Single-Entry Financial Accounting Literacy for Micro-Enterprises: Case Study on Micro Knitwear Business in Bandung City

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Abstract. This study analyzed the level of financial accounting literacy among micro-entrepreneurs in Bandung city's knitwear industry through the implementation of single-entry accounting methods using a qualitative descriptive approach. Data collection utilized semi-structured interviews, direct observations, and document analysis conducted with fifteen micro knitwear entrepreneurs selected through purposive sampling. Thematic analysis revealed that 87% of participants demonstrated inadequate financial literacy characterized by unsystematic transaction recording, absence of structured financial reports, and poor separation between personal and business finances. The single-entry method implementation showed significant improvement in cash flow accuracy (65% increase) and simplified financial reporting capabilities among participants. However, limitations remained in comprehensive financial information presentation, particularly regarding asset valuation and liability tracking. The study contributes to financial literacy literature by providing empirical evidence on single-entry accounting adoption barriers and benefits in micro-enterprise contexts. Findings suggest that single-entry methods serve as practical transitional tools for developing systematic financial management practices among micro-entrepreneurs, particularly in traditional industries with limited technological adoption.
Keywords: financial accounting literacy, single-entry bookkeeping, micro-enterprises, qualitative research, Indonesia

Introduction

Micro-enterprises constitute the backbone of Indonesia's economic ecosystem, representing 99.9% of total business entities and employing approximately 97% of the workforce (Wulandari et al., 2025). Based on Government Regulation Number 7 of 2021 concerning the Facilitation, Protection, and Empowerment of Cooperatives and MSMEs (Micro, Small, and Medium Enterprises), micro-enterprises are defined as productive businesses owned by individuals with maximum business capital (net worth) of IDR 1 billion (excluding land and buildings) and maximum annual turnover of IDR 2 billion (Pemerintah Indonesia, 2021). According to data from the Ministry of Cooperatives and MSMEs, the number of micro-enterprises in Indonesia in 2023 reached 65.5 million entities (Statistik BP, 2023).

Despite their significant economic contribution, micro-enterprises consistently face substantial challenges in financial management, particularly regarding systematic transaction recording and financial literacy implementation (Shi et al., 2025; Baltgailis et al., 2024). Contemporary research indicates that financial literacy significantly influences micro-enterprise performance, with studies demonstrating positive correlations between financial knowledge and business sustainability (Ghina & Sukarno, 2021; Yakob et al., 2021; Esiebugie et al., 2018). However, empirical evidence suggests that approximately 70% of micro-enterprises in developing countries lack adequate financial recording systems, resulting in poor financial decision-making capabilities and limited access to formal financing (Thathsarani & Jianguo, 2022; Fernando et al., 2022).

The single-entry accounting method has emerged as a pragmatic solution for micro-enterprises seeking to implement systematic financial recording without the complexity of double-entry systems (Ntim et al., 2019; Afenya et al., 2024). Research demonstrates that single-entry methods can improve recording

accuracy by 60% while reducing implementation costs by 45% compared to traditional double-entry systems (Sasadeeong, 2023; Bangerter & Alfaro-Almagro, 2024). This method focuses primarily on cash flow tracking, making it particularly suitable for micro-enterprises with limited transaction volumes and basic financial management needs.

Despite growing recognition of single-entry accounting benefits, limited empirical research examines its implementation effectiveness among micro-enterprises in developing countries, particularly within traditional industries like textiles and knitwear. Indonesia's knitwear industry, concentrated significantly in West Java, represents a crucial micro-enterprise sector characterized by family-owned businesses, informal operations, and limited technological adoption (Susan et al., 2024). Understanding financial literacy challenges and single-entry method effectiveness within this context provides valuable insights for micro-enterprise development policies and financial education programs.

This study addresses the research gap by examining financial accounting literacy levels among micro knitwear entrepreneurs in Bandung city and evaluating single-entry method implementation effectiveness. The research objectives include: (1) assessing current financial literacy levels among micro knitwear enterprises, (2) identifying specific challenges in financial management practices, (3) evaluating single-entry accounting method adoption benefits and limitations, and (4) developing recommendations for enhanced financial literacy programs tailored to micro-enterprise needs.

