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Sustainable by Culture: How Vernacular Accounting as an Indigenous Financial Ethic Sustains Microenterprises in Solo Raya

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Abstract

Introduction: This study investigates how *wedangan* entrepreneurs manage their finances without formal accounting systems, relying instead on memory, trust-based relationships, and culturally grounded values. **Research Methods:** Using a qualitative exploratory method with an interpretive case study approach, data were gathered through in-depth interviews and direct observation with seven wedangan owners in Solo Raya. **Finding/Results:** Findings reveal that these entrepreneurs do not adopt Indonesia's formal financial reporting standards (SAK EMKM), yet they effectively manage daily operations through vernacular accounting, locally legitimate systems of financial tracking based on experience and intuition. These practices align with core Islamic ethical principles such as honesty (*sidq*), simplicity (*tawadhu'*), and collective benefit (*maslahah*). **Conclusion:** The study challenges dominant notions of accounting as merely a compliance tool and instead positions it as a socially situated practice. It argues for the recognition of informal, value-based financial logics as viable models for ethical and resilient local economies in times of geopolitical turmoil.

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INTRODUCTION

In an era marked by global economic uncertainty, that driven by geopolitical crises, supply chain disruptions, and mounting systemic pressures on formal markets, there is an urgent need to revisit economic models. This model should not only be resilient, but also ethically grounded and sustainable (Agama & Zubairu, 2022). In this context, locally embedded economic practices that evolve organically within communities are often overlooked in both academic discourse and policy frameworks, despite their critical role in sustaining livelihoods and preserving social cohesion (Jayasinghe & Wickramasinghe, 2011).

One compelling example is the angkringan, traditional microenterprises in Java that operate as more than just food and beverage stalls. These spaces function as vibrant social and cultural institutions supporting everyday life in urban and semi-urban settings. What makes these enterprises particularly noteworthy is their ability to survive and thrive without relying on formal accounting systems such as the Indonesian Financial Accounting Standards (IFAS) or IFAS for MSMEs (Prawestri, 2024). Instead, angkringan entrepreneurs manage their finances through informal, experience-based practices that are intuitive, trust-driven, and culturally embedded.
These practices align with what scholars have termed as vernacular accounting, a financial management system developed from the ground up, socially legitimized, and functionally effective within their specific local contexts (Mättö et al., 2022). In the case of angkringan, such vernacular practices are not only economically practical but also resonate deeply with Islamic ethical principles such as sidq (honesty), tawadhu' (humility), mas'uliyyah (social responsibility), and maslahah (collective benefit) (Ebrahimi & Yusoff, 2017).

This study investigates angkringan as a culturally rooted microeconomic model that challenges dominant, formalist narratives in accounting and offers an alternative, community-based logic of sustainability (Stubbs & Higgins, 2012). It explores how informal yet consistent financial practices serve as mechanisms for economic adaptation, resilience, and continuity in the face of global disruption. Focusing on the vernacular accounting practices of angkringan entrepreneurs, this study seeks to uncover the tacit knowledge, social norms, and moral values that guide financial decision-making at the grassroots level (Ezzamel & Hoskin, 2002).

In doing so, the study fills a critical gap in accounting literature, particularly in the Indonesian context, where most research on MSMEs tends to center on compliance, digitalization, or financial literacy initiatives (Goddard, 2004). Far less attention has been given to how small-scale entrepreneurs actually manage their finances in culturally meaningful and context-sensitive ways. This research contributes to a broader understanding of accounting not merely as a technical instrument of compliance, but as a socially situated and ethically informed practice that reflects local wisdom, lived experience, and sustainable community values.

Jayasinghe & Wickramasinghe (2011) and Matto et al., (2022) state that despite the growing body of literature on vernacular accounting in the Global South, there remains a significant gap in Indonesian scholarship. This particularly regarding how culturally embedded financial practices function outside the formal institutions framework. Most of research related to MSMEs in Indonesia has predominantly focused on formal compliance (Erdiansyah &

Khoirunurrofik, 2021; Michael & Widjaja, 2024), financial literacy training (Hererra et al., 2023; Idrus & Rastina, 2024; Suidarma et al., 2024; E. S. Utami et al., 2021), and the adoption of digital financial technologies (Edo et al., 2024; Pradnyani et al., 2025; N. Utami, 2023). These studies often assume that formalization is both necessary and universally beneficial, thereby overlooking the resilience and legitimacy of informal systems that have long supported local economies.

