

**FACTORS AFFECTING COMPLIANCE WITH FINANCIAL ACCOUNTING STANDARDS OF ENTITY WITHOUT PUBLIC ACCOUNTABILITY (SAK ETAP) IN MSMEs IN BADA VILLAGE**

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**Abstract:**

Other causes of neglect of recording/financial reports from MSMEs are the lack of understanding and expertise in recording, the education level of business managers who still have not achieved the expertise/application technology in making SAK ATAP financial report documents. This study aims to determine whether the level of education, information technology and age of business affect SAK ETAP compliance on MSMEs in Bada Village. The type of research used in this research is quantitative with a descriptive approach. The population in this study was 66 and the sample obtained was 40 MSME actors. The data collection technique used in this research is a questionnaire and analysis tool, namely multiple regression using the SPSS 21.0 application. The results showed that both simultaneously indicated that the level of information technology education and business age had a positive and significant effect on SAK ETAP compliance. Partially the level of education has a significant effect on SAK ETAP compliance where the value of sig. Partially, information technology has a significant effect on SAK ETAP compliance where the value of sig. Partially, business age has a significant effect on SAK ETAP compliance where the sig value

**Keywords:** Education Level, Information Technology, Age of Business, SAK ETAP Compliance

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## INTRODUCTION

Micro, small and medium enterprises (MSMEs) are a stronghold in the Indonesian economy (Hamzah et al., 2018). In particular, the relationship between the development of MSMEs and the economy in Indonesia, data generated from the State Ministry of Cooperatives (Anggadwita et al., 2017) and MSMEs shows that in Indonesia from year to year there has been an increase in the contribution of MSMEs to the National Gross Domestic Product (GDP) (Persulesy, 2008) Based on data from the director general of the ministry of finance, MSMEs contributed 61.1% to the national economy (GDP) and the remaining 38.9% was contributed by large business actors, which amounted to only 5,550 or 0.01% of the total number of business actors.

One of the main assets for Indonesia's economic development depends on the existence of reliable and strong MSMEs (Rajnoha et al., 2021). Its position as a major player and the backbone of economic activities in various sectors (Bargal et al., 2021), namely: providing the largest employment opportunities, an important player in the development of local economic activities and community empowerment (Ulfah et al., 2021), creating new markets and sources of innovation, as well as contributing to maintaining the balance of payments through export activities (Tabares, 2021). This was proven when the crisis hit in the 1997-1998 period, only MSMEs were able to stay strong (Tambunan, 2021).

Based on the Law of the Republic of Indonesia number 20 of 2008 explains that micro, small and medium enterprises (MSMEs) are able to expand employment opportunities and provide broad economic services to the community, and can play a role in the process of equity and

increase people's income, and can play a role in the process of equal distribution of work and providing broad economic services to the community and can play a role in the process of equity and increase in people's income, encourage economic growth, and play a role in realizing national stability. In addition, micro, small and medium enterprises are one of the main pillars of the national economy that must obtain the main opportunity, support, protection, and development as widely as possible as a form of firm alignment with the people's economic business group, without neglecting the role of large businesses and government agencies. state-owned enterprises.

Although micro, small and medium enterprises have realized their role in the Indonesian economy, they still face various obstacles and constraints both internal and external, in terms of production and management, marketing, human resources, design and technology, capital, and business climate. In order to increase the opportunities, capabilities, and protection of micro, small and medium enterprises, various policies regarding the establishment of funding businesses have been set, and their development is not yet optimal. This is because the policy has not been able to provide protection, business certainty, and adequate facilities for the empowerment of micro, small and medium enterprises (Law number 20 of 2008).

The success of MSMEs in facing the crisis does not necessarily make MSMEs able to maintain their business continuity well. Many obstacles and constraints, both internal and external, must be faced by MSME actors, such as aspects of finance, human resources (HR), business climate, infrastructure, and marketing. So that it has a strategic role for the economy, but efforts to develop the MSME sector are not easy (Bank Indonesia and LPPI, 2015).

