

THE IMPACT OF EDUCATION LEVEL, ACCOUNTANCY COMPREHENSION, AND READINESS LEVEL OF MICRO, SMALL, AND MEDIUM ENTERPRISES (MSMES) IN CENTRAL JAKARTA ON THE PREPARATION OF FINANCIAL REPORTS BASED ON SAK EMKM

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Submitted: April 25th 2023

Revised: May 07th 2023

Accepted: May 13th 2023

Abstract: This research analyzes the relationship between education level, accounting understanding, and readiness level of micro, small, and medium enterprises (MSMEs) in Central Jakarta in the activity of preparing financial reports according to SAK EMKM. The research is based on the importance of preparing financial reports to support MSMEs and enhance access to capital and markets. However, many MSMEs face difficulties in preparing financial reports, especially due to the low education level, accounting knowledge, and readiness to adopt SAK EMKM. The research employed a survey method, with 260 respondents from MSMEs in Central Jakarta. Data analysis was conducted using multiple regression. The results show that education level and accounting abilities have a significant influence on the ability to prepare financial reports according to SAK EMKM. Furthermore, readiness level does not have a significant influence on the skills of MSMEs in preparing financial reports. Therefore, MSMEs need to improve their education and accounting understanding to effectively prepare financial reports in accordance with SAK EMKM.

Keywords: Level of education; Accountancy Comprehension; MSME Readiness Level; Preparation of Financial Statements.

INTRODUCTION

As a business sector that has a significant impact on the national economy, micro, small, and medium enterprises (MSMEs) require serious support and attention from all parties. One important aspect for the sustainability of MSMEs is the preparation of financial reports to convey accurate and transparent information about the company's financial condition, serving as a basis for investors and creditors to decide on providing capital or credit to the company. In this regard, MSMEs with high-quality financial reports can easily access funding and markets because investors and creditors will have greater trust in such companies (Marditia & Candini, 2023).

Moreover, financial reports can also assist MSMEs in managing their finances more effectively. With accurate and detailed information about the company's income and expenses, MSME owners can make better business decisions and minimize the risk of losses. In the long run, this helps MSMEs improve efficiency and productivity to remain competitive in the market (Hernawati et al., 2020).

Despite their crucial role in Indonesia's economic growth, many MSMEs struggle with preparing financial reports (Hernawati et al., 2020). This issue stems from low education levels among MSME owners, a lack of understanding of accounting principles, and a lack of readiness to implement SAK EMKM (the Indonesian Financial Accounting Standards for Micro, Small, and Medium Enterprises). Not all MSMEs are capable of preparing accurate and proper financial reports (Iswoyo et al., 2019). Many MSME owners

do not understand the importance of accurate financial reporting or lack adequate accounting knowledge (Totora et al., 2021). Additionally, MSME owners often encounter difficulties in implementing SAK EMKM, which is applicable in Indonesia.

Low education levels of MSME owners are a significant factor contributing to their difficulty in preparing financial reports. Many MSME entrepreneurs have low formal education or no formal education at all. As a result, they struggle to comprehend the complex and intricate language of accounting used in financial reporting.

Furthermore, a lack of accounting understanding is also a major challenge in financial report preparation. MSME owners often lack a basic understanding of accounting concepts such as assets, liabilities, and equity. This makes it difficult for them to comprehend how to prepare financial reports (Behl et al., 2022).

Lastly, readiness to implement SAK EMKM is also a significant factor contributing to the challenges MSME owners face in financial report preparation. SAK EMKM has complex and intricate requirements and procedures, requiring sufficient preparation from MSME owners to meet those requirements.

Therefore, efforts are needed to assist MSME entrepreneurs in preparing financial reports. These efforts can include providing training and technical support in financial report preparation and providing easily understandable information about SAK EMKM. Additionally, the government and relevant institutions can consider developing specialized education and training programs for MSME owners to

enhance their understanding of accounting and SAK EMKM (SH et al., 2023). This way, MSMEs are expected to be able to prepare their financial reports more effectively, supporting their business sustainability and improving access to capital and markets.

