GENERAL MANAGEMENT

Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) in Indonesia: Factors, and Implication

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Abstract

The purpose of this study was to examine the compliance of MSME actors with micro, small and medium financial accounting standards (SAK EMKM) and their determinants and implications for financial performance. This study uses additional analysis by testing the sub-sample of MSMEs with large and small assets. The object of this research in Indonesian MSMEs using primary data distributed to respondents is 8,856.097. Hypothesis testing using regression analysis method. The results prove that MSMEs in Indonesia have not met SAK EMKM. This shows that MSMEs have not used the applicable standards for the management of MSMEs in Indonesia, especially in the preparation of financial reports. Other evidence that MSMEs do not understand or are not ready to implement SAK EMKM; This evidence shows that MSME actors do not understand the importance of issuing SAK EMKM. Other results, costs and benefits, quality of information, and socialization have a positive effect on the level of compliance with SAK EMKM. The test results of the sub-sample with large assets that affect SAK EMKM compliance are the quality of information and socialization, while the sub-sample of small assets proves the costs and benefits, and socialization. The difference between the test results and the sub-samples is due to the different samples. Limitations/implications of this study, namely focusing on MSMEs in Indonesia by not conducting direct interviews with samples due to the COVID-19 pandemic.

Keywords: *MSMEs, SAK EMKM, Perception, Compliance, Determinant Factors, Indonesia*

Introduction

Corporate financial reporting practices have changed the world. Several developing countries followed this. Although there is no agreement on the type of accounting system developing countries should use (Wallace, 1990). One of these developing countries is Indonesia. Indonesia is one of the countries in Southeast Asia with the most significan number of Micro, Small, and Medium Enterprises (MSMEs). According to the results of the Yusuf Ishak Institute survey (2020) as follows:

No	Country	Number of MSMEs	Number of Business	The ratio of the number of MSMEs and the number of businesses
1	Brunei	5900	6,000	98.33%
2	Cambodia	460,000	510,000	90.20%
3	Indonesia	64,194,000	64,199,600	99.99%
4	Laos	114,200	126,900	89.99%
5	Malaysia	907.1	921,000	98.49%
6	Myanmar	114,200	126,900	89.99%
7	Philippines	998,300	1,003,100	99.52%
8	Singapore	271,800	273,100	99.52%
9	Thailand	3,077,800	3,084,300	99.79%
10	Vietnamese	744,800	760,000	98.00%
	Total	70,888,100	71,010,900	99.83%

Table 1. Data on SMEs in Southeast Asia

Table 1 shows that SMEs dominate 99.99% of businesses in Indonesia. This indicates that one of the contributions to economic growth is MSMEs. This shows the ability of Micro, Small, and Medium Enterprises (MSMEs) in the Indonesian economy to be supported by various stakeholders, including the government, banks, and financial institutions as well as the

community, namely the spirit and development of MSMEs is the focus of the government's attention to overcome the economic crisis in Indonesia. . MSMEs can adapt and survive when many large companies go bankrupt and lay off.

The existence of MSMEs in Indonesia is very influential on the economy. Therefore the government is obliged to encourage and protect their businesses.

No	Province	Number of UKM	Proportion
1	Banten	422,431	4%
2	Bali	122.533	1%
3	West Java	1.062.024	10%
4	Central Java	425,728	4%
5	East Java	7,559,088	70%
6	Yogyakarta	78.629	1%
7	Jakarta	1,061,988	10%
	AMOUNT	10,732,421	100%

Table 2. Data on SMEs in Java and Bali

One of the forms is the issuance of MSME accounting standards compiled by the Indonesian Institute of Accountants on October 24, 2016. It is hoped that with the SAK EMKM, MSME actors will find it easier to access the banking industry, ultimately increasing the growth of MSMEs in Indonesia.

The islands of Java and Bali have the highest number of MSMEs compared to the islands in Indonesia. The provinces on the island of Java are Jakarta, West Java, Central, and East Java, Yogyakarta, and Bali. The following is data on the number of SMEs in Java and Bali:

Table 2 shows that East Java Province has the highest number of MSMEs of 7,559,088 or 70%. This is because the population of East Java province is the second largest in Indonesia, with 34,738,200 people. Meanwhile, the least number of MSME actors are the provinces of Bali and Yogyakarta at 122,533 and 78,629 or as much as 1%.

Quoted from the IAPI website, the Financial Services Authority released data on Indonesian Banking Statistics (SPI) in December 2016 that the portion of loans to MSMEs was only 18.3 percent of the total loans issued by the banking industry. One of the causes of MSMEs having difficulty obtaining bank loans is because MSMEs have not prepared financial reports by SAK. This is due to the limited understanding of accounting science by MSME actors themselves and the assumption that the preparation of financial statements according to SAK is unnecessary and adds to the complexity of the work. In addition, some argue that financial statements also add to the burden of employee salaries because they can only be prepared by someone who understands accounting, so companies must hire accountants (Barker and Noonan, 1996).

The Indonesian Institute of Accountants (IAI) encourages the role of MSMEs in the national economy to develop simpler SAKs to be applied by all MSME owners, namely the Financial Accounting Standards for Micro, Small, and Medium Enterprises (SAK EMKM). With the effective implementation of SAK EMKM on January 1, 2018, IAI hopes that SAK EMKM can be a guide for MSMEs to compile financial reports that are more systematic, accountable but not difficult.

According to Schutte and Buys (2011), inconsistent accounting practices have been found in various countries. Informative conditions have not been reflected in micro, small and medium enterprises (MSMEs) (Olowolaju, Philip, and Segun, 2014). Meanwhile, the banking industry finds it difficult to rely on financial reports made by MSMEs. The main reason for developing accounting standards for MSMEs is to provide a framework that produces relevant, reliable, and helpful information that gives MSMEs quality and generally accepted accounting standards (Abbas and Graham, 2011).

Although the development of MSMEs is increasing, MSME actors still have a weak understanding of accounting and financial reports and the urgency of their use (Smallbone and

Welter, 2006). This is because MSMEs always tend to make decisions based on intuition and experience. Therefore, knowledge of accounting and reporting is required. Based on the findings in the field, their MSME financial records are generally straightforward and tend to ignore standard financial regulations. One of the supporters of quality MSMEs is how to compile and implement financial reports.

However, according to Meutia (2017), it is difficult for MSMEs to develop because of many influencing factors such as human resource competence, ability to access information, limited capital, and technology limitations. Another factor is that many MSMEs in Indonesia are still running their businesses and have not integrated well. This encourages the government to implement empowerment programs for SMEs. In particular, the problem of MSMEs is the level of understanding of financial management and limited access to capital loans to the banking industry, thus creating obstacles for MSME businesses to develop (Ikem, Chidi, & Titus, 2013).