The Indonesian government has provided guidance to MSMEs through the Cooperatives and MSMEs Service, in each Province or Regency/City. However, the reality of MSMEs in Indonesia is not as smooth as imagined. The problems that have occurred so far are that many MSMEs have gone out of business. One of the contributing factors is the inconsistency in managing business and financial activities. When an MSME gets a capital loan from another party such as a bank, it turns out that the direction is not all for developing the business but for other needs, or without taking business money for personal needs. awareness or bookkeeping discipline in the MSME environment is seen as still low.

For some of the weaknesses and shortcomings in strengthening these MSMEs, the government has tried to overcome the problem by establishing a regulation that requires MSMEs to keep good accounting records. This is regulated in the government regulation of the Republic of Indonesia number 17 of 2013 concerning the implementation of law number 20 of 2008 concerning micro, small and medium enterprises. Article 48 states that the guidance and supervision of micro, small, and medium enterprises that have processed business permits is carried out by officials on a regular and continuous basis in accordance with their authority (Persulesy, 2008)

Based on the initial data that the researcher got from the Department of Cooperatives and UMKM in Dompu Regency, the number of UMKM in Dompu Regency in 2019 decreased with the total number of SMEs being 1436 businesses which were dominated by the remaining basic necessities, including printing, photocopying, workshops, furniture, stalls, laundry and trade and others. Of the number of MSMEs that survive and thrive in Dompu Regency, on average they have their own place of business, some are still renting. The form of the MSME business place is in the form of residential houses, shop houses, kiosks, storefronts and permanent buildings.

To support the development of MSMEs in managing their activities and businesses, the government has established a clear legal umbrella regarding the obligation to prepare business books as regulated in Law Number 17 of 2013 concerning the implementation of Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises Article 49, one of which is is guided by the Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP). The application of Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP) needs to be prepared by MSME actors, the government, credit lenders, and accounting institutions together. The government must also play a role in disseminating the new standard to

MSMEs by providing basic training in accounting and presentation of financial reports based on SAK ETAP for MSME actors and making other supporting programs. As a first step to implementing SAK ETAP as a whole, the role of socialization or training for MSMEs is very necessary in order to know and understand the purpose and method of implementing the standard. Generally, the socialization process carried out by the Indonesian Accountants Association (IAI) includes the publication of the determination and approval of SAK ETAP through various print media and other means of communication, namely by publishing SAK books that are sold and disseminated to the public, organizing various trainings, courses, and seminars for the use of SAK. ETAP or other parties who have affiliation.

Since the ratification of the Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP) until now, various trainings have been held on the presentation of financial statements based on SAK ETAP which are shown to MSME actors and academics. Socialization and training are also carried out by the government, private companies, as well as state universities, for example the Cooperatives and MSMEs Service as an accounting training program as one of the annual work programs (Persulesy, 2008).

From a number of MSMEs in Dompu Regency, which have started bookkeeping based on the Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP), some MSMEs are still not aware of the importance of accounting records or financial reports in their business, because they are too focused on the production process and their business operations.

Other causes of neglect of financial records/reports from MSMEs are the lack of understanding and expertise in recording (Maliha et al., 2021), the education level of business managers who still have not reached the expertise/application technology in making SAK ATAP financial report documents. According to Langeveld, 1994 that education is the most important factor in the success of a company where the higher the level of education, the higher the knowledge and skills possessed.

