

# **The Effect of Accounting Understanding, Education Level, Business Length and Business Size on the Application of Financial Accounting Standards for Micro, Small and Medium Entities (SAK EMKM) on MSMEs in Binawidya District, Pekanbaru City**

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## **ARTICLE INFO :**

### **Keywords :**

*Understanding of Accounting, education level, length of business, business size, application of SAK EMKM*

### **Article History:**

*Received: 2025-07-04*

*Revised : 2025-10-28*

*Accepted: 2025-12-12*

*Online : 2025-12-27*

## **ABSTRACT**

*This study aims to determine the extent of the influence of understanding accounting, understanding of accounting, level of education, length of business, and business size on the application of SAK EMKM to MSMEs in Binawidya District, Pekanbaru City. This study uses a quantitative methodology with primary data collected from respondents through questionnaires. The population in this study included all MSME actors in the Binawidya District. This study used Purposive Sampling. The sample in this study is iMSME business actors, with 255 businesses. PLS and SmartPLS 4.0.9.6 were used to analyze the relationship between the dependent and independent variables. The findings of this study show that accounting understanding, education level, business length, and business size significantly affect the application of SAK EMKM to MSMEs in Binawidya District, Pekanbaru City.*



## INTRODUCTION

Indonesia is a country with abundant natural resources. If natural resources are used properly, they will yield good results, and large natural resources will not be wasted. In addition to the wealth of natural resources, the Indonesian people use their natural resources through trade. Among them, many companies are MSMEs. Indonesians often choose micro, small, and medium enterprises.

MSMEs are appropriate as an option because it was proven that in 1997-1998 Indonesia experienced an economic crisis, but small businesses were able to survive and after covid 19 it was also proven that MSME actors can rise and survive to continue to exist and function.

In 2018, there were 49,158 MSMEs, while in 2019, there were 8,226 MSMEs. In 2020, the number of MSMEs decreased by 6,352, but in 2022, the Riau Central Statistics Agency recorded an increase of 15,126 MSME (Riau Province Central Statistics Agency, 2022).

Based on the Djpb of the Ministry of Finance of Pekanbaru, there are 631,347 MSMEs in Indonesia. Due to the large amount, it needs to be supported in terms of funding, product quality, human resources, and marketing. In 2022, KUR borrowers in Riau amounted to 136,547 people, an increase of 4.13%, and the total distribution reached IDR 10.29 trillion, an increase of 38.26%. On the other hand, UMI's debtors in 2022 amounted to 38,532 people, up 7.7%, and the total disbursement amounted to IDR 178.53 billion, an increase of 35.70 (Ministry of Finance of the Republic of Indonesia, Directorate General of Treasury, Regional Office of DJPb Prov. Riau, 2023).

## LITERATURE REVIEW

### A. Micro, Small and Medium Enterprises (MSMEs)

Referring to Government Regulation Number 7 of 2021 concerning the Facilitation, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises, the term MSMEs includes three business categories, namely micro, small, and medium enterprises, which are defined as follows:

1. A micro Business produces goods or services and is owned by individuals or individually owned business entities that meet certain conditions.
2. A small Business is a business activity that produces products or services independently, run by individuals or business entities that are not subsidiaries, branches of companies, or part of medium or large businesses, either directly or indirectly, by meeting the set requirements.
3. Medium businesses produce goods or services independently and are operated by individuals or Business entities that are not subsidiaries, branches, or parts, either directly or indirectly, of small or large businesses, by fulfilling the requirements that have been set.

### B. Financial Statements

According to (Irham, 2016) A financial statement is a record that presents data and facts that show the conditions or situations related to the financial position of an entity. In addition, the document can provide an overview or representation of the company's results or achievements in terms of financial management and control during a certain period.

