



Original Article

## Investigating the Perception and Socialization of Financial Accounting Standards among MSMEs Actors in Pekalongan, Indonesia

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**Abstract:** Micro, Small, and Medium Enterprises (MSMEs) have an essential role in the Indonesian economy. Both in the pace of the country's economic development and employment. The MSMEs can reduce the current unemployment rate. The Indonesian government continues to implement various economic development strategies to improve the people's welfare. One of the strategies carried out is fostering and growing MSMEs. Thus, this study aims to analyze MSMEs actors and socialize Financial Accounting Standards (SAK) MSMEs to apply SAK- MSMEs-based financial reports. This study involved MSMEs actors in Pekalongan district, Indonesia, and was collected by using the purposive sampling technique. Data was obtained by distributing questionnaires to 40 MSME respondents in Pekalongan. Of the 40 respondents (63%) are women, (75%) are 30-40 years old, (55%) have a D3/S1 education, (70%) are 5-10 years old in the business, (50%) are IDR. 5.000.000, - up to IDR. 10,000,000, -/month, and (52%) make MSMEs financial reports. The data was analyzed using Multiple Linear Regression by assisting the statistical software SPSS-25. The results indicated that the socialization, education level, perceptions of MSMEs actors, and accounting insight partially have a significant and positive effect on the application of SAK-MSMEs in Pekalongan District, Indonesia.

**Keywords:** financial accounting standards; micro, small and medium enterprises; perception; socialization; context of Pekalongan, Indonesia.



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## 1. Introduction

Micro, Small and Medium Enterprises (MSMEs) have an important role in the Indonesian economy (Djarmiko & Pudyastiyi, 2020; Erlanitasari et al., 2020; Nursini, 2020; Tambunan, 2012; Tambunan, 2019). Both in the pace of the country's economic development and employment. It shows that MSMEs can reduce the existing unemployment rate. The Indonesian government continues to implement various economic development strategies to improve the people's welfare. One of the strategies carried out is fostering and growing MSMEs. (Ermawati, 2018) MSME actors have problems, including low education, lack of understanding of information technology, and obstacles in preparing financial reports. Many MSME entrepreneurs do not make accounting records according to established standards and do not understand the importance of financial statements in business continuity and success. Financial statements can be a reliable basis for decision-making and long-term strategies. The financial report presents the company's financial transaction data in a certain period to determine the company's financial condition. So that business actors can evaluate appropriately if there are problems in the company's financial condition. Financial reports produce financial information or so-called accounting information that MSME actors can use, investors, market researchers, bankers and other interested parties in assessing the company's finances and performance. (Ratnaningsih & Suaryana, 2014) states that accounting information can be used by many parties to achieve company excellence through speed, flexibility, integrity, and accuracy of the information produced.

In economic development efforts, the government guides MSMEs. One of the forms is the application of financial reports for MSMEs. Regulations for preparing SAK-MSMEs-Based Financial Statements have been in effect since January 1, 2018. The Financial Accounting Standards Board of the Indonesian Institute of Accountants (DSAK IAI), on October 24, 2016, compiled and ratified the exposure draft of SAK-MSMEs which contains simpler concepts compared to SAK-ETAP. The preparation and manufacture of SAK MSMEs are based on Law No. 20 of 2008 concerning MSMEs. This standard is published with the hope that it can help MSMEs to design a simple accounting system in compiling financial reports and it is hoped that MSME owners can evaluate their businesses. This study examines the perception of MSMEs actors and the socialization of SAK MSMEs on applying SAK MSMEs-based financial reports in Pekalongan Regency. This study is an application of Viola's research (2018) on the perception of MSME actors on the application of SAK MSMEs in Sagulung District.

## 2. Literature Review

The Committee on Terminology of The American Institute of Certified Public Accountants in Hutapea & Saerang (2017) defines the art of recording, classifying, and summarizing transactions and events of a financial nature in a meaningful way and units of money and interpreting the results. Meanwhile, according to the Financial Accounting Standards Board (FASB), accounting is a service activity that provides quantitative information used for economic decision-making. Based on the above definition, accounting is the basis of making financial statements that produce quantitative information used for decision-making for management and interested parties.

