

The Influence of Local Culture on MSME Accounting and SDG Attainment in Tangerang

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Abstract :

Objective : This study aims to analyze how local culture influences accounting practices in Micro, Small, and Medium Enterprises (MSMEs) in Tangerang and how it contributes to achieving the Sustainable Development Goals (SDGs).

Methodology : Using a qualitative approach with in-depth interview methods with MSME actors, it was found that cultural values such as cooperation, kinship, deliberation, and trust are the basis for business decision making and financial management.

Research results : The results of the study indicate that local culture-based accounting practices support economic empowerment, social inclusion, and sustainable development, but also face challenges in terms of accountability and digitalization.

Keywords : Local Culture, MSME Accounting, SDGs.

1. Introduction

Micro, Small, and Medium Enterprises (MSMEs) play an important role in the global and national economy, especially in job creation and inclusive economic growth (World Bank 2021). However, in practice, many MSMEs face challenges in implementing accounting practices that comply with applicable financial standards. One of the main factors influencing MSME accounting practices is local culture, which shapes mindsets and behaviors in financial recording and reporting. Local cultures often have principles that support sustainability and social welfare.

For example, in many indigenous communities, there are concepts of sustainability-based finance, such as responsible use of resources and the principle of fairness in business (Triyuwono 2015). This is relevant to the objectives of the Sustainable Development Goals (SDGs), especially related to a sustainable economy and reducing social inequality (United Nations 2015).

MSMEs that adopt local values in their accounting practices can support several SDGs goals, such as: SDG 8 (Decent Work and Economic Growth), that by improving more structured financial records, MSMEs can more easily access financing from banks, so that they are able to develop their businesses and create new jobs, transparency in bookkeeping also makes it easier for investors or business partners to assess the feasibility of a business, cultural values such as social responsibility in business encourage more ethical and sustainable business practices.

This study aims to explore the role of local culture in the accounting practices of MSMEs in Tangerang and examine how this role supports the achievement of the Sustainable Development Goals (SDGs), especially in terms of economic empowerment, reducing inequality, and inclusive development. By understanding the relationship between local culture and accounting, it is hoped that this study can contribute to the development of a more adaptive and contextual financial recording system.

2. State of the Art

Related to previous research, the implementation of financial applications provides in-depth insight into how technology can play a key role and have a positive impact on advancing sustainable development (Virdiana and Sholihah 2024). The results of other studies reveal that the digitalization of MSMEs will increase MSME income, so that it will make a positive contribution to GRDP. The per capita income factor as part of the Human Development Index has been shown to have a positive influence on the level of economic growth (Feriyanto 2019).

2.1 MSMEs in Tangerang

Based on data from the Office of Industry, Trade, Cooperatives, and MSMEs of Tangerang City, there are currently 100,014 MSMEs spread across the entire Tangerang City area. These businesses operate in various sectors, including culinary, fashion, handicrafts, services, and others. Major components supporting Tangerang City's economy throughout 2022 include transportation and warehousing (54.36%), manufacturing industry (29.32%), and wholesale and retail trade (11.06%).

2.2 The Implementation of Accounting Information Systems in Achieving Quality Financial Reporting for MSMEs in Tangerang

The use of accounting information systems (AIS) by Micro, Small, and Medium Enterprises (MSMEs) serves as a tool to prepare various essential reports, enabling them to produce efficient and valid financial statements ([Rahmawati, Subagyo and Budiadi 2019](#)). AIS usage also facilitates tax reporting for MSMEs. The government remains committed to promoting the development of digital talent and the digitalization of MSMEs. In practice, MSMEs in Indonesia still face various challenges, particularly in the areas of innovation and technology, financing, human resources, branding and marketing, legality, as well as standardization and certification. Digital inclusion through wider internet access and the implementation of digital systems by MSMEs can contribute significantly to the achievement of the Sustainable Development Goals (SDGs) ([Adiningsih 2019](#)).