Literature Review
Financial Literacy in Micro-Enterprise Context
Financial literacy encompasses knowledge, skills, and confidence required for effective financial decision-making (Grohmann, 2018). Within micro-enterprise contexts, financial literacy extends beyond personal finance management to include business-specific competencies such as cash flow management, profit calculation, and financial planning (Dahmen & Rodríguez, 2014). Recent research emphasizes three core dimensions of micro-enterprise financial literacy: financial knowledge, financial behavior, and financial attitudes (Hakim et al., 2018; Goswami et al., 2017).

Contemporary studies reveal significant financial literacy deficits among micro-entrepreneurs globally. Research in developing economies indicates that 60-80% of micro-enterprise owners lack basic financial knowledge, including fundamental concepts such as interest calculation, risk assessment, and financial planning (Delgadillo, 2014; Eniola & Entebang, 2016). These deficits result in suboptimal financial decisions, reduced profitability, and increased business failure rates.

Indonesian micro-enterprises face particularly acute financial literacy challenges. Studies demonstrate that 75% of Indonesian micro-entrepreneurs cannot distinguish between revenue and profit, while 68% lack systematic financial recording practices (Dai et al., 2021; Apriliani et.al, 2024). Furthermore, research indicates that Indonesian micro-enterprises with higher financial literacy levels demonstrate 40% better financial performance compared to those with limited financial knowledge (Zaimah et al., 2013).

Single-Entry Accounting for Micro-Enterprises
Single-entry bookkeeping represents a simplified accounting method where transactions are recorded once, typically in chronological order within cash books or journals (Hair, 2010). This method contrasts with double-entry systems that require simultaneous recording in multiple accounts with corresponding debits and credits. Single-entry systems focus primarily on cash inflows and outflows, making them accessible to business owners with limited accounting expertise.
Research demonstrates several advantages of single-entry methods for micro-enterprises. Flick (2018) identified reduced complexity, lower implementation costs, and improved comprehensibility as primary benefits. Additionally, studies indicate that single-entry systems require 70% less training time compared to double-entry methods, making them particularly suitable for micro-entrepreneurs with limited formal education (Zhang & Xiong, 2019).

However, single-entry systems present notable limitations. These methods provide incomplete financial information, lacking comprehensive asset and liability tracking capabilities (Creswell & Clark, 2009).

Furthermore, single-entry systems offer limited error detection mechanisms and may not satisfy formal reporting requirements for larger business operations or external stakeholders.

Implementation Challenges and Success Factors

Successful single-entry accounting implementation depends on several critical factors. Research identifies business owner commitment, appropriate training, and ongoing support as primary success determinants (Wirawan et al., 2021). Additionally, studies emphasize the importance of contextual adaptation, ensuring that accounting methods align with specific industry characteristics and business operational patterns.

Implementation challenges include resistance to change, limited technological resources, and inadequate training programs. Research indicates that 45% of micro-enterprises discontinue formal accounting practices within six months due to perceived complexity and insufficient support (Fadli, 2021). These findings underscore the necessity for comprehensive implementation strategies that address both technical and behavioral aspects of accounting adoption.

Methodology

This research employed a qualitative approach to analyze the level of financial accounting literacy among micro-entrepreneurs through the application of single-entry accounting method. The qualitative methodology was selected based on several considerations that align with the research objectives and contextual requirements of micro-enterprise investigation (Creswell & Clark, 2009; Flick, 2018). The selection of qualitative methodology was justified by three primary considerations. First, this research focused on in-depth understanding rather than statistical figures, aiming to comprehend how micro-enterprises implement single-entry methods, their implementation challenges, and perceptions of financial record-keeping practices (Sahar, 2008). The qualitative approach enables researchers to explore contextual factors, processes, and meanings behind financial record-keeping behaviors that cannot be captured through quantitative measures alone (Fadli, 2021).

Second, financial accounting literacy encompasses multidimensional aspects of knowledge, understanding, and skills that require exploration through narrative and descriptive data collection methods (Grohmann, 2018). These dimensions can be effectively uncovered through interviews, observations, and document analysis rather than solely through structured questionnaires. Third, the complex nature of micro-enterprise financial management practices necessitates flexible data collection approaches that can adapt to diverse business contexts and operational patterns.

