

SME Performance: Ability to prepare financial reports based on SAK ETAP and financial literacy (Empirical study of SMEs in the city of Serang)

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ABSTRACT

The background of this research is that SME managers in preparing financial reports based on SAK ETAP, the managers are given training and assistance by the Department of Cooperatives, SMEs, Industry and Trade of Serang City, but the managers still focus on production without paying attention to recording financial transactions, thus hindering the managers in carrying out development, evaluation, and decision making. The formulation of the research problem is whether there is an influence between the ability to prepare financial reports based on SAK ETAP on the performance of SMEs and financial literacy as a moderating variable. The aim of this research is to test and analyze whether there is an influence between the ability to prepare financial reports based on SAK ETAP on performance and financial literacy as a moderating variable. The research method uses quantitative methods, the SMEs population in Serang City was taken using purposive sampling, hypothesis testing used PLS. The finding that the ability to prepare financial reports possessed by managers in Serang City affects performance, this is due to the intensive training and mentoring carried out by the cooperative, SMEs, industry and trade services but SMEs managers have not been able to prepare it. general financial reports with financial literacy awareness. This research concludes that the ability to prepare financial reports and financial literacy have a positive influence on SMEs performance, while the ability to prepare financial reports mediated by financial literacy has no effect on financial literacy.

Keywords: Financial Reports; SAK ETAP; Financial Literacy; Performance; SMEs.

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1. INTRODUCTION

Small, Micro, and Medium Enterprises (SMEs) were formed to develop the economy, with no large capital restrictions, a large number of members, and facilitating the community in forming their businesses to create job opportunities and community economic independence.

The city of Serang has 16,267 SMEs. The development of SMEs is supported by the government with the issuance of the SMEs protection law, and mentoring, and counseling carried out by the Office of Cooperatives, MSMEs, Industry and Trade. However, in the development process, as reported by the DINKOPUKMERINDAG Serang City, there are obstacles to the ability of human resources to use financial reports, even though there has been guidance and training for SMEs managers on the use of SAK ETAP which is intended for SME financial reports.

Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP) are intended for use by Entities Without Public Accountability (ETAP), namely organizations that do not have public accountability; and publishing financial reports for the purposes of stakeholders both external (banks, creditors, investors, etc.) and internal to the organization. SAK ETAP aims to create flexibility in its implementation and is expected to provide ETAP with easy access to funding from banks. This standard stands alone and does not refer to General SAK, most of which use the historical cost concept; management of transactions carried out by ETAP; standards with a simpler form of rules in terms of accounting treatment and relatively unchanged over the years. SAK ETAP is a financial report that can be used by entities without public accountability. entity refers to an institution, organization, or business entity. Reports based on SAK ETAP can be used by MSMEs because they are more flexible and simpler, so efforts are made to help managers use them as SMEs financial reports.

SMEs actors in Serang City only focus on product operational activities but cannot plan and manage finances (make financial reports) and forget to record transactions. So it complicates the performance evaluation and decision of making. The process before the evaluation and decision-making of SMEs can be seen from how the performance [1] said that it is not an easy thing to improve the performance even though this sector has a strategic role in people's welfare. The difficulty of evaluating business performance is an obstacle for entrepreneurs because they do not know how to measure performance properly. efforts to increase the productivity of entrepreneurs can be realized through every economic actor with several factors such as increasing the skills of workers or economic actors as well as through an innovation of machines or technology to maximize a job.

This financial report is very much needed by SMEs, this is because, with financial reports that have been prepared neatly, SME actors can obtain important information and reduce difficulties in making decisions in managing SMEs such as increasing profits, product inventory needed, market expansion, salary of the employees and many others.

[2] in his research put forward the statement that to be wiser in managing finances so that his business grows, having calculation data to determine the amount of capital and estimated profits, an entrepreneur must have the ability to report correct finances and refer to financial accounting standards. Research conducted by [3] explained that financial reports influence the performance of SMEs. However, it is different from [2] who explained in his research that the ability to prepare financial reports does not affect the performance of SMEs.

Another factor that can influence performance is financial literacy. a series of processes and activities to increase knowledge, confidence and skills of SME actors so they can manage finances well. Financial literacy according to [4] is knowledge and understanding of various fields of finance. A lack of financial literacy can cause a person to make inappropriate decisions and can even have negative consequences for a person's financial well-being. Therefore, it is important for the community, especially business owners, to understand the concept of finance well. [5] in his research revealed that the performance and sustainability of SMEs are significantly influenced by financial literacy.

2. METHOD

This research uses quantitative methods, according to [6] empirical studies approach to collect, analyze, and display data in numerical rather than narrative form. The population of all SME managers in the city of Serang. The sampling method in this study used a purposive sampling technique with an analysis unit for leaders and managers. the data in this study is primary data, distributing questionnaires to 50 respondents. using the partial least squares (PLS) method. Data processing uses the Structural Equation Model (SEM) approach, namely Partial Least Square (PLS) Software. PLS is a structural equation model (SEM) based on components or variance. According to Tomass [7] PLS is an alternative approach that shifts from a covariance-based SEM approach to a variant-based one.

Purposive Sampling Criteria

1. Have a vision and mission.
2. Have an organizational structure (production department, finance department, etc.).
3. Have a minimum workforce of 19 people (Source: BPS)
4. SME Manager (Owner, Head of production/marketing and finance).
5. Minimum 1 year experience in this position
6. Has attended training/coaching in preparing financial reports based on SAK ETAP.

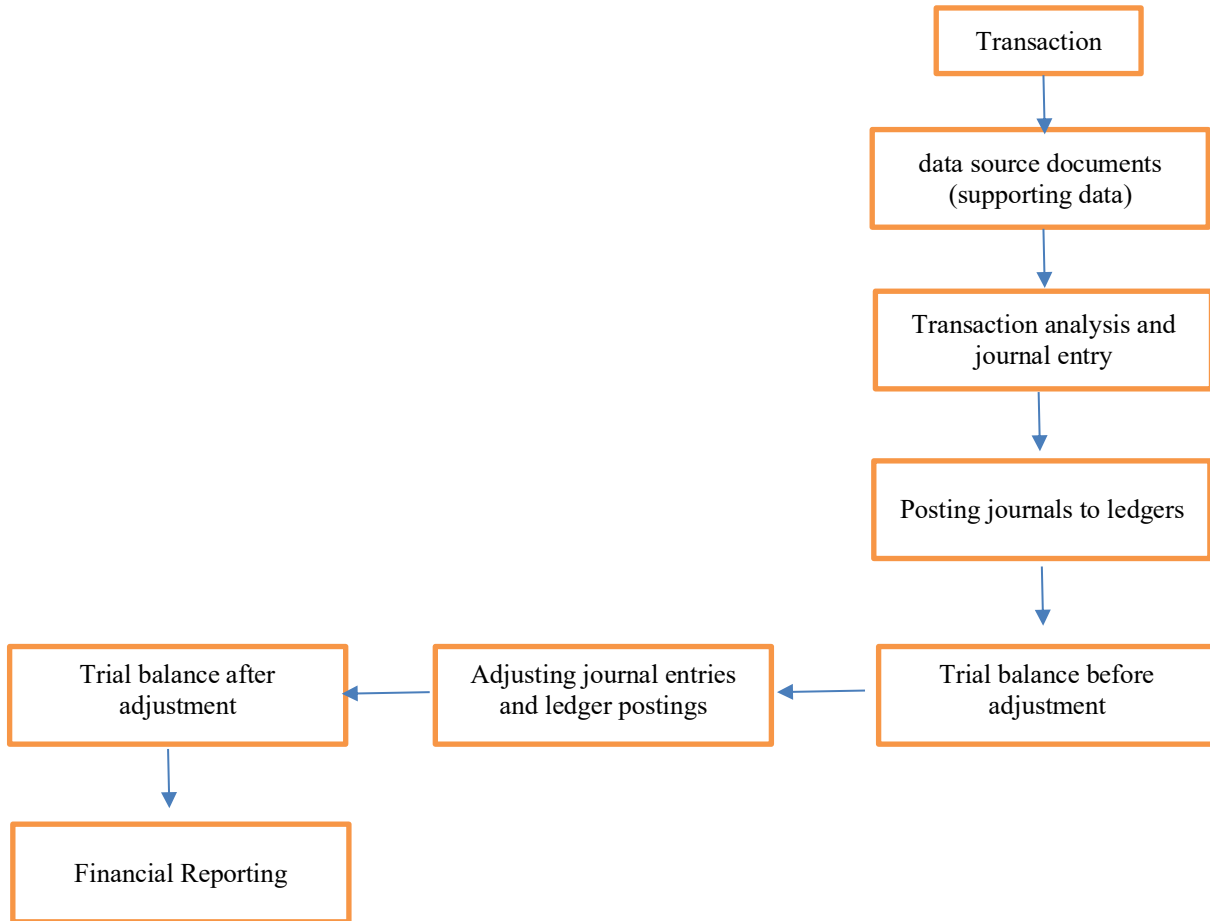


Figure 1 - Accounting Cycle

Forms of financial reports based on SAK ETAP include:

- a. Transaction Analysis. The initial process in preparing financial reports, namely identify and analyze transactions that have been carried out. Proof of transactions in the form of notes is directly recorded in book recording transactions at that time (day, date and year according to the transaction). Below is an example proof of transaction.

NO	KODE	NAMA BARANG	SPECF	SATUAN	UNIT	HARGA/UNIT	JUMLAH
1	HO-12	kayu jati	Super	m3	25	Rp. 850.000	Rp. 21.250.000
2	HO-15	Kayu Balo	KW-2	m3	30	700.000	21.000.000
3	SW-4	Kayu Akasia	KW-1	m3	35	600.000	21.000.000
4	SW-8	Kayu Sengon	KW-1	m3	20	450.000	9.000.000
5	CT-02	Cat Emeco	-	kg	15	32.000	480.000
6	CT-04	Minyak Cat	-	kg	5	6.000	30.000
7	TB-13	Amplas	-	lbr	20	8.500	170.000
8	TB-10	Dempul	-	kg	5	12.500	62.500
						SUB TOTAL	Rp. 72.992.500
						PPN 10%	Rp. 7.299.250
						TOTAL	Rp. 80.291.750

Figure 2 - Transaction Note

- b. Recording in a journal. the next step from the transaction data that has been obtained, the transaction data is imported into the general journal. An example of journal recording can be seen in the table below.

Table 1 - General Journal

Date	Description	Reff	Debit	Credit
April 1, 2023	Cash		Rp 236.000	
	Services revenue			236.000

- c. Posting to the Ledger. After entering the data in the general journal, the next process is to post it to the general ledger. Inputting data with detailed data according to the account name, namely posting to the book amount that has been compiled. The following is an example of posting to the general ledger according to the account name column based on the data in table 1.

Table 2 - Cash Ledger

Date	Description	Reff	Debit	Credit	Debit Balance	Credit Balance
April 1, 2023		GJ	Rp 236.000		Rp 236.000	

Table 3 - Revenue Ledger

Date	Description	Reff	Debit	Credit	Debit Balance	Credit Balance
April 1, 2023		GJ		Rp 236.000		Rp 236.000

- d. Making a Trial Balance. All ending balances in the ledger transferred to the trial balance to prove the suitability of all account values. Based on transaction data in table 1, below is an example of making a trial balance.

Table 4 - Trial balance

Account Number	Account name	Debit	Credit
101	Cash	Rp 236.000	
401	Services revenue		Rp 236.000
	Total	Rp 236.000	Rp 236.000

- e. Make an Adjusting Journal. This section is the process of analyzing adjustment data and making adjusting journals for accounts that require adjustment in a certain period and posting the data in the adjusting journal. The following is an example of an adjusting journal.

Table 5 - Adjusting journal entry

Date	Description	Reff	Debit	Credit
April , 12 2023	Rental expenses	V	Rp 2.100.000	
	Prepaid lease	V		Rp 2.100.000

Description: check mark in column Ref shows that the account that has undergone adjustments has been entered post to adjusting journal.

f. Trial Balance After Adjustments. This section contains the final balance after adjustments are made.

7. Willing to be researched or become a respondent.

Table 6 - Research Instruments for Variable

No	Variable	Definition	Indicator
1	Reporting Ability	ability to complete the preparation of financial reports based on SAK ETAP	The variable indicators for the ability to prepare financial reports according to Robbins in (8) are 1) Numerical Ability. 2) Verbal Comprehension. 3) Speed in understanding perception. 4) Reasoning in particular 5) Reasoning in general 6) Spatial Visualization.
2	SME performance	Managerial performance is a process or level that shows the extent to which tasks can be carried out and the vision and mission of the organization achieved.	for SME performance variables according to Ghasaemi in [8] on SME performance variables are 1) planning, 2) investigating, 3) coordinating, 4) evaluating, 5) supervising, 6) staffing, 7) negotiating, 8) representation, 9) overall performance such as revenue growth, profits, and market share.
3	Financial Literacy	a person's processes such as knowledge, skills and beliefs influence individual attitudes and behavior in improving the quality of decision making and financial management to achieve organizational goals.	the financial literacy variable according to Chen and Volpe [9] is 1. Finance. 2. Arrangement. 3. Management 4. Risk

3. RESULT AND DISCUSSION

Based on the results of distributing in SMEs.

Table 7 - Questionnaire Return Rate

Number	Information	Amount	Percentage
1	Sent questionnaires	50	100%
2	Returned questionnaire	45	90%
3	Questionnaires that cannot be processed	10	20%
4	Questionnaires that can be processed	35	70%

Source: Processed Data

Based on table 2, 50 questionnaires were sent, only 45 questionnaires were returned, and 10 were not returned. This happened because the respondent was busy and exceeded the time limit for returning home. Meanwhile, of the returned questionnaires, there were 10 incomplete questionnaires, namely questionnaires that were not filled in completely or there were several questions that were not answered by the respondents. Thus, only 35 questionnaires were complete and could be processed. The data in this research are respondents' answers which were processed using SmartPLS software.

Table 8 - Quality Criteria

Variable	The AVE	Composite Reliability	Cronbach Alpha	R Square
Reporting ability	0.498	0.849	0.779	
SME performance	0.305	0.780	0.689	0.504
Financial literacy	0.591	0.851	0.780	0.043

Source: smart PLS 2023

Structural model testing is carried out to see the influence between constructs or variables, significance values, and R-square of the research model. The structural model was evaluated using R-square for dependent constructs, Stone-Geisser Qsquare test for predictive relevance, and t test and significance of structural path parameter coefficients. The significance of the estimated parameters provides very useful information about the influence between research variables. The limit for rejecting and accepting the proposed hypothesis is ± 1.96 , where if the t statistical value is greater than t table (1.96) then the hypothesis is accepted, conversely if the t statistical value is smaller than t table (1.96) then the hypothesis is rejected.

Results of data processing using SmartPLS software (Full Model Structural Partial Least Square)

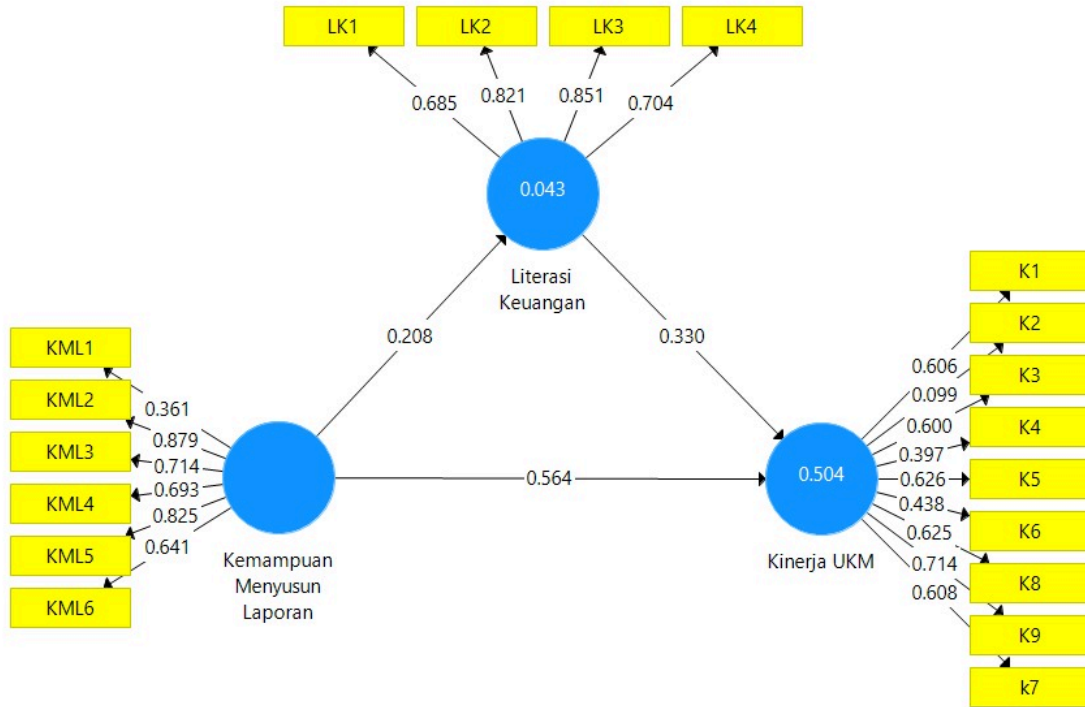


Figure 3 - Before Elimination