2.3 Economic Growth

Global economic development has been significantly achieved by many countries. Today, with a global population exceeding 7 billion, most countries are still able to meet the basic needs of their citizens. In 1970, the average global economic growth rate was 4.36%, supporting a population of approximately 3.76 billion people ([World Bank 2021](#)).

The economic pillar in the Sustainable Development Goals (SDGs) is a new dimension that includes the provision of energy for all, which is a crucial factor for education,

healthcare services, and poverty reduction. Economic growth must not only be high but also sustainable-fiscally viable and environmentally friendly. It should foster opportunities for green economic activities and be supported by the development of productive and decent employment (Goal 8). This also includes the goal of building sustainable and inclusive industries that leverage innovation and are supported by resilient and eco-friendly infrastructure (Goal 9). Goal 10-Reducing Inequality-is a newly introduced goal that plays a critical role in supporting inclusive and participatory sustainable development (Adiningsih 2019).

2.4 Sustainable Development Goals (SDGs)

The SDGs are founded on three main pillars: (1) the Social Pillar, which focuses on human development within the social sphere; (2) the Economic Pillar, which emphasizes economic growth; and (3) the Environmental Pillar, which includes biodiversity. These three pillars are supported and influenced by a foundational element: governance institutions. Together, the three pillars and institutional foundation form the basis of the 17 Sustainable Development Goals, which are further detailed into 169 targets and 241 interrelated indicators.

MSMEs in Tangerang are expected to innovate and develop sustainable products by utilizing accounting information systems. The SDGs require human behavior that promotes the sustainable use and management of natural resources. Based on this cyclical relationship, the ideal human development envisioned by the SDGs is not merely about individuals who can utilize natural and other resources to improve their own quality of life. Rather, it involves responsible human behavior that ensures the sustainable and accountable use of nature and its resources.

3. Research Methodology

This study employs a qualitative research design using an interpretive phenomenological approach focused on MSMEs in Tangerang. The aim of this research is to analyze accounting practices among MSMEs in Tangerang that are based on local culture, as a mechanism for economic growth contributing to the

achievement of the Sustainable Development Goals (SDGs). Data collection was conducted through direct interviews, providing insights into the background, context, and conditions surrounding the study. This approach was chosen as it allows for an in-depth exploration of the phenomena occurring in the field (Creswell 2014).

The selection of informants in this study was based on predefined criteria to ensure that participants genuinely met the requirements relevant to the research sample. The aim was to prioritize the quality and relevance of the data obtained. Informants or participants were selected specifically for their relevance to the study on the role of local culture in accounting practices for MSMEs in Tangerang in relation to the achievement of the Sustainable Development Goals (SDGs).

This research is grounded in a subjective and interpretive perspective, focusing on accounting practices for MSMEs in Tangerang as a means to enhance economic growth within the community and support the achievement of the SDGs. A case study approach was adopted, employing interpretive phenomenology through in-depth data collection. The data were analyzed using thematic analysis techniques to identify patterns and extract meaning from the narratives shared by respondents.