## **METHODS**

The location of this research was carried out in Dompu Regency, especially in Bada Village with a total of 66 MSMEs and took 40 MSMEs to be used as samples from the results using the Lovin formula. The research subject of this research was conducted to determine whether there is an influence, education level, understanding of information technology and age of business on SAK ETAP compliance on MSMEs in Bada Village. The object of research in this research is MSMEs located in the Bada Village area, which are registered in the cooperative and MSME services, namely industrial, service, and trade SMEs. Meanwhile, the subjects in this research are MSME entrepreneurs in Bada Village. The data in this study were obtained from the results of questionnaires filled out by respondents, which are primary data with a number of 40 respondents or MSME owners, including industrial businesses, service businesses, and trading businesses. The technique of distributing questionnaires was randomly distributed to MSMEs in Bada Village in accordance with purposive sampling for validity and reliability testing. A respondent's answer can be used as research data if the answer has subjective characteristics or without discussing it with others, is returned on time and answered in full. The collection of questionnaire data in this study was carried out by distributing it directly to MSME actors in the Bada Kacan Dompu sub-district, Dompu Regency. Respondents in this research amounted to 40 MSMEs.

## **RESULT AND DISCUSSION**

The results of the hypothesis state that education level has a simultaneous (table 1) and partial (table 2) effect on SAK ETAP compliance. The regression results show that the variable level of education simultaneously results from the F test, it can be seen that the F-count value is 26.523 and the F significance is 0.000. So Sig F 5%. This shows that all independent variables, namely education level ( $X_1$ ), information technology ( $X_2$ ) and Age of Business ( $X_3$ ) have a significant effect

on SAK ETAP compliance (Y) and with a significant value (p-value) of 0.207 and the regression coefficient value of 0.188. Because the significance of the value of is greater than 5% (0.207 > 0.05), partially the education level variable (X1) has no significant effect on SAK ETAP compliance (Y) so that the hypothesis (H<sub>0</sub>) is accepted and (H<sub>a1</sub>) is rejected.

Table 1. Multiple Linear Regression Test Results

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)					
	Educational stage	-.803	.342		-2.346	.025
		.188	.147	.161	1.284	.207
	Business age	.226	.093	.243	2.417	.021
		.699	.136	.614	5.140	.000

a. Dependent Variable: SAK Compliance.

Based on the results of hypothesis testing H1 which reads that the owner's level of education has a positive effect on the implementation of SAK ETAP on MSMEs, it is declared rejected. From the results of data analysis in this study, it can be concluded that the owner's education level has no effect on the implementation of SAK ETAP on SMEs. The effect of the owner's education level shows that the higher the owner's education level, the less influence the implementation of SAK ETAP on MSMEs in Bada Village, Dompu District.

The owner's education level is the process he goes through to acquire knowledge related to SAK ETAP compliance. Education has an effect on increasing the ability to absorb (including the acquisition, assimilation, transformation, and exploitation) of new knowledge (L, 2006). However, in this study, education had no effect on SAK ETAP compliance. This is because MSME owners do not have sufficient knowledge to implement SAK ETAP even though their education level is high. This is also supported by the results of questionnaire statements by respondents showing that statement item (4) is "Formal education is very important in understanding SAK ETAP supports business development" with a percentage (%) 70% answering disagree and the rest is explained in other statements in variable level of education of MSME owners

The results of this study contradict the Human Capital Theory by (Becker, 1965) which states that education imparts knowledge, skills, and values to humans so they can increase their learning and production capacity. So education can function to increase productivity and act as a signal of ability. This theory states that investment in human resources has a major influence on increasing productivity. The theory also assumes that humans are a form of capital or capital goods as well as other capital goods. The results of this study indicate that the owner's education level can affect the implementation of SAK ETAP, where the owner's education is a form of human capital.

Table 2. Coefficient of Determination Results.

Model	R	R Square	Adjusted R Square	Std. error of the Estimate
1	.830 <sup>a</sup>	.689	.663	.34019

a. Predictors: (Constant), Age of Business, Information Technology, Education

b. Dependent Variable: SAK Compliance

The results of the hypothesis state that information technology has a simultaneous (table 1) and partial (table 2) effect on SAK ETAP compliance. The regression results show that the information technology variable simultaneously with the results of the F test can be seen that the F-count value is 12.525 and the F significance is 0.000. So Sig F 5%. This shows that all independent

variables, namely education level (X1), information technology (X2) and Age of Business (X3) have a significant effect on SAK ETAP compliance (Y) and with a significant value (p-value) of 0.021 and the regression coefficient value of 0.226. Because the significance of the value of is less than 5% (0.021 0.05) then partially the information technology variable (X2) has a significant positive effect on SAK ETAP compliance (Y) so that the hypothesis (H0) is rejected and (Ha1) is accepted.

