

## Accounting from Chinese Entrepreneur Perspectives

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### ABSTRACT

This research aims to describe the meaning of accounting on Chinese businessperson perspective. It was conducted at Chinese beekeeping in Malang Regency. Observations, interviews, and documentations were used as data collection technique on this study. This study is qualitative research with phenomenology approach focusing on thought, individual and society as the object of analysis. It was interesting to determine how Chinese entrepreneurs perceive accounting since many entrepreneurs believe Chinese entrepreneurs can be relied on. This study contended that Chinese entrepreneurs see accounting as (1) information; (2) calculation (decision based); and (3) accountability.

**Keywords:** Accounting Interpretation, Chinese, Entrepreneur, Small and Medium-Sized Enterprises (SMEs)

### INTRODUCTION

Accounting is commonly used by well-known companies, in which financial statements are used to lure more investors into the companies. Moreover, several researchers assumed that most of medium and small-scale enterprises have not been getting about accounting records and even had no financial records. Whereas, if they were explored accounting more, they could have accounting in their business. It was just a different way of applying accounting as for them, it should not be such a complex accounting as long as the bookkeeping is properly recorded and examines the difference between incomes and expenses.

Most large companies in Indonesia are largely dominated by Chinese entrepreneurs, the largest ethnic living abroad. It started from its economic factors and increased population creating limited jobs. Hence, they were wandering abroad for good fortune. Chinese is in the 20 largest ethnics in Indonesia. Based on the census data of 2010, there are 2,83 million Chinese people living in Indonesia. It is around 1,2% of 236,73 million of the Indonesian population, the 18<sup>th</sup> ethnic group in Indonesia. Since their young age, Chinese have the mindset of entrepreneurship in which they were not ashamed to get work. In addition, they considering that being a business person or an entrepreneur is both honor and pride (Guang, 2009, p. 44).

Mostly Indonesian enterprises are Chinese, one of popular ethnic groups which have known about their culture and economic principles in Indonesia. No wonder they occupy large businesses in Indonesia. Suhartini and Renanta (2007) suggested that ethnocentrism behavior of Chinese in Indonesia is highly strong due to their family culture. This unique characteristic makes the researchers interested to explore their diligence and passionate. Guang (2009) stated that successful persons are those who have strong will to work with their utmost strength. It is a translation of a Chinese proverb

teaching us to be strong and hard working to achieve our success. In addition to their hard working and passionate, another interesting phenomenon to discuss is that their substantial contribution to Indonesia's economy despite their minority.

Those two, the medium and small enterprises, and Chinese contribution to Indonesia economy, will be the major discussion in this paper. This study was conducted at Chinese small and medium-sized enterprises based on their simple financial statements used not for investor benefits. Further, the old proverb "Seek knowledge even to China" makes us wonder its validity and association with accounting and/or financial management of Chinese entrepreneurs. This will provide an insight about the definition and value of accounting in Chinese perspectives compared with latest theories on accounting.

Further, this study investigates how Chinese entrepreneurs see accounting for their business, how their enterprises could survive and develop in Indonesia, and what accounting fits on their small and medium-scale enterprises. Based on this, the research focus is how does Chinese entrepreneur from small and medium scale interpret accounting on their business.

Theoretically, the meaning of accounting is broadly conceived. Accounting refers to the ability to properly record, classify, and make summary, stated by money, transaction, and activity with financial nature. Jacobs (2002) stated that the interpretation of accounting means accounting is used for daily business activity although it has not been formally applied due to the lack of accounting literacy of SMEs owners, though it does not interfere their business development. Goxe (2012) explained Confucianism, transnational, Chinese values, and unifying practices of China and parts of East Asia. He examined premises and the questions about the definition of Chinese ethnic, values, management, and innovation from political and strategic perspectives.