Referring to accounting guidelines or rules that apply specifically to micro, small, and medium enterprises, the simplest financial statements contain at least three main components:

1. Income statement during the period,
2. Financial position report at the end of the period
3. Notes on financial statements

### C. Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM)

As a recognized authority on financial accounting standards in Indonesia, the Financial Accounting Standards Board of the Indonesian Institute of Accountants (DSAK IAI) recognizes the importance of the role of Micro, Small, and Medium Enterprises (MSMEs) in improving the country's economy. To assist in the development and expansion of MSMEs in Indonesia, the DSAK IAI issued the Financial Accounting Standard for Entities Without Public Accountability (SAK ETAP) in 2009 (IAI, 2016). According to (Sri Mangesti Rahayu, Wita Ramadhanti, 2020), the characteristics of SAK EMKM qualitatively consist of four things:

1. Relevant
2. Representation
3. Comparability
4. Understanding



**D. Implementation of SAK EMKM**

The Financial Accounting Standard for Micro, Small, and Medium Entities (SAK EMKM) is a financial reporting standard issued by the Indonesian Institute of Accountants (IAI) for an entity, whether or not it is already a legal entity, in the form of small, micro, and medium enterprises (By Sri Mangesti Rahayu & Ramadhanti, 2020). Therefore, the implementation of SAK EMKM is an action of MSME actors to implement SAK EMKM in their business. The indicators of the implementation variables are as follows.

1. The preparation of financial statements is carried out regularly and routinely
2. Accounting information according to SAK EMKM
3. Benefits of implementing SAK EMKM

**E. Understanding of Accounting**

Accounting understanding refers to an individual's ability to comprehend and apply the accounting process, which includes recording, classifying, summarizing, and reporting financial transactions, as well as interpreting the results of financial statements. According to Darmasari and Wahyuni (2020), accounting understanding reflects the extent to which business owners or managers are able to carry out accounting activities properly and use accounting information as a basis for decision-making.

The indicators used to measure accounting understanding in this study are adapted from Darmasari and Wahyuni (2020) and describe the respondent's ability to recognize transactions, record transactions accurately, classify transactions according to accounting principles, prepare financial reports, and interpret the information contained in financial statements.

1. Understanding the Value of My Transactions
2. The existence of a dokuper transaction
3. Understanding the stages of the reportto
4. Understanding theof Accounting
5. Understanding the ImportanceReporting to
6. I am able toto thestandard answer of my

**F. Education Level**

Education level refers to an individual's perception of self-control and capability that is formed through the educational process. In the context of MSME owners, education level reflects the extent to which the knowledge and skills obtained through education enhance their ability to implement SAK EMKM. According to Pahrusip and Herawati (2020), MSME owners who have a higher level of education tend to possess better understanding and capability in applying accounting standards, including SAK EMKM.

In this study, education level is measured by considering both formal and informal education. Formal education is reflected in the highest level of education completed by the MSME owner, ranging from basic education, secondary education, to higher education. Informal education is reflected in the attitudes, values, and personality development obtained through family, social environment, and daily interactions. The indicators used in this study are adapted from previous research by Kusumasari and Diatmika (2022).

**G. Long Term of Effort**

Length of business operation refers to the period during which a business has been operating up to the present (Fadhlani, 2017). A longer operating period reflects greater experience in managing the business, understanding market conditions, and developing operational skills. This experience supports efficiency and improves the readiness of MSME owners to implement standardized accounting practices.

The length of business operation in this study is measured based on the duration of business establishment and the level of business skills gained through experience, as adapted from Kusumasari and Diatmika (2022).

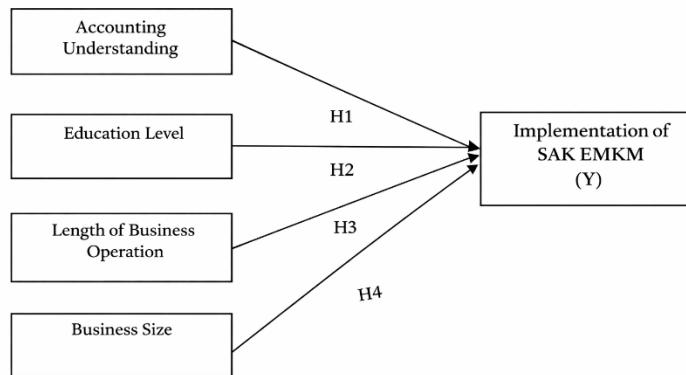
**H. Business Size**

Business size refers to the scale of a business that can be assessed based on its operational capacity and resources. According to Muchlasin (2015), business size reflects the ability of an enterprise to manage its operations effectively and sustainably. Larger business size indicates better organizational structure and management capability.