Very few studies have systematically explored how MSMEs entrepreneurs in Indonesia, especially those operating in traditional food stall sectors such as angkringan or wedangan, engage in financial management grounded in lived experience and communal trust. Even fewer have examined how these vernacular practices align with Islamic ethical frameworks, despite the cultural centrality of Islam in many local business contexts. This gap is particularly striking given that concepts such as sidq (honesty), tawadhu' (humility), mas'uliyyah (social responsibility), and maslahah (collective benefit) are not only relevant to Islamic finance but also reflected in the everyday business ethics of many microentrepreneurs (Ebrahimi & Yusoff, 2017).

Thus, this study addresses an underexplored intersection in the literature, the convergence of vernacular accounting practices and Islamic ethical values in Indonesia's informal economy. This research contributes to reframing accounting as not only as a tool of formal governance, but also as a dynamic and context-sernsitive social practice.

METHOD

This research uses a qualitative exploratory approach with an interpretive case study design to explore vernacular accounting practices among angkringan microenterprises in Central Java (Sugiyono, 2016). This approach was chosen to understand how financial practices based on local culture, experience, and intuition are developed and applied by MSME owners without using formal accounting systems.

The study was conducted in several wedangan located in the Solo Raya area, involving interviews with seven wedangan owners selected through purposive sampling based on their location and business characteristics. The data were collected through semi-structured interviews, supported by direct observation of their daily financial activities to capture practices that may not be easily explained in words. Informal documents such as handwritten notes and debt books were also used as supporting materials. Data analysis followed the Miles and Huberman (2014) model, which includes three key steps: reducing the data, displaying the data, and drawing conclusions.

To ensure the trustworthiness of the findings, this study employed triangulation strategies despite the absence of formal documents such as ledgers or stock records. Data source triangulation was conducted by comparing narratives across the seven wedangan owners to identify recurring patterns and contextual variations (Sugiyono, 2016). In addition, methodological triangulation was applied by combining semi-structured interviews with non-participant observations of daily financial routines (Sugiyono, 2021). This allowed the researcher

to validate whether claimed practices (e.g., memory-based debt tracking or daily sales estimation) were reflected in observable behavior.

RESULT AND DISCUSSION

In Indonesia, the financial reporting framework for micro, small, and medium enterprises (MSMEs) is formally governed by the Financial Accounting Standards for Micro, Small, and Medium-Sized Entities (SAK EMKM), issued by the Indonesian Institute of Accountants (IAI) in 2016. This standard was specifically designed to address the unique needs of MSMEs by offering a simplified, relevant, and more accessible alternative to the general financial accounting standards (PSAK), which are typically intended for larger-scale entities (Jayasinghe & Thomas, 2009).

The SAK EMKM requires MSMEs to prepare financial reports comprising three key components: the Statement of Financial Position (Balance Sheet), the Income Statement, and the Notes to the Financial Statements (IAI, 2016). In its implementation, the standard emphasizes accrual-based accounting, the presentation of reliable information, and inter-period comparability. To support adoption, the government has introduced various programs aimed at providing technical assistance and enhancing financial literacy among MSME actors (Sari et al., 2023).

However, despite the availability of this simplified and contextually adapted formal framework, its adoption remains notably low in practice (Prawestri, 2024). Many MSME entrepreneurs, particularly those operating within traditional and community-based sectors such as wedangan, perceive the formal system as overly technical, misaligned with the practical realities of their daily operations, or inaccessible due to limited accounting literacy. This gap underscores the persistent disconnection between standardized accounting frameworks and the lived financial practices of grassroots enterprises.

Although the government and professional organizations have provided standardized frameworks such as the SAK EMKM to promote financial transparency and improve access to financing for MSMEs, field findings reveal that these standards have yet to gain meaningful traction among wedangan entrepreneurs in the Solo Raya region (Suryantara & Ridhawati, 2023). Based on interviews conducted with seven wedangan owners, all respondents reported that they do not employ formal financial recording practices in their daily business operations. Most are unfamiliar with technical accounting terminology, have never participated in formal accounting training, and do not use dedicated books or digital applications to document financial transactions (Clarisa & Wijaya, 2022; Fachruzzaman et al., 2021).

In contrast, the financial management strategies employed by these entrepreneurs are vernacular in nature, rooted in habitual practices, lived experience, and locally inherited values transmitted informally. Nearly all respondents reported relying on personal memory to monitor income, expenses, inventory needs, and accounts payable or receivable. They indicated that, to

date, no significant issues have compelled them to adopt formal accounting systems, as their operations function smoothly through a consistent and familiar rhythm of business. These practices are also deeply embedded in Javanese cultural values, particularly the strong sense of mutual trust between entrepreneurs and their customers.