According to the Organization for Economic Cooperation and Development (OECD, 2006), the role of MSMEs in the economic development of a country cannot be ignored; in some countries, MSMEs act as exporters. In addition, MSMEs are also considered a significant source of employment and innovation (Dang-Duc, 2011). MSMEs occupy an important position in the country's economy. According to the Ministry of Cooperatives and Small and Medium Enterprises (MSMEs), in 2018, the contribution of MSMEs to Gross Domestic Product (GDP) reached 60.34%, and employment was 116.73 million people, 97.02% of the total workforce.

According to Cassar and Holmes (2003), seven factors are thought to impact standard accounting compliance, including legal impacts, compliance with transitional economic requirements, decision-making processes by MSME management, and perceptions of external accounting users. Information, demand for improving the quality of information, business size, consideration of the cost-benefit relationship, and lack of management and accounting skills. (Cassar and Holmes, 2003).

Accounting information has an essential role in achieving business success, including small businesses (Megginson et al., 2000). Accounting information can be a reliable basis for making economic decisions in business management, including market development decisions, pricing, and others. Provision of accounting information for small businesses is also needed, especially for access to government subsidies and additional small business capital from banks (Tarmizi and Bugawanti, 2013). In addition, access to the banking industry is influenced by the size of the MSMEs it manages. In Tuti's (2016) opinion, the business size is a scale that shows the length or height of a company as measured by the number of employees, company assets, or company sales criteria. This opinion is supported by

(Pratiwi and Hanafi, 2016) that the larger the MSMEs, the managers need financial reporting to assist asset management and financial performance assessment. In addition, according to Tuti (2016), the increasing business growth of MSMEs will increase the need for financial reports that are by standards to help business development.

When MSME actors can meet compliance, according to Pepis and Jong (2019) to reduce errors in the management of MSMEs, they must have standardized financial reports. Accounting standards are guidelines or the basis for compiling simple financial reports for MSMEs to provide management information (Ferrer, 2019). Therefore, when MSME actors make additional working capital by borrowing from banks, one of the requirements has been fulfilled, namely having MSME financial statements. With this financial report, financial institutions will get more comprehensive information about MSMEs. This is by the opinion that the MSME financial report reflects the management capability and financial information of MSMEs. Thus the addition of working capital will have implications for increasing sales and profits. Furthermore, the increase will improve the financial performance of MSMEs. This is supported by Ismail and Bakri (2021); Manikas, Kroes, and Foster (2021).

Zeghal and Mhedhbi (2006) show that the most motivated to adopt accounting standards are developing countries that enjoy higher levels of education, have capital markets, and are part of Anglo-American culture. However, this study focuses on macro-level factors and does not examine other factors, such as the size of MSMEs and the relevance of standards. This concludes that MSMEs need an understanding of financial statements. In addition, another study in Vietnam showed that compliance with accounting standards was caused by legal requirements and perceptions regarding the external use of accounting information. Meanwhile, understanding the cost-benefit relationship and management and accounting skills affect SME compliance with accounting standards but are not essential. (Dang-Duc, 2011).

The difference between this study and previous research is that it uses the most significant sample of MSMEs in Indonesia, located on the island of Java, to represent the MSME population in Indonesia.

Several previous studies in Indonesia used not too many samples. Apart from that, there has been no testing to prove the implications of SAK EMKM compliance on the financial performance of MSMEs. This is expected to provide benefits for compliance with accounting standards.

Literature Review and Research Framework

Institutional Theory

According to North (1991), the institution or institutions are the rules (constraints) created by man to organize and form political, social, and economic interaction. It is also supported by Zeghal (2006), who stated that the institution is a social structure that has reached the highest resistance and consisting cultural cognitive, normative, and dynamic regulative. These elements affect together with the activities in providing stability in social life. An effort to provide the strength of an institution needs to consider the aspects such as rules, norms, cultural benefits, roles and resources, basis, and resources.

In performing its duties, the institution must have a valuable function for some parties interested in the company. According to Rodrik (2003), there are four functions of institutions about supporting the performance, namely: 1. Market creating is the institutions that protect rights property and ensure the

implementation of the contract; 2.Market regulating is the institutions in charge of addressing market failure that institutions hold the problem of externalizes, economies of scale, and the imperfection of information for reducing transaction costs (for example, the regulatory body for telecommunications, transport, and financial services); 3.Market stabilizing is the institutions that keep the inflation low rate, minimize the macroeconomic instability, and control the financial crisis (for example, central banks, foreign exchange system, monetary and fiscal authorities); and 4. Market legitimizing is the institutions that provide social protection and insurance, including arranging for the redistribution and manage conflict (for example, the pension system, insurance for unemployment, and other social funds).

Based on the explanation above, it can be concluded that the institutions that could affect the management are institutional environments. This institution creates the rule of law (especially property rights), the constitution, legislation, judiciary, and bureaucracy. This institution is expected to develop formal rules of a good (first-order economizing). Organizations follow the rules and norms to create the legitimacy of the company and community (Salancik and Preffer, 1978).

Accounting standards and other forms of regulation help ensure the same accounting treatment is applied by entities. This allows the financial statements of various entities to be compared and compare the entity's performance for the current year with its performance in previous years. Management will adopt any accounting treatment without regulations that help managers mislead users of financial statements (Olowolaju and Segun, 2019).

Managing finances is one of the organizational functions. Financial reporting is a process of economic activity of every organization with stakeholders in an easy-to-understand way (Glendening, Pereira, Zhong, and Cheng, 2015). Corporate financial reporting aims to measure, share and understand the financial performance of an organization and its sub-units, according to the International Accounting Standards Board (IASB). The data provided by the company's financial statements enable management to take action according to the organization's financial situation.

MSMEs in Indonesia

In Indonesia, the regulation on MSMEs, namely Law no. 20 of 2008 concerning micro, small and medium enterprises. According to this regulation, Micro Enterprises are productive businesses owned by individuals and/or individual business entities. Small Businesses are productive economic businesses that stand alone, which are carried out by individuals or entities. a business that is not a subsidiary or not branches of companies that are owned, controlled, or become part either directly or indirectly from the business Medium or Large Enterprises that meet the Business criteria Small. Furthermore, Medium Enterprises are productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become a part either directly or indirectly with Small Businesses or Large Businesses with total assets net or annual sales results.

MSMEs are divided into several criteria based on assets and income to facilitate the grouping of criteria. The following are the criteria for MSMEs according to Law No. 20 of 2008:

One of the criteria used in classifying MSMEs in Indonesia is using the Assets and Income criteria according to table 3. Thus, if the company has these criteria, it must use SAK EMKM to prepare its financial statements.

