

## ANALYSIS OF THE FACTORS AFFECTING UNDERSTANDING OF SMALL AND MEDIUM BUSINESSES IN PREPARING FINANCIAL REPORTS

**Adi Wibowo; Rorim Panday; Siti Mardiyah; Arif Prasetyo**

*Bhayangkara Jaya University, Raya Perjuangan, Bekasi, Indonesia*

E-mail: [adi.noor@dsn.ubharajaya.ac.id](mailto:adi.noor@dsn.ubharajaya.ac.id)

*Received April 2018; accepted December 2018*

### **Abstract**

This research analyzes the information and influence factors of socialization, size of the business, as well as the perceptions of entrepreneurs of Small Medium Enterprises to understanding in preparing of the financial statements accordance Accounting Standards for Entities without Public Accountability. The object of research are the Wedding Organizer entrepreneurs in Bekasi City. This research using quantitative research methods with sample as 75 units of Small Medium Enterprises . Multiple regression will be used to analyze. T test results showed partially on information and dissemination as well as influence business size significantly, while perceptions of owners do not influence on the understanding of Small Medium Enterprises about Accounting Standards for Entities without Public Accountability (ASEPA). As simultaneously all independent variables effect on the dependent variable. This research suggests that by improving their understanding in preparing of financial report can provide opportunities for Small Medium Enterprises entrepreneurs to apply for loans to third parties in developing their businesses.

### **Research paper**

**Keywords:** Information, Socialization, Business size, Owner's perception, Financial statements

**Reference** to this paper should be made as follows: Wibowo, A., Pandey, R., Mardiyah, S., & Prasetyo, A. (2018). Analysis of the Factors Affecting Understanding of Small and Medium Businesses in Preparing Financial Reports, *Journal of Entrepreneurship, Business and Economics*, 6(2), 91–100.

## **Introduction**

Currently there are approximately 54 million Small Medium Enterprises in Indonesia with tremendous potential, and become the backbone of the economy of Indonesia with a contribution of around 62.58 percent in gross domestic product (Purnamawati, 2017). Unfortunately, the Micro Small Medium Enterprises (MSME) sector in Indonesia still has many obstacles including limited access to finance and limited market access. Even from the above amount, as many as 90 percent are informal sector micro-businesses that have difficulty gaining access to capital. One of the efforts to overcome these obstacles is that MSMEs must record their finances in a financial report (EZEAGBA, 2017) that is in accordance with the Accounting Standards for Entities without Public Accountability (EZEAGBA, 2017). In fact, this is a weakness of many MSME entrepreneurs. With the object of the research are Wedding Organizer services located in the City of Bekasi, this study aims to obtain empirical evidence of the effect of providing information, socialization, company size and owners' perceptions on the understanding of MSMEs in preparing Financial Reports based on Accounting Standards for Entities without Public Accountability (ASEPA)(IAI, 2012).

## **Literature Study**

### ***Understanding Information and Socialization***

Understanding of making Financial Reports based on Accounting Standards for Entities without Public Accountability is closely related to the

process of providing information and socialization (Morgan, Bible, & Parkinson, 2017). If employers get information and socialization well, their understanding of Accounting Standards for Entities without Public Accountability is also good. According to (Solovida, 2010) information systems owned by a company provide information to parties inside and outside the company. This information is generated from information systems consisting of accounting information systems. The same thing was stated by (EZEAGBA, 2017), that accounting information is quantitative information about economic entities that are useful for economic decision making in an effort to determine choices of alternative actions. The indicators used in this study include the benefits of accounting information, the importance of information and socialization, and understanding of financial statements(Morgan et al., 2017).

### ***Understanding Business Size***

The size of business is a factor that is difficult to separate from the environment of MSME entrepreneurs, this was stated by (Salamzadeh et al., 2014; Morgan et al., 2017). Similar opinions were expressed by (Sulaiman, 2016) stating that business size can influence business actors' thinking regarding complexity and the higher level of business transactions. Furthermore, the size of the company according to (EZEAGBA, 2017) states that the things that cause the progress obtained by the company include a greater number of employees, especially for medium-scale companies as activity increases and the level of complexity of the company

