


Disclosure of the Development of Micro Enterprises in the Tourism Sector in Kabila Bone District Through a Review of Entity Concepts

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Article Info	ABSTRACT
Keywords: Entity Concept, Micro Business, Business Development.	<p>This study explores the development of micro-enterprises in the tourism sector in Kabila Bone District through the lens of the entity concept. The research employs a quantitative approach, utilizing primary data collected from business actors in the region. The data analysis technique used is descriptive statistics, which allows for a detailed depiction of the variables being studied and their measurements. The results indicate that the application of the entity concept among micro-enterprises in the tourism sector remains partial. Many business owners still integrate personal and business finances, which complicates the accurate assessment of business performance. However, despite this limitation, these micro-enterprises continue to show growth and development. Key initiatives include diversifying product and service offerings and upgrading business facilities to attract more customers and enhance customer satisfaction. Additionally, the study highlights the adaptability of micro-business owners in responding to challenges within the tourism industry. This adaptability is evidenced by the willingness to innovate, improve operational practices, and seek new market opportunities. These efforts underscore the entrepreneurial spirit of business actors in Kabila Bone District. The findings emphasize the need for greater awareness and implementation of the entity concept among micro-enterprises. By adopting this approach, business owners can separate personal and business finances, improving financial accountability and enabling better strategic decision-making. Furthermore, the study underscores the importance of government and institutional support in providing education and resources to help micro-enterprises thrive in the competitive tourism sector.</p>
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INTRODUCTION

Entity concept (*Entity Concept*) is one of the basic concepts in accounting that emphasizes that business units must be seen as separate entities from their owners. *American Institute of Certified Public Accountants* (AICPA) emphasizes that the concept of an entity is a basic accounting postulate

that requires a separation between business activities and personal activities of the owner (Suwardjono, 2017). This separation is important because it is the basis for clarity of information regarding the company's performance (Larasdiputra & Suwitari, 2020)

Both large and small-scale entities (*Small Enterprise*), it is very important to implement the concept of entities in its business activities as the main basis in accounting. SMEs (*Small Enterprise*) play an important role in reducing the unemployment rate by forming small businesses and employing people around them, and being able to support all economic activities such as carrying out production activities to support primary needs and services needed (Azzam et al, 2024)

In Indonesia, *SMEs (Small Enterprise)* is known as Micro, Small, and Medium Enterprises (MSMEs). The presence of MSMEs in Indonesia plays an important role in encouraging the country's economic growth rate (Filza et al, 2023). MSMEs can be said to be the main pillar of sustainable economic development in Indonesia.

The increase in the number of MSMEs can have a positive impact on the community's economy. At the local level, the role of MSMEs is becoming increasingly crucial in strengthening the economy of every region in Indonesia (Kaswinata et al, 2023). This shows that MSMEs need to get serious attention in the existence and development of their businesses (Ilmi, 2021). One way that must be done is to improve the ability of business actors to manage their businesses, especially in the application of the concept of entities.

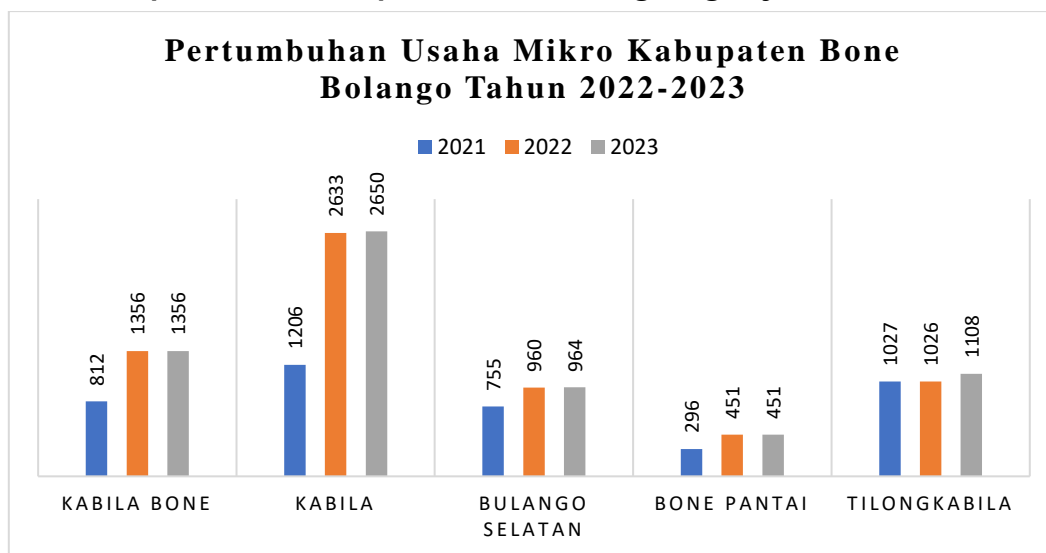
The application of the concept of entities in business activities is an important thing to do considering the characteristics of MSME management that tend to be personal. Kieso, (2020) emphasizing that the separation between business and personal transactions is the first step in creating reliable financial information for business decision-making.

