

## ***THE INFLUENCE OF MSME PERCEPTIONS OF ACCOUNTING ON THE USE OF ACCOUNTING INFORMATION***

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### ***Abstract***

*This study is to investigate the effects MSME actor's perceptions of accounting, accounting knowledge, and business experience on the use of accounting information. The population in this study is MSMEs from the Kudus Regency. Sampling is performed using a simple random sampling method and the resulting sample is 63 MSME at the Kudus Regency. The analysis method of this study was a structural equation model using PLS software. The results of this study show that SMEs' perception of accounting and accounting knowledge is not related to the use of accounting information. Business experience has a significant positive impact on the use of accounting information.*

***Keyword: MSME, business experience, accounting knowledge, and use of accounting information***

### **INTRODUCTION**

Small Business or MSMEs, are the most numerous business groups in the Indonesian economy. Indonesia's MSME population is estimated to be over 64 million. Furthermore, MSMEs have shown to be resistant to many types of economic crisis shocks, particularly during the present COVID-19 pandemic, implying that they have a significant role. Changes in consumer behaviour by restricting physical interaction and lowering activities outside the home seem to be a motivation for Small, Medium and Micro Enterprises (MSMEs). According to Hudha (2017), SMEs are making positive contributions at both macro and micro levels through labor absorption, increasing demand, and increasing people's purchasing power and investment. MSMEs are commerce businesses managed by businesses or individuals referring to productive economic

enterprises following the criteria of Law Number 20 of 2008.

One of the problems with MSME is that the company does not own any information inside or outside the business. One of the essential information is accounting information (Yasa *et al.*, 2017). Organizations, legal entities or companies must have adequate accounting records to avoid various deviations or errors of conduct. Knowledge is the experience and understanding of something that can be taken into account when evaluating new information or related conditions. Lack of accounting knowledge hampers business management, making it difficult for firms to decide which policies to implement (Hudha, 2017).

Many businessmen are forced to close their enterprises due to a lack of bookkeeping understanding, which makes accounting decisions difficult. Many people are unaware of the distinction between personal and business capital money, which results in unclear profits or losses and changes in business capital (Putra *et al.* 2016). In different words, a company's accounting practices mirror the extent of accounting understanding of its owners. However, there are still many businessmen who do not have good accounting knowledge (Arfianti, 2021)

The perception of businesses regarding the advantages of accounting will encourage the level of use of accounting information. The use of accounting information will increase if a businessman believes that the business accounting he runs will provide convenience in the implementation of business operations, management decision-making and business sustainability (Piranda, *et al.* 2015).

Several previous studies about the use of accounting information still show conflicting results that require a review of the use of accounting information. Which is The difference between this and previous surveys is that this survey uses business experience variables. The reason for this is that experienced businesses usually use the previous period's financing as a reference for the budget for the next period (Sugianto, 2017). Business experience also encourages the use of accounting information. The subject of this research is MSME of Kudus, Kudus is a small city that has many types of MSMEs and is known as Gusjigang (Bagus, Mengaji, and Dagang).

According to the explanation above, this study is to empirically examine the effect of MSME actors' perceptions of accounting, accounting knowledge, and business experience on the use of accounting information.

### **Expectancy Theory**

Expectancy theory was first put forward by Victor Vroom in 1964 which stated that a person's motivation leads to an action that is dependent on the strength of expectancy. Robbins and Judge (2012: 222) define motivation as a process that describes the intensity, direction and persistence of an individual in achieving his goals. A business's use of accounting information always depends on the entrepreneur's motivation to conduct business activities.

Expectancy theory assumes that people are motivated to do something since they want the expected outcome. MSMEs owners want the use of accounting information to increase productivity and provide benefits and convenience in completing tasks. Furthermore, MSME owners will be interested in expanding the use of accounting information because they are aware of the positive results of using accounting information required by internal and external parties in making business decisions that will have a positive impact on their business's sustainability.

### **MSME Actors' Perceptions of Accounting**

According to Robbins (2001), perception is an individual's act of interpreting and giving meaning to the environment. According to accounting (Jusup 2001, 5), process of recording,

classifying, summarizing, reporting, and analyzing an organization's financial data for decision-making. A business actor should have a positive perception of accounting. Accounting is perceived to have many advantages in the business world, including providing economic information for an enterprise, functioning as a reference in decision making, and describing conditions/constraints from a certain period to the next.

