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FACTORS THAT INFLUENCE THE QUALITY OF FINANCIAL REPORTS IN UMKM IN SURAKARTA

Ari Putra Andita[1]
Universitas Muhammadiyah Surakarta, Surakarta, Indonesia
b200200220@student.ums.ac.id

Eskasari Putri[2]
Universitas Muhammadiyah Surakarta, Surakarta, Indonesia
ep112@ums.ac.id

Abstract

This study aims to determine the factors that influence the quality of financial reports in MSMEs in Surakarta. The research method used is quantitative. The test used in this study is a multiple regression test using SPSS. The data used is primary data with a sample of 102 MSMEs in Surakarta. The results of the study indicate that education level has a significant effect on the quality of MSME financial reports. Educational background does not have a significant effect on the quality of MSME financial reports. Business size does not have a significant effect on the quality of MSME financial reports. Length of business has a significant effect on the quality of MSME financial reports. Information technology has a significant effect on the quality of MSME financial reports.

Keywords: Education Level, Business Size, Business Length, Information Technology, Financial Report Quality

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INTRODUCTION

Most MSMEs in a country like Indonesia are businesses. According to the Ministry of Cooperatives and SMEs website, there were approximately 65.4 million MSMEs in Indonesia in 2019. When this number reaches 65.4 million, it can absorb 123,000 workers. The impact of MSMEs on reducing unemployment in this country is crucial. Increasing workforce participation in MSMEs will reduce unemployment in the country. (Ministry of Finance, 2023). According to Mulyani (in Arisandi et al., 2022), MSMEs are essential to the economy, significantly impacting the unemployed and contributing to increased GDP.

According to data from the Coordinating Ministry for Cooperatives and SMEs (Kemenkopukm), the number of MSMEs in 2023 reached 65.5 million. This represents a 1.7% increase from the previous year. Of this figure, 97% are micro-enterprises, 2% are small businesses, and 1% are medium-sized businesses. According to Statistics Indonesia (BPS), the MSME contribution to Gross Domestic Product reached 9,580 trillion (61%). This represents a 2.3% increase compared to the previous year. MSMEs contribute significantly to the national workforce, accounting for approximately 97%.

According to solopos.com, the latest data for 2022 shows that there are 11,157 MSMEs. Of these, 11,138 are micro-enterprises, 18 are very small businesses, and three are medium-sized businesses.MSMEs) in Solo, 26.61 percent of which came from Kliwon Market. Meanwhile, Serengan District was the second-highest area for MSMEs, with 24.81 percent. This was followed by Serengan District.Jebresat 17.65 percent, followed by Banjarsari District at 17.59 percent. The smallest distribution of MSMEs is in Laweyan District, at 13.34 percent.

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The large number of MSMEs cannot possibly not cause problems (Erawati & Setyaningrum, 2021). In Indonesia, some MSMEs lack accurate systems. If MSMEs focus solely on sales and profits and neglect proper financial reporting and management, they cannot grow. According to Muntoro in (Erawati & Setyaningrum, 2021) stated that if financial reporting is not properly organized, it can be a major cause of MSME failure. If there are no regulations requiring the preparation of financial reports, there will be minimal preparation of financial reports related to MSMEs.

According to (Mulyani, 2014) Many MSMEs do not keep records of their company's financial statements. In practice, the need for MSMEs to design and compile financial statements is not only to facilitate obtaining loans from creditors, but also to analyze actual profit and loss, assets, capital management, revenue planning, and expenses incurred with an understanding of efficiency. Ultimately, financial statements serve as a tool in company decision-making. According to Benjamin in (Mulyani, 2014) stated that the weakness of SMEs in preparing financial reports was caused by, among other things, a lack of training and ignorance of financial accounting standards (SAK).

According to Rosdiani (2011), the quality of financial reports is determined by how accurately, appropriately, and honestly the information presented is. Quality financial reports can be used by interested parties as a basis for economic decision-making. Furthermore, (Widiastoeti & Sari, 2020) stated that many MSMEs in Indonesia still haven't implemented this principle, using and creating accounting reports in managing their businesses. Furthermore, when asked about their assets and financial reports, they are unable to provide any details. Many people don't realize how important financial record-keeping and accounting are

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to a company's sustainability. A lack of human resource knowledge makes record-keeping difficult.