In this context, the role of the government and various stakeholders is crucial in providing support and facilitation for MSMEs to prepare financial reports. The government can provide accounting and SAK EMKM training and education, as well as streamline the financial report preparation process by providing access to integrated financial information systems (Pakpahan & Naibaho, 2023). Additionally, the government can provide incentives and facilitation for MSMEs that diligently prepare financial reports to motivate them in improving the quality of their financial reporting.

The lack of understanding about the importance of financial reporting is a serious problem in the business world. Reports are crucial in measuring the financial performance of micro, small, and medium enterprises (MSMEs) (Hernawati et al., 2020). This is because such reports contribute as accurate and transparent sources of information about the financial performance of MSMEs.

However, there are still several MSMEs that do not understand how to prepare financial reports, which leads to the inability to provide quality financial statements. This, of course, can have negative impacts on the sustainability of the business and reduce the trust of investors and creditors in providing capital or credit.

The solution requires a study to analyze various factors that influence the preparation of financial reports. With such a study, it is hoped that it can help MSME actors understand the importance of preparing good and accurate financial statements and enhance their skills and readiness in implementing MSME Financial Accounting Standards (SAK EMKM).

Additionally, this study can provide new insights for the government and all stakeholders in improving the understanding and awareness of MSMEs regarding the importance of preparing financial reports. With the participation of the government and relevant parties in providing education and training on SAK EMKM, it is expected that MSMEs can improve the quality and accuracy of their financial statements and make a positive contribution to the economic growth in Indonesia.

Previous studies on the preparation of financial reports in MSMEs have been conducted extensively, but they have been limited to general factors such as education and business experience. For example, Singla & Mallik (2021) demonstrated that education and business experience have a positive influence on the skills of preparing financial statements in MSMEs. However, they have not yet examined factors such as understanding of accounting and readiness in implementing SAK EMKM specifically. Therefore, research conducted in a more specific context like this is expected to provide new contributions to the development of knowledge about various factors that affect the preparation of financial reports.

The novelty of this research lies in assessing the influence of education level, understanding of accounting, and readiness level of MSMEs in Central Jakarta on the preparation of financial reports in accordance with SAK EMKM specifically. Furthermore, this study is conducted using a representative sample of MSMEs in Central Jakarta, so the research findings can serve as a reference for developing government policies to enhance the preparation of financial reports in MSMEs in the region.

MATERIALS AND METHODS

The research method was conducted through a survey by distributing questionnaires to collect data using a quantitative approach (Sileyew, 2019). The research targets SMEs in Central Jakarta that have a minimum of 1 year of business experience. A total of 260 participants were randomly selected as the sample from the list of SMEs provided by the Department of Cooperatives and SMEs in Central Jakarta. The sample was taken using simple random sampling technique. The following are the indicators used for each variable:

Table 1
Research Variable Measurement

NO	Variable	Indicator
1	Level of education	Educational level Department suitability (Barus et al., 2021)
2	Accountancy Comprehension;	Financial comprehension Financial records Financial classification Financial summary Reporting of financial information Managerial accounting (Machfuzh & Setiyawati, 2022)
3	MSME Readiness Level	Management Organizational culture Product Technology Operational UMKM (Tortora et al., 2021)
4	Preparation of Financial Statements based on SAK EMKM	Financial reports for each period Reporting of losses Notes to the financial statements (Ariani & Yusuf, 2023)

The results of data collection were processed using SPSS version 23. Data analysis was performed using multiple

linear regression to test the correlation between variables. The following is a variable diagram in this study:

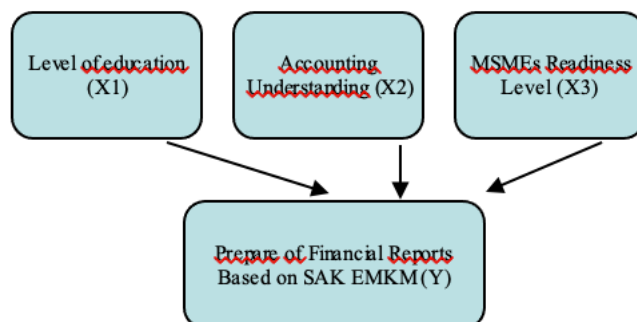


Figure 1. Research Variable Design Chart

RESULTS AND DISCUSSION

Classic assumption test

Table 2
Classic assumption test

Model	Classic assumption test			
	Normality	Heteroscedasticity	Multicollinearity	
			tolerance	VIF
X1		077	.341	5.768
X2	.178 ^c	.185	.462	7.244
X3		.268	.188	2.451