Financial statements are records of an entity's information for a certain period that describes a business's financial condition and performance. Financial statements are a form of financial statement made by the management to the company's owners, creditors and other interested parties. In the financial statements, there are qualitative characteristics of accounting information, which can be divided into two: primary qualities and secondary qualities. A piece of information is said to meet the primary quality if the information is relevant and reliable.

Financial Accounting Standards (SAK) are Statements of Financial Accounting Standards (PSAK) and Interpretation of Financial Accounting Standards (ISAK) issued by the Standards Board of the Indonesian Institute of Accountants (DSAK IAI) and the Sharia Standards Board of the Indonesian Institute of Accountants (DSAS IAI) and capital market regulatory regulations for entities under its supervision. The Indonesian Institute of Accountants (IAI) is a professional accountant organization in Indonesia. IAI was founded in 1957; besides accommodating accountants, IAI also has a very large role in the accounting world in Indonesia. The role is the role in the framework of the preparation of accounting standards. The accounting standards are a set of standards that regulate the implementation of accounting in the Indonesian business world (Cahyono & Yuyetta, 2011). SAK-MSMEs is prepared to meet the financial reporting needs of micro, small and medium entities. Law No. 20 concerning micro, small, and medium enterprises becomes a reference in its preparation. ED SAK MSMEs is intended for use by entities that are not or have not been able to meet the accounting requirements of SAK ETAP.

In SAK MSMEs, the entity prepares financial statements using the accrual basis; the accounts are recognized as assets, liabilities, equity, expenses, and income when they meet the criteria and definitions of each account. Entities whose financial statements have complied with ED SAK MSMEs make explicit and without exception statements regarding compliance with ED SAK MSMEs in the notes to the financial statements. An entity shall present financial statements at the end of each reporting period, including comparative information. A complete financial report based on the minimum ED SAK MSMEs consists of a statement of financial position at the end of the period; an Income statement for the period; and Notes to financial statements, which contain additions and details of certain relevant accounts

because the financial statements are complete if the entity presents a minimum of two periods for each required financial statement and notes to the related financial statements.

Wardayati & Arif (2017) define perception as a cognitive process that enables us to interpret and understand our surroundings. According to Mohammad et al. (2017) in Ludigdo (2004), perception is the experience of objects, events, or relationships obtained by inferring information and interpreting messages. Or in other words, perception is giving meaning to sensory. Nuraisyah et al. (2020) stated that socialization is a process of how introducing a system to someone and how that person determines their responses and reactions. Thus, it concluded that socialization is a process of acquiring knowledge, values, behavior, attitudes, and habits and determining responses and reactions to play an active role in social life.

Various studies have been conducted regarding various factors that influence the application of SAK MSMEs in preparing financial reports for Micro, Small and Medium Enterprises that have been in effect since 2018. (Lutviyani, 2017) conducted research on the effect of socializing SAK MSMEs, owner's education level, perceptions of MSME actors, and understanding accounting for the implementation of SAK MSMEs on SMEs in Bogor. Lutviyani's research aims to examine various factors that influence the implementation of SAK MSMEs and determine the most dominant factor of the various tested factors. The research sample is the owners of SMEs registered in the Office of Cooperatives and SMEs Bogor City, with as many as 96 respondents. The test equipment used is the simultaneous test (f-test) and partial test (t-test). The results showed the socialization of SAK MSMEs, and the owner's education level.

Janrosi (2018) studied the perception of MSMEs actors and socialization of SAK MSMEs on the implementation of financial reports based on SAK MSMEs January 1, 2018. The research sample was MSME actors registered with the Central Statistics Agency of Malang City in the food and beverage sector. The research method used is a questionnaire with 115 respondents. The results showed that the perception of MSME actors and SAK MSMEs socialization significantly affected the use of SAK MSMEs.