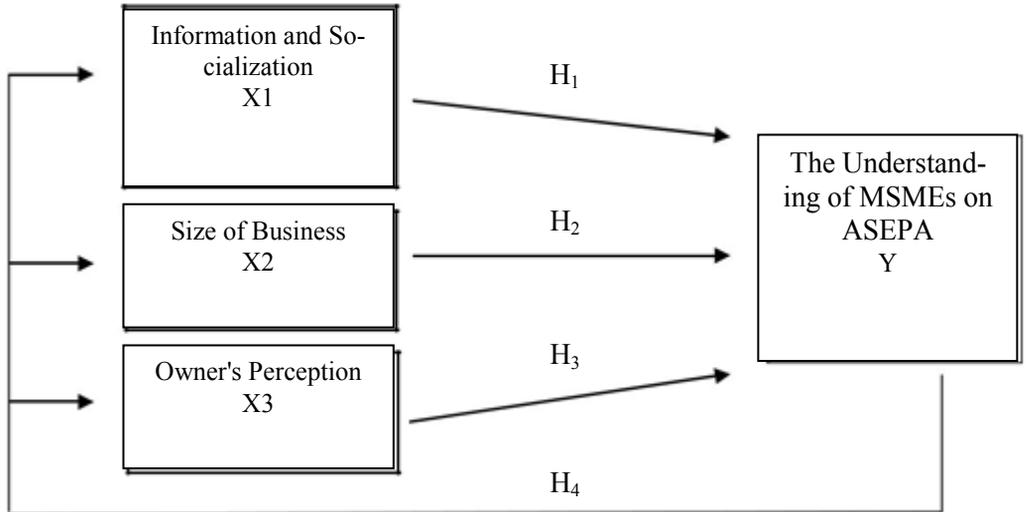
is needed. In line with (Omolo, Oginda, & Oso, 2012) states that business size is a business scale that shows the size of a company, judging from the number of employees, sales volume, and asset value. The indicators used in this study include the number of employees, sales volume, and the value of company assets.(EZEAGBA, 2017)

### ***Definition of Owner Perception***

According to the Great Indonesian dictionary in (Surakarta, 2017) perception is the process of someone knowing some things through his senses. While in (Rudiantoro, Rizki dan Siregar, 2012) states that perception is a process of individuals in selecting, managing, and interpreting a stimulus that they receive into an assessment of what is around them. the researcher's perception of the world, what is considered the reality, how that reality can be understood and what methods are best taken to obtain further knowledge on that reality(Sulaiman, 2016). In this case, perceptions include the interpretation of objects, acceptance of stimulus (input), organizing stimulus, and giving interpretations to stimuli that have been organized by influencing behavior and attitudinal changes in the administration of accounting information and interpreting received in applying Accounting Standards for Entities without Public Accountability (ASEPA).

## Conceptual models and Hypotheses

The conceptual model of this research is as follows:



Next is the hypothesis in this study:

**H<sub>1</sub>:** Information and socialization have a positive effect on the understanding of MSMEs on ASEPA.

**H<sub>2</sub>:** The size of the business has a positive effect on the understanding of MSMEs on ASEPA.

**H<sub>3</sub>:** Owner's perception has a positive effect on the understanding of MSMEs on ASEPA.

**H<sub>4</sub>:** There are simultaneous positive influences of the three indicators on the understanding of MSMEs on ASEPA.

## Methodology

The object of the research is the entrepreneurs Small Medium Enterprises of Wedding Organizer in Bekasi City. In this study there were 3

(three) independent variables, namely information and socialization, business size, and owner's perception, and the understanding of MSMEs towards ASEPA as the dependent variable. To find out whether the three independent variables influence the dependent variable is to provide a questionnaire containing 6 (six) statements for each independent and dependent variable indicator, Sample of this research are 75 (seventy five) units of Wedding Organizer businesses that are all domiciled in Bekasi City.

## Result and Discussion

The results of the computation using SPSS as follows:

**Table 1.** SPSS Result

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta				Tolerance	VIF
(Constant)	8.547	3.304			2.587	.012		
INFORMASI_SO	.187	.103	.204		1.814	.034	.915	1.093
SIALISASI								
UKURAN_USAH	.296	.109	.306		2.720	.008	.918	1.090
A								
PERSEPSI_PEMI	.084	.097	.094		.869	.388	.988	1.012
LIK								

### *Information and Socialization Variables (X1)*

The results of this study indicate that the increase or decrease during the study period significantly influenced the understanding of MSMEs on ASEPA (Y). The higher information and socialization will affect the understanding of MSMEs on ASEPA. This is indicated by the significance of 0.034 smaller than 0.05. Based on the results of the regression test

showed a significant level of information and socialization is 0.034 where the value  $<$  from the 5% significance level. It means that it can be concluded that the provision of information and socialization influences the understanding of MSMEs in preparing financial statements based on ASEPA. This result is in line with the research conducted by Rudiantoro and Siregar (2011) who said that the provision of information and socialization could improve the understanding of MSMEs towards SAK ETAP. The better MSME entrepreneurs know about information and socialization, the better is the understanding of MSMEs towards ASEPA.