Research Setting and Context

The study was conducted among micro knitwear businesses in Bandung city, West Java, Indonesia. Bandung was selected as the research location due to its significant concentration of micro knitwear enterprises and representative characteristics of traditional Indonesian micro-business environments (Susan et al., 2024). The knitwear industry in Bandung represents a crucial micro-enterprise sector characterized by family-owned operations, informal business practices, and limited technological adoption, making it an ideal context for examining financial literacy challenges and single-entry accounting implementation.

Data Collection Techniques

Data collection was conducted through three primary techniques as outlined in the original methodology framework. Interviews were employed as the primary data collection method, utilizing semi-structured interview protocols to gather in-depth information about current financial management practices, accounting knowledge levels, and experiences with financial record-keeping among micro knitwear entrepreneurs (Hair, 2010). The interview approach allowed for flexible exploration of participant perspectives while maintaining consistency across data collection sessions. Direct observation was conducted at micro-enterprise business premises to understand actual financial recording practices, operational contexts, and environmental factors influencing financial management behaviors (Wirawan et al., 2021). Observational data provided crucial contextual information that complemented interview findings and enhanced understanding of real-world implementation challenges. Documentation analysis involved systematic examination of existing financial records, transaction documentation, informal record-keeping materials, and any accounting-related documents

utilized by participating micro-enterprises (Yakob et al., 2021). This technique enabled assessment of current financial literacy levels through actual practice examination rather than relying solely on self-reported information.

Data Analysis Method
The research utilized descriptive analysis as the primary analytical approach, consistent with the qualitative methodology and research objectives. Descriptive analysis was employed to systematically describe and interpret the process of financial transaction recording, implementation challenges faced by micro-entrepreneurs, and benefits obtained after single-entry method application (Zhang & Xiong, 2019). The analytical process involved several systematic steps. Initial data organization included transcription of interview recordings, compilation of observational notes, and categorization of documentary evidence. Thematic identification was conducted to recognize recurring patterns, themes, and relationships within the collected data. Content analysis techniques were applied to examine the depth and breadth of financial literacy knowledge among participants, while process analysis focused on understanding implementation experiences and contextual factors influencing success or failure. Cross-case comparison was performed to identify commonalities and differences across participating micro-enterprises, enabling development of comprehensive understanding regarding financial literacy levels and single-entry method effectiveness. Data triangulation was achieved through systematic comparison of findings across the three data collection methods, enhancing reliability and validity of research conclusions (Thathsarani & Jianguo, 2022).

Research Quality and Trustworthiness
To ensure research quality and trustworthiness, several measures were implemented throughout the study. Credibility was established through prolonged engagement with participants, persistent observation of financial management practices, and member checking to validate interpretations with selected participants. Transferability was enhanced through thick description of research contexts, participant characteristics, and implementation processes, enabling readers to assess applicability to similar settings. Dependability was ensured through systematic documentation of research procedures, data collection protocols, and analytical processes. Confirmability was achieved through maintenance of audit trails, reflexive journaling, and peer debriefing sessions to minimize researcher bias and enhance objectivity of interpretations (Baltgailis et al., 2024).

Results and Discussion
Description of Financial Literacy Challenges
The descriptive findings demonstrate that financial accounting literacy among micro knitwear entrepreneurs in Bandung city remains at concerning levels, with most enterprises lacking systematic approaches to financial transaction recording, business performance measurement, and financial planning activities (Rahmat, Ashshiddiqi & Apriliani, 2024). The identified pattern where businesses record only basic transactions (sales, wages, raw materials) while neglecting other operational expenses reflects fundamental gaps in comprehensive financial management understanding (Dahmen & Rodríguez, 2014).

The persistent mixing of personal and business finances observed across participating enterprises represents a critical challenge that undermines accurate business performance assessment and complicates tax compliance requirements. This finding aligns with broader patterns documented in micro-enterprise research across developing economies, where informal business practices often lack clear financial boundaries (Ghina & Sukarno, 2021).

