

# **THE ROLE OF MANAGEMENT ACCOUNTING INFORMATION IN STRATEGIC DECISION MAKING IN MSMEs**

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## **Abstract**

This study aims to examine the role of management accounting information in strategic decision-making in Micro, Small, and Medium Enterprises (MSMEs) through a literature review approach. The results of the study indicate that management accounting information has a significant contribution in the planning, control, performance evaluation, and decision-making processes that have a long-term impact on business sustainability. However, the level of understanding of management accounting among MSMEs remains low, compounded by various obstacles such as limited human resources, limited access to training, and a lack of technological support. Therefore, improving accounting literacy and providing support systems is urgently needed to help MSMEs compete strategically amidst the ever-evolving market dynamics.

**Keywords :** management accounting, MSMEs, decision making, literature study.

## **Abstract**

This study aims to examine the role of management accounting information in strategic decision-making within Micro, Small, and Medium Enterprises (MSMEs) using a literature review approach. The findings indicate that management accounting information plays a significant role in planning, control, performance evaluation, and long-term strategic decision-making that contributes to business sustainability. However, the level of understanding among MSME actors regarding management accounting remains low due to limitations in human resources, lack of training access, and insufficient technological support.

Therefore, improving accounting literacy and providing accessible support systems are urgently needed to help MSMEs compete strategically in a rapidly changing market.

**Keywords :** management accounting, MSMEs, decision-making, literature review.

## Introduction

Decision-making in accounting is a strategic process that involves analyzing financial and non-financial information to determine the most optimal course of action for an organization. In such situations, accounting information becomes a crucial component that supports the process by providing relevant, accurate, and reliable information. According to Weygandt, Kimmel, & Kieso (2020), performance evaluation, cost control, and budget planning are essential parts of decision-making. This applies to both internal and external needs, such as attracting investment or meeting regulatory obligations. Utilizing appropriate accounting information allows management to allocate resources more efficiently and reduce risk (Nugroho & Takaliwuhang, 2022) .

Micro, Small, and Medium Enterprises (MSMEs). According to data from the Ministry of Cooperatives and SMEs, by 2023, MSMEs will contribute more than 60% to the national Gross Domestic Product (GDP) and absorb more than 90% of the national workforce. However, despite the significant role of MSMEs, many MSMEs still face various challenges in business management, particularly in planning, control, and strategic decision-making (Daud, 2025) .

One important factor that can help MSMEs survive and thrive in a competitive business environment is **management accounting information** . This information includes both quantitative and qualitative data used by internal management to support planning, control, and decision-making processes. In the context of MSMEs, management accounting information is used not only to record financial transactions but also to analyze costs, evaluate profitability, plan product pricing, and assess the feasibility of marketing strategies. (Rizky Ramadhan et al., 2023)

Unfortunately, many MSMEs still don't understand the importance of management accounting information and haven't implemented it optimally. This leads to decisions being

made based solely on intuition without being based on accurate and relevant data. In the long term, such decisions can lead to operational inefficiencies, losses, and even business bankruptcy.

In today's digital and competitive era, MSMEs are required to be more adaptive and data-driven in managing their businesses. Accurate management accounting information can provide a comprehensive overview of business conditions and support management in formulating short- and long-term strategies. Therefore, understanding **the role of management accounting information in strategic decision-making** is crucial and warrants further study. Based on this background, the research problem is formulated as follows:

1. What is the level of understanding of MSME actors regarding management accounting information?
2. What is the role of management accounting information in supporting strategic decision making in MSMEs?
3. What are the obstacles faced by MSMEs in implementing management accounting information effectively?

This research aims to:

1. Describes the extent to which MSME actors understand and utilize management accounting information.
2. Explain the strategic role of management accounting information in the business decision-making process of MSMEs.
3. Identifying the obstacles faced by MSMEs in implementing management accounting systems.

The use of management accounting information in MSMEs can be an effective tool for analyzing and responding to market dynamics. This information allows business owners to accurately assess their financial position, cost efficiency, and the effectiveness of their marketing strategies. Furthermore, internal reports such as break-even analysis, cash flow statements, and contribution margin calculations can serve as the basis for

setting selling prices, estimating working capital requirements, and deciding on business expansion. In other words, management accounting is not merely a record-keeping tool but part of a strategic information system that supports data-driven decision-making. (Hermawati et al., 2024) .