However, the separation between personal finance and business finance is still rarely carried out by micro business actors. This is in line with the research conducted (Deaf, 2019) explained that business actors, especially micro businesses, do not know and know the concept of entities that can become standards in running a business, both large-scale entities and small-scale entities. Most business actors run their businesses without separating personal money and company money (Ratu et al, 2023; Sambharakreshna et al, 2023; Setiawan et al, 2024).

Meanwhile, micro businesses in Kabila Bone District are currently increasing. This goes hand in hand with the increase in the tourism sector of Kabila Bone District. Kabila Bone District, which is located in the coastal area of Gorontalo with 5 tourist attractions, is very well known by domestic and foreign tourists, namely Botubarani Whale Shark tourism, Olele Marine Park, Botutonuo Beach, Bindalahe Beach, and Molotabu Beach. Along with the increase in the number of tourists coming to

Kabila Bone District, it also turns out that the number of micro business actors who support the development of tourism has also increased.

Graphs 1: Micro Enterprises of Bone Bolango Regency in 2021 - 2023



Source : DISPERINDAG Bone Bolango Regency (2024)

Based on data on the number of micro businesses in Bone Bolango Regency, it can be seen that Kabila Bone District has increased by 67% from 2021 to 2022. Then in 2023 it shows the same number as the previous year. So it can be said that micro business actors in Kabila Bone District are able to maintain their business existence.

Based on initial observations made by researchers, it was found that micro businesses are the main source of income for many families, especially in the tourist area of Kabila Bone District. Initial observations of some micro business actors reveal some practices that contradict the concept of entities. For example, some business actors still have not separated business cash from personal cash, use business assets for personal purposes and still have not separated business debts and personal debts.

This phenomenon raises fundamental questions in the context of accounting theory. In a theoretical perspective, the concept of an entity is a basic non-negotiable assumption in accounting practice. However, empirical findings in the field actually show that micro business actors are able to survive and develop their businesses even though they do not fully implement this concept. This shows that there is a gap between conventional accounting theory and practice at the micro business level.

Previous research by (Pramono et al, 2023) Regarding the application of the concept of entities to MSMEs in the entertainment industry, it was found that business actors do not separate wealth between businesses and private property. Even in his research, it was revealed that business

actors still often cover operational costs with the owner's personal costs when the business suffers losses. Meanwhile, (Wibowo, 2023) In his research, it was revealed that business actors consider the application of the concept of entities to be a waste of time. However, the two studies have not explored how micro business actors can still develop businesses without the full application of the entity concept.

Based on the background and problems described above, the researcher focuses on research on "Disclosure of the Development of Micro Enterprises in the Tourism Sector in Kabila Bone District Through a Review of Entity Concepts"

METHOD

This research explores the development of micro-enterprises in the tourism sector in Kabila Bone District through the lens of the entity concept. The following sections detail the research location, design, variables, population, sampling technique, data types, data collection methods, and data analysis techniques employed in the study:

Research Location and Time

The study was conducted in Kabila Bone District, focusing on micro-enterprises within the tourism sector. Data collection took place from October 2024 until the research was completed.

Research Design

The study adopts a descriptive quantitative design, emphasizing fact-finding and interpretation. The design aims to analyze societal problems, relationships, and patterns while comparing specific phenomena to identify trends.

Operational Definitions of Variables

1. Entity Concept:

Refers to the clear separation between business assets, liabilities, income, and expenses from those of the owner. Indicators include:

- Separation of business and personal assets/liabilities.
- Separation of business and personal income/expenses.
- Owner awareness of the entity concept.

2. Business Development:

Focuses on indicators such as:

- Increase in sales.

- Growth in customer base.
- Access to loans.
- Expansion of products/services.
- Asset acquisition and business evaluations.

Population and Sampling

1. Population:

Includes 1,356 micro-enterprises in Kabila Bone District that fall under the tourism sector, adhering to criteria from Government Regulation No. 07 of 2021.

2. Sampling Technique:

Proportionate Stratified Random Sampling was employed to ensure representation across strata. Using the Slovin formula with a 10% margin of error, a sample size of 93 micro-enterprises was determined, distributed as follows:

- Whale Shark Tourism: 25.
- Olele Marine Park: 17.
- Botutonuo Beach: 24.
- Bintalahe Beach: 14.
- Molotabu Beach: 13.