Scale	Asset	Income
Micro Business	Max Rp50 Million	Max Rp300 Million
Small Business	Rp50 Million – Rp500 Million	Rp300 Million - Rp2,5 Billion
Medium Enterprise	Rp500 Million – Rp10 Billion	Rp2,5 Billion – Rp50 Billion

Table 3. the classification of MSMEs in Indonesia according to law No. 20 of 2008

MSME Financial Accounting Standards Compliance

Compliance is the behaviour of obedience to the values, rules and fundamental concepts that are used as guidelines and have become provisions or regulations in the accounting field (Ajili and Bouri, 2017). Compliance with accounting standards is an obligation because it regulates the preparation of financial statements used as standards. Compliance with SAK financial accounting standards is an obligation for MSME managers. According to Tower, Hancock, and Taplin (1999), compliance with accounting standards will reduce the uninformativeness of financial statements. Furthermore, accounting standards can reduce differences in perceptions of accounting information (Vinnicombe, 2012). Research conducted by Adenola (2011) proves that increasing compliance with accounting standards will improve the quality of financial statement information. The study was supported by Tawiah and Boolaky (2019); Ajili and Bouri (2017).

Perception

According Ferrari, Momente, and Reggiani (2012) perception is a response, immediate acceptance of absorption, or is the process of someone knowing things through his five senses. Furthermore, according to Malaquias, Machado, and de Sá (2017), planners need perception in determining what is required by the community, both personally and as a user group. Therefore, in creating works, the perception factor as a form of response that comes out personally after capturing, feeling and experiencing these works is a somewhat important consideration (Sharma and Gupta, 2019). This variable indicator refers to the research of Boolaky (2003).

The application of SAK EMKM by the Indonesian Accounting Association is expected to prepare MSME players in their financial statements. Since SAK EMKM, several MSME actors have experienced obstacles, including educational background, costs and understanding. Therefore, this study will provide information regarding perceptions in the form of opinions about the application of SAK EMKM. This concludes that MSMEs need an understanding of financial statements. In addition, another study in Vietnam showed that compliance with accounting standards was caused by legal requirements and perceptions regarding the external use of accounting information. Meanwhile, understanding the cost-benefit relationship and management and accounting skills affect SME compliance with accounting standards but are not essential. (Dang-Duc, 2011).

Other studies in Indonesia only examined the use of SAK EMKM, including Ningtyas, Si, and Pusmanu (2017); Dewi, Herawati, and Atmadja (2018); Hidayatulloh, Ainy, and Nafiati (2019), among others, only describe reports of each EMKM that are adjusted to the SAK EMKM. The study results concluded that not all SAK EMKM were used in the preparation of MSME financial statements. Therefore, research on the perception of MSME actors in the issuance of SAK EMKM and the factors that affect its suitability with the Indonesian context has not been widely carried out. Thus, policymakers can provide solutions to

the obstacles in implementing this standard.

Cost – Benefit and Accounting Standard

Mora and Walker (2015) argues that Cost-Benefit is one of the instruments used for quick decision making. According to him, what is used as a guide is the costs that must be incurred and the benefits that can be reaped in making decisions. CB is carried out concerning the goals that have been set. CB aims to choose alternatives that support the achievement of the goals that have been charged with the most significant benefits and the most controllable risks. The indicators used for Cost-Benefit are based on the research of Chatham, Larson, and Vietze (2010).

According to Musah (2017), the failure to comply with accounting standards by MSMEs is because of the costs incurred, and MSME actors have not directly felt the benefits. This is by the opinion of Mohamed, Yasseen, and Omarjee (2019). That understanding accounting standards requires high costs to pay employees but will be beneficial for MSMEs. This is by research Alvarez, Sensini, Bello, and Vazquez (2021) that an increase in costs for employees who know accounting standards will benefit MSMEs. They will increase compliance with MSME accounting standards. Furthermore, the clarity of financial statements will reflect the management of SMEs (Mohamed, Yasseen and Nkhi, 2020).

As accounting standards are an integral part of the national accounting system, they should be subject to empirical studies to obtain information from accounting regulators on the potential costs and benefits of implementing MSME standards (Dang-Duc, 2011). MSMEs should be exempt from compliance requirements if their value exceeds the benefits. Research conducted in Thailand by Smallbone and Welter (2006) shows that if the MSME accounting system is not transparent for potential investors to rely on for investment, they may face difficulties and higher costs in accessing finance.

Based on the previous literature, the research hypotheses are:

Hypothesis 1 (H1): There is a positive effect of increasing costs and benefits on the level of compliance with accounting standards.

Quality Information and Accounting Standard

The quality of financial information emphasizes the qualitative characteristics of accounting information. Qualitative characteristics of accounting information are attributes concerning the quality that must be reflected or possessed so that the quality of accounting information presented in financial reporting is helpful or valuable (Kim and Yasuda, 2019). According to Trabulsi (2018), financial reporting quality attributes can be in the form of a study of financial reporting quality attributes in factor analysis. The characteristics of market-based financial reporting quality, value relevance, timeliness, and conservatism will be formed into financial reporting quality. The indicators used for this variable are based on the research of Gio and Verona (2018).

Ikem, Chidi, and Titus' (2013) research prove that determined by accounting practices, MSME access to the

banking industry is highly dependent on the quality of accounting information generated. Information about quality accounting will improve the financial management and financial accessibility of MSMEs. Research conducted in Indonesia by Yanto, Handayani, Solikhah, and Mula (2016); Tsalavoutas, Evans, and Smith (2010) concluded that organizational culture, information, business scale, and owner education affect SAK ETAP compliance. The quality of financial statement information reflects compliance with the accounting standards used, thereby reducing decision-making errors (Ghio and Verona, 2018).

Based on the previous literature, the research hypotheses are:

Hypothesis 2 (H2): The quality of financial statement information can improve compliance with accounting standards.

Socialization and Accounting Standard

Socialization is the process of internalizing societal norms and values developed by each person based on the surrounding environment. As a result, each person tends to be inclined to preferences, habits, etc., to be able to develop their behaviour patterns and character to be relevant to the surrounding community (Wibowo et al., 2019).

Financial statements provide information on an entity's financial position and performance that is useful to several users. So when MSMEs participate in the socialization of financial statements, they will get information or knowledge about the basis of accounting for financial statements to related parties. MSMEs increasingly believe that financial statements are helpful for their business and affect the presentation of financial statements.

Hamdani et al. (2020) argue that socialization regarding SAK EMKM is a form of business that needs to be carried out by related institutions in the hope that there will be more MSME actors about the existence of SAK EMKM. Furthermore, according to Nimpa et al. (2021), socialization effectively introduces SMEs to the current accounting standard, namely SAK EMKM. This is supported by research by Nuris (2020). The provision of information and socialization has a positive and positive effect on the preparation of financial reports.

The socialization of accounting standards can explain the benefits of implementing financial statements (Lee and Kim, 2020). Furthermore, socialization by regulators about the importance of using accounting standards is expected to increase compliance with accounting standards (Tam, 2019).

Based on the previous literature, the research hypotheses are:

Hypothesis 3 (H3): Socialization of accounting standards can increase compliance with accounting standards.