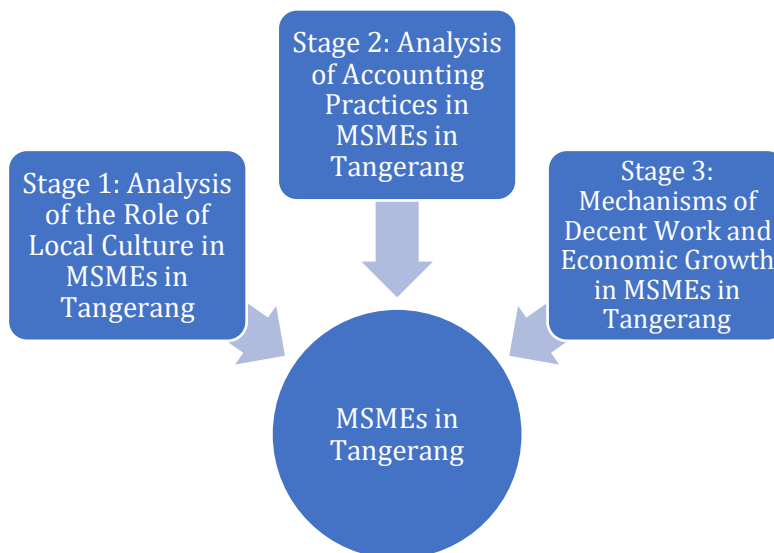


Figure 1 Framework

The objective of this research is to analyze the role of local culture in relation to accounting practices as a mechanism for decent work and economic growth within the framework of Sustainable Development Goal 8 (SDG 8).

4. Research Result

4.1 Analysis of the Role of Local Culture in MSMEs in Tangerang

Local culture plays a significant role in shaping the way MSME entrepreneurs in Tangerang run their businesses, particularly in decision-making, financial management, and relationships with employees and customers. Cultural values such as mutual cooperation, family-orientedness, and trust are integral to the daily business practices they carry out.

The Value of Mutual Cooperation in Business Operations

MSMEs in Tangerang practice teamwork and mutual assistance, both among business owners and within the surrounding community. Mutual cooperation is not only evident in production or distribution aspects but also in market information sharing, joint purchasing of raw materials, and even sharing labor when needed. This social solidarity fosters efficiency and collectively reduces business risks. One entrepreneur stated, "*When there are a lot of orders, I usually ask my neighbours for help. I pay them daily. We help each other because it's not enough to handle alone.*" This statement emphasizes that the practice of mutual cooperation remains an essential part of MSME operations. This culture of mutual help functions as an adaptive mechanism to cope with surges in demand or resource limitations. In the context of microeconomics, mutual cooperation creates relationship-based efficiency that does not incur high transaction costs.

Family-Oriented Culture and Decision Making

In the context of MSMEs in Tangerang, the family-oriented approach is evident in the informal organizational structure of businesses. Business decisions are not made unilaterally by the owner but are often discussed with family members or close community members. This reflects the strong collectivism in the local community, where togetherness is prioritized over individual interests. This pattern shows that

local culture is not only a social backdrop but also an ethical foundation in running a business. One business owner stated, "*When I need to make a big decision, I always talk to my parents first. Sometimes I also ask more experienced neighbours. I can't do it alone.*" This statement illustrates that the decision-making process among MSMEs in Tangerang is heavily influenced by family and community relationships. The strong family values lead business decisions to be collective and participatory. This shows that local culture is not just an accessory but a fundamental basis for financial and strategic decision-making.

Trust as Social Capital

One key finding from this study is that trust remains a strong form of social capital among MSME entrepreneurs. Many transactions are conducted without formal contracts, relying solely on trust and reputation. This practice illustrates that integrity is still highly valued, which strengthens business stability and long-term business relationships. Several business owners stated that they feel more comfortable transacting directly with partners or customers they have known for a long time, without written contracts. One respondent shared, "*I have been getting raw materials from the same supplier. Payment can sometimes be delayed, but since we've known each other for a long time, they just trust me.*" This shows that trust has become a form of social capital that binds long-term business relationships. This pattern creates a stable business ecosystem, even though it does not follow formal business procedures.

4.2 Analysis of Accounting Practices in MSMEs in Tangerang and the Influence of Local Culture

The results of observations and interviews with MSME entrepreneurs in the Tangerang area indicate that the accounting practices they employ tend to be simple, manual record-based, and influenced by local cultural values such as mutual cooperation, trust among individuals, and the principle of caution. The collective culture is reflected in financial management practices that prioritize balance between profit and business sustainability. MSME entrepreneurs prioritize business continuity and social balance over maximizing profit.

This reflects the integration of cultural values into financial recording practices, such as reliability, relevance of information, and business continuity. Daily financial records, even without software, demonstrate that local habits still play a significant role in the management of micro-enterprises.

The Influence of Social Values on Financial Decision Making

Decisions in business activities are often not made individually, but through a process of discussion with family members or the local community. This pattern shows that collective decision-making is still dominant, and social values such as togetherness and concern for the social environment influence every financial decision.

Digitalization of Accounting and Business Owners' Response

Although there is encouragement from the government to adopt technology in financial record-keeping, most MSME entrepreneurs in Tangerang have not been able to implement it optimally. Barriers such as limited digital knowledge, application costs, and system complexity remain major challenges.

Opportunities for Integrating Local Culture into Contextual Accounting

A strong local culture can serve as a foundation for building a more contextual accounting system that can be accepted by MSME entrepreneurs. By developing an accounting approach aligned with local values such as family-oriented, trustworthiness, and mutual cooperation, the participation of MSME entrepreneurs in financial reporting can increase. A culture-based accounting model can be an alternative to encourage financial literacy and the achievement of sustainable development goals.

4.3 Mechanism of Decent Work and Economic Growth in MSMEs in Tangerang

Decent work is a crucial element in the agenda of Sustainable Development Goals (SDG) 8, which aims to promote inclusive and sustainable economic growth through the creation of safe, fair, and dignified jobs. In the context of MSMEs in Tangerang, the mechanism for creating decent jobs is influenced by the informal nature of business organizational structures, local cultural values, as well as market conditions and resource limitations.

The interview results show that the majority of MSME entrepreneurs hire labor from their immediate surroundings, such as family members, neighbors, or local community members (RT/RW). This aligns with the values of mutual cooperation and family ties, which are characteristic of the local society. This recruitment based on social relations provides job opportunities to local residents who previously lacked permanent employment. However, this recruitment scheme tends to be without formal work contracts, social security, or wage standards in accordance with labor regulations.

According to Tambunan (2019), the majority of MSMEs in Indonesia operate in the informal sector with flexible work structures but limited protection. This results in low productivity and income uncertainty for workers. However, this flexibility also provides opportunities for vulnerable groups, such as women and housewives, to remain active in economic activities.

Several MSME entrepreneurs who have received training from the Tangerang Cooperative and MSME Office have shown improvements in labor management. They have started implementing clear working hours, providing skills training, and offering incentives for employees with good performance. This reflects progress toward more professional business practices and alignment with SDG 8 (UNDP 2015).

On the other hand, the economic growth resulting from MSME activities in Tangerang is reflected in increased turnover, market expansion, and the establishment of new business units. According to data from the Tangerang Department of Industry and Trade 2023, MSMEs contribute approximately 57% of the total local economic activity. This contribution reflects the strategic role of MSMEs in creating community-based and locally rooted economic growth.

Although the contribution to economic growth is significant, challenges remain, particularly in terms of access to finance, adoption of digital technology, and low accounting literacy. Therefore, policy support is needed to integrate local cultural principles, technology, and modern management practices to ensure the creation of decent jobs in a sustainable manner.

5. Conclusion

This study shows that local culture plays an important role in shaping the accounting practices carried out by MSME entrepreneurs in Tangerang. Values such as gotong royong, trust, and family bonds not only serve as a social foundation but also influence the way financial management and business decisions are made. Simple yet consistent financial record-keeping practices, although not fully standardized, have helped MSMEs maintain business continuity and build strong relationships with business partners and the community. However, the limited formal financial literacy and minimal use of digital technology in accounting practices pose significant challenges. This highlights the need for a more contextual and adaptive approach in developing an accounting system that aligns with local cultural characteristics.

Overall, local culture has proven to make a tangible contribution to achieving the Sustainable Development Goals, particularly in the aspect of inclusive and sustainable economic growth (SDG 8). Therefore, efforts to enhance MSME accounting capacity should consider approaches rooted in local values, so that the transformation toward sustainable and digital accounting can be more effective and widely accepted by business owners.

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