Olie 15.770.000
420001.1	Bunga Bank Ban 2.049
420002.3	Pendapatan Lain-Lain Bengkel 154
420002.4	Pendapatan Lain-Lain Olie 840.105
420003.2	Pendapatan Administrasi Bank Olie 167
Total PENDAPATAN 118.533.647	
BELAJA	
500001.1	HPP Ban 66.229.910
500001.2	HPP Spare Part 5.275.850
500001.4	HPP Olie 9.529.447
500002.1	Potongan Ban 1.280.000
500002.3	Potongan Bengkel 7.675.000
500003.3	Bahan Penunjang Bengkel 670.000
90.660.207	
610001.1	Biaya Gaji Karyawan Ban 16.820.890
610001.6	Biaya Sewa 1.763.400
610003.1	Biaya ATK Ban 12.000
610008.1	Biaya Bunga Bank Ban 410
610009.1	Biaya Lain-lain Ban 6.290.600
610009.2	Biaya Lain-lain Spare Part 15.000
610009.3	Biaya Lain-lain Bengkel 260.000
610009.4	Biaya Lain-lain Olie 150.000
620001.1	Biaya Administrasi Bank Ban 43.689
620001.2	Biaya Administrasi Bank Spare Part 32.416
620001.3	Biaya Administrasi Bank Bengkel 7.500
620001.4	Biaya Administrasi Bank Olie 32.500
620001.5	Biaya Administrasi Bank BNI 25.000
25.453.405	
Total BELAJA 116.113.612	
LABA/RUGI 2.420.035	

Figure 4. Income statement

SHERIN BAN	
JL.RAYA BULLUWANG MALANG 0341-805558	
Neraca	
Per tanggal : 31-Januari-2021	
Aktiva	
Aktiva	
110001	Kes 1.648.910
120001	Bank 2.770.197.98
130001	Piutang Customer 14.850.000
140001	Piutang Unit Usaha 5.865.501.500
140002	Piutang Supplier 748.680
140003	65.394.922
150001	Persediaan 539.981.315
160003	Peralatan Kantor 131.205.000
160004	Peralatan Kerja 302.248.000
160005	Furnitur Kantor 25.270.000
1.826.743.625	
Total Aktiva 1.826.743.625	
Passiva	
Passiva	
210000	Hutang Supplier 228.144.284
230001	Hutang Bank 491.000
230002	375.000
240003	HUTANG UNIT USAHA 1.851.088.280
240004	800.000
240007	4.665.300
2.085.563.864	
Modal	
310	MODAL 100.000.000
310001	Modal Setor 388.062
310002	Rugi Laba -359.208.298
-258.820.236	
Total Passiva 1.826.743.628	

Figure 5. balance

Based on the balance sheet the company shows its financial position in the period in January 2021. The elements in the balance sheet include assets and liabilities.

4.1.2. Digital Transformation of Financial Reports

The digital transformation of SME financial reports from manual to digital has been carried out since 2019 until now. Prior to the transformation to digital, the accounting records that were owned were limited to recording sales with receipts and notes on the purchase of goods from the collected suppliers. The financial statements in the form of balance sheets and income statements have not been well structured. Due to the urgency of requests from banks as credit lenders that require good financial records, it makes owners feel it is important to digitally record their finances. Then he looks for friends who are already using digital financial application software to provide input and references. After contacting the financial application software provider, this agency explains the purpose and objectives of the application and its use,

The results of the transformation of the digitalization of financial reports for the tire, spare parts and car repair business "SHERIN BAN" are obtained as follows:

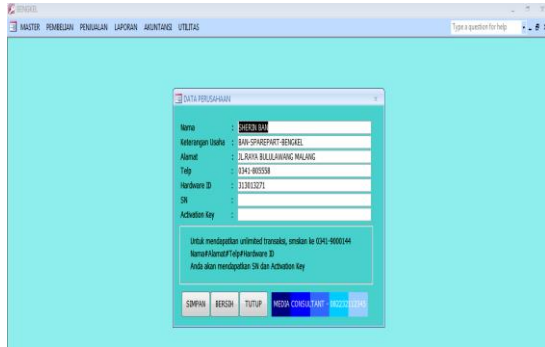


Figure 1. Software Features

- The accounting software features used include;
- Masters are grouped based on needs such as; Purchasing, Sales, Reporting And Accounting, lastly Utilities. Masters are grouped based on needs such as; Company, which shows the profile or identity of the company itself such as company name, type of business, address, telephone. Other features in the master file include; This category is for grouping types of goods, Tires, Goods, Services, Oil, Employees, Suppliers, Cars, Estimates.
 - Purchases are grouped based on needs such as; Purchase of Goods from Suppliers, Purchase Returns, Stock Corrections and Paying Debts.
 - Sales are grouped based on needs such as; Sales of goods in "SHERIN BAN", Sales Return, and Paying Receivables.
 - Reports are grouped based on needs such as; Monthly, Per Date, Per Customer, Per Supplier, Tire Stock, Spare Part Stock, Oil Stock, Production Code Stock And Tax Invoice.
 - Facility utilities for Reset, Change Password, and Exit.
 - Accounting covers; journal entry, sales journal, purchase journal, ledger, ledger, profit and loss and balance sheet.

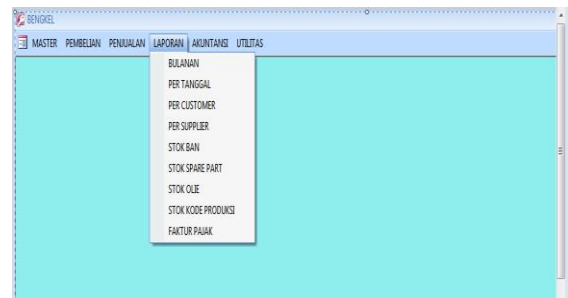


Figure 2. Report Features

Report Features function to find out deposit reports from daily, monthly or per customer sales. Knowing the minimum stock of goods from tires, spare parts, and oil on a daily, monthly or per customer basis. No less important, the report features are facilitated by recording customer receivables and outgoing goods.

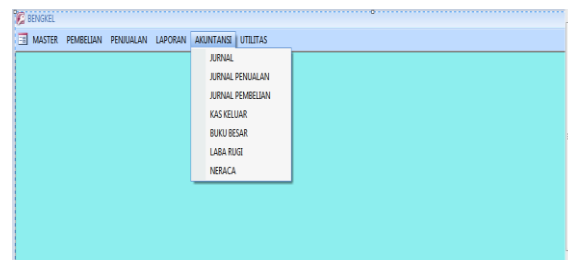


Figure 3. Accounting Features

- The accounting features used include;
- Journal; Its function includes information from receipts, cash, invoices and other data sources that represent financial transactions.
 - Sales Journal, is a special journal created to record all sales transactions of goods made on credit.
 - Purchases Journal, is a special journal used by trading companies to record all purchases of merchandise, on credit, and cash purchases are recorded in a special cash disbursement journal.
 - Cash Out, is used as a record of all transactions related to proof of cash disbursements of the company.
 - Ledger, is a collection of accounts used to summarize transactions that have been recorded in the journal.
 - Profit and Loss, shows the company's financial performance. Profit and Loss is part of the company's financial statements in a certain accounting period which contains revenues and expenses that generate net profit/loss.

- The balance sheet is a part of the financial statements that records information about assets, payment obligations to related parties in the company's operations and capital in the company's accounting period.

4.2. Discussion

Research shows that digital recording makes it easier for users (companies) to find out the current condition of their company. The conveniences contained in the accounting software features make it easier for operators or employees to enter existing transactions, and make work easier and more comfortable without being complicated. Companies that want financial reports can "click" the desired financial report will appear. As in Agustina's research, (2021)[10] The government has given special attention to creating financial accounting standards for micro, small and medium entities (SAK EMKM) as a guide for MSME business actors to make simple financial reports that have wider access to funding to the banking sector in order to realize advanced MSMEs. , independent, and modern.