SAK EMKM Compliance and Financial Performance

Compliance is the willingness of management to act by accounting standards and principles and administration freely and ultimately (Inasius, 2019). Non-compliance with accounting standards is one form of failure to understand them. The financial performance produced by MSMEs is an implication of creating the preparation of financial statements according to accounting standards; this provides added value for MSME actors (Ahinful, 2018). In addition, the presentation of information in quality financial reports can provide a basis for relevant considerations for decision making by MSME actors in evaluating and planning to improve business performance. Financial statements are essential things that describe the condition of the business so that management has a basis in all strategic decision making. The higher the quality of the company's financial statements presented, the more quality the decisions are taken to improve business performance (Karunananda and Jayamaha, 2011). Compliance is the willingness of management to act by accounting standards and principles and administration freely and ultimately (Inasius, 2019). Non-compliance with accounting standards is one form of failure to understand them. The use of indicators for this variable is based on research conducted by Gardi (2021).

Reliable information in financial statements is the quality of financial statements. This is by the opinion of Kou et al. (2021) that

financial statements based on accounting standards will produce quality information that is not misleading for its users. Next, Gardi (2021) argues that information that has quality can influence decisions. This is by Klačmer alopa's research (2017) that the higher the quality of the financial reports, the better the financial performance.

Based on the previous literature, the research hypotheses are:

Hypotesis 4 (H4): compliance with MSME financial accounting standards can improve financial performance

The Conceptual Model

The conceptual framework model of this research tests the level of compliance variable by testing the factors that can influence it. After that, the test is carried out by testing the implications of the Compliance Level on the Financial Performance of MSMEs in Indonesia. Before this test was carried out, researchers conducted a survey to determine MSME compliance with SAK EMKM and the perception of MSME actors regarding the application of SAK EMKM. This is to provide information about conditions after the application of SAK EMKM in Indonesia.
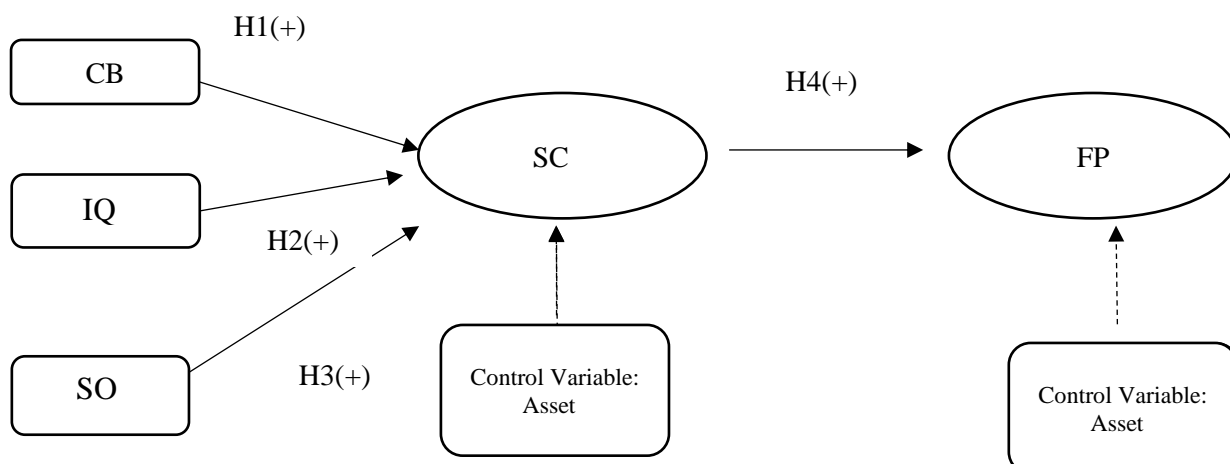
Information:
CB: Costs and Benefits
QI: Information Quality
SO: Socialization
FP: Financial Performance
SC: Standard Compliance
As: Asset

Methodology

This study explains the phenomena that occur in MSMEs in Indonesia related to MSME compliance and its determinants. Primary data prove this phenomenon; it is necessary to test the hypothesis (Creswell and Creswell, 2017). The test is carried out after the information is used through a data quality test. Research with this method is expected to provide conclusions about perceptions of the issuance of SAK EMKM and the determinants that can influence it. The use of questionnaires is expected to express express one's opinion or response, both individually and in groups, to problems or phenomena in the field. The questionnaire was sent via online media, hoping it would be accepted and responses would be sent back. In addition, the Covid-19 pandemic has reduced direct contact with MSME actors in Indonesia.As for each variable, it is using several questions addressed to the response with the number of questions for each variable as follows: Perception variable of 10 questions, compliance variable of 13 questions, Costs and Benefits variable of 5 questions, Information Quality variable of 5 questions, and socialization variable of 5 queries. Furthermore, each answer is accumulated in quantitative form, and descriptive testing and regression analysis are carried out.

Data collection was sourced from questionnaires to MSME actors in Java and Bali. Data as follow:

Description	Amount
Registered in sample	10,732,421
Incomplete data	1,876,324
Complete data and Active	8,856,097
Criteria:	
Micro	3,678,677
Small	3,127,884
Medium	2,049,536
Sample of MSMEs in Sample	8,856,097

Table 4. Sample

Table 4 shows that 8,856,097 MSME respondents in Indonesia were sampled; they will be given a questionnaire through social media. Qualitative data analysis was conducted based on the data collected from the survey results.

The data used in this study is primary data. This preliminary data was obtained by distributing questionnaires in a set of written questions distributed to respondents. This data includes data on the characteristics of respondents (gender, age, education, length of service, and position). As for the financial performance variable by asking respondents to provide information through a questionnaire, namely the amount of income for three years starting from 2018 -2020. This is done because most MSME actors do not have financial reports that comply with the Standards. In addition, toreduce contact with MSME actors due to the COVID-19 pandemic

The control variable in this study uses Size. According to Ahmed and Nichols (1994) and Hosaain (2008), the main assumption underlies the use of the Size variable. Companies with large assets will have the resources and expertise needed to produce and publish reports to reduce non-compliance with applicable regulations. This variable uses total assets as its measurement. According to Li and Haniffa (2008), total assets reflect what the company has in the form of current assets and fixed assets. Therefore, the greater the assets owned, the incentive to be more compliant with SAK EMKM Compliance as a bank asset control mechanism. The measurements used in this study were also used by Thomas and Boolaky (2009), Hosaain (2008), and Joshi et al. (2016).

The measurement scale used is the Likert scale with the following criteria:

NO	Answer	Code	Weight
1	Strongly disagree	STS	1
2	Disagree	TS	2
3	Neutral	CS	3
4	Agree	S	4
5	Strongly agree	SS	5

Table 5 Questionnaire Answer Criteria

The data that has been compiled is then tested for reliability. This test is a questionnaire size that is an indicator of a variable or constructs. A questionnaire is reliable or reliable if a person's answer to a statement is consistent from time to time (Hair et al., 1998). Furthermore, the validity test is carried out to measure the validity of a questionnaire; a questionnaire is said to be helpful if the questions on the questionnaire can reveal something that will be measured by the questionnaire (Hair et al., 1998).