Meanwhile, Janrosi (2018) researched the analysis of the influence of perception and socialization on the application of SAK MSMEs to MSMEs in Sagulung District, Batam. The sample of this research is SMEs in Sagulung Sub-district registered at the Batam City PMP-KUKM Service, totalling 340 samples. The research method used is a questionnaire directly to registered MSME business actors. The test equipment used is the Simultaneous Test (f-test) and Partial test (t-test). This study produces data that perception has no significant effect on the application of SAK MSMEs, and socialization significantly affects the application of SAK MSMEs in Sagulung District. Every research conducted on an object should use a hypothetical guide that serves as a temporary handle or a temporary answer that still has to be proven true in reality (empirical verification), experiment (experimentation), or practice (implementation) (Basias & Pollalis, 2018).

Various indicators of the causes of the implementation of SAK MSMEs have been widely studied, and there are intense indicators, namely socialization and perceptions of actors. However, Viola's research (2018) produces data that the perpetrator's perception has no significant effect on the implementation of SAK MSMEs in Sagulung District. This study has additional indicators, namely the owner's education level and accounting insight. By the above description and previous research in this study, the hypotheses proposed are:

Hypothesis 1 (H1): Perception of MSMEs affects the implementation of SAK.

Hypothesis 2 (H2): Socialization of SAK MSMEs affects the implementation of SAK.

Hypothesis 3 (H3): Owner's education level affects the implementation of SAK.

Hypothesis 4 (H4): Accounting insight affects the implementation of SAK.

### 3. Materials and Methods

The type of research used in this research is descriptive qualitative. The object of research in this study is the application of MSMEs SAK by MSMEs actors in Pekalongan Regency in making financial reports. The population in this study were MSMEs actors in Pekalongan Regency from various sectors listed in the Dindagkop-UKM Pekalongan Regency. The sample taken in this study was 40 MSMEs actors registered in the Dindagkop-UKM Pekalongan Regency. The sample in this study used the purposive sampling method. The type of data used in this study is primary data. Primary data was obtained by distributing questionnaires to respondents. The data collection method in this research is survey methods, data obtained by giving questionnaires directly to SMEs in Pekalongan Regency registered with Dindagkop-UKM Pekalongan Regency using a Likert scale of 1-5. The primary data in this study contains indicators of the influence of actors' perceptions, socialization of SAK MSMEs, education level, accounting insight on the application of SAK MSMEs in Pekalongan Regency. Based on the research data in the form of a questionnaire, the instrument will be analyzed in stages by testing its validity and reliability. A validity test is useful for measuring the validity or correctness of an instrument used to obtain information from respondents. While the reliability test is useful for measuring the results of an instrument that is reliable or reliable and has a level of consistency, that is, if an instrument is used twice with the same symptoms and shows relatively consistent results, the instrument is considered reliable. Furthermore, multiple linear regression analysis was performed. In a linear equation, multiple linear regression analysis was conducted to analyze the magnitude of the relationship and the influence of several independent variables on the

dependent variable. Hypothesis testing is done using simultaneous test (f-test), partial test (t test), and coefficient of determination.

#### 4. Results and Discussion

This section reports the result of reliability testing. The reliability is measured by using Cronbach's Alpha coefficient. According to Hair (2009), the value of Cronbach's Alpha is higher than 0.60 means that the measurement scale is categorized as reliable.