Financial reports are a presentation of the results of recording a company's financial/accounting information over a specific period, which can explain the company's performance. Financial reports help banks, creditors, owners, and stakeholders understand the company's financial performance and condition (Indonesian Institute of Accountants, 2009). According to (Arisandi et al., 2022), The quality of financial reporting refers to the extent to which the financial statements presented provide accurate and relevant information that serves as a basis for stakeholders to make further economic decisions.

Definition of Education According to Presidential Instruction Number 2 of 1974, Education is an effort to develop Indonesian people, externally or internally, with the aim of developing character and physical development of humans, which lasts throughout life, to build a complete human being. Uniting Indonesia and a just and prosperous society, and all efforts to develop mental abilities are ordered. Regarding Pancasila, education, an effort to persuade or teach people to be proactive in (exercise) to maintain their health. Education that influences the way of thinking and behavior can help maintain and increase knowledge and awareness through learning (Basyit et al., 2020). According to Rudiantoro in (Nurzairina, 2022), Education is the result, expression, and frequency of society passed down from time to time through knowledge, learning, and research. Based on the results of research conducted by (Nuryati, 2023)shows that the level/level of education has a significant influence on the preparation of the quality of MSME financial reporting. Other researchers (Arisandi et al., 2022) show that education level influences the quality of reporting on MSME businesses in Bengkulu City.

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The educational background of managers also influences MSME financial reporting. The higher the level of education of an MSME owner, the broader their business knowledge, which will impact the performance of the business they manage. Broadly speaking, the educational background of MSME owners is a key determinant of MSME success (Beni & Indah, 2022). Similarly, research (Diana, 2018) proves that educational background influences the perception of MSME actors regarding the importance of financial reporting and bookkeeping.

Business size is considered a factor influencing profit growth. The larger a business, the more resources its owners have available to increase profits. Having more assets gives a company the power to increase sales, ultimately leading to significant profits. Conversely, if assets are smaller, sales will decrease, negatively impacting profit. This aligns with research by Mulyani (2014), which shows a significant correlation between business size and the quality of MSME financial reports.

Business tenure is the period during which an entrepreneur or trader operates their business. The length of time a business is open can impact revenue levels because the length of time an entrepreneur or business owner spends focusing on their field can impact their productivity or skills, which in turn can increase success and lower production costs below their sales revenue. According to(Erawati & Setyaningrum, 2021), this indicates that the level of business longevity will continue to increase in financial reporting. The length of each MSME business has a clear and direct impact on financial reporting.

According to (Arisandi et al., 2022), the research results show that business influences the quality of financial reports of MSMEs in Bengkulu City. According

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to research conducted by (Lusy et al., 2022) obtain hypothesis is obtained by showing that Information Technology/IT influences financial reporting.

The rapid development and growth of MSMEs are closely linked to the advancement of the Information Technology era. The emergence and advancement of technology-based startups in Indonesia will be driven by the growth of small and medium enterprises (SMEs). For example, BukaLapak, TokoPedia, Blibli, Shopee, etc., are becoming MSMEs' businesses is now very easy due to the availability of digital platforms, which help MSMEs sell their products. Information technology/IT is growing rapidly, creating opportunities for the practical production, distribution, and consumption of goods and services (Anshori, 2020).

Information Technology/IT is a tool related to information processing. This explains that Information Technology/IT is an intermediary between computer-based technology and communication technology, so that Information Technology/IT can facilitate entities in solving problems and entities or companies are more efficient in their use (Kadir & Triwahyuni, 2003). This research is in line with (Lusy et al., 2022) Information technology has an impact on financial reporting. Mediation testing shows that information technology has no impact on the quality of financial reporting, either through human resources or through the application of SAK.