The elements of the Financial Statements owned by this company are quite good and adequate, but there are still many features that need to be added to the software, such as cash flow reports and financial ratios. A good financial report will help the company know the existence of its financial condition. Agree with Juita's research, (2019)[9]conveyed the importance of having neat and quality financial information management in any business. Because quality financial information can help make effective decisions from all sides such as funding, investing, planning, reporting and paying taxes, and others.

A less systematic arrangement in manual financial statements causes miscalculations that result in losses to the company itself and or causes too much value in profits but the funds owned are not in accordance with existing ones, this causes under estimate for the company will also affect the company's performance due to by human error. In line with Sriwahuni's research, (2019)[11] It is stated that the availability of a good system can reduce errors in data processing that occur due to human error.

The transformation of Digitalization of Financial Statements carried out by this company is

one stage more advanced compared to other SMEs, where others still use it manually in transactions and even many do not have good records because they are considered complicated and complicated by most SMEs in Malang Regency. The transformation of the digitization of financial statements is very necessary for the convenience of recording, calculating, and storing data. Agree with Wijoyo hadion's research, (2020)[12] It was mentioned that the change in business patterns that led to the digitization process did not experience too many obstacles due to the characteristics of large companies that had good enough resources. However, for MSMEs, especially in Riau, this digitization process will require a lot of preparation. In order to encourage digitalization and make it easier for MSMEs in Riau to face the changes that occur, the Riau provincial government has increased the ease of access and transfer of technology to MSME actors so that they are able to survive in business competition (Slamet et al., 2016). The ability to master digital devices and the internet is an absolute thing that MSMEs must master if they want to survive in the competition (Purwana, Rahmi, & Aditya, 2017).

It is very rare for SMEs in Malang Regency to use Digital Financial Reports, so the role of the government in disseminating Digital Financial Report literacy is very necessary for SMEs. Because the Digital Transformation of Financial Statements will change the corporate culture for the better and improve the company's performance, [9]. The weakness of this research is that it is necessary to develop existing features in the software such as financial ratios and cash flow reports which are still calculated manually and have not been included in the software features.

This research opens insight for readers for future research that focuses on SMEs in the Digitalization Transformation of Financial Statements to be explored more deeply. And it is very necessary for assistance and socialization of Digitizing Financial Reports for SMEs. So that SMEs in Malang Regency are much better at structuring their financial statements for the benefit of the company itself and stakeholders.

5. CONCLUSION

The transformation of Digitalization of Financial Statements carried out by this company is one stage more advanced compared to other SMEs,

where others still use it manually in transactions and even many do not have good records because they are considered complicated and complicated by most SMEs in Malang Regency.

The elements of the Financial Statements can be grouped into two, namely; The first group includes assets, liabilities and equity (net assets). This group describes the amount of resources owned by the company. Group two, includes investment, distribution, comprehensive income, income, expenses, gains, and losses. Transformation of the digitization of financial statements in a computerized manner using a cashier accounting software application created by the Media Consultant software house with the cestome feature.

The implication of the research shows that computerized recording / digitization makes it easier for the user (company) to know the current condition of the company. The conveniences contained in the accounting software features make it easier for operators or employees to enter existing transactions, and make work easier and more comfortable without being complicated. Companies that want financial reports can "click" the desired financial report will appear. The weaknesses of this study are (1) the limitations of SME research sites that use digital as a recording of financial statements. (2) The features in the software that are owned are still limited to profit and loss financial statements and balance sheets, important elements such as financial ratios and cash flow reports are not owned,

THANK-YOU NOTE

I express my gratitude to the Doctoral Program in Management Sciences (PDIM) State University of Malang and Wisnuwardhana University who have supported this implementation. And to Mr. Bambang Suryanto as the Owner of the Car Tire Trading business in Bululawang, Malang Regency for being willing to place this research.

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