Tarmidi and Gammeltoft (2008) found that Chinese companies are relatively more developed and fast growing among Asia Countries, and Latin America. China had invested a lot, especially to those who are involved in market penetration. Despite their small investment, they were rapidly increasing. Mulyani, Nurhayaty, and Miharja (2019) contended that most entrepreneurs have no idea about profits as they point to the tangible objects such as motorcycle, house building, and cars rather than to cash. This lack of accounting comprehension is the results of several factors, such as inadequate educational background, lack of accounting training, and the lack of management's accounting needs to apply.

Suwanto, Niswatin, & Rasuli (2016) stated that small scale enterprises consider accounting process as time and cost wasting. According to their research findings, accounting is interpreted as information since the entrepreneurs could collect information about the proportions obtained from accounting records. Wahid, Handayati, and Firmansyah (2020) argued that accounting in companies' financial statements provide information as the basis for business decision. Accounting as accountability can be used as a benchmark for traders to determine the amount of money to give to business owners. Accounting as calculation (decision based) is that most entrepreneurs do not properly recorded, though they understand business activities with different meanings. Zuhdi (2011) argued that accounting as an information for SMEs as fundamental to make decision.

## RESEARCH METHOD

This research is a qualitative research method with phenomenological approach assuming that individual behaviors are the conclusion of its world interpretation. Phenomenology is to comprehend how we interpret our social behavior as a meaningful (interpretation) to reconstruct the derivative meaning (for the next interpretation) of behavior on individual intersubjective communication in social life. This study used phenomenology approach in which interpreting accounting records to run an SME is required as a determining factor to make financial statement in running business.

The main instrument to collect the data of this study is the researchers themselves directly interacting with respondents. To maintain the nature of this qualitative study, the researchers are adaptive, responsive, expansive, clarifying and improving their ability in collecting data.

This study was conducted at two different locations, Petik Madu Tourism Site at Puri Kencana and Varia Unggas. Petik Madu is located on Dr. Wahidin Street No. 8 Kalirejo, Lawang sub-district, Malang Regency, while Varia Unggas is located on Inspol Suwoto Sidodadi, Lawang sub-district, Malang Regency.

## RESULTS AND DISCUSSION

This study found that which Chinese company's accounting has important role to get the information the owners need. They realized that in carrying out their businesses, it is necessary to make accounting records to avoid constraints. They also assumed that the records will be beneficial for them as they could obtain the desired information to share with the community with whom the investors might cooperate.

These recording activities are accounting since they are the information as the basis for ongoing business activity, comprising information on the number of sales, or income, and expenses in business process. Besides that, recording activities could provide information of sold items, warehouse supplies, and best seller products. In addition to supplier's performance, the recordings provide information of current business position, either good or bad condition, decreasing or increasing. Thus, the recordings could be used as the basis for decision making.

Additionally, the accounting records are quite simple and unlike concrete financial statements, used as a conception in decisions making. Despite its simplicity, these records represent and determine the overall business financial condition, profit and loss. This study also found the results of calculation illustrate the ups and downs of the product on the market. It can be seen from the request of their co-workers who take product from Chinese businesses. High demand implies high market interest, while low price and long retrieval period signifies low market interest.