The difference between this study and previous researchers is in terms of variables and objectives in the study. In the previous study, the title was Analysis of the Implementation of SAK-EMKM, Tax Planning, Education Level, Accounting Understanding, and Business Actors' Perceptions of the Objectives of Financial Reports on Report Quality in the MSME furniture industry in

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Bojonegoro (Widyaningrum & Purwanto, 2022) and the Influence of Length of Business and Accounting Understanding on the Quality of Financial Reports of MSMEs in Jetis District, Bantul (Erawati & Setyaningrum, 2021). For the variables of Education Level, Educational Background, Business Size, Length of Business Establishment, and Information Technology targeting MSMEs in Surakarta, Central Java, there is still minimal research to be done.

RESEARCH METHOD

This research uses a quantitative method. This methodology aims to analyze a specific population or sample using a statistical data approach to test hypotheses, measure the variables being analyzed, and reach conclusions. The sample selection process was carried out using a purposive sampling method, which relies on specific criteria or considerations (Sugiyono, 2017). The sample in this study consisted of 102 MSMEs in Surakarta. The sample criteria for this study were:

1. MSMEs are located in the Surakarta area
2. Have financial reports (simple or complete)

The data collection technique used is a questionnaire. Researchers will distribute five types of questionnaires: educational level, educational background, business size, length of business, information technology, and financial data quality.

In data management, the author uses the SPSS application. Before conducting hypothesis testing, researchers will conduct classical assumption tests, including normality, autocorrelation, multicollinearity, and heteroscedasticity. Classical assumption tests are also intended to ensure that the

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research variables are normally distributed and that there is no autocorrelation, multicollinearity, or heteroscedasticity (Ghozali, 2018).

RESULTS AND DISCUSSION

Validity Test

A validity test is a test used to determine the extent to which a measuring instrument used in a study is valid. A questionnaire is considered valid if the questions in the questionnaire are able to reveal what the questionnaire is intended to measure. The validity test is conducted based on the results of comparing the Pearson correlation value with the product-moment r table. Validity is considered valid if the Pearson correlation value is greater than the r table. The desired Pearson correlation value must be greater than the r table. The following table shows the results of the validity test using SPSS software:

Accounting Knowledge

Table 1.
Results of the Validity Test for Educational Levels

Item	R Count	R Table	Information
1	0.619	0.194	Valid
2	0.784	0.194	Valid
3	0.845	0.194	Valid
4	0.856	0.194	Valid
5	0.808	0.194	Valid

Source: Processed Primary Analysis Data, 2025

Based on the results of the validity test using SPSS software, it is known that the calculated r value of each indicator of the education level variable is greater than the table r value, namely 0.194. Therefore, it can be concluded that each question item in the education level variable is declared valid because it has met the assessment threshold standard.

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Educational Background

Table 2.
Results of the Educational Background Validity Test

Item	R Count	R Table	Information
1	0.740	0.194	Valid
2	0.886	0.194	Valid
3	0.886	0.194	Valid
4	0.835	0.194	Valid
5	0.849	0.194	Valid

Source: Processed Primary Analysis Data, 2025

Based on the results of the validity test using SPSS software, it is known that the calculated r value of each indicator of the educational background variable is greater than the table r value, which is 0.194. Therefore, it can be concluded that each question item in the educational background variable is declared valid because it has met the assessment threshold standard.

Business Size

Table 3.
Results of Business Size Validity Test

Item	R Count	R Table	Information
1	0.936	0.194	Valid
2	0.927	0.194	Valid
3	0.922	0.194	Valid

Source: Processed Primary Analysis Data, 2025

Based on the results of the validity test using SPSS software, it was found that the calculated r value for each indicator of the business size variable was greater than the table r value, which was 0.194. Therefore, it can be concluded that each question item in the business size variable was declared valid because it had met the assessment threshold standard.

Length of Time the Business Has Been Established

Table 4.
Results of the Validity Test of the Length of Business Establishment

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Item	R Count	R Table	Information
1	0.838	0.194	Valid
2	0.795	0.194	Valid
3	0.830	0.194	Valid
4	0.824	0.194	Valid

Source: Processed Primary Analysis Data, 2025

Based on the results of the validity test using SPSS software, it is known that the calculated r value of each indicator variable for the length of business establishment is greater than the table r value, which is 0.194. Therefore, it can be concluded that each question item in the length of business establishment variable is declared valid because it has met the assessment threshold standard.

