

The Performance of MSMEs: Measured by Accounting Knowledge and Use of Accounting Information

Syafrida Hani¹, Sri Wardatul Mufidah², M. Firza Alfi³

Universitas Muhammadiyah Sumatera Utara, Medan, Indonesia^{1,2,3}

Corresponding Email: syafridahani@umsu.ac.id

ORCID ID:0000-0001-8312-1761

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ABSTRACT

This research is a quantitative research with data collection techniques using the questionnaire method given to 60 Micro, Small and Medium Enterprises (MSMEs) in Padang Lawas Regency, North Sumatra Province. This study aims to find out whether Accounting Knowledge and Accounting Information have a significant influence on the Performance of MSMEs in Padang Lawas Regency, especially in Lubuk Barumun District. The results of the study found that Accounting Knowledge and the Use of Accounting Information have a significant effect on the Performance of MSMEs. The better the accounting knowledge possessed by MSME managers, the better the performance will be. MSMEs that have separated business finance from personal finance will find it easier to measure the success of their business. The use of accounting information is proven to improve the performance of MSMEs, especially information on inventory and operational expenses, so that MSME managers who have accounting knowledge will be able to manage business finances

Keywords: Accounting Knowledge, Use of Accounting Information and MSME performance

INTRODUCTION

Data from the Central Statistics Agency (BPS) shows that the number of MSMEs in Indonesia continues to increase every year. The contribution of the MSME sector to the Gross Domestic Product (GDP) reached 60.34%, Based on labor, MSMEs were able to absorb up to 57.9 million workers, which means 97.22% in various regions in Indonesia. The amount of this number is certainly correlated with the capacity to absorb labor. It should be realized that with a high level of labor absorption, the MSME sector has ensured the stability of the labor market, reduced the unemployment rate and momentum for the rise of new entrepreneurs. MSME actors should be able to understand in the preparation of good and quality financial statements, namely with an understanding of accounting (Fitriani et al., 2023; Hani & Fauzi, 2017). The development of the business world is inseparable from the role of micro, small and medium enterprises (MSMEs). Micro, small and medium enterprises have experienced quite rapid growth in recent times. MSMEs are a business field that plays an important role in Indonesia's economic growth, in addition to having a role in providing jobs, MSMEs are also a chain of distribution of development results. The rapid growth in the number of MSMEs, which reaches an average of 4.2 percent every year, contributes more than 50% of Indonesia's gross domestic product (Indonesia's GDP for the last 3 years. In an effort to maintain the growth of MSMEs, MSMEs must be able to improve and follow the development of the existing situation. MSMEs that are reliable and ready to compete must be accompanied by the use of adequate technology and information systems (Sinambela et al., 2023). The problem faced by small and medium business people is organizing and utilizing accounting information in their business management (Safaruddin et al., 2021), even though the availability of accounting information is very helpful in knowing business development. However, many entrepreneurs do not have accounting knowledge and some of them do not understand the importance of recording and bookkeeping for business continuity.

Padang Lawas Regency in Sumatra Province recorded 2,529 MSMEs, specifically in Lubuk District there are 149 MSMEs from 24 villages/sub-districts (Padang Lawas SME, Industry and Trade Cooperative Office). From the results of interviews conducted in January 2024 with several MSME actors in Lubuk Barumun district, it was found that most MSME actors do not have knowledge about accounting and the use of accounting information. Mrs. Nur Asiah, the owner of Rumah Makan Holat Sariona who said, *"I don't understand what accounting is and accounting information, all I know is to write and record sales every day, and daily shopping, even a large amount is recorded."* The same thing was also said by the other 3 informants interviewed, that they made records of income and purchases of goods, but usually if there is a need such as the need to access loans to certain banks or financial institutions that need financial data, then they will try to prepare financial data simply. Meanwhile, the other 2 informants who were interviewed, admitted that they did not understand what accounting was at all, starting from financial records, even in recording what transactions were issued, the perpetrators did not record them because they forgot and it had become a habit. The low accounting knowledge of owners causes many small companies to experience failure, which of course is very risky for business sustainability (Febriyanto et al., 2019). Financial recording in accounting is considered too complicated to be done on a small scale because the business cycle in MSMEs is simple, so actors think that the preparation of financial statements is not important in their business.