In this study, business size is measured using indicators adapted from Dayu Putu Sri Agustini and I Gusti Ayu Purnamawati (2022), which include the number of employees, the level of business performance reflected by total sales during a certain period, and the total assets owned by the enterprise at a particular time.

## I. Conceptual Framework



Sumber: Conceptual Framework (2024)

## J. METHODS

This study uses a quantitative descriptive research design with a linear descriptive model. A quantitative descriptive approach is a research method that focuses on collecting and analyzing numerical data to describe the characteristics, conditions, or phenomena of a particular population objectively and systematically (Scott, 2018). The population of this study consists of Micro, Small, and Medium Enterprises (MSMEs) located in Binawidya District, Pekanbaru City. Based on data obtained from the Cooperative and MSME Office of Pekanbaru City, there are 3,420 MSMEs registered as the population of this research.

This study examines several independent variables, namely accounting understanding, education level, length of business operation, and business size. The dependent variable in this study is the implementation of Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM). The research aims to analyze the influence of accounting understanding, education level, length of business operation, and business size on the implementation of SAK EMKM among MSMEs in Binawidya District, Pekanbaru City.

## RESULTS AND DISCUSSION

### 1. Respondent Characteristics

The respondents in this study consist of 255 MSME owners. Based on gender, 117 respondents are male and 138 respondents are female. In terms of business age, there are no respondents whose businesses have operated for less than one year, while all respondents have businesses that have been operating for more than one year.

Based on business turnover, 129 MSMEs have annual turnover below IDR 50 million, while 123 MSMEs record turnover between IDR 50 million and IDR 500 million. Only 3 MSMEs fall into the turnover category of IDR 500 million to IDR 5 billion, and no MSMEs have turnover exceeding IDR 5 billion.

## 2. Validity Test

### a. Convergent Validity (Validity Test Using Outer Loading)

**Table 1**  
**Average Variance Extracted (AVE) Value**

Variable	AVE	Signs	Limits	Test Results
My Understanding	0.554	>	0.50	Valid
The Level of	0.609	>	0.50	Valid
Long Ago U	0.566	>	0.50	Valid
Ulkulran U	0.532	>	0.50	Valid
Treatment of SAK E	0.562	>	0.50	Valid

Source : SmartPLS 4.0.9.6 (2024) Output Results

A variable can be considered valid if the Average Variance Extracted (AVE) value exceeds 0.50. Based on Table 4.7, the variables used in this study, namely accounting understanding, education level, length of business operation, business size, and implementation of SAK EMKM, all have AVE values greater than 0.50. This indicates that all constructs meet the criteria for convergent validity and are classified as having good validity.

### b. Discriminant Validity

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

	Long Term of Effort	Understanding of Accounting	Implementation of SAK EMKM	Education Level	Business Size
<b>Long Term of Effort</b>					
<b>Understanding of Accounting</b>	0.757				
<b>Implementation of SAK EMKM</b>	0.782	0.772			
<b>Education Level</b>	0.822	0.886	0.822		
<b>Business Size</b>	0.863	0.794	0.770	0.735	

Source : SmartPLS 4.0.9.6 (2024) Output Results

Based on the table above, all HTMT values are below 0.90, indicating that the discriminant validity criterion has been satisfied. Therefore, the constructs in this study are considered distinct from one another and the measurement model meets the requirements to proceed to the inner model analysis stage.