Variable Dependent: Y

The results of the normality test for education level, accounting understanding, and readiness in financial statement preparation show a normal distribution with values of $0.178 > 0.05$. Additionally, the tests for heteroskedasticity and multicollinearity do not indicate any issues. The significance values for the heteroskedasticity test are 0.077, 0.185, and

0.268, which are larger than 0.05. Similarly, the Collinearity Tolerance values of 0.341, 0.462, and $0.188 > 0.10$ indicate no signs of multicollinearity. Furthermore, the VIF (Variance Inflation Factor) values for all three variables are 5.634, 7.244, and 2.451, which are less than 10, indicating no signs of multicollinearity.

Table 3
Results of substructural regression analysis

Model	Coefficient				Model Summary	
	T	Sig.	std. mistakes	SC Beta	R	R ractangle
X1	2.947	.000	046	.307	0,878	.861

X2	2.640	.000	.074	.647	sebuah
X3	2.357	.150	.263	.341	
Variabel Dependent: Y					

The t-values were calculated by conducting partial calculations for each variable. The t-value for variable X1 is 2.947, the t-value for variable X2 is 2.640, and the t-value for variable X3 is 2.357. The obtained t-table value is 2.069. Therefore, the comparison between the t-value and the t-table value for the Education Level variable (X1) is $2.947 > 2.069$, indicating that X1 has an influence on Y. With a significance value of $0.000 < 0.05$, it is considered a significant influence.

The t-value was also calculated to examine the partial effect of each variable.

The t-value for the Accounting Understanding variable (X2) compared to the t-table value is found to be 2.640, which is greater than 2.069, indicating a significant influence of X2 on Y. With a significance value of $0.000 < 0.05$, it is considered a significant influence.

Similarly, when evaluating the t-value for the Readiness Level variable (X3) compared to the t-table value, a value of 2.357 is obtained, which is greater than 2.069. This indicates an influence of X3 on Y, but with a significance value of $0.15 > 0.05$, the influence is not significant.

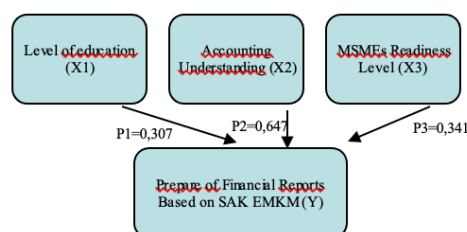


Figure 2. The Influence of Education Level, Accounting Understanding, and MSMEs Readiness Level in Central Jakarta on the Preparation of Financial Statements According to SAK EMKM

DISCUSSIONS

The study shows that the level of education has an influence on the process of preparing financial statements according to the SAK EMKM. Thus, a higher level of education among SME entrepreneurs is directly related to better abilities and knowledge in adhering to the regulations outlined in the SAK EMKM. Consequently, SMEs with highly educated human resources tend to produce better and more

standardized financial statements.

The level of education primarily focuses on the formal education of SME entrepreneurs. The higher the level of education attained, the greater the capabilities and knowledge possessed by SMEs in various fields, including accounting and finance. The research conducted by Anakotta et al. (2023) indicates a significant correlation between the level of education and the preparation of financial statements

according to the SAK EMKM. Hence, the level of education and skills in preparing financial statements are positively related.

Another study conducted by Frecknall-Hughes et al. (2023) obtained similar results, demonstrating that the level of education has a positive impact on the tax compliance of business owners in reporting annual tax returns. This suggests that a higher level of education leads to better abilities in preparing financial statements and fulfilling tax obligations.

Based on these two studies, it can be concluded that the level of education has a positive and significant influence on the preparation of financial statements according to the SAK EMKM. Therefore, education and training in accounting and finance are crucial for small and medium-sized enterprises to enhance the quality of their financial statements. SME entrepreneurs need to pay special attention to improving the education and training of their human resources and implementing proper adherence to the SAK EMKM in the preparation of financial statements to enhance the quality of the resulting financial reports. In this regard, SMEs should also consider allocating adequate funds and resources for human resource education and training, as well as upgrading infrastructure and technology in the financial statement preparation process.