Length of Time the Business Has Been Established

Table 5.
Results of the Validity Test of the Length of Business Establishment

Item	R Count	R Table	Information
1	0.841	0.194	Valid
2	0.906	0.194	Valid
3	0.864	0.194	Valid
4	0.823	0.194	Valid
5	0.842	0.194	Valid

Source: Processed Primary Analysis Data, 2025

Based on the results of the validity test using SPSS software, it is known that the calculated r value of each indicator variable for the length of business establishment is greater than the table r value, which is 0.194. Therefore, it can be concluded that each question item in the length of business establishment variable is declared valid because it has met the assessment threshold standard.

Quality of MSME Financial Reports

Table 6.
Results of the Validity Test of the Quality of MSME Financial Reports

Item	R Count	R Table	Information
Question 1	0.838	0.194	Valid
Question 2	0.870	0.194	Valid

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Question 3	0.915	0.194	Valid
Question 4	0.893	0.194	Valid
Question 5	0.848	0.194	Valid

Source: Processed Primary Analysis Data, 2025

Based on the results of the validity test using SPSS software, it is known that the calculated r value of each indicator variable of the quality of the financial reports of established MSMEs is greater than the table r value, which is 0.194. Therefore, it can be concluded that each question item in the variable of the length of business establishment is declared valid because it has met the assessment threshold standard.

Reliability Test

Table 7.
Reliability Test Results

Variables	Cronbach Alpha Value	Information
Education Level (X1)	0.836	Reliable
Educational Background (X2)	0.892	Reliable
Business Size (X3)	0.919	Reliable
Length of Business (X4)	0.836	Reliable
Information Technology (X5)	0.907	Reliable
Quality of MSME Financial Reports (Y)	0.921	Reliable

Source: Processed Primary Analysis Data, 2025

Based on the table above, it shows that the Cronbach alpha value of all variables in this study is above > 0.6, which means that the Cronbach alpha value has met the requirements so that all variables can be said to be reliable.

Classical Assumption Test

Normality Test

The normality test aims to determine whether the variables used in the study are normally distributed. The normality test used in this study uses the CLT method:

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Table 8.
Normality Test

Amount of Data	Test Requirements	Information
102	>30	Normal

Source: Processed Primary Analysis Data, 2025

The normality test is used to determine whether the data is normally distributed. In this study, the CLT (Central Limit Theorem) test is used, which means that if the number of observations is large enough (n>30), then the normality assumption can be ignored (Gujarati, 2003). In this study, the number of n is 102 > 30. This indicates that the data can be said to be normally distributed and can be called a large sample.

Multicollinearity Test

The multicollinearity test is used to determine whether a correlation exists between independent variables in a regression model. This study examines the Tolerance Value and Variance Inflation Factor (VIF). The results of the multicollinearity test are presented in the table below.

Table 9.
Multicollinearity Test Results

Variables	Tolerance	VIF	Information
Education Level (X1)	0.198	5,054	No multicollinearity
Educational Background (X2)	0.159	6,303	No multicollinearity
Business Size (X3)	0.994	1,006	No multicollinearity
Length of Business (X4)	0.988	1,012	No multicollinearity
Information Technology (X5)	0.226	4,426	No multicollinearity

Source: Processed Primary Analysis Data, 2025

Based on the table above, it can be seen that there is no multicollinearity in the independent variables. This is because the VIF values for all independent variables are less than 10, and the Tolerance value is greater than 0.10.

Heteroscedasticity Test

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The heteroscedasticity test is used to determine whether there is inequality in the variance of residuals from one observation to another within the regression model. The heteroscedasticity test in this study uses the Glejser test. The results of the heteroscedasticity test are as follows:

Table 10.
Test Results of Heteroscedasticity

Variables	Sig Value	Information
Education Level (X1)	0.932	No Heteroscedasticity
Educational Background (X2)	0.974	No Heteroscedasticity
Business Size (X3)	0.831	No Heteroscedasticity
Length of Business (X4)	0.157	No Heteroscedasticity
Information Technology (X5)	0.710	No Heteroscedasticity

Source: Processed Primary Analysis Data, 2025

Based on the table above, it can be seen that the heteroscedasticity test with the Glejser test for all independent variables in this study has a sig value > 0.05, which means that all independent variables in this study do not have symptoms of heteroscedasticity.