Many MSMEs do not have complete and valid reports, therefore accounting knowledge is needed for MSME actors so that the information presented is more accurate so that decision-making will also be more accurate (Muttaqin Abdillah, 2019). Accounting information can be the basis for business decision-making so that it has a very important influence on the achievement of business success (Astuty, 2015), including SMEs. Low knowledge in bookkeeping automatically hinders them from carrying out financial bookkeeping activities. Accounting information in the form of

financial records can be used by MSME owners to find out exactly how much income they receive, how much operating costs should be incurred and how much should still be left. The use of information can process financial data, and be involved in financial and non-financial decision-making (Silvia D, 2022)

LITERATURE REVIEWS

MSMEs Performance

The Law of number 20 of 2008 defines micro, small, and medium enterprises (MSMEs) as productive businesses owned by individuals or business entities that meet the micro business criteria. The level of development of a country can be gauged by various indicators, one of which is the well-being of its citizens. A small business is an independent and productive economic entity operated by an individual or business entity that is not a subsidiary or branch of a medium or large business that fulfills the criteria for small businesses as defined in the Law (Tambunan, 2019). In the meantime, a small business is a standalone productive economic venture conducted by an individual or business entity that is not a subsidiary or branch of a corporation that is owned, controlled, or is part, either directly or indirectly, of a small business, or large business that meets small business criteria as specified in the Law. Company performance should be a result that can be measured and describes the empirical conditions of a company from various agreed sizes (Yurniwati, 2015). Company performance indicators can be seen from profit growth, sales growth, asset growth, labor force growth, and others (Halem et al., 2019; Hj Mohd Ruslan, R.A.H.M., Gan, C. et al., 2020).

Accounting Knowledge

Accounting knowledge is a tool in the form of facts, truths, or information about the process of recording, grouping, and summarizing the economy in an orderly form with the aim of presenting financial information needed for decision-making. Accounting knowledge can be understood based on knowledge of debits and credits, knowledge of the recording process, grouping, reporting transactions in the form of recording purchases, cash inflows, cash outflows, costs including financial reporting (Yuli & Sigit, 2018). Basically, accounting knowledge is needed to produce accounting information, and everything that is known about accounting obtained from informal and formal education owned by users of accounting information. Accounting knowledge does not only need to be possessed by the manager or owner of the company, but also by stakeholders to business owners.

Use of Accounting Information

Accounting information is synonymous with quantitative information related to numerical data and monetary units, is an important information to help management manage company operations. Accounting information is generated from the process of recording and summarizing financial transaction data and is presented in the form of financial statements. MSMEs that use accounting information will be seen from how they utilize recording information, such as sales records, cash inflows and cash outflows and other information, to make sales or purchase estimates at a given time to make financial decisions (Failia & Diptyana, 2012). Daily operational reports are needed by management to control or direct routine daily activities. The content of operational information in a company generally includes sales information, production information, payroll information, information on accounts receivable, spending, fixed assets and other information.

RESEARCH METHOD

This type of research uses an associative approach to determine whether or not there is an influence or relationship between independent variables and bound variables. The respondents of this study are MSME entrepreneurs in Lubuk Barumun District, Padang Lawas Regency. Data from the Padang Lawas Regency SME, Industry and Trade Cooperatives Office has 149 MSMEs and the sample used is 60. To confirm, 5 informants were used to get in-depth information related to accounting information and MSME performance.

RESULTS

The initial identification from the results of the previous interview was confirmed by the results of the questionnaire collection, that most of the MSME actors in Padang Lawas still do not know what accounting knowledge is, and the importance of accounting records. Actors also often think that financial preparation is not important to their business. In addition, MSME actors are lacking in organizing and utilizing accounting information in their businesses.

Table 1. Data Respondent

Gender	Sum	Type of Business	Sum
Male	26	Workshop Services	8
Female	34	Tailor	4
		Living room	2
Pendidikan		Laundry	2
SMA	28	Culinary	14
Diploma	15	Trade	18
Bachelor	17	Jewelry Stores	2
		Convection Apparel	5
		Electronics	5
Age (year)		Length of Business (year)	
26-30	5	<5	24
31-35	10	5-10	27
36-40	24	11-15	8
41- 45	14	>15	1
46-50	5		
53-54	2		

Outer Model Testing Analysis

It began with a validity test using the outer model, validity convergent, discriminant validity and a reliability test with cronbach alpha and composite reliability. It was found that the overall instrument met the validity feasibility, because the overall validity convergent and validity discrimination exceeded 0.7. Similarly, the reliability test found that the Cronbach alpha value of 0.7 could meet the feasibility of the data.

Validity Test

The first outer model shows that the question items in PA2, PA3, PA9, PIA2, PIA4, PIA5, PIA6, PIA7, PIA8, and PIA9 do not meet the requirements > 0.70 see figure (a), then retest is carried out by removing two question item items that do not meet the requirements > 0.70 so that the validity as shown in figure (b) and the question item have met the criteria.