### 3. Reliability Test

**Table 3**  
**Cronbach's Alpha and Composite Reliability Values**

Variable	Cronbach's Alpha	Composite Reliability	Signs	Limits	Test Results
My Understanding	0.839	0.882	>	0.70	Relliabell
The Level of	0.839	0.886	>	0.70	Relliabell
Long Ago U	0.808	0.867	>	0.70	Relliabell
Ulkulran U	0.821	0.870	>	0.70	Relliabell
Treatment of SAK E	0.839	0.911	>	0.70	Relliabell

Source : SmartPLS 4.0.9.6 (2024) Output Results

Based on the results of Table 4.10, the was measured had a value of Cronbach's alpha and a composite value of 0.70 to a value of variable II that was declared to be a value of 0.70 to a value of variable declared to be a value of the variable and each indicator Sanggurepresents the selndiri.

### 4. Classical Assumption Test (Multicollinearity Test)

**Table 4**  
**Collinearity Statistic**

Indicator	VIVID	Remarks
X1.1	1.981	Not toa Mulltikollinelarity
X1.2	2.009	Not toa Mulltikollinelarity
X1.3	1.691	Not toa Mulltikollinelarity
X1.4	1.731	Not toa Mulltikollinelarity
X1.5	1.509	Not toa Mulltikollinelarity
X1.6	1.791	Not toa Mulltikollinelarity
X2.1	1.444	Not toa Mulltikollinelarity
X2.2	2.394	Not toa Mulltikollinelarity
X2.3	2.708	Not toa Mulltikollinelarity
X2.4	1.881	Not toa Mulltikollinelarity
X2.5	1.599	Not toa Mulltikollinelarity
X3.1	1.536	Not toa Mulltikollinelarity
X3.2	1.667	Not toa Mulltikollinelarity
X3.3	2.409	Not toa Mulltikollinelarity
X3.4	1.479	Not toa Mulltikollinelarity
X3.5	2.048	Not toa Mulltikollinelarity
X4.1	1.583	Not toa Mulltikollinelarity
X4.2	1.615	Not toa Mulltikollinelarity
X4.3	1.617	Not toa Mulltikollinelarity
X4.4	1.659	Not toa Mulltikollinelarity
X4.5	1.569	Not toa Mulltikollinelarity



X4.6	1.643	Not toa Multikollinelarity
Y1	1.776	Not toa Multikollinelarity
Y2	1.726	Not toa Multikollinelarity
Y3	2.035	Not toa Multikollinelarity
Y4	1.860	Not toa Multikollinelarity
Y5	2.390	Not toa Multikollinelarity
Y6	2.050	Not toa Multikollinelarity
Y7	2.043	Not toa Multikollinelarity
Y8	1.898	Not toa Multikollinelarity

**Source : SmartPLS 4.0.9.6 (2024) Output Results**

Based on Table 4.11, all indicators have Variance Inflation Factor (VIF) values below 5, indicating that multicollinearity is not present. Therefore, it can be concluded that there is no multicollinearity among the constructs of accounting understanding, education level, length of business operation, and business size in relation to the implementation of SAK EMKM.

## 5. Evaluation of Inner Model (Structural Model)

### a. R<sup>2</sup> value (Coefficient of Determination)

**Table 5 R Square Adjusted Values**

Variable	R Square	Adjusted R Square
Treatment of SAK E	0.620	0.614

**Source : SmartPLS 4.0.9.6 (2024) Output Results**

Based on the results of the analysis, the coefficient of determination (R<sup>2</sup>) is used to explain the ability of the independent variables to account for variations in the dependent variable. Based on the table above, the R<sup>2</sup> value is 0.620, indicating that 62% of the variation in the implementation of SAK EMKM can be explained by the four independent variables, namely accounting understanding, education level, length of business operation, and business size. The remaining 38% of the variation is explained by other variables not included in this study.