Multiple Linear Regression Analysis

Multiple linear regression analysis is used to analyze the relationship between variables. Educational Level, Educational Background, Business Size, Length of Business, and Information Technology on the Quality of MSME Financial Reports. The following results were obtained based on the calculations:

Table 11.
Results of Linear Regression Analysis

Variables	B	Std. Error	Beta	t	Sig.
Constant	2,304	2,004		-1,149	0.253
Education Level (X1)	0.266	0.110	0.253	2,423	0.017
Educational Background (X2)	0.155	0.120	0.151	1,298	0.198
Business Size (X3)	0.007	0.072	0.005	0.103	0.918
Length of Business (X4)	0.201	0.085	0.111	2,368	0.020

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Information Technology (X5)	0.514	0.095	0.529	5,411	0,000

Source: Processed Primary Analysis Data, 2025

$$KLK = 2{,}304\alpha + 0{,}266X1 + 0{,}155X2 + 0{,}007X3 + 0{,}201X4 + 0{,}514X5 + e$$

a. The constant value of 0.180 means that if other variables have a constant value, the value of the Taxpayer Compliance variable will increase.
b. The constant value of 0.108 means that if the Tariff Change increases, the Taxpayer Compliance score will increase. Conversely, if the Tariff Change decreases, the Taxpayer Compliance score for children will decrease.
c. The constant value of 0.307 means that if sanctions increase, the taxpayer compliance score will increase. Conversely, if sanctions decrease, the child taxpayer compliance score will decrease.
d. The constant value of 0.623 means that if tax awareness increases, taxpayer compliance will also increase. Conversely, if tax awareness decreases, child taxpayer compliance will also decrease.

Hypothesis Testing

T-Test

The t-test essentially shows how far the influence of one independent variable individually explains the variation of the dependent variable. This t-test aims to determine whether there is an influence or not. Educational Level, Educational Background, Business Size, Length of Business, and Information Technology on the Quality of MSME Financial Reports. The following are the t-test results:

Table 12.
t-Test Results

Variables	T Count	T Table.	Sig.	Information
Education Level (X1)	2,423	1,983	0.017	Significant Influence

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Educational Background (X2)	1,298	1,983	0.198	No Significant Impact
Business Size (X3)	0.103	1,983	0.918	No Significant Impact
Length of Business (X4)	2,368	1,983	0.020	Significant Influence
Information Technology (X5)	5,411	1,983	0,000	Significant Influence

Source: Processed Primary Analysis Data, 2025

The explanation of the t-test of each independent variable is as follows:

a) H1 is accepted because, based on the results of the t-test, the level of education has a significant partial influence on the Quality of MSME Financial Reports. These results align with the researcher's hypothesis. The effect of education level on the quality of MSME financial reports is 2.423, meaning 2.423 > 1.983, with a significance value of 0.017 < 0.05.

b) H2 is rejected because, based on the results of the t-test, partially educational background does not have a significant effect on the Quality of MSME Financial Reports. These results contradict the hypothesis formulated by the researcher. The effect of educational background on the quality of MSME financial reports is 1.298, meaning 1.298 < 1.983, with a significance value of 0.198 > 0.05.

c) H3 is rejected because, based on the results of the t-test, partially Business Size does not have a significant effect on the Quality of MSME Financial Reports. These results contradict the hypothesis formulated by the researchers. The effect of business size on the quality of MSME financial reports was 0.103, meaning 0.103 < 1.983, and the significance value was 0.918 > 0.05.

d) H4 is accepted because, based on the results of the t-test, the length of business has a significant partial effect on the Quality of MSME Financial Reports. These results align with the researcher's hypothesis. The effect of business

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duration on the quality of MSME financial reports is 2.368, meaning 2.368 > 1.983, with a significance value of 0.020 < 0.05.

e) H5 is accepted because, based on the results of the t-test, Information Technology has a significant partial influence on the Quality of MSME Financial Reports. These results align with the researcher's hypothesis. The effect of education level on the quality of MSME financial reports is 5.411, meaning 5.411 > 1.983, with a significance value of 0.000 < 0.05.