Moreover, SMEs can take concrete steps to improve the quality of their financial statements, such as participating in accounting and finance training and courses organized by relevant institutions, hiring employees with a higher education

background in accounting and finance, utilizing the services of accounting and finance consultants who can assist in preparing financial statements based on the SAK EMKM, and conducting regular internal audits to evaluate the reliability of the financial statements produced.

Accounting understanding is crucial for SMEs in the process of preparing financial statements according to the SAK EMKM. The research results indicate that the level of accounting understanding significantly affects the skills in preparing financial statements based on applicable accounting standards.

One factor that highlights the importance of accounting understanding for SMEs is that accounting standards are constantly changing and evolving with the changing market conditions and regulations. Therefore, a good understanding of accounting and compliance with applicable accounting standards is key to preparing accurate financial statements based on the SAK EMKM. This aligns with the findings of Briozzo & Albanese (2020), which suggest that the level of accounting understanding significantly affects the quality of financial statement preparation. SMEs need to enhance their accounting understanding in the preparation of financial statements, particularly in terms of compliance with applicable accounting standards. Additionally, another study conducted by Thottoli & Ahmed (2022) yielded similar results, indicating that the accounting understanding of SMEs significantly influences the ability of SME entrepreneurs to prepare financial statements based on

the SAK EMKM.

From the two studies above, it can be concluded that accounting understanding is crucial for SMEs in preparing financial statements based on the SME GAAP (Generally Accepted Accounting Principles). To enhance accounting understanding, SMEs can participate in accounting training and courses, hire employees with a background in higher education in accounting, or utilize the services of accounting and financial consultants who can assist in the preparation of financial statements based on the SME GAAP. Good and adequate accounting understanding is vital for SMEs in preparing accurate financial statements that comply with applicable accounting standards. Therefore, SMEs need to continuously improve their accounting understanding through various means in order to generate reliable financial statements and strengthen their position in the market.

The research findings also indicate that the level of readiness of SMEs does not significantly influence the preparation of financial statements according to the SME GAAP, which raises questions about the actual factors that affect the ability of SMEs to prepare financial statements based on applicable accounting standards.

One possible explanation is that other factors such as accounting understanding, experience in preparing financial statements, and the internal and external needs of SMEs in preparing financial statements also influence their ability to prepare financial statements based on the SME GAAP.

The study conducted by Gunawan et

al. (2019) shows results that are consistent with the findings mentioned above. Although the level of readiness of SMEs significantly influences the use of technology in business processes, it does not significantly affect the ability to prepare financial statements based on the SME GAAP. This study suggests that other factors such as accounting understanding and experience in preparing financial statements have a greater impact on the ability of SMEs to prepare financial statements in accordance with applicable accounting standards.

However, this does not mean that the readiness of SMEs is not important in the process of preparing financial statements based on the SME GAAP. The readiness of SMEs in this context includes the availability and adequacy of data and information required in the process of preparing financial statements. Therefore, SMEs need to ensure that the necessary data and information are available and properly collected to prepare financial statements based on the SME GAAP.

To improve the quality of financial statements, SMEs also need to consider other aspects related to financial management, such as risk management, internal controls, and regular monitoring of financial conditions. By doing so, SMEs can strengthen their position in the market and enhance their competitiveness by presenting accurate and reliable financial statements to stakeholders such as investors, creditors, and the government.

CONCLUSIONS

Education and accounting understanding have a significant influence

on the preparation of financial statements in accordance with the SME GAAP in Central Jakarta. The level of education and accounting understanding helps SMEs overcome difficulties in preparing financial statements according to the standards. However, surprisingly, the level of readiness does not have a significant impact on the activity of preparing financial statements. Readiness cannot be used as the main measure to improve the quality of financial statement preparation. Therefore, the recommendation that can be given is that SMEs need to enhance education and accounting understanding as an effort to improve the quality of financial statement preparation that adheres to the SME GAAP.

We would like to express our gratitude to all parties involved for their assistance in this research. First and foremost, we would like to thank the Central Jakarta Association of Small and Medium Enterprises for their support in providing us access to the targeted SME population. We also extend our thanks to the respondents who provided information for this study. Without their cooperation, this research project would not have been possible. We appreciate the support from colleagues and supervisors who provided us with valuable guidance and feedback throughout the project.

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