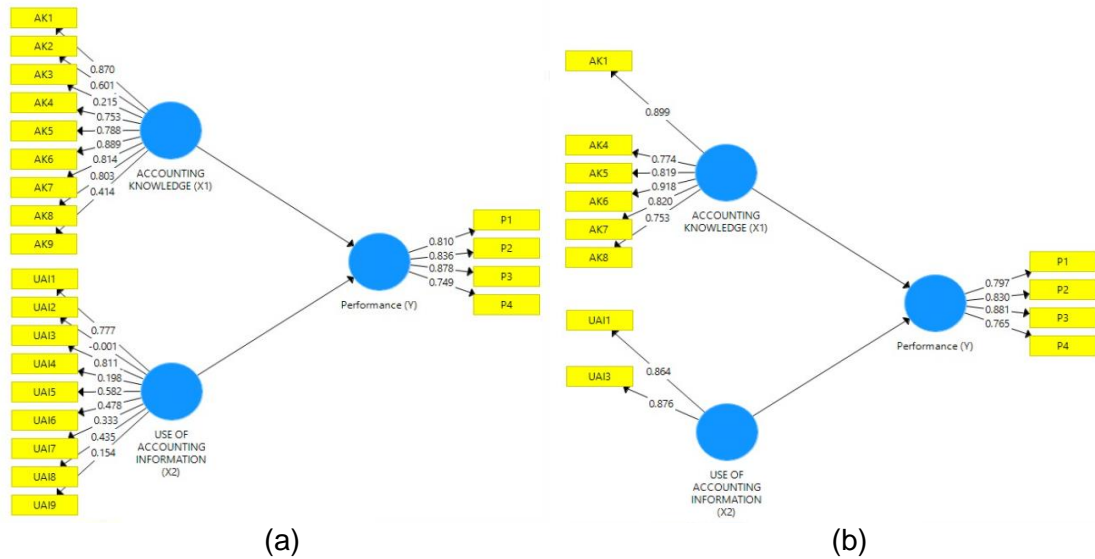


Figure 1. Outer Model (a) before meeting the validity requirements and Outer Model (b) after meeting the validity requirements

The results of convergence validity based on the *Average Variance Extracted* (AVE) value can be seen from the construct in table 2 and the AVE value on the three variables > 0.50. Average AVE, meaning that the assumption of *discriminant validity* has been met.

Table 2. Hasil Nilai Average Variance Extracted (AVE)

	Average Variance Extracted (AVE)
Performance (Y)	0,671
Accounting Knowledge (X1)	0,693
Used of Accounting Information (X2)	0,757

Sumber: Data diolah SmartPLS (2024)

After the validation test using AVE, the results of the discrimination validity test based on the HTMT value (table 3), show that the variables of the use of accounting information < 0.90 and those that have not been met in the performance and use of other accounting information have met all.

Table 3. Heterotrait-monotrait value (*htmt*) results

	Performance (Y)	Accounting Knowledge (X1)	Used of Accounting Information (X2)
Performance (Y)			
Accounting Knowledge (X1)	0,821		
Use of Accounting Information (X2)	0,966	0,869	

Reliability Test

Table 4 informs that all *composite reliability* values > 0.70, so all variables have met the reliability requirements. Likewise, the results of reliability testing based on *Cronbach's alpha* value of > 0.70 and variables in the use of accounting information that have not met the reliability requirements, but this can be tolerated

Tabel 4. Reliability

	<i>Cronbach's Alpha</i>	<i>Composite Reliability</i>
Performance (Y)	0,836	0,891
Accounting Knowledge (X1)	0,910	0,931
Use of Accounting Information (X2)	0,680	0,862

Inner *Model* Testing Analysis

Determination Coefficient Test (*R-Square*)

The results of the determination coefficient test in table 5 show that *the R-Square* value for the independent variable against the dependent variable is 0.627, meaning that the ability of accounting knowledge and the use of accounting information in influencing the performance of MSMEs is 62.7% and this value is included in the criteria of the medium or moderate model.

Tabel 5. R-Square

	<i>R Square</i>	<i>Adjusted R Square</i>
Performance(Y)	0,627	0,614

Uji *F-Square*

To see the ability of accounting knowledge and the use of accounting information on the performance of MSMEs, F Square was used, the results were 0.245 and 0.270, meaning that the ability of the two independent variables to have an impact on the dependent variable was moderate.

Table 6. F-Square Value Results

	Performance (Y)	Accounting Knowledge (X1)	Used of Accounting Information (X2)
Performance (Y)			
Accounting Knowledge (X1)	0,245		
Use of Accounting Information (X2)	0,270		

Hypothesis Testing

The results of the hypothesis test (table 7) found that the value of the regression coefficient of accounting knowledge was positively marked at 0.420. It is assumed that if accounting knowledge increases by 1%, then the performance of MSMEs will increase by 42% and other independent variables are considered constant. The regression coefficient value in the variable of using accounting information is 0.441, indicating a positive influence on the performance of MSMEs. This means that if the use of accounting information increases by 1%, the performance of MSMEs will increase by 44.1% and other variables are considered constant.