The data analysis method used in this research is multiple regression analysis. The aim was to measure the strength of the directional relationship between the dependent variable and

the independent variable (Hair et al., 1998). Before performing regression analysis, descriptive analysis and reliability and validity tests were performed to ensure data accuracy. The analysis method uses SPSS release 20 software.

The regression equation used in this study is as follows:

$SC = \beta0 + \beta1CB + \beta2QI + \beta3SO + \beta4As + ...\varepsilon$ ...(1)

$FP = \beta0 + \beta4SC + \beta4As + ...\varepsilon ....$ (2)

Information:

CB : Costs and Benefits

QI: Information Quality

SO: Socialization

FP: Financial Performance

SC: Standard Compliance

As: Asset

Results

To obtain information related to the data needed in this study and according to the variables used. Questionnaires were distributed to MSME actors in Indonesia through online media and field surveys. This was done to reduce direct contact with MSME actors during the Corona 19 outbreak.

Description	Amount	Proportion
Number of questionnaires distributed	8,856.10	
Number of returned questionnaires	4,723,200	53%
Number of questionnaires that were not returned	923,100	20%
The questionnaire that cannot be analyzed	211,456	4%
Which can be used in research	3,588,644	76%

Table 6 Questionnaire Distribution Data

Respondent Profile

At this stage, we present a description of the Profile Respondents in this study, consisting of MSME income, gender, age, and educational background:

No	Description	Frequency	%
1	Total MSME Income		
	Less than IDR 100 Million	2.153.186	60%
	IDR 100 Million - 499 Million	968.934	27%
	IDR 500 Million – 2,5 Billion	358.864	10%
	> 2,5 Billion	107.659	3%
		3.588.644	100%
2	Gender		
	Male	2.189.073	61%
	Female	1.399.571	39%
		3.588.644	100%
3	MSME Owners Age Group		
	≤25 Years	753.615	21%
	26 - 40 Years	1.435.458	40%
	≥41 Years	1.399.571	39%
		3.588.644	100%
4	Educational background		
	Junior High School	1.184.253	33%
	Senior High School	1.507.230	42%
	Diploma	502.41	14%
	Bachelor	322.978	9%
	Postgraduate	71.773	2%
		3.588.644	100%

Table 7 Respondent Profile

Total MSME Income

To find out the income range that most MSME actors have in Indonesia, information about the income of respondents is needed. Most of the respondents have less than 100 million or 60 percent of the total respondents. On the other hand, only 3% of respondents have income > 2.5 billion. This finding shows that the majority of respondents have an income of less than 100 million. This is because there is not enough working capital available for respondents, thus limiting the products or services provided to consumers. To increase business capital, the financial industry also lacks access. Figure 1 shows the total income of micro, small and medium enterprises.

Gender

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The most respondents in Indonesia are men as much as 61 percent or 2,189,073 individuals, while women are as many as 39 percent or 1,399,571 individuals. These results indicate that there are more men in Indonesia than women as MSME actors. This is because men are usually responsible for working so that their mobility is higher than women. Meanwhile, the management of MSMEs is usually managed jointly between men and women in one family. However, these efforts were initially initiated by women (wives), and in the end, the involvement of men (husbands) was unavoidable to some extent (Ezeagba, 2017).

MSME Owners Age Group

Table 5 shows that as MSME managers in Indonesia, 40 percent or 1,435,458 respondents are between 26-40 years. Meanwhile, 21% or 753,615 are MSME actors. This shows that participants are in the productive age range and are married in Indonesia as MSME actors. This is because mobility and the period of income needed to finance the family and others are relatively simple. Figure 3 shows the data for the age group of micro, small and medium enterprises.

Educational background

The low level of education for MSME managers in Indonesia can be seen from the low quality of human resources. The low level of education is sometimes their failure to promote the

company or increase productivity. Figure 4 shows that most of the 42% or 1,507,230 respondents have a high school education background. While the remaining 33 percent or 1,184,253 respondents have a junior high school background, 14 percent or 502,410 respondents have a diploma education background. In addition, 10 percent or 358,864 respondents have a bachelor's degree, and lastly, only 1 percent or 35,886 of the total MSME actors in Indonesia are postgraduate respondents. Based on these data, In addition to the low education of MSME owners, there are other factors involved, namely the difference in gender skills of MSME owners, where some owners are male, and some are female. There is a misconception that women's productivity is lower than men's (Kim and Yasuda, 2019). While the involvement of women in MSMEs aims to improve the family's standard of living, many women are now starting to play a role as breadwinners for the family. Many microenterprise owners in developing countries are women (Smallbone and Welter, 2006). Minarni and Sisdiyantoro (2014) contribute to their families, groups, and nations.

Descriptive Variables

The respondents' answers used as samples were related to the variables used in this study, namely the level of compliance, perceptions, costs, benefits, quality of information, and socialization:

No	Description	Frequency	%
1	Compliance Variables		
	Stongly Disagree	0	0%
	Disagree	287.092	8%
	Neutral	2.906.802	81%
	Ageree	394.751	11%
	Strongly Setuju	3.588.644	0%
2	Perception Variable		
	Stongly Disagree	107.659	3%
	Disagree	538.297	15%
	Neutral	861.275	24%
	Ageree	1.686.663	47%
	Strongly Setuju	394.751	11%
		3.588.644	100%
3	Costs and Benefits		
	Strongly Disagree	0	0%
	Disagree	215.319	6%
	Neutral	1.830.208	51%
	Agree	1.543.117	43%
	Strongly Agree	0	0%
		3.588.644	100%
4	Information Quality		
	Strongly Disagree	0	0%
	Disagree	251.205	7%
	Neutral	1.507.230	42%
	Agree	1.758.436	49%
	Strongly Agree	71.773	2%
		3.588.644	100%
5	Socialization		
	Strongly Disagree	0	0%
	Disagree	322.978	9%
	Neutral	1.543.117	43%
	Agree	1.722.549	48%

	Strongly Agree	0	0%
		3.588.644	100%

Table 8 Descriptive Statistic

Compliance Variables

Based on Table 8, it can be seen that the majority of respondents, namely 47% or 1.686.663   respondents, stated that they strongly agreed that MSME actors had complied with the Financial Accounting Standards for Micro, Small, and Medium Enterprises (SAK EMKM). This high frequency occurs because access to the financial industry is needed for MSME actors. One of the conditions, by the Micro, Small and Medium Financial Accounting Standards, is to provide MSME financial reports (SAK EMKM). Meanwhile, 3% or 107.659 respondents stated that they disagreed with meeting the Micro, Small, and Medium Financial Accounting Standards (SAK EMKM). This is due to the difficulty in providing accounting specialists in Human Resources and the lack of understanding.