**Table 1.** Result of Reliability Testing

Variable	Cronbach's Alpha	N of Items	Decision
Socialization of SAK MSMES	0.712	6	Reliable
Level of education	0.765	5	Reliable
Perception of Perpetrator	0.745	6	Reliable
Accounting Insights	0.812	6	Reliable
Application of SAK MSMES	0.638	5	Reliable

Table 1 shows the result of reliability testing. The results indicated that the measurement scale of the studied variables (e.g., Socialization of SAK MSMEs, Level of education, Perception of Perpetrator, Accounting Insights and Application of SAK MSMEs) are categorized as reliable because the Cronbach's Alpha value is higher than 0.60 (Hair, 2009). The value of Cronbach's Alpha for Socialization of SAK MSMEs is 0.712 with 6 items. Also, Level of education is 0.765 with 5 items, Perception of Perpetrator is 0.745 with 6 items, Accounting Insights is 0.812 with 6 items, and Application of SAK MSMEs is 0.638 with 5 items. After testing the measurement scale's reliability and confirming that the instruments are valid and reliable. In the next steps, we report the result of hypothesis testing.

**Table 2.** The Result of Hypothesis Testing

Model	Unstd. Coeffs		Std. Coeffs	t	Sig.
	B	Std. Error	Beta		
Constant	5.128	2.453	-	2.091	0.044
Socialization of SAK MSMEs	0.234	0.091	0.303	2.579	0.014
Level of education	0.134	0.058	0.273	2.326	0.026
Perception of Perpetrator	0.361	0.078	0.543	4.640	0.001
Accounting Insights	0.146	0.071	0.239	2.058	0.047
R	0.730a		Adjusted R Square	0.480	
R Square	0.533		Std. Error of the Estimate	0.950	

a. Dependent Variable: Application of SAK MSMEs

Table 2 indicates that R square value is 0.533. It means that the Socialization of SAK MSMEs, Level of education, Perception of Perpetrator and Accounting Insights explained its relationship on Application of SAK MSMEs as much as 53.3 percent. Remaining 46.7 percent explained by other variables that do not consider in this investigation. Also, this study found that Socialization of SAK MSMEs, level of education, perception of perpetrator and accounting insights significantly affect the Application of SAK MSMEs. In details, the coefficient regression of socialization of SAK MSMEs is 0.234, std. error is 0.091, t-stat is 2.579 and significant at 5 percent or 0.014. It means that an increase of as much as 1 percent in socialization of SAK MSMEs would be increased application of SAK MSMEs as big as 23.4 percent. Also, Level of education coefficient regression is 0.134, std. error is 0.058, t-stat is 2.326 and significant at 5 percent or 0.026. It means that increase as much as 1 percent in level of education would be increased the application of SAK MSMEs as big as 13.4 percent. Coefficient regression of perception of perpetrator is 0.361, std. error is 0.078, t-stat is 4.640 and significant at 1 percent or 0.001. It means that increase as much as 1 percent in the perception of perpetrator would be increased application of SAK MSMEs as big as 36.1 percent. Accounting Insights regression coefficient is 0.146, std. error is 0.071, t-stat is 2.058 and significant at 5 percent or 0.047. It means that an increase as much as 1 percent in Accounting Insights would be increased the application of SAK MSMEs by as big as 14.6 percent.

#### 5. Conclusions

In conclusion, this study has successfully examined the factors influencing SAK MSMEs application in Pekalongan District, Indonesia. The socialization, education level, perception of actors, and accounting insight partially have a significant or positive effect on the implementation of SAK MSMEs in MSMEs in Pekalongan Regency. Variables of

socialization, education level, perception of actors, and accounting insight simultaneously significantly or positively affect the implementation of SAK MSMES in MSMEs in Pekalongan Regency. The magnitude of the influence of the variables of socialization, education level, perception of actors, and accounting insight on the application of SAK MSMES is 53.3%. Based on the regression coefficient test results, it is known that the perception of the perpetrator is the most dominant factor in applying SAK MSMES to MSMEs in Pekalongan Regency. It is contrary to Viola's research (2018), which states that perception has no significant effect on the application of SAK MSMES in Sagulung District, Batam. The suggestions that might be useful for those interested in developing further, among others, are that researchers can expand the research location and increase the number of samples taken. (ii) can add other variables that affect the application of SAK MSMEs and differentiate the research methods, such as observation and interviews, to strengthen the results obtained.

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