Table 7. Hypothesis Results

	<i>Original Sample (O)</i>	<i>Sample Mean (M)</i>	<i>Standard Deviation (STDEV)</i>	<i>T Statistics (O/STDEV)</i>	<i>P Values</i>
Accounting Knowlwdge (X1) -> Performance (Y)	0,420	0,428	0,101	4,173	0,000
Use of Accounting Information (X2) -> Performance (Y)	0,441	0,438	0,106	4,157	0,000

The Influence of Accounting Knowledge on the Performance of MSMEs

Based on the data in table 8, the value of the path coefficient is 0.420 with (p-values) = 0.000 < 0.05; The *T-Statistics value* is 4.173, and the tcount value is greater than the ttable (4.173 > 1.670) shows that this study has succeeded in proving the influence of accounting knowledge on the performance of MSMEs. Improving the accounting knowledge of MSME managers has the potential to substantially improve their business performance. Knowledge of basic accounting concepts, such as transaction recording, inventory management, and financial analysis, provides MSME owners with powerful tools to manage their finances more efficiently and effectively (Halem et al., 2019). The separation of personal finance from business finance (AP1), knowing how to prepare financial statements (AP4), recording every purchase and sale transaction (AP5), preparing profit and loss statements (AP6) and understanding of applicable accounting standards (AP6) and knowing the importance of accounting knowledge (AP8) are proven to have a high coefficient value affecting the performance of MSMEs.

The ability to compile and read financial statements will help actors assess the financial health of their business, and make it easier for them to strategize long-term businesses, identify opportunities to improve efficiency, and make strategic decisions for long-term growth (P. N. D. Nguyen et al., 2023). Improving the performance of MSMEs through increasing accounting knowledge not only has an impact on individual business growth, but has the potential to strengthen the local economy and consolidate a stronger and more sustainable local economic foundation (P. V. Nguyen et al., 2021). The results of this study are in line with the research Febriyanto et al., (2019); Fitriani et al., (2023); Safaruddin et al., (2021) which states that the variable of accounting knowledge has a significant effect on the performance of micro, small, and medium enterprises. However, it is different from Indriyani et al., (2022) which did not find the influence of accounting knowledge on the performance of MSMEs.

The Effect of the Use of Accounting Information on the Performance of MSMEs

The value of the path coefficient in table 8 is 0.441 with a p-value of 0.000, the *T-Statistics value* is 4.157, and the tcal value is greater than the ttable (4.157 > 1.670) shows that this study has succeeded in proving the influence of the use of accounting information on the performance of MSMEs. The availability of data and information on goods inventory (UIA1) and expenditure for operational needs (UIA3) is important information for improving the performance of MSMEs.

The good and effective use of accounting information will improve the performance of MSMEs. The use of accounting information will help MSME managers in making more informative and appropriate decisions, especially in managing their finances and business operations. Accounting information provides the data necessary to monitor financial performance, identify trends, and measure achievement against business goals. The management of MSMEs that use accounting information well tends to have better control over the direction and health of their business, The results of this study not only answer the research formula, but also prove that the relationship between the use of accounting information and the performance of MSMEs can encourage sustainable improvement of business practices. The results of this study are supported by research (Luther, 2016; Yuliyanti et al., 2020) which stated that the use of accounting information has a positive and significant effect on the performance of MSMEs.

Table 8. Hypothesis Test Results

Hypothesis	Result	Information
H1 : Accounting knowledge positively affects the performance of MSMEs	Coefficient : 0,420 T-Statistics : 4,173 P-Value : 0,000	Accepted
H2 : The use of accounting information positively affects the performance of MSMEs	Coefficient : 0,441 T-Statistics : 4,157 P-Value : 0,000	Accepted

CONCLUSION

This study succeeded in proving the influence of Accounting knowledge on the performance of MSMEs, the better the accounting knowledge possessed by MSME managers, the better the performance will be. MSMEs that have separated business finance from personal finance will find it easier to measure the success of their business. Accounting knowledge can provide important benefits for MSMEs, for example in managing finances, making the right investment decisions, and planning more effective business strategies. The use of accounting information is proven to improve the performance of MSMEs, especially inventory information and various items of business operational expenses. So that MSME managers who have accounting knowledge will be able to manage their business finances and operations better to improve performance. The availability of accounting information will help MSME managers in using accounting information, provide better insights, have a positive impact on business growth and business sustainability, so that they are able to make more appropriate and strategic decisions.

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