Perception Variable

Figure 8 shows that most respondents, as many as 47 percent or 1.686.663   respondents, agree that the Micro, Small, and Medium Financial Accounting Standards (SAK EMKM) are used and understood by MSME actors to prepare financial reports. Besides being used for access to the financial sector, this is due to the importance of accounting standards for measuring the performance of MSMEs. However, 3% or 107.659 respondents did not agree to use the Micro, Small and Medium Financial Accounting Standards (SAK EMKM) as the basis for preparing MSME financial reports. This is due to ignorance about the benefits of implementing EMKM accounting standards for the management of MSMEs.

Costs and Benefits

Table 8 shows that in the preparation of MSME financial statements, 6 percent or 215,318 respondents did not agree with the use of Micro, Small, and Medium Financial Accounting Standards (SAK EMKM). This may be due to the high cost of using professionals who understand the preparation of financial statements and have not provided benefits for MSMEs. Other

results, 51% or 1,830,208 respondents fully agree to use SAK EMKM as the basis for financial reporting. It is assumed that the standardization of MSME financial reports can facilitate understanding and acceptance in the financial industry.

Information Quality Variables

Table 8 shows that 49 or 1,758,436 respondents agree that Micro, Small, and Medium Financial Accounting Standards should be applied in financial statements (SAK EMKM). It is intended that the financial information presented have quality, relevance, and responsible transparency. Another result of 42% or 1,507,230 respondents chose not to have an opinion (neutral) more minor than those who agreed. When combined, the results have a dominant value among those who strongly agree and agree. This shows that for the preparation of MSME financial statements, respondents agree to adopt SAK EMKM. At the same time, 7% or 251,205 respondents did not agree. This value indicates that if the MSME financial statements are based on SAK EMKM, respondents who disagree are suspected of not knowing their advantages.

Socialization Variable

Based on table 8 , it can be seen that 48 percent or 1,722,549 respondents agreed to carry out or disseminate information on financial accounting standards for micro, small and medium enterprises (SAK EMKM). At the same time, 9 percent or 322,978 respondents disagree. The disagreement was allegedly caused by the absence of the need to prepare financial statements and the need for access to financial institutions. Meanwhile, those who agree are likely to need transparency in management, the need for performance measurement, and the need for access to the financial sector

Hypothesis Testing Results

Here we present the results of testing the hypothesis of this study, starting from the level of compliance of MSME actors with EMKM accounting standards, opinions related to the issuance of EMKM accounting standards, and regression analysis for hypothesis testing.

Respondent	Score	Average
3,588,644	3003	27.3

Table 9: Level of Compliance with SAK EMKM

From Table 9   above, it can be said that the level of understanding of MSME actors in Indonesia is 27.3, so it can be said that the level of compliance of MSME actors in Indonesia to SAK EMKM is not appropriate. These results are based on the Classification of Research Grouping Results Based on a Likert Scale.

Compliance with accounting standards is stated in the basic framework for the preparation and presentation of financial statements. Timeliness is a characteristic that must be met so that the financial statements presented are relevant. The sooner information is disclosed, the more relevant the information will be for users of financial statements. Taylor

(1997) stated that there are two fundamental perspectives of legal compliance: instrumental and normative. Instrumental perspective means individuals with self-interest and responses to behavioral changes. The normative perspective relates to morals and is opposed to self-interest.

A person is more likely to obey the law that is considered appropriate and consistent with their norms. Normative commitment through personal morality means following the law because it is regarded as a necessity.

In contrast, normative commitment through legitimacy means obeying the rules because the law-making authority has the right to dictate behavior. Compliance theory can make

someone more obedient to applicable regulations, just like companies that try to be on time in submitting their financial statements. Apart from being an obligation, it is also beneficial for users of financial statements. This is important in presenting

financial information related to compliance with various regulations, principles, and accounting standards that serve as guidelines and foundations in preparing and presenting financial statements.

Respondent	Score	Average
3,588,644	4054	36,846

Table 10: Perception of SAK EMKM

From Table 10 above, it can be stated that the perception of MSME actors in Indonesia towards the existence of SAK EMKM is 36.85, so it can be said that the perception of MSME actors in Indonesia is still lacking or lacks understanding. Readiness to use SAK EMKM in managing MSMEs based on the Likert Scale classification of research results.

Meanwhile, According to the Big Indonesian Dictionary (KBBI) understanding is the process, method, and act. SAK EMKM is an accounting standard that micro, small and medium entities can use to prepare their financial statements. Thus the level of understanding of SAK EMKM is the extent to which MSME actors understand the application of SAK EMKM in terms of measurement, basic assumptions, and report presentation finance.

SMEs can be said to understand if measuring the elements of financial statements based on historical costs, such as the historical cost of an asset equal to the amount of cash or cash equivalents paid to acquire the purchase at the time of acquisition. In contrast, the historical price of liability is the

amount of money or cash equivalents received or the amount of money expected to be paid to meet obligations in the ordinary course of business (DSAK, 2016). MSME actors can say to understand if in preparing financial statements using the accrual basis assumptions, going concerned and the concept of a business entity. SMEs can know if they present financial words at a minimum consist of a statement of financial position, income statement, and notes to financial statements. Thus the understanding of MSME actors towards SAK EMKM will have an impact on compliance; this is because they know the benefits of complying with SAK EMKM. Based on Table 11 below, the test results show that this research model's coefficient of determination (adjusted R square) is 0.401 or 40.1 percent in the test with the dependent variable, namely the level of compliance with SAK EMKM. This means that in this study, the independent variable can explain the effect of 40.1 percent on the dependent variable, and the rest is influenced by other variables not examined in this research model

Variable	Coefficient	t	p-value
(Constant)	-59,504	-3,847	0,000
CB	2,54	0,367	0,005
QI	2,385	2,831	0,003
SO	0,374	0,433	0,002
As	0,112	1,446	0,000
R Square	0,43		
Adjusted R Square	0.401		
F	14,713		
Sig	0,000		
(*) significant at 5% level			

Table 11 Regression Analysis (Model I)

Information:
CB: Costs and Benefits
QI: Information Quality
SO: Socialization
As: Asset

Based on Table 11, which was tested with the dependent variable CL (Compliance Level), it is known that the calculated F value is 14,713> F Table 2,490 with a significance value of 0.000 <0.05. Thus it can be concluded that the model that can be used in this study is included in the category of feasible and feasible to use.

The research hypothesis above (Table 9) suggests that benefit-Cost positively affects the EMKM SAK Compliance Level. The regression results in Table 9 above show that the cost and benefit variables affect the SAK EMKM Compliance Level with a t value of 0.367 with a significance value of 0.005 <0.05. Therefore, it can be concluded that the test can prove that the cost-benefit affects the level of SAK EMKM compliance. . Therefore, the first hypothesis is accepted in this study.

