

# Analyzing Key Factors Influencing MSMEs' Financial Statement Preparation under Indonesian EMKM Standards

Sintia Anisa Putri<sup>1</sup>, Wiwik Fitria Ningsih<sup>2</sup>, Ihrom Caesar Ananta Putra<sup>3</sup>

Institut Teknologi dan Sains Mandala, Indonesia<sup>1,2,3</sup>

## ABSTRACT

This study examines the factors influencing the preparation of financial statements of Micro, Small, and Medium Enterprises (MSMEs) in Jember Regency based on Indonesian Financial Accounting Standards for MSMEs (SAK Indonesia for EMKM). The research employs a quantitative method with a population of 176,046 MSMEs, from which 100 respondents were selected using purposive sampling and the Slovin formula. Data were collected through questionnaires and analyzed using multiple linear regression, supported by data quality tests, classical assumption tests, coefficient of determination ( $R^2$ ), and hypothesis testing. The findings reveal that education level and accounting understanding have a significant partial effect on financial statement preparation, while socialization, business actors' perceptions, and business scale show no partial influence. However, collectively, all five variables education level, accounting understanding, socialization, perceptions, and business scale simultaneously influence financial reporting practices. This research contributes to strengthening MSMEs' financial reporting quality and supports better compliance with national accounting standards..

**Keywords:** *MSMEs, Financial Reporting, SAK Indonesia for EMKM, Jember.*

## Corresponding Author:

Sintia Anisa Putri  
nisaptrrr26@gmail.com

**Received:** June 28, 2025

**Revised:** July 27, 2025

**Accepted:** August 05, 2025

**Published:** August 30, 2025



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## 1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are the backbone of Indonesia's economy, contributing significantly to employment and GDP. According to Law No. 20 of 2008, MSMEs are defined as productive economic enterprises owned by individuals or small entities that meet asset and turnover criteria. As noted by Kadin Indonesia (2023), "MSMEs contributed around 61% of Indonesia's GDP in 2023, or IDR 9,580 trillion, while absorbing 97% of the national workforce." This statistic underscores their role in strengthening both the national and local economy.

Despite such contributions, MSMEs often face difficulties in financial management, especially in preparing standardized financial statements. Financial reports are crucial since "they provide information about an entity's financial position, performance, and cash flows, useful for economic decision-making and accountability" (IAI, 2024, p. 15). Yet, many MSMEs fail to meet these standards, which in turn hinders access to bank loans and external funding (Susilowati et al., 2021).

To improve reporting practices, the Indonesian Financial Accounting Standards Board (DSAK IAI) introduced SAK Indonesia for EMKM in 2016, later reaffirmed under the Indonesian Financial Reporting Standards Framework (KSPKI) effective January 1, 2024. The standard is designed to be simple, using historical cost measurement. As IAI (2024) highlights, "SAK Indonesia for EMKM allows MSMEs to prepare financial reports with minimal complexity, ensuring relevance and reliability for stakeholders." However,

implementation is inconsistent due to limited knowledge, awareness, and varying perceptions among MSME owners.

Jember Regency in East Java, with over 176,000 MSMEs, is a relevant case study. These enterprises operate across trade, agriculture, services, and manufacturing, and represent the second-highest concentration of MSMEs in East Java (Dinas Koperasi Jawa Timur, 2025). Yet, as Fawaid et al. (2023) point out, “many MSMEs in Jember remain weak in financial recording and accounting, which disrupts financing access and business management.” This situation indicates the urgency to investigate determinants of financial reporting practices in the region.

Prior studies show mixed results. Agustini and Purnamawati (2022) found that “education level, accounting understanding, and business scale significantly influence financial statement preparation based on SAK EMKM.” Conversely, Huda (2024) revealed that “education and business experience did not significantly affect financial reporting, while business scale and socialization did.” Similarly, some researchers stress that socialization programs enhance compliance (Yanti et al., 2023), while others argue they have no significant effect (Cahayani, 2023). Perceptions of business actors and business scale also produce inconsistent outcomes across different studies (Zerlina et al., 2023; Haryeni & Budiantara, 2023).

These research gaps motivate this study to re-examine the effects of education level, accounting understanding, socialization, business actors’ perceptions, and business scale on the preparation of MSME financial statements in Jember. The study asks whether each factor has a partial effect and whether all factors together have a simultaneous effect on reporting practices.