### b. Predictive Relevance Q<sup>2</sup>

**Table 6 Value Q<sup>2</sup> Predict**

Variable	Q <sup>2</sup> Predict	Test Results
Treatment of SAK E	0.340	Rellelvan

**Source : SmartPLS 4.0.9.6 (2024) Output Results**

Based on the data presented in Table 4.13, it can be observed that the variable Implementation of SAK EMKM has a Q<sup>2</sup> value of 0.340 or 34%. This value is greater than zero, indicating that the model has predictive relevance. Therefore, it can be concluded that the research model demonstrates an adequate level of predictive capability and is considered acceptable.

### c. F Square

**Table 7 f square**

	Implementation of SAK EMKM
Understanding of Accounting	0.029
Education Level	0.100
Long Term of Effort	0.038
Business Size	0.056

**Source : SmartPLS 4.0.9.6 (2024) Output Results**



Based on the table above, the Age of Understanding Acculturation has an  $f^2$  value of 0.029, Level of Educational Psychology has an  $f^2$  value of 0.100, Length of Business Operation has an  $f^2$  value of 0.038, and Business Size has an  $f^2$  value of 0.056. Overall, the  $f^2$  values for these variables fall within the range of 0.002 to 0.15, indicating that each variable has a small effect size. This implies that these variables have a weak influence on the implementation of SAK EMKM.

#### d. Model Fit

Table 8 Model Fit

	Saturated Model	Estimated Model
SRMR	0.070	0.070

Source : SmartPLS 4.0.9.6 (2024) Output Results

Based on the above table the srmr value is 0.070, the value of the srmr is 0.070 is  $<0.08$ , which means that the fit and is suitable hypothesis.

#### 6. Hypothesis Test

1. In the value of *the path coefficient* (*original sample*), the result that has a sign of +1 represents a positive result that is not between the variables. This is the result of *the value of the path coefficient* has a sign of -1 and represents the value of the non-living value that is between the variables 11.
2. At the significance level or  $\alpha$  (*alpha*) of 5% (0.05), a variable is declared to be significant to other variables if the *t-statistics* value of the value of the value is  $>1.96$ . According to *statistics*, the value of  $<1.96$  is the variables last few variables that are considered to be significant
3. At the value of p-value ranging from 0.05, it is stated that one can be the other variable. If the value of p-value is greater than 0.05, it is stated that one is not compared to the other.

### CONCLUSIONS AND SUGGESTIONS

Based on the results of the study on the implementation of SAK EMKM among MSMEs in Binawidya District, Pekanbaru City, the following conclusions can be drawn:

Accounting Understanding has a significant effect on the implementation of SAK EMKM. The hypothesis testing results show a t-statistic value of 2.108, which exceeds the critical value of 1.96, and a p-value of 0.035, which is less than 0.05. This indicates a statistically significant effect. In addition, the original sample value of 0.170 demonstrates that accounting understanding has a positive influence on the implementation of SAK EMKM. This finding implies that individuals with a higher level of accounting understanding tend to better comprehend and apply SAK EMKM in their business practices.

Level of Education significantly affects the implementation of SAK EMKM. The test results indicate a t-statistic value of 3.955, which is greater than 1.96, and a p-value of 0.000, which is below 0.05. The original sample value of 0.321 shows a positive relationship, meaning that higher educational attainment leads to better implementation of SAK EMKM. This is because individuals with higher education levels generally have a greater ability to understand financial reporting requirements, which is essential for preparing proper financial statements for their businesses.

Length of Business Operation has a significant and positive effect on the implementation of SAK EMKM. The results show a t-statistic value of 2.870, exceeding 1.96, with a p-value of 0.004, which is less than 0.05. The original sample value of 0.190 indicates a positive influence. This suggests that longer business experience provides entrepreneurs with greater exposure and learning opportunities in managing financial records, thereby encouraging the adoption of standardized accounting practices such as SAK EMKM.

Business Size also has a significant positive effect on the implementation of SAK EMKM. The hypothesis testing results produce a t-statistic value of 3.230, which is higher than 1.96, and a p-value of 0.001, which is below 0.05. These findings indicate that larger businesses are more likely to implement SAK EMKM, as increasing business scale requires more structured and standardized financial reporting systems.



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