This research supports Putri's study (2017); Thang and Quang (2005) that the fulfillment of MSME Accounting Standards can be improved by considering the costs and benefits of using MSME Accounting Standards. Therefore, in using SAK EMKM, MSMEs in Indonesia consider the cost and benefit factors. Fifty-one percent of the data can be obtained if you look at the data from the questionnaire results. Statement No. 1, of the five statements submitted, namely "Compliance with SAK EMKM facilitates collaboration with other institutions," by obtaining the highest score, which is an average value of 3.9 compared to other words. This shows that MSME actors are aware of the benefits of implementing SAK EMKM in preparing MSME financial reports, especially by helping to gain access or cooperation with other institutions, such as financial institutions and other companies.

The research hypothesis above suggests that the quality of information positively affects compliance with SAK EMKM. The regression results in Table 9 above show that the level of compliance with SAK EMKM with a t-count value of 2.381 with

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a significance value of 0.006 <0.05 is influenced by the Information Quality variable. Thus it can be concluded that the test can prove that the quality of information affects the level of compliance with SAK EMKM. Therefore, the first hypothesis is accepted in this study.

This study supports the fact that Ioannou and Serafeim (2011) can improve compliance with accounting standards by improving the quality of information on the financial statements of SMEs. These results indicate that MSME actors in Indonesia know that complying with SAK EMKM will provide transparent and accountable information regarding economic conditions and management and company performance with quality financial reports. Among the statements submitted, the highest average value shows the most prominent value, 3.96, because "business decisions are based on financial statements." decision. Therefore, the level of compliance with SAK EMKM will be shown by higher quality EMKM financial reports. According to (Hassan, Sarea, and Kukreja, 2019). , their economic structure is heavily influenced by the lack of available information about MSMEs. This shows that in MSMEs, asymmetric information is much more common than in public companies that provide consistent and comprehensive accounting information. MSMEs also have various financial reports and have never been audited. The quality of data from financial statements can improve compliance with SAK EMKM. This shows that in MSMEs, asymmetric information is much more common than in public companies that provide consistent and comprehensive accounting information. MSMEs also have various financial reports and have never been audited. The quality of data from financial statements can improve compliance with SAK EMKM. This shows that in MSMEs, asymmetric information is much more common than in public companies that provide consistent and comprehensive accounting information. MSMEs also have various financial reports and have never been audited. The quality of data from financial statements can improve compliance with SAK EMKM.

The research hypothesis above suggests that socialization positively impacts the level of compliance with SAK EMKM. The regression results in Table 9 above show that the socialization variable affects compliance with SAK EMKM with a t-count value of 0.433 with a significance value of 0.002 <0.05. Therefore, it can be concluded that the test can show that socialization affects the level of SAK EMKM compliance. Thus, the first hypothesis is accepted in this study.

These results indicate that the relevant agencies must carry

out the application of SAK EMKM through socialization. This is intended to facilitate an initial understanding of the benefits of SAK EMKM information. Therefore, relevant agencies must socialize the importance of using SAK EMKM in Indonesia's UMKM activities. Thus, socialization makes it easier to identify difficulties in implementing SAK EMKM.

In making decisions, accounting information is needed, but financial accounting practices in micro, small and medium enterprises (MSMEs) are still low and have many weaknesses (Rocha et al., 2011). Banks and tax authorities often complain about the incompetence and shortcomings of companies. SMEs in the preparation of financial reports. Ningtyas et al. (2017) suggested that the lack of

MSMEs in preparing financial statements was partly due to poor education and an understanding of financial accounting standards (SAK). Ezeagba et al. (2017), meanwhile, argued that the preparation of financial reports was inadequate due to the absence of regulations that required MSMEs to compile financial statements. Because SMEs also have to pay taxes, MSMEs' financial reporting practices have become necessary in all three developments. The tax expense payable is determined based on these financial statements. Therefore, one of the mechanisms to provide understanding to MSME actors is socialization. This is shown by increasing the socialization of SAK EMKM, which can increase compliance with SAK EMKM by increasing compliance with SAK EMKM.

Actors from SMEs. Therefore, socialization is expected to be carried out by the government, professional organizations, or other stakeholders to help MSMEs provide information about the importance of using SAK EMKM for business continuity (Collis and Jarvis, 2018). Several test results concluded that the factors that can positively affect SAK EMK compliance are costs and benefits, quality of information, and socialization. So all research hypotheses are accepted. This is by the assumption of the institutional theory that for an institution to exist that is received and legal, it follows the policies of other institutions (Institutionalization). Thus, MSME managers are required to use applicable accounting standards as a form of compliance with existing regulations. In Table 12, the control variable, namely Asset (As), shows the results of a significance level of value of 0.000 below 0.05 and a coefficient of 0.112. These results show evidence that there is an influence of Assets on SAK EMKM compliance. Thus, SAK EMKM compliance can be affected by assets.

Variable	Coefficient	t	p-value
(Constant)	24	1,98	0,000
FP	1,330	0,412	0,000*
As	0,223	0,321	0,000*
R Square	0,881		
Adjusted R Square	0,223		
F	11,546		
Sig	0		
(*) significant at 5% level			

Table 12 Regression Analysis (Model II)

Information:
FP: Financial Performance
As: Asset
Based on Table 12, which was tested with the dependent variable FP (Financial Performance), it is known that the calculated F value is 11,546> F Table 2,490 with a significance

value of 0.000 <0.05. Thus it can be concluded that the model that can be used in this study is included in the category of feasible and feasible to use.

According to Palazuelos, Crespo, and del Corte (2018), financial statement information is needed for decision-making stakeholders. Furthermore, accounting information provides

confidence in the business processes carried out by MSMEs so that stakeholders will increase knowledge about MSMEs (Usman, Hartani, and Sroka, 2020). This study proves that increasing compliance with MSME financial accounting standards will improve financial performance. MSME financial statement information provides confidence in business management and the feasibility of delivering loans whose impact can increase working capital, which improves financial performance. This is by Serwanja's research (2017); Afang and Francis (2021) that increasing standard accounting compliance can enhance performance in MSMEs. Thus, increasing compliance with EMKM accounting standards provides added value, namely the trust of financial institutions in managing MSMEs. In Table 10, the control variable, namely Asset (As), shows the results of a significance level of value of 0.000 below 0.05 and a coefficient of 0.233. These results show evidence that there is an influence of Assets on Financial Performance. Thus, Financial Performance can be affected by assets.

From several results of hypothesis testing, these results prove that with the institutionalization of the regulator, MSME actors will produce quality financial reports by accounting standards because they comply and are obliged to implement them. Thus, this evidence supports the assumption of the institutional theory that the presence of other organizations will influence the existence of an organization.

Additional Testing Analysis

Additional tests were carried out to test whether the above

analysis results were consistent and applicable to sub-samples with homogeneous characteristics. This test is done by grouping samples based on Asset level. The sample is divided into two groups, namely MSMEs with large assets and MSMEs with large assets. Companies with large asset levels have sample data that have asset values greater than the mean value. In contrast, companies with low asset levels contain sample data for companies with lower asset values than the mean value. The reason for grouping the sub-samples using the Asset level is that according to Hosaain (2008), companies with large assets will have the resources and expertise needed to produce and publish reports to reduce non-compliance.