F Test

The simultaneous significance test is a test used to determine the influence of independent variables, namely Education Level (X1), Educational Background (X2), Business Size (X3), Length of Business (X4), and Information Technology (X5) simultaneously on the dependent variable, namely the Quality of MSME Financial Reports (Y). The results of the F test are seen in the ANOVA in the sig. (significance) column. By using a significance level of 5% (0.05), if the significance probability value is <0.05, then Ha is accepted, whereas if the significance probability is >0.05, then Ha is rejected. The following are the results of the F test:

Table 13.
F Test Results

F Calculation	F Table.	Sig.	Information
73,413	2,308	0,000	Simultaneous Effect

Source: Processed Primary Analysis Data, 2025

Based on the results of the table, it was found that the F count was 73.413 with an F table value of 2.308, which means 73.413 > 2.308 and a data sample with a significance of 0.000 < 0.05. This can be concluded that simultaneously the independent variables have a significant influence on the dependent variable.

Coefficient of Determination (R^2) Test

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The coefficient of determination (R-square) analysis is used to determine the extent of influence an independent variable has on a dependent variable, expressed as a percentage. The R-square value is a commonly used measure of the fit or suitability of a regression line. R-square values range from zero to one; the closer to one, the better the model. The following are the results of the coefficient of determination (R-square) test analysis.

Table 14.
R2 Test Results

R	R Square	Adjusted R Square	Standard Error of the Estimate
0.890	0.793	0.782	2,21152

Source: Processed Primary Analysis Data, 2025

The results obtained state that the value of the Determinant Coefficient (R Square) is 0.782 or 78.2% so that the independent variable in this study isEducational Level (X1), Educational Background (X2), Business Size (X3), Length of Business (X4) and Information Technology (X5) can explain variations in the dependent variable of the Quality of MSME Financial Reports by 78.2% and the remaining 21.8% is explained by other variables outside the variables in this study.

The Influence of Education Level on Quality of MSME Financial Reports

Based on the t-test results above, the calculated t-value is 2.423, meaning 2.423 > 1.983, with a significance level of 0.017 < 0.05. Therefore, partially, education level has a significant effect on the quality of MSME financial reports. These research results align with research conducted by(Arisandi et al., 2022)and Djuniar & Yeni (2020) shows that education level has a significant influence on the quality of financial reporting in MSMEs

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These findings indicate that MSMEs with higher levels of education tend to have a better understanding and awareness of the importance of standardized financial record-keeping. The higher the level of education, the greater the ability of business owners to understand basic accounting principles, organize financial data, and prepare relevant, reliable, and comparable reports.

This aligns with normative theory, which emphasizes that financial reports should be prepared based on ideal accounting principles and standards and should provide useful information for economic decision-making. Within this theory, educational attainment is a crucial factor in encouraging MSMEs to prepare financial reports in accordance with applicable rules. Therefore, improving educational attainment, both formal and informal accounting training, is crucial for improving the quality of MSME financial reports, as it supports reporting practices that are not only practical but also compliant with normative accounting values.

The Influence of Educational Background onQuality of MSME Financial Reports

Based on the results of the t-test above, the calculated t-value is 1.298, meaning 1.298 < 1.983 and a significance level of 0.198 > 0.05. Therefore, partially, educational background does not significantly influence the quality of MSME financial reports. This research result contradicts the research conducted by (Djuniar & Yeni, 2020) and (Diana, 2018). This shows that educational background has a positive and significant influence on the quality of financial reports in MSMEs.

This shows that even though MSMEs have a specific educational background, this does not necessarily reflect their ability to prepare sound

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financial reports. Many MSMEs come from non-accounting backgrounds or even minimal formal education, yet they are able to prepare adequate financial reports due to practical experience or non-formal training.

This finding contradicts the basic assumption in normative theory, financial statements should be prepared based on ideal and systematic accounting principles and standards, which are generally better understood by individuals with an accounting or economics background. In practice, many MSMEs rely more on experience, business intuition, or assistance from external parties such as financial consultants, rather than their formal educational background. Therefore, although normative theory emphasizes the importance of educational background to support ideal financial reporting, in the context of MSMEs, the reality on the ground shows that other factors, such as experience, technical training, and access to accounting information, play a greater role in shaping the quality of financial statements.