Theoretically, this study contributes to the literature by clarifying conflicting findings regarding determinants of financial reporting among MSMEs. Practically, it provides evidence to support more targeted government interventions, training programs, and awareness campaigns. For instance, Kusuma and Lutfiany (2019) argue that “better accounting understanding fosters confidence and professionalism among MSME actors in preparing financial statements.” Strengthening these aspects can therefore enhance compliance with SAK Indonesia for EMKM and improve MSMEs’ access to financing.

In conclusion, MSMEs’ ability to prepare financial statements based on national standards remains a crucial issue in sustaining business growth. By focusing on Jember Regency, this study not only enriches academic debates but also offers practical guidance to policymakers and MSME stakeholders..

## 2. METHODS

This study employed a quantitative research design to examine factors influencing the preparation of MSME financial statements in Jember Regency based on SAK Indonesia for EMKM. The population consisted of 176,046 MSME actors, and purposive sampling was applied to select 100 respondents using the Slovin formula. Data were collected through structured questionnaires distributed to MSME owners who met the research criteria. The analysis involved several stages, including data quality tests (validity and reliability), classical assumption tests, and multiple linear regression analysis. Hypothesis testing was conducted using the coefficient of determination ( $R^2$ ), partial (t-test), and simultaneous (F-test).

## 3. RESULTS AND DISCUSSION

### Research Results

The characteristics of respondents in this study provide an overview of the MSME actors in Jember Regency who participated in the survey. Based on gender, the majority of respondents were female, reflecting the dominant role of women in managing micro and small businesses, particularly in the trade and culinary sectors. In terms of education, most re-

spondents had completed senior high school, followed by those with a bachelor's degree, indicating that a considerable proportion of MSME owners had moderate formal education. Regarding the variables, respondents showed varied levels of accounting understanding, with some demonstrating adequate knowledge while others relied on informal financial practices. Socialization exposure was relatively limited, as only a small number of respondents had attended formal training on SAK Indonesia for EMKM. Perceptions of financial reporting were generally positive, though not all respondents considered it essential for business sustainability. The business scale of respondents was predominantly micro, highlighting the challenges of implementing standardized financial reporting.

Table 1. Results of Multiple Linear Regression Test t Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2,204	0,851		2,591	0,011
	Education Level	0,230	0,058	0,278	3,964	0,000
	Understanding of Accounting	0,444	0,092	0,423	4,817	0,000
	Socialization	0,056	0,065	0,070	0,868	0,387
	The Perception of Business Actors	0,111	0,087	0,126	1,274	0,206
	Scale of Efforts	0,113	0,088	0,105	1,284	0,202

a. Dependent Variable: Preparation of Financial Statements

Table 1. Results of Multiple Linear Regression Test F Test

ANOVA <sup>a</sup>					
Model		Sum of Squares	df	Mean Square	Sig.
1	Regression	393,486	5	78,697	58,238
	Residual	127,024	94	1,351	
	Total	520,510	99		

a. Dependent Variable: Penyusunan Laporan Keuangan

b. Predictors: (Constant), Business Scale, Socialization, Accounting Understanding, Business Actors' Perception, Education Level

## Research Discussion

### 1. Interpretation: Education Level and Financial Statement Preparation

The findings of this study indicate that education level has a significant effect on the preparation of MSME financial statements in Jember Regency. Respondents with higher educational backgrounds tend to be more capable of understanding financial concepts, applying bookkeeping practices, and complying with SAK Indonesia for EMKM. Education enhances the cognitive ability of business owners to manage and record financial transactions systematically. According to Zerlina et al. (2023), "MSME owners with higher education levels are more likely to recognize the importance of preparing standardized financial statements and applying accounting standards accurately." This result aligns with the theoretical expectation that formal education contributes to better decision-making and adoption of professional practices in small businesses.

Moreover, education level directly influences financial literacy, which in turn supports effective financial management. Business actors with at least secondary or higher education tend to have a stronger capacity to grasp training materials, participate actively in socialization programs, and implement accounting practices. Agustini and Purnamawati (2022) also found that "education level has a positive and significant relationship with the ability of MSMEs to implement SAK EMKM-based reporting." This suggests that education does not

merely serve as formal attainment but also as a practical resource for applying structured financial practices in business operations.

However, it is important to note that some studies reported education alone does not guarantee accurate financial reporting. For instance, Huda (2024) emphasized that “higher education levels do not always correlate with better financial reporting, as many MSME owners lack specific accounting knowledge despite their schooling.” This highlights that while education provides a foundation, it must be complemented with relevant training and awareness of financial standards. Thus, the interpretation of these findings suggests that education serves as a necessary but not sufficient condition for ensuring MSME compliance with standardized financial reporting in Jember Regency.