**Accounting knowledge**

Accounting knowledge is the accounting knowledge possessed by small business owners (Widiyanti, 2013). Accounting knowledge plays an important role in the development of managed businesses. A good knowledge of accounting will help you make business decisions. Low knowledge in the field of accounting does not allow business operations due to the complexity of policy and business decision-making (Hudha, 2017).

**Business experience**

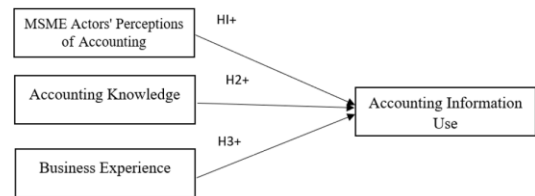
Experience in conducting business operations is an opportunity for a company's success (Staw, 1991). Experience in running a business can assist in managing it to be better, more effective, efficient, and, of course, profitable. With the rising complexity of the environment, the need for business experience is indispensable. Business experience can be obtained if someone directly gets involved in business activities.

**THEORETICAL FRAMEWORK**

The theoretical framework for this study is shown in Figure 1:

**Figure 1**

**Theoretical Framework**



**RESEARCH HYPOTHESES**

**The Influence of MSME Actors' Perceptions of Accounting-on-Accounting Information Use**

A business actor should assume that accounting will be beneficial in the implementation of business operations. Accounting provides economic information about the business being run. Accounting would provide convenience in making management decisions and business sustainability. Results of the study by Sunaryo et al. (2021) and Priliaandani et al. (2020) SMEs' perception of the use of accounting information is that accounting information is the most important part of a company, and the successful application of accounting information is a positive company perception. Based on these explanations, the first hypothesis of this study can be formulated as follows.

H1: MSME actors' perceptions of accounting have a positive effect on the use of accounting information.

## **The Influence of Accounting Knowledge on Accounting Information Use**

Accounting knowledge is required for running a business. It will be useful in managing a business's finances. Business owners will easily make decisions when doing accounting records precisely and accurately. The research results of Hudha (2017), Yasa et al. (2017) and Widyyanti (2013) show that accounting knowledge has a significant impact on the use of accounting information. Fitriyah (2006) confirmed that accounting skills are essential for entrepreneurs to run their businesses. Based on this explanation, the second hypothesis of this study can be formulated as follows:

H2: Accounting knowledge has a positive effect on the use of accounting information.

## **The Influence of Business Experience on Accounting Information Use**

Someone with experience in running business operations has a lot of information needed and is prepared for the success and going concerned to a business. This business experience is essential when making decisions related to business financing. According to a study by Sugianto (2017), business experience has a positive and significant impact on the use of accounting information. In addition, According to a study by Fitriyah (2006), business experience has had a positive impact on the use of accounting information. Based on this explanation, the second hypothesis of this study can be formulated as follows:

H3: Business has a positive effect on the use of accounting information.

## **METHOD**

### **POPULATION AND SAMPLE**

The population of this survey is the MSME of the trade sector of kodus. Sampling is done using a simple random sampling technique, in which the technique of the subject is chosen randomly since there are various types of SMMEs businesses in Kudus, with a number of more than 20,000 SMMEs. From the entire population, the author has chosen as many as 63 respondents. These respondents were selected at random from the population and had an equal and fair probability of being chosen. The data collection method used in this survey is a survey method in which questionnaires are sent directly to SMEs.

### **Data Processing**

This survey uses primary data obtained by sending surveys to respondents. The respondent's answers were recapitulated by the author to be analyzed, so that the answers to the research questions were obtained.