### ***Business Size Variable (X2)***

Based on the results of this study indicate that the increase or decrease during the study period affects the understanding of MSMEs on ASEPA (Y) significantly. The higher the duration of the business will affect the understanding of MSMEs on ASEPA. This is indicated by a significance of 0.008 smaller than 0.05. The duration of the business significance value of 0.008. This value is smaller than the 5% significance level, which means that the size of the MSME business has a significant effect on the understanding of MSMEs on ASEPA. The size of a business can guarantee better understanding of MSMEs towards ASEPA.

### ***Owner Perception Variable (X3)***

Based on the regression test results show the level of significance of the owner's perception is 0.388 where the value is  $>$  from the 5%

significance level. It means that it can be concluded that the owner's perception does not affect the understanding of MSMEs on ASEPA.

**Table 2.** F Test

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	237.320	3	79.107	5.129	.003 <sup>a</sup>
	Residual	1095.000	71	15.423		
	Total	1332.320	74			

a. Predictors: (Constant), PERSEPSI\_PEMILIK, UKURAN\_USAHA, INFORMASI\_SOSIALISASI

b. Dependent Variable: PEMAHAMAN\_UMKM\_ATAS\_SAK\_ETAP

Based on the results of simultaneous tests for information and socialization variables, business size and owner perceptions obtained Fcount = 5.129 and F-table 2.73, F-count 5.129 > F-table 2.73. This shows that together information and socialization, business size, and owner's perception directly influence the understanding of MSMEs on ASEPA.

### **Managerial Implication**

It is necessary to provide information and socialization in stages and continuously, to improve understanding of how to record financial transactions that occur and put them in financial statements based on SAK ETAP. This is not limited to the ability to compile financial statements as well as benefits and information that can be obtained from financial statements, so that it can use financial statements as a basis for business development which can be used as a basis for applying for credit to banks to

obtain the required data. Providing continuous and periodic information and socialization is also expected to be able to change the perception of the business owner by discussing regularly. The need for cooperation with associations and institutions of higher education and local governments so that the socialization of financial statements based on SAK ETAP can be consistent and sustainable.

## **Conclusions**

The perception of MSME entrepreneurs, especially Wedding Organizer entrepreneurs in the City of Bekasi, on the importance of financial reports in accordance with Accounting Standards for Entities without Public Accountability has not been positive and significant influence on their business, this must be bridged by providing information and socialization regarding the recording of appropriate financial statements with ASEPA. So that the larger the size of MSMEs, it becomes a necessity to make financial statements that are in accordance with the Accounting Standards for Entities without Public Accountability, thus they will submit additional capital to third parties or financial institutions will be opened wider.

## References

1. Ezeagba, C. (2017). Financial Reporting in Small and Medium Enterprises (SMEs) in Nigeria. Challenges and Options. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 7(1), 25-34.
2. IAI. (2012). *Standar Akuntansi Keuangan (SAK)*. Jakarta: IAI.
3. Morgan, D., Bible, T., & Parkinson, M. (2017). Financial Reporting Framework for Small- and Medium-Sized Entities, (November).
4. Omolo, J. W., Oginda, M. N., & Oso, W. Y. (2012). Effect of Recruitment and Selection of Employees on The Performance of Small and Medium Enterprises in Kisumu Municipality, Kenya. *International Journal of Human Resource Studies*, 2(3), 139.
5. Purnamawati, I. G. A. (2017). Factors Affecting to the Implication of Financial Statements as a Basis for Business Decision on SMEs. *South East Asia Journal of Contemporary Business, Economics and Law*, 13(3), 13–19.
6. Rudiantoro, Rizki dan Siregar, S. V. (2012). Kualitas Laporan Keuangan Umum serta prospek implementasi SAK ETAP. *SMA 14 Banda Aceh*, 9(1), 01-20.
7. Salamzadeh, Y., Nejati, M., & Salamzadeh, A. (2014). Agility path through work values in knowledge-based organizations: a study of virtual universities. *Innovar*, 24(53), 177-186.
8. Solovida. (2010). Faktor-faktor yang mempengaruhi penyiapan dan pengguna informasi akuntansi pada perusahaan kecil dan menengah di jawa tengah. *Prestasi*, 6(1), 70–100.
9. Sulaiman, N. (2016). The Impact of Financial Knowledge and Capabilities on SME Firm Performance in Australia, Doctoral Thesis: RMIT University.
10. Surakarta, D. I. (2017). Kamus Besar Bahasa Indonesia, 1–97.