Amidst digital transformation and intense competition, MSMEs that are able to optimally utilize management accounting information have an advantage in terms of adaptation and innovation. Unfortunately, the literature also notes that the implementation of management accounting in the MSME sector remains uneven. Many business owners lack adequate understanding, lack adequate accounting systems, or even recognize the importance of routine cost recording and performance evaluation. This is exacerbated by the lack of mentoring, access to training, and the use of simple and accessible accounting applications for MSMEs (Kelara & Suwarni, 2020) .

Considering these factors, it is important to conduct research that specifically examines the extent of MSMEs' understanding of management accounting information, the strategic role of this information in supporting decision-making, and the main obstacles to its implementation. The results of this study are expected to provide theoretical and practical contributions, both to the development of management accounting literature in the MSME context and as a consideration for the government and relevant institutions in formulating more targeted MSME empowerment policies.

## **Research methods**

This research is a qualitative research with a literature study method (library research), namely research conducted by reviewing and analyzing various relevant written sources, in the form of books, scientific articles, journals, theses, dissertations, and official documents related to management accounting information, MSMEs, and strategic decision making.

This approach was chosen because the topic requires a deep conceptual and theoretical understanding of the contribution and application of management accounting information in the context of small and medium-sized enterprise (MSME) management. The researchers did not conduct direct observations or interviews, but instead explored knowledge and findings from various previous studies.

The data sources in this study are secondary data obtained from:

1. Academic literature, such as national and international journals that are accredited and relevant to the topic.
2. A textbook that discusses management accounting theory, accounting information systems, and MSME management.
3. Official government reports (e.g. from the Ministry of Cooperatives and SMEs, BPS, and financial institutions) that provide statistical data and policies related to MSMEs.
4. Previous research (thesis, dissertation, or dissertation) that is directly related to the research theme.

The literature analyzed must be up-to-date (at least the last five years), but it does not rule out the possibility of using classical literature if it is theoretically relevant.

Data collection was carried out by searching various library sources using the following techniques:

- **study**, namely collecting reading materials from libraries, electronic journals (Google Scholar, ResearchGate, DOAJ, SINTA, etc.), academic institution databases, and official government websites.
- Inclusion and exclusion criteria were used in selecting relevant sources, such as limiting to scientific works that discuss management accounting information and MSMEs in the context of decision making.

The collected data was analyzed using content analysis, which involves analyzing the literature based on key themes related to the research focus. The analysis process involved the following steps:

1. Identify key concepts in the literature (e.g.: management accounting information function, strategic decisions, MSME constraints).
2. Classification of sources based on theoretical approach or empirical findings.

3. Synthesis and comparison between literature to find patterns, similarities, differences, and research gaps.
4. Drawing conclusions based on the results of the synthesis of the literature reviewed.

## Results and Discussion

### 1. Level of Understanding of MSME Actors regarding Management Accounting Information

Based on a literature review, the level of understanding of management accounting information among MSMEs is generally **low** . Many MSMEs prioritize daily operational aspects over strategic financial management. They tend to rely on intuition or personal experience in running their businesses, without referring to management accounting data that can provide an objective picture of business conditions (Sucipto, 2004) .

A study by Susanti (2021) found that most MSMEs in the culinary sector in East Java have not implemented a structured production cost recording system. This is due to limited accounting knowledge, limited access to training, and the perception that accounting is complicated and only necessary for large companies.

Furthermore, according to (Asnita et al., 2024) , many MSMEs fail to distinguish between **financial accounting** (which focuses more on external reporting) and **management accounting** (which is internal and strategic). As a result, they fail to realize that management accounting information, such as cost analysis, budgets, and business unit profit and loss statements, can be used to optimize business decisions.

There's a positive trend in several regions where MSMEs are beginning to recognize the importance of financial and managerial literacy, particularly after training from government or private institutions. This is where education and mentoring play a crucial role in improving MSMEs' understanding of management accounting information.

## 2. The Role of Management Accounting Information in Supporting Strategic Decision Making in MSMEs

Management accounting information plays a significant role in strategic decision-making in MSMEs, particularly in **planning, control, and evaluation**. This information provides relevant and timely data to support management in determining business policy direction, allocating resources, and formulating marketing and production strategies.

Some forms of management accounting information that are often discussed in the literature and are very useful for MSMEs include:

- Analysis of product/service costs and profitability

This information helps MSMEs determine appropriate selling prices, identify the most profitable products, and identify wasteful costs. For example, a study by Lestari (2022) found that MSMEs using the cost-volume-profit (CVP) analysis method were more accurate in determining sales targets and break-even points.