### **METHOD OF ANALYSIS**

The method used in this study is a Partial least squares method using SmartPLS software. This includes evaluating external and internal models, and testing hypotheses (path coefficients). The evaluation of the measurement model or the external model is performed to evaluate the validity by considering the lateral load and reliability, and the combination of reliability and Cronbach's  $\alpha$  coefficient. Evaluation of structural or internal models, on the other hand, aims to predict relationships between

latent variables by considering the explainable variance and determining the significance of the P-value. Percentage of variance by examining the RS square of each endogenous latent variable as the predictive power of the structural model. The value of RSsquares is used to explain the effect of a particular extrinsic latent variable on the intrinsic variable and whether they have a substantive effect.. This model's hypothesis testing of the relationship between extrinsic and intrinsic latent variables uses tstatistic and pvalue values. Tstatistic values > 1.96 and p-values 0.05 are described as not significant above 5%. This means that the hypothesis is rejected (Ghozali, 2014).

of	X1.4	0.857
accounting	X1.5	0.713
(X1)	X1.6	0.617
Accounting	X2.1	0.827
Knowledge	X2.2	0.763
(X2)	X2.3	0.742
	X2.4	0.864
	X2.5	0.626
Business	X3.1	0.712
Experience	X3.2	0.852
(X3)	X3.3	0.761
	X3.4	0.736
	X3.5	0.851
Accounting	Y.1	0.715
Information	Y.2	0.849
Use (Y)	Y.3	0.757
	Y.4	0.731
	Y.5	0.658
	Y.6	0.719

**FINDING AND DISCUSSION**

**Convergent Validity Test**

The result of the convergence validity test can be confirmed from the load factor value of each configuration indicator. For confirmatory and exploratory studies, the load factor value must be greater than 0.7, but a load factor value of 0.50.6 is still acceptable. Since this study is an exploratory study, a load factor value of 0.5- 0.6 is considered to be quite valid. Table 1 shows the load factor values for all the indicators used in the survey.

According to Table 1, the load factor value for each configuration indicator is > 0.5. This indicates that all indicators met the requirements for convergent validity. As shown in Table 2, the discriminant validity test is used to prove whether an indicator in one configuration has the maximum load factor in the configuration it forms, rather than the load factor in another construct.

**Table 1. Outer Model Value (Outer Loading)**

Variables	Indicators	Outer Loading
MSME	X1.1	0.845
actor's	X1.2	0.785
perception	X1.3	0.614

**Table 2**  
**Cross Loading**

Variable	Y	X1	X2	X3
Y1.1	0.715	0.275	0.301	0.702
Y1.2	0.849	0.483	0.528	0.825
Y1.3	0.757	0.650	0.494	0.671
Y1.4	0.731	0.454	0.318	0.581
Y1.5	0.658	0.585	0.385	0.581
Y1.6	0.719	0.614	0.588	0.609
X1.1	0.731	0.845	0.416	0.730
X1.2	0.581	0.785	0.458	0.581
X1.3	0.413	0.614	0.388	0.509
X1.4	0.601	0.857	0.562	0.730
X1.5	0.508	0.713	0.402	0.582
X1.6	0.455	0.617	0.605	0.515
X2.1	0.618	0.502	0.827	0.716
X2.2	0.575	0.623	0.763	0.308
X2.3	0.580	0.513	0.742	0.482
X2.4	0.755	0.621	0.864	0.581
X2.5	0.586	0.491	0.626	0.578
X3.1	0.615	0.527	0.301	0.712
X3.2	0.749	0.583	0.798	0.852
X3.3	0.757	0.450	0.694	0.761
X3.4	0.510	0.685	0.569	0.736
X3.5	0.581	0.785	0.581	0.851

Source: Primary Data processed, 2021

According to Table 2, the correlation values of indicators and components are higher than the correlation values of other components and indicators. Therefore, Table 2 above shows the cross-reference values and good discriminant validity.

The reliability test was performed by examining the Cronbach's alpha value and the composite reliability of the index unit measured by the construct. Table 3 shows the results of testing the Cronbach's alpha value and the composite reliability.

**Table 3**  
**Composite Reliability dan Cronbach's Alpha**

VARIABLE	Cronbach's Alpha	Composite Reliability
Accounting Information Use (Y)	0.703	0.716
MSME actors' perceptions of accounting (X1)	0.762	0.820
Accounting Knowledge (X2)	0.726	0.744
Business Experience (X3)	0.753	0.789

Source: Primary Data processed, 2021

The test results in Table 3 indicate that the composite reliability values of all structures are > 0.70 and Cronbach's alpha values are > 0.60, so it can be concluded that the model of this study satisfies the reliability requirements.