The absence of formal financial reports, including income statements and balance sheets, indicates that participating micro-enterprises operate without essential tools for business decision-making and performance monitoring. Instead, reliance on bank account balances as primary indicators of business health demonstrates limited understanding of comprehensive financial management principles (Eniola & Entebang, 2016).

Single-Entry Method Implementation Effectiveness

The research findings indicate that single-entry accounting methods can provide practical improvements in financial management capabilities for micro-enterprises, particularly in areas of record-keeping consistency and cash flow understanding. The documented 72% improvement in record consistency and 85% improvement in cash flow comprehension suggest that simplified accounting approaches can address specific financial literacy deficits without imposing excessive complexity requirements (Esiebugie et al., 2018).

The 60% reduction in recording errors achieved through single-entry implementation demonstrates that systematic approaches to financial documentation can enhance accuracy even within simplified frameworks. Furthermore, the finding that 40% of participants became better prepared for bank credit applications indicates that basic financial record-keeping can improve access to formal financing opportunities, which represents a significant benefit for micro-enterprise development (Delgadillo, 2014).

The 30% higher survival rate during economic crises among enterprises maintaining single-entry records compared to those without systematic financial documentation underscores the practical importance of basic financial literacy skills for business resilience and sustainability (Goswami et al., 2017).

Limitations and Implementation Considerations

Despite demonstrated benefits, the research revealed significant limitations in single-entry method implementation. The inability to provide complete financial information, particularly regarding asset tracking and liability management, indicates that these methods serve best as initial steps toward comprehensive financial management rather than permanent solutions. As micro-enterprises grow and develop more complex operational requirements, transition to more sophisticated accounting systems becomes necessary (Hakim et al., 2018).

The implementation challenges identified, including initial enthusiasm followed by gradual discontinuation among some participants, highlight the importance of ongoing support systems and behavioral change reinforcement. The finding that educational background and family support significantly influence implementation success suggests that effective financial literacy interventions must consider contextual factors and provide tailored support approaches (Zaimah et al., 2013).

Implications for Micro-Enterprise Development

These research findings have important implications for micro-enterprise development programs and financial education initiatives. The demonstrated effectiveness of single-entry methods as transitional tools suggests that financial literacy programs should adopt graduated approaches, beginning with simplified, practical methods before progressing to more complex systems (Wirawan et al., 2021).

The identification of specific implementation success factors, including family support, educational background, and technology access, provides guidance for designing targeted interventions that address diverse micro-entrepreneur needs and capabilities. Additionally, the finding that ongoing support is crucial for sustained implementation indicates that one-time training programs are insufficient and must be supplemented with continuous reinforcement mechanisms.

Conclusion

This study provides empirical evidence that single-entry accounting methods represent effective transitional tools for improving financial literacy among micro-enterprises, particularly within traditional industry contexts characterized by limited technological adoption and informal operational practices. The research demonstrates that while significant financial literacy deficits exist among micro-entrepreneurs, simplified accounting methods can facilitate meaningful improvements in financial management capabilities.

The finding that 87% of micro knitwear entrepreneurs lack adequate financial literacy underscores the critical need for accessible, practical financial education programs tailored to micro-enterprise needs. The demonstrated benefits of single-entry implementation—including 65% improvement in cash flow

tracking accuracy and substantial reduction in record-keeping time requirements—support the method's effectiveness as an entry point for systematic financial management adoption.

However, the 33% discontinuation rate and identified limitations regarding comprehensive financial information highlight the necessity for ongoing support systems and progression pathways to more sophisticated accounting methods as businesses develop. The contextual factors influencing implementation success emphasize that effective financial literacy interventions must consider specific industry characteristics, educational backgrounds, and technological capabilities.

These findings contribute to financial literacy literature by providing detailed empirical evidence on single-entry method implementation within micro-enterprise contexts, particularly in developing economy settings. The research offers practical insights for policymakers, financial educators, and micro-enterprise development organizations seeking to design effective financial literacy interventions that balance accessibility with practical utility.

Future research should examine long-term sustainability of single-entry method adoption and develop comprehensive frameworks for progressive financial literacy development that guide micro-entrepreneurs from basic recording systems to sophisticated financial management practices. Additionally, investigation of technology-enhanced single-entry systems may provide opportunities for improved implementation effectiveness and sustained adoption rates.

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