Result of Analysis Based on Sample Group Level of Asset

This study adds an analysis to test a sample of MSMEs based on large and small total assets. This added test is carried out considering that the main research shows that Assets have a significant effect. Therefore, it is necessary to prove whether the determinant factors in this study affect the level of compliance with SAK EMKM on the number of MSME assets showing differences.

MSME Sample Group Large Assets

The total number of MSMEs classified as having large assets is 430,637 observations. Tests on a sample of MSMEs with large assets are presented in Table 13.

Variable	Coefficient	t	p-value
(Constant)	-10,223	2,332	0,007
CB	1,888	0,775	0,229
QI	3,543	1,435	0,001*
SO	1,879	0,221	0,007*
R Square	0,33		
Adjusted R Square	0,543		
F	114,536		
Sig	0,028		
(*) significant at 5% level			

Table 13. Regression Analysis Sample Group Large Assets

Tests on a sample of MSMEs that have a large number of assets are presented in Table 11. The test results show that Information Quality (QI) and Socialization (SO) variables affect increasing SAK EMKM compliance. Meanwhile, Cost and Benefit (CB) have no effect.

The test results in this group showed differences with testing the entire sample. This strengthens the test on all samples, which shows that the number of assets owned by MSMEs affects compliance with SAK EMKM.

The difference in test results on MSMEs with large assets

by testing all samples can be caused by differences in the number of observations; these results show that information dissemination and quality have an optimal role in increasing SAK EMKM compliance.

MSME Sample Group Small Assets

The next test is to be included in this group, namely SMEs with small assets with a total sample of 3,158,007. The test results in this group are presented in Table 14.

Variable	Coefficient	t	p-value
(Constant)	7,,223	1,421	0,031
CB	22,341	0,339	0,016*
QI	1,997	1,112	0,557
SO	2,033	0,451	0,000*
R Square	0,210		
Adjusted R Square	0,419		
F	8,345		
Sig	0,000		
(*) significant at 5% level			

Table 14. Regression Analysis Sample Group Small Assets

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The test results show that the variables of Costs and Benefits (CB) and Socialization (SO) affect increasing compliance with SAK EMKM. In contrast, the variable quality of information (QI) has no effect. The difference in test results is suspected because the number of samples used is different. Thus, these results indicate that the level of asset differences affects increasing SAK EMKM compliance.

Overall Test Results

The overall test results, which are summarized in Table 15, consist of 1) Total test results, 2) Separation of samples based on the level of ownership of large and small assets.

Hypotesis	Variable	Total	Asset ownership level	
			Big	Small
H1:	There is a positive effect of increasing costs and benefits on the level of compliance with accounting standards.	Accept	Rejected	Accept
H2:	The quality of financial statement information can improve compliance with accounting standards.	Accept	Accept	Rejected
H3:	Socialization of accounting standards can increase compliance with accounting standards.	Accept	Accept	Accept

Table 15 Overall Hypothesis Summary

The analysis results are based on the elaboration of the comprehensive sample test, based on the classification of the level of asset ownership; additional testing is carried out to test whether the above analysis results are consistent and apply to sub-samples with homogeneous characteristics.

Based on the results of testing the effect of Cost and Benefit (CB), there is no effect on SAK EMKM compliance on MSMEs with large assets. Meanwhile, the small MSME Asset Ownership test results conclude the same results as testing the entire sample.

Thus, this finding proves that the costs and benefits (CB) in SMEs with small assets are motivated to comply with SAK EMKM. This shows that SMEs with small assets are increasingly compliant with SAK EMKM, facilitating access to the financial industry. This is by the opinion of King (2003) and Haller et al. (2012) that the costs allocated for compliance with regulatory compliance will benefit the company.

The Information Quality (QI) variable test concludes that EMKM with small assets cannot prove its effect on EMKM standard compliance. Another result is that EMKM with large assets supports the overall sample results. These results prove that EMKM with large assets has the resources to produce quality financial reports by EMKM standards. Meanwhile, EMKM with small assets proves that limited resources are an obstacle to producing quality financial reports. This is by the opinion of Kohlbeck and Warfield (2010); Fitrios (2016) that adequate resources are experts in the field of accounting will produce quality financial reports.

Testing the Socialization (SO) variable in EMKM with Big Assets and Small Assets concluded that socialization is one of the factors that can improve EMKM Standard compliance. The results of this test support the overall sample testing. These results prove that frequent socialization of EMKM standards to MSME actors will increase the importance of complying with EMKM standards. This is by the opinion of Abdolmohammadi and Scarbrough (2003); Durocher et al.(2016).

Theoretical and Managerial Implications.

Theoretical Implications

Compliance with Micro, Small, and Medium Financial Accounting Standards by MSMEs in Indonesia is categorized as non-compliance. This indicates that the entity cannot have information and data about the entity presented, including, but not limited to, assets, liabilities, equity, revenues, and expenses. It also provides generally accepted standards about contributions from owners and distributions to owners, gains and losses, cash flows, and other information in the notes to financial statements. In Indonesia, the perception of MSME actors towards Micro, Small, and Medium Financial Accounting Standards is categorized as not understanding these standards or not being ready to use them. This shows the lack of resources owned by MSMEs who understand accounting for MSMEs.

The costs and benefits positively impact compliance with the Financial Accounting Standards for Micro, Small, and Medium Entities. This shows that the implementation of SAK EMKM requires resources that will burden and benefit MSMEs, including facilitating MSME performance assessments and their access to the financial industry. Information Quality has a positive impact on compliance with Micro, Small, and Medium Financial Accounting Standards. This shows that the SAK EMKM MSME Financial Report will provide transparent, relevant, and accountable information. Socialization positively affects compliance with Financial Accounting Standards for Micro, Small, and Medium Entities. This shows the importance of socialization in counseling and training to understand the preparation of MSME financial reports. This study proves that the organisation's existence occurs in a broad organizational scope where each organization influences other forms of organization through the adoption of the institutionalization process (institutionalization). This is by the assumptions of institutional theory.

Managerial Implications.

This study provides information that the importance of compliance with accounting standards for the management of SMEs. This proves that accounting policies can produce accountable and transparent financial reports to give the stakeholders' confidence to MSMEs, which will further improve financial performance.

Limitation and Future Research Direction

This study aims to examine the compliance and perception of SMEs about SAK EMKM and its influencing factors. However, the test results have not explored the actual conditions of MSME actors regarding evidence of compliance and knowledge of SAK EMKM. This is due to the COVID-19 pandemic, so it cannot be done directly to MSME actors.

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Further research is recommended further to explore the condition of MSMEs with field surveys.

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