**Table 4**  
**Determination Coefficient Test**

	R Square	R Square Adjusted
Y	0.832	0.823

Source: Primary Data processed, 2021

The coefficient of determination ( $r^2$ ) is used to measure the degree of the model's ability to account for variations in the dependent variable. The determination coefficient is obtained by squaring the canonical correlation. The higher the value, the better the model, explaining that 82.3% of the predictive variables' explanatory power, that is, accounting awareness, accounting

knowledge, and work experience of SME participants, accounted for 82.3% of the dependent variables for accounting information use, and the remaining 17.7% was determined by other variables outside the model will be explained.

Hypothesis tests are analyzed by comparing t-table values with t-statistic values generated from the PLS output. The p-value is used to approve and reject the hypothesis, with a significance level of 1.962 and the hypothesis being accepted (Ghozali, 2014). The result of the hypothesis test can be determined by the statistics between the explanatory and dependent variables in the path factor table.

**Table 5**  
**Path Coefficients**

	<i>T-Statistic</i>	<i>P Value</i>	<b>Information</b>
X1->Y	0.270	0.110	Not significant (H1 rejected)
X2->Y	0.336	0.737	Not significant (H2 rejected)
X3->Y	2.638	0.009	Significant (H3 received)

Source: Primary Data processed, 2021

Note:

X1->Y: The Influence of MSME Actors' Perceptions of Accounting-on-Accounting Information Use

X2->Y: The Influence of Accounting Knowledge on Accounting Information Use

X3->Y: The Influence of Business Experience on Accounting Information Use

**DISCUSSION**

**The Influence of MSME Actors' Perceptions of Accounting-on-Accounting Information Use**

As a result of testing the first hypothesis, the statistical value was  $0.270 < 1.962$ , p value was  $0.110 > 0.05$ , indicating that the positive test result was not significant. This shows that the first hypothesis was rejected. This proves that the accounting recognition of SME participants does not affect the use of accounting information. Awareness of Kudus' small business in accounting is still low and they do not understand the benefits of using accounting information. The results of this study support the study by Afriyanti and Halim (2021) that the accounting perspectives of SMEs do not influence the use of accounting information. This means that the MSME actors, both owners and managers, have not been able to understand and interpret accounting well.

**The Influence of Accounting Knowledge on Accounting Information Use**

As a result of testing the second hypothesis, the statistical value was  $0.336 < .926$ , a positive p value was  $0.737 < 0.05$ , indicating that the positive test result was not significant. This shows that the second hypothesis was rejected. This shows that the first hypothesis was rejected. Studies show that accounting knowledge does not impact

the use of accounting information. This indicates that both the MSME owners and managers of Kudus still lack accounting knowledge and are not using their accounting records correctly. The results of this study support the study of Santosa (2019), Ratnasari (2014), and Wahyudi (2009) that accounting knowledge does not impact to use of accounting information. Accounting knowledge held by the owner or manager is still low.

### **The Influence of Business Experience on Accounting Information Use**

As a result of testing the third hypothesis, the statistical value was  $2.638 > 1.962$  and the p-value was  $0.009 < 0.05$ , indicating a positive value, indicating that the test result is significant. This shows that the third hypothesis was accepted. It shows that the first hypothesis is accepted. This finding supports the expectancy theory in which a person's perception will lead to the wanted desire. The intensity and persistence of business experience have a positive impact in terms of financing. Someone with more in-depth business experience will help in determining to finance because they understand well about business operational. The results of this study support the study of Sugianto (2017) and Fitriyah (2006) that business experience has a positive impact on the use of accounting information. This means that the more business experience you have, the better funding your MSME owner or manager will offer.

## **CONCLUSIONS**

According to the study and the hypotheses testing, it is possible to conclude that MSME actors' perceptions of accounting have no effect on accounting information use. Meanwhile, business experience have a positive impact on the use of information. This investigation has limitations, including: (1) the value of the determination coefficient (adjusted R<sup>2</sup>) is 82.3%, where there is still 17.7% which can be explained by variables other than the model. (2) knowledge and perception of accounting by MSMEs in Kudus are still low, it is proven that the research results do not impact to use of accounting information. Based on the limitations of this investigation, we propose an additional study to add socialization and other explanatory variables to the accounting problems of SMEs in Kudus.

For MSME actors in Kudus, it is necessary to increase MSME actors' perceptions of accounting and accounting knowledge on the use of accounting information in order to make it easier to attract investors to invest, because a good accounting report will increase investor confidence in investing, and can develop businesses so that MSME actors' lives can be prospered.

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