## 2. Interpretation: Accounting Understanding and Financial Statement Preparation

This study also reveals that accounting understanding significantly influences the preparation of financial statements among MSMEs. Respondents with adequate accounting knowledge, whether formal or acquired through experience, demonstrate stronger competence in preparing standardized financial reports. As Kusuma and Lutfiany (2019) highlight, “better accounting understanding fosters confidence and professionalism among MSME actors in preparing financial statements.” This result confirms the hypothesis that accounting literacy plays a central role in enabling small business owners to record transactions accurately and in compliance with SAK Indonesia for EMKM.

Accounting understanding not only affects technical skills but also shapes attitudes toward financial transparency and accountability. When MSME owners understand accounting principles, they are more likely to see the value of preparing financial reports beyond administrative obligations. Agustini and Purnamawati (2022) also observed that “MSMEs with higher levels of accounting literacy were more consistent in reporting financial performance and aligning with accounting standards.” Therefore, knowledge of accounting serves as a bridge between awareness and practice, ensuring that financial reporting becomes an integrated part of business sustainability.

Nevertheless, not all respondents demonstrated sufficient understanding. Several relied on informal practices such as personal notebooks or verbal records, which often resulted in incomplete or inconsistent reports. Dawam (2018) argued that “accounting understanding does not always guarantee compliance, as MSMEs may lack motivation to implement what they know in practice.” This perspective implies that while accounting literacy is critical, it requires reinforcement through training, mentoring, and continuous monitoring. Thus, the interpretation suggests that enhancing accounting understanding among MSMEs should be prioritized to improve financial reporting quality in Jember.

## 3. Interpretation: Socialization and Financial Statement Preparation

The findings show that socialization does not have a significant partial effect on financial statement preparation by MSMEs in Jember. Many respondents admitted that they rarely participated in government or institutional programs related to financial reporting. This limited exposure weakens the effectiveness of socialization as a determinant. Cahayani (2023) similarly found that “socialization did not significantly influence MSME financial reporting compliance, as training sessions often lacked continuity and practical application.” This explains why socialization in this study did not produce a measurable partial effect.

However, socialization should not be dismissed entirely, as it plays a role in shaping awareness and knowledge dissemination. Studies by Yanti et al. (2023) indicate that “socialization of SAK EMKM positively influences MSME compliance when conducted consistently and with practical examples.” The discrepancy between findings may reflect the inconsistency in program delivery, with some respondents in Jember reporting that they had only



attended one-time or general training sessions. This limited exposure is insufficient to foster sustained changes in reporting behavior.

Therefore, the interpretation is that socialization can be a valuable driver of financial reporting adoption, but only if implemented effectively. Frequent, targeted, and context-specific training is necessary to ensure MSME owners understand and apply SAK EMKM standards. Huda (2024) stresses that “effective socialization requires continuous engagement and practical demonstrations, not just theoretical presentations.” In Jember, the lack of consistent follow-up may explain the non-significant result. Hence, while socialization was not significant in this study, it remains a crucial complementary factor for strengthening MSME financial literacy.

#### 4. Interpretation: Business Actors' Perceptions and Financial Statement Preparation

The results indicate that business actors' perceptions do not have a significant partial effect on financial statement preparation. Although many respondents expressed positive views about financial reporting, this perception did not translate into actual practice. As Haryeni and Budiantara (2023) argue, “perceptions of MSME actors do not necessarily influence financial reporting practices, as behavior often depends on available resources and external pressures.” This finding highlights a gap between awareness and action, where positive perceptions may exist but fail to drive behavior without adequate support.

Perceptions are shaped by personal beliefs, social norms, and experiences. Some respondents considered financial reporting important for accessing credit or attracting investors, while others viewed it as an administrative burden. Susilowati et al. (2021) emphasize that “positive perceptions strengthen motivation to prepare accurate reports, but negative perceptions reduce compliance.” In Jember, the dominance of micro-scale enterprises with limited resources might explain why perceptions alone were insufficient to influence behavior.

Thus, the interpretation is that perception is necessary but not decisive in improving reporting practices. It needs to be reinforced by skills, resources, and institutional support. Zerlina et al. (2023) concluded that “perceptions are influential only when combined with strong accounting understanding and regular socialization.” Therefore, while perceptions were generally positive, their non-significance in this study implies that MSMEs require more practical enablers to translate positive attitudes into compliance with SAK EMKM.