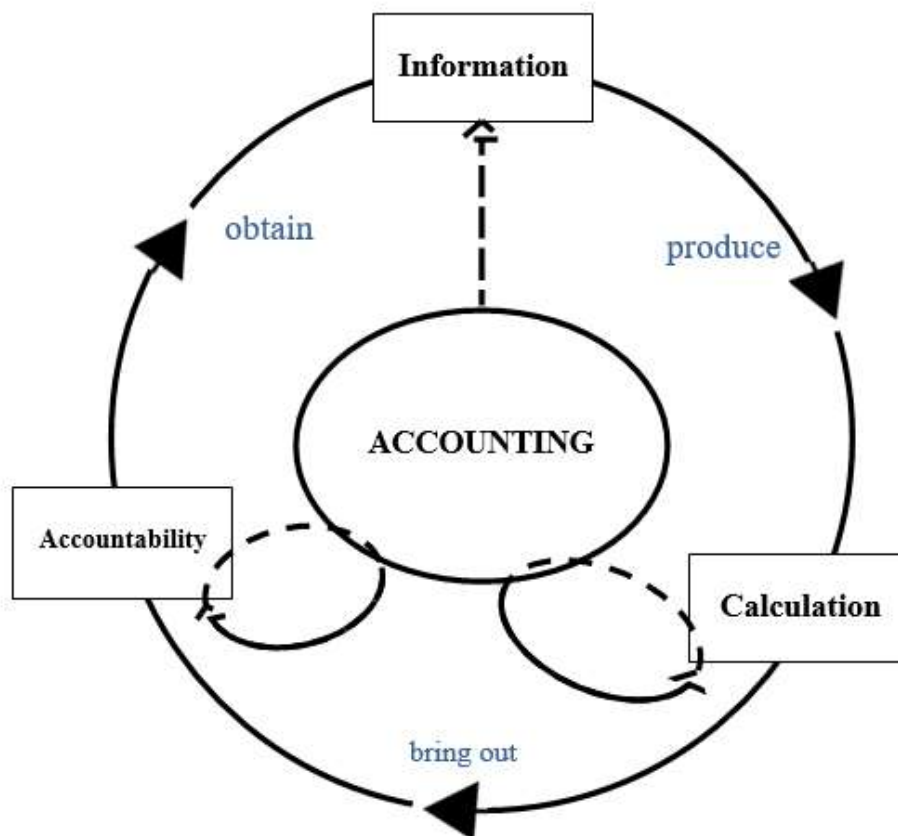
However Chinese entrepreneur always look back at colleagues' trade records through the notes they made, related to their performance to determine whether a product should be given more or less than the others. This kind of calculation was conducted when Chinese entrepreneurs acquired accounting information of their business processes to determine their further decision.

In addition, this study found that when running business activities, accounting records were criteria or basic calculation used as medium to achieve company's goals. This requires excellent human resources and their responsibility and accountability to make company's goals easy to achieve, as all employees and co-workers are collectively responsible to the business owners.

The accountability is highly vital since this is a certain process the business owners should take to make final decision to maintain their businesses. This reporting will be the initial information for company's calculations. This study argued that the initial information produces calculation of accountability reports.

During the research, we found a circle of accounting meaning in Chinese entrepreneurs as illustrated in Figure 1. It shows three elements of accounting meaning, including information, calculation, and responsibility. It explains the meaning of accounting among Chinese entrepreneurs are information to produce calculation used as the basis of decision making in their business. The calculation results in responsibility entrusted from financial department to business owner.

**Figure 1. Three Accounting Meanings**



## CONCLUSIONS

The results and discussions of this study lead to conclusions that the Chinese entrepreneurs interpreted accounting as information, as they could obtain adequate

information based on the financial records. They assumed that the recording is beneficial for them as information to share with the community or investors. In addition, the recordings help them to recognize how much income and expense they get in a certain period.

As calculation, accounting means that the financial information will be recorded in the form of calculations used for decision making based on the notes made on daily basis. The Chinese entrepreneurs determine the decision to find out overall venture capital, how many products are sold, to consider the profit and loss, and to describe the ups and downs of products on the market. Accounting as responsibility is the responsibility of the use of funds reported to business owner. This report is highly important since it is a process of determining how the owner make decision to ensure their businesses grow and develop. This accountability report will be the initial calculation for them.

Our work obviously has limitations. The limited time in conducting the observations and to directly meet the respondents allows several information could be missed. This suggests future research investigate the meaning of accounting with wider views and longer research time. Besides, future research could physically meet the respondents to provide more in-depth and unbiased findings. Lastly, better research finding could be obtained by studying different business fields of other ethnicities' perspective.

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