The Influence of Business Size on the Quality of MSME Financial Reports

Based on the t-test results above, the calculated t-value is 0.103, meaning $0.103 < 1.983$ and a significance level of $0.918 > 0.05$. Therefore, partially, business size does not significantly influence the quality of MSME financial reports. This research result contradicts the research conducted by Djuniar & Yeni (2020), which describes that there is a significant relationship between business size and the quality of financial reports.

Whether micro, small, or medium-sized businesses are classified as micro, small, or medium-sized, they do not automatically produce better financial reports as their scale increases. These findings suggest that the quality of MSME financial reports is more influenced by other factors, such as accounting

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understanding, business owners' awareness of the importance of financial record-keeping, or the involvement of professionals in the financial report preparation process.

This is inconsistent with normative theory, which holds that ideal financial statements should be prepared based on generally accepted accounting principles and follow professional standards, which are logically easier for larger businesses to implement due to their greater human resources and infrastructure. However, in practice, many small-scale MSMEs have a high level of record-keeping awareness due to the owner's direct involvement in daily operations, while larger businesses have delegated record-keeping to others without adequate oversight.

The Influence of Length of Business on Quality of MSME Financial Reports

Based on the t-test results above, the calculated t-value is 2.368, meaning $2.368 > 1.983$, with a significance level of $0.020 < 0.05$. Therefore, partially, business duration has a significant effect on the quality of MSME financial reports. These research findings align with research conducted by (Arisandi et al., 2022) which states that the length of time a business has been in operation has an effect on the quality of financial reports.

The theoretical explanation for this finding is that MSMEs that have been operating for a longer period of time generally have more experience and a better understanding of the importance of systematic and standardized financial record keeping. They also tend to have learned from experience, received training, or adapted to administrative and tax requirements that require formal financial record keeping.

These findings align with normative theory, which emphasizes that good financial reports must be prepared in accordance with applicable accounting

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principles and standards. Within this normative framework, businesses ideally prepare financial reports not only for internal purposes but also to meet the needs of external users, such as investors, creditors, and the government. Long-standing business experience provides MSMEs with greater opportunities to adapt to these normative demands. Therefore, the longer a business has experience, the more likely it is that financial reports will be prepared more professionally.

The Influence of Information Technology on the Quality of MSME Financial Reports

Based on the t-test results above, the calculated t-value is 5.411, meaning 5.411 > 1.983 and a significance level of 0.000 < 0.05. Therefore, partially, Information Technology has a significant effect on the quality of MSME financial reports. This research results align with research conducted by Erawati & Fajriati (2023), Lusy et al. (2022), Sarwono & Handayani (2021), and Zubaidi et al. (2019) stated that information technology has a positive effect on the quality of financial reports.

This demonstrates that the use of information technology, such as digital accounting applications, financial software, and computer-based record-keeping systems, can improve the accuracy, speed, and precision of financial reporting. MSMEs that utilize information technology optimally tend to produce financial reports that are more systematic, well-documented, and in accordance with generally accepted accounting principles.

These findings can be linked to normative theory, which emphasizes the importance of preparing financial reports following established standards, principles, and regulations so that they can be used legally and ethically by stakeholders. From this theoretical perspective, the use of information technology

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is a crucial tool that supports business actors in preparing financial reports in accordance with accounting norms and principles. With technology, MSMEs can more easily apply relevant accounting standards and ensure that the resulting reports are not only useful for internal purposes but also meet external requirements such as taxation, access to financing, and partnerships.

CONCLUSION

Based on the results of the research conducted using quantitative methods, it can be concluded that the level of education has a significant influence on the quality of MSME financial reports, thus supporting the acceptance of hypothesis H1. In contrast, educational background does not show a significant effect on the quality of MSME financial reports, leading to the rejection of hypothesis H2. Similarly, business size is also found to have no significant impact on financial report quality, resulting in the rejection of hypothesis H3. However, the length of time the business has been operating significantly influences the quality of MSME financial reports, thereby confirming hypothesis H4. Furthermore, information technology is found to have an influence, although the extent and nature of this influence would require further elaboration.

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