#### 5. Interpretation: Business Scale and Financial Statement Preparation

The study reveals that business scale does not significantly influence financial statement preparation in Jember. Most respondents operated at a micro scale, where formal reporting is often perceived as unnecessary or too complex. Satiya et al. (2020) also observed that “business scale does not significantly affect financial reporting, as even larger MSMEs may neglect compliance if financial literacy is weak.” This suggests that scale alone cannot guarantee adherence to accounting standards.

Nevertheless, larger businesses are generally expected to have more structured management systems and thus a greater need for financial reporting. Holmes and Nicholls (1988) argued that “larger business entities face more complex financial transactions, making accounting information more essential for decision-making.” Yet, in the case of Jember, the predominance of micro enterprises limits the extent to which scale differences influence reporting practices. Even when businesses expand, many still rely on informal methods.

Therefore, the interpretation is that business scale is not a sufficient determinant of financial reporting quality. As Haryeni and Budiantara (2023) found, “scale influences reporting only when combined with human resource quality and adequate training.” This implies that in Jember, MSMEs require interventions that improve both capacity and motivation,

regardless of their size. Hence, scale alone was not significant, but when combined with education and knowledge, it may contribute to better financial reporting outcomes.

#### 6. Interpretation: Simultaneous Effect of Education, Accounting Understanding, Socialization, Perceptions, and Scale

Although several individual factors did not show significant partial effects, the simultaneous analysis reveals that education, accounting understanding, socialization, perceptions, and business scale collectively influence financial statement preparation. This suggests that MSME financial reporting is a multidimensional process shaped by interrelated factors. As Huda (2024) notes, “education, socialization, and business scale collectively determine the likelihood of MSMEs adopting standardized reporting practices, even if not all are significant individually.” This holistic effect highlights the importance of considering multiple variables in financial literacy programs.

The simultaneous effect reflects the reality that MSME behavior is complex, influenced not only by internal capacities but also by external support and contextual conditions. Susilowati et al. (2021) emphasized that “compliance with SAK EMKM is most effective when education, perceptions, and training programs are aligned.” In Jember, the combined strength of these factors appears to provide a more comprehensive explanation for variations in reporting practices than any single determinant.

Therefore, the interpretation is that MSMEs require integrated approaches to strengthen financial reporting. Policymakers and institutions must design interventions that simultaneously address education, accounting skills, socialization, perceptions, and resource availability. As Yanti et al. (2023) argue, “sustainable improvement in financial reporting requires a combination of knowledge enhancement, awareness building, and institutional support.” The simultaneous significance observed in this study underscores the importance of synergy among multiple determinants to improve MSME financial reporting in Jember Regency.

## 4. CONCLUSION

The results of this study lead to the conclusion that the preparation of MSME financial statements in Jember Regency, in accordance with SAK Indonesia for EMKM, is influenced by a combination of individual and collective factors that reflect both the capacities and limitations of business actors. Specifically, the findings indicate that education level and accounting understanding have a significant partial effect on financial reporting, suggesting that formal education and adequate knowledge of accounting principles provide MSME owners with the skills necessary to produce structured, accurate, and standardized financial statements. Meanwhile, socialization, business actors' perceptions, and business scale did not show significant partial effects, highlighting that occasional training sessions, positive attitudes, or variations in business size alone are insufficient to alter reporting practices without stronger reinforcement. Nonetheless, when examined simultaneously, all five variables—education, accounting understanding, socialization, perceptions, and business scale—demonstrated a collective influence on the adoption of standardized financial reporting. This simultaneous effect underscores that the behavior of MSME owners in preparing financial reports is shaped by multidimensional interactions, where cognitive resources, practical skills, external support, and contextual conditions converge to determine compliance. These results enrich the academic discussion by clarifying previous inconsistencies in the literature, showing that while some factors may not matter independently, their combined presence contributes significantly to reporting outcomes. From a practical perspective, the study emphasizes the need for integrated approaches in strengthening MSME financial literacy, where formal education, targeted training, accounting mentoring, and supportive institutional frameworks work together to encourage

compliance with financial standards. Policymakers, educators, and practitioners should therefore not rely solely on one determinant but design comprehensive interventions that address multiple aspects of MSME development simultaneously. For MSME actors themselves, the study reinforces the importance of continuous learning and adaptation in managing business finances, as standardized financial statements not only fulfill regulatory requirements but also enhance credibility, access to financing, and long-term sustainability. In conclusion, while education and accounting understanding emerge as the strongest partial determinants, the collective role of all examined factors affirms that improving MSME financial reporting requires both individual readiness and systemic support, making collaboration between business actors, government, and stakeholders essential for sustaining MSME competitiveness in the future.

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