This memory-based financial practice may appear simplistic on the surface, yet in reality, it reflects a consistent and functional internal logic. Several respondents, for instance, stated that they know precisely “how much needs to be spent” or “what the daily income target is” without the need for written records, as these practices have become habitual over many years. In some cases, even customer debts are tracked mentally, with no written documentation, only recorded upon the customer's request.

These findings reinforce the concept of vernacular accounting as articulated by Kilfoyle et al. (2013), which refers to informal yet socially legitimate accounting systems trusted by local communities as hard information, that is, concrete, actionable knowledge. In the context of wedangan, such systems are not merely compensatory responses to limited access or financial literacy; rather, they represent cultural expression, survival strategies, and reflections of local ethical values. Amid the growing pressures on formal economic systems brought about by global uncertainty, these practices exemplify a form of resilience and contextual relevance that warrants serious consideration as an alternative paradigm within the discourse of sustainable accounting.

The findings of this study indicate that formal financial recording practices have not yet been integrated into the financial management systems of wedangan enterprises in the Solo Raya region. These micro-entrepreneurs consistently rely on memory- and experience-based systems, not merely due to a lack of awareness, but because such systems are perceived as more aligned with their operational needs, daily business rhythms, and deeply held local values. This practice is further influenced by limited financial knowledge among wedangan operators. Nevertheless, they demonstrate the ability to sustain and even grow their businesses economically without adhering to formal standards such as SAK EMKM, while still maintaining discipline in cash flow, debt management, and business decision-making processes.

Conceptually, these practices reflect what the literature refers to as vernacular accounting, a bottom-up financial information system that is informally constructed yet holds strong legitimacy within the specific social contexts in which it operates. In the case of wedangan, this practice is not only pragmatically economical but also deeply embedded with values such as honesty, simplicity, mutual trust, and social responsibility, serving as a form of value-based economic resilience. These values are inherently aligned with key principles of Islamic ethics, including sidq (honesty), tawadhu’ (humility), mas’uliyyah (social responsibility), and maslahah (collective benefit).

The findings of this study offer important implications for the development of national Islamic economic policies. While current regulatory approaches such as SAK EMKM, seek to

improve financial literacy and formal compliance among MSMEs, they may fall short in recognizing the cultural, ethical, and operational realities of grassroots enterprises. The vernacular practices of wedangan entrepreneurs demonstrate a locally embedded financial logic that is not only effective in sustaining microbusinesses but also aligns closely with Islamic economic values. This convergence suggests an opportunity for policymakers to reconceptualize Islamic economic frameworks by incorporating vernacular accounting as a complementary, culturally grounded approach to financial management. Rather than imposing rigid compliance, national Islamic economic policies could integrate flexible, ethics-based models that acknowledge indigenous practices, promote financial inclusion, and foster business resilience, especially in underserved sectors of the informal economy.

CONCLUSION

This study concludes that the vernacular accounting practices employed by wedangan entrepreneurs in the Solo Raya region constitute a socially legitimate and operationally effective form of financial information system, despite not aligning with formal standards such as SAK EMKM. By relying on memory, experience, and locally embedded values such as honesty and trust, these business actors are able to manage cash flows, assess business performance, and sustain their enterprises over the long term. These findings suggest that accounting is not merely a technical or normative exercise, but rather a socio-cultural practice that is inherently contextual and adaptive.

Importantly, this research contributes to the development of a locality-based Islamic economic discourse by demonstrating how grassroots financial practices though informal can reflect and uphold core Sharia values such as sidq (honesty), mas'uliyyah (social responsibility), and maslahah (collective benefit). Rather than dismissing these practices as unstructured or non-compliant, they should be acknowledged as valid expressions of Islamic economic ethics at the micro-enterprise level.

Based on these findings, it is recommended that policymakers, academics, and MSME facilitators not only promote the adoption of formal accounting systems, but also develop more adaptive approaches that align with local realities. Financial literacy programs should be designed with sensitivity to community-based business logic, Islamic ethical values, and the inherited practices of entrepreneurs. Moreover, bridging vernacular practices with formal reporting systems is crucial by using simplified recording tools that respect local wisdom. Such an approach may foster the development of a more inclusive, ethical, and sustainable accounting model.

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