Information technology is one of the variables used by MSME owners in implementing compliance with SAK ETAP. Information technology has an effect on SAK ETAP compliance. This is also supported by the results of the questionnaire statement by the respondents showing that the statement item (1) is "My knowledge of technology supports in understanding the Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP)" with a percentage (%) 90% answered agree and the rest was explained other statement items in the variable level of Understanding of Information Technology for MSME owners

The results of the study are consistent with research conducted by (Widarno, 2012) which shows that the perception of the use of information technology on SAK ETAP compliance has a significant positive effect. However, the results of this study contradict the results of research conducted by Setyowati et al. (2016) which explains that the role of information technology has no significant effect on the compliance of SAK ETAP on the quality of the financial reports of the Semarang City local government.

The results of the hypothesis state that the age of business has a simultaneous and partial effect on SAK ETAP compliance. The regression results show that the variable of operating age simultaneously with the results of the F test can be seen that the F-count value is 12.525 and the F significance is 0.000. So Sig F 5%. This shows that all independent variables, namely education level (X1), information technology (X2) and Business Age (X3) have a significant effect on SAK ETAP compliance (Y) and with a significant value (p-value) of 0.000 and the regression coefficient value of 0.699. Because the significance of the value of is less than 5% (0.000 0.05), partially the operating age variable (X3) has a significant positive effect on SAK ETAP compliance (Y) so that the hypothesis (H0) is rejected and (Ha1) is accepted.

Based on the results of hypothesis testing H3 which reads that business age has a positive effect on the implementation of SAK ETAP on MSMEs, it is declared accepted. Based on these results, it can be concluded that business age has an effect on the implementation of SAK ETAP on MSMEs. This is also supported based on the results of the questionnaire statement by the respondents showing that the statement item (1) is "My business age is sufficient in using the Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP)" with a percentage (%) 80% answered agree and the rest is explained other statement items in the variable of MSME owner's Business Age

Various previous studies have the same research results, including research by (Holmes, 1988) which states that business age has a negative effect on the preparation and use of accounting information. budget, additional accounting information for use in decision making, in contrast to companies that are 11-20 years old. This study also states that the younger the age of the company, there is a tendency to disclose extensive accounting information for the purpose of making decisions compared to older companies, this is in line with the results of (Rudiantoro & Siregar, 2012), these results are in line with (Astuti, 2017).

The results of this study found that business age had an effect on the implementation of SAK ETAP on MSMEs, a longer business life provided an advantage in terms of having a routine structure and process that disciplined every MSME action, but there were also businesses that had been around for a long time but did not keep records. financial statements. While there are newly established businesses that have recorded financial statements, according to (Rudiantoro & Siregar, 2012) stated that when a new business is established it will encourage an entrepreneur to be more active in seeking information and ways to be able to develop his business in the future.

## CONCLUSION

The results showed that both simultaneously showed that education level ( $X_1$ ) information technology ( $X_2$ ) and business age ( $X_3$ ) had a positive and significant effect on SAK ETAP compliance. Where the value of Sig F (0.005) < standard error 0.05. Partially the level of education ( $X_1$ ) has a significant effect on compliance with SAK ETAP where the value of sig (0.002) < 0.05). Partially, information technology ( $X_2$ ) has a significant effect on SAK ETAP compliance where the value of sig (0.000) < 0.05). Partially, business age ( $X_3$ ) has a significant effect on SAK ETAP compliance where the value of sig (0.016) < 0.05).

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