Data Types and Sources

The research utilized primary data, collected directly from respondents through questionnaires designed to capture insights on entity concepts and business development.

Data Collection Techniques

1. Observation: Direct observation of tourism micro-enterprises to gather contextual insights.
2. Questionnaires: Structured questionnaires using Guttman scale (Yes/No) to quantify responses on entity concept application and business development indicators.

Data Analysis Techniques

The data were analyzed descriptively using statistical techniques, emphasizing percentages to summarize responses. The calculation involved:

$$P = F \times 100\% \quad P = \frac{F}{X} \times 100\%$$

Where:

- PP: Percentage.

- FF: Total score for each question.
- XX: Maximum possible score.

This method enabled systematic interpretation of the data to assess trends and draw meaningful conclusions regarding micro-enterprises' adherence to the entity concept and their development trajectory.

RESULTS AND DISCUSSION

This study explores the application of the entity concept and its impact on the development of micro-enterprises in the tourism sector in Kabila Bone District. The findings reveal varying levels of adherence to the entity concept among business owners, with significant implications for their financial management and business growth. Only 46% of respondents separate business and personal cash, aligning with the principles of the entity concept. Most respondents acknowledge the importance of this practice, avoiding the use of business cash for personal expenses. However, 54% of respondents have not implemented this separation, often mixing personal and business finances, highlighting gaps in financial discipline and awareness.

A mere 40% of respondents differentiate business receivables from personal receivables, with 60% failing to practice this separation. This lack of differentiation often leads to the misuse of business funds for personal loans to relatives, illustrating a disconnect between theoretical accounting principles and real-world practices. Approximately 59% of business owners separate business assets from personal assets. Respondents who adhered to this principle maintained distinct facilities, such as separate buildings for business and residential use. However, 41% have yet to adopt this practice, underscoring room for improvement in asset management. Only 48% of respondents distinguish between business and personal inventory, while 52% still combine the two. For example, homestay owners frequently use personal household items (e.g., towels, toiletries) for guest needs, reflecting incomplete implementation of the entity concept.

An overwhelming 89% of respondents have not separated business and personal liabilities. Many use personal loans as business capital or rely on business earnings to settle personal debts. This practice compromises financial transparency and jeopardizes the sustainability of their enterprises. Only 25% of respondents separate business and personal expenses. Most use shared resources (e.g., electricity, transportation, and water) for both business and personal needs, complicating expense tracking and effective financial management.

A significant 75% of respondents do not separate business profits from personal income, often using business earnings for household expenses without reinvesting in the business. This lack of separation undermines business growth and sustainability. Around 73% of respondents fail to return

personal withdrawals made from business funds. This practice often leads to insufficient working capital, forcing business owners to rely on external loans to sustain operations.

Most respondents (71%) maintain basic transaction records, documenting daily sales and expenses using simple notebooks or mobile phones. While these records are rudimentary, they indicate an awareness of the importance of tracking business activities. Approximately 58% of respondents prepare basic financial reports, such as income and expense records. However, these reports are often mixed with personal transactions, limiting their utility for accurate financial decision-making.

Despite inconsistent application of the entity concept, many micro-enterprises in Kabila Bone District demonstrate growth through product and service diversification, increased sales, and customer acquisition. This progress is attributed to the strategic location in tourist areas, adaptability to local conditions, and reliance on simple financial practices.

The findings highlight a disconnect between accounting principles and real-world practices among micro-enterprises. While partial adherence to the entity concept is evident, greater efforts are needed to enhance financial literacy and discipline. Government and institutional support can play a crucial role in providing education and resources to bridge this gap, ensuring sustainable business development in the tourism sector.

CONCLUSION

Based on the results of the research and discussion that has been described, several conclusions can be drawn that the application of the entity concept to micro business actors in the tourism sector in Kabila Bone District has not been fully implemented. This can be seen from the still mixed management of assets, liabilities, and capital between business and private property. However, business actors have a basic understanding in distinguishing between business and personal interests even though it is in a simple form. Although the implementation of the entity concept has not been maximized, the development of micro businesses in the tourism sector in Kabila Bone District shows a positive trend. This shows that in the context of micro enterprises, business development does not solely depend on the application of the concept of entities, but is also influenced by other factors such as strategic location, tourism sector growth, and the adaptability of business actors. Micro business actors have developed adaptive management methods according to their conditions and capabilities. They prioritize aspects that directly impact business growth, such as improving service quality and product development.

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