- Budget planning and cash flow

Management accounting also assists MSMEs in preparing business budgets and cash flow projections. This is crucial to prevent business owners from experiencing deficits or running out of operating funds. According to a study (Daud, 2025), MSMEs that regularly prepare annual budgets have more stable performance than those that don't.

- Investment and expansion decision making

Management accounting information provides data that can be used in investment feasibility analysis, such as using the Net Present Value (NPV) or Internal Rate of Return (IRR) methods to assess whether business expansion is feasible.

- Internal control

A good internal recording and reporting system can detect potential irregularities or fraud, so that MSMEs can take corrective action quickly (Gunawan Aji et al., 2023).

Overall, management accounting provides a strong foundation for MSMEs to make measured strategic decisions and avoid impulsive or speculative decisions.

### **3. Obstacles Faced by MSMEs in Implementing Management Accounting Information Effectively**

Based on literature studies, there are several main obstacles that cause management accounting information not to be implemented optimally in the MSME sector:

#### **1. Lack of accounting knowledge and skills**

Many MSMEs lack formal education in finance or management, making it difficult to understand basic management accounting concepts. According to research by Bambang (2012), more than 60% of MSMEs do not understand how to prepare a simple income statement or balance sheet.

#### **2. Limited human resources and time**

Most MSMEs are managed by sole proprietors or by a limited workforce. This forces them to focus on production and sales, while financial record-keeping is considered a time-consuming additional activity.

#### **3. The absence of a simple accounting system or software**

Many MSMEs haven't yet utilized technology like digital accounting applications, which can help with automated and efficient record-keeping. Lack of socialization and digital skills are obstacles.

#### **4. Lack of assistance from external parties**

Although the government and various institutions have provided training, implementation remains limited and has not reached all MSMEs. The lack of ongoing mentoring programs makes it difficult to consistently apply accounting knowledge.

#### **5. The perception that accounting is not important**



Some MSMEs still believe that management accounting is only important for large companies. This leads to low motivation to learn and implement accounting systems.

The above obstacles indicate that efforts to increase the capacity of MSMEs in the field of management accounting require a comprehensive approach, including education, mentoring, incentives, and the development of easily accessible technology.

One concrete example is the "*Dapur Bu Rini*" (*Bu Rini Kitchen*) SME, a home-based food business in Sleman Regency, Yogyakarta. The business has been operating for over five years and has a loyal customer base, but it lacks a structured cost and profit-and-loss recording system. All pricing and raw material purchasing decisions have been based solely on the owner's estimates. When ingredient prices rise, the owner struggles to adjust selling prices due to a lack of clear profit margin data. During mentoring by community service students from a university, it was discovered that the owner is unfamiliar with terms like fixed costs, variable costs, or the break-even point. This hampers her ability to evaluate business efficiency and plan for long-term development.

A similar study also found a bamboo craft MSME in Pagerharjo Village, Kulon Progo, Yogyakarta Special Region. This MSME has significant potential for market expansion, especially after marketing some of its products through social media. However, the owner admitted to having difficulty managing cash flow and frequently running out of capital amidst large orders. Investigation revealed the primary cause was the lack of bookkeeping that separated production costs from personal expenses. When offered the use of simple bookkeeping applications like BukuKas or Si Apik, the business owner declined, finding them too complicated and believing manual recording in a notebook was sufficient. This reflects a low perception of the importance of accounting information, which in the long term risks hindering sustainable business growth (Azhari, 2024).

## **Conclusion and Suggestions**

Based on the literature review, it can be concluded that management accounting information plays a crucial role in supporting strategic decision-making in MSMEs. This information serves as the basis for budget planning, pricing, profitability analysis, and

investment feasibility assessment. Unfortunately, MSMEs' understanding of the concept and application of management accounting remains relatively low. Most business owners still rely on intuition for decision-making due to limited knowledge, limited resources, and limited access to relevant training and technology. Therefore, awareness of the importance of data-driven information systems needs to be increased to enable MSMEs to develop sustainably and competitively.

As a recommendation, an integrated approach between the government, educational institutions, and technology providers is needed to improve management accounting literacy among MSMEs. Practical training programs, intensive mentoring, and the development of simple yet functional accounting applications are essential to help MSMEs implement this system effectively. Furthermore, educational campaigns that convey the tangible benefits of using management accounting information in the context of strategic decision-making need to be promoted so that MSMEs not only survive but also grow and compete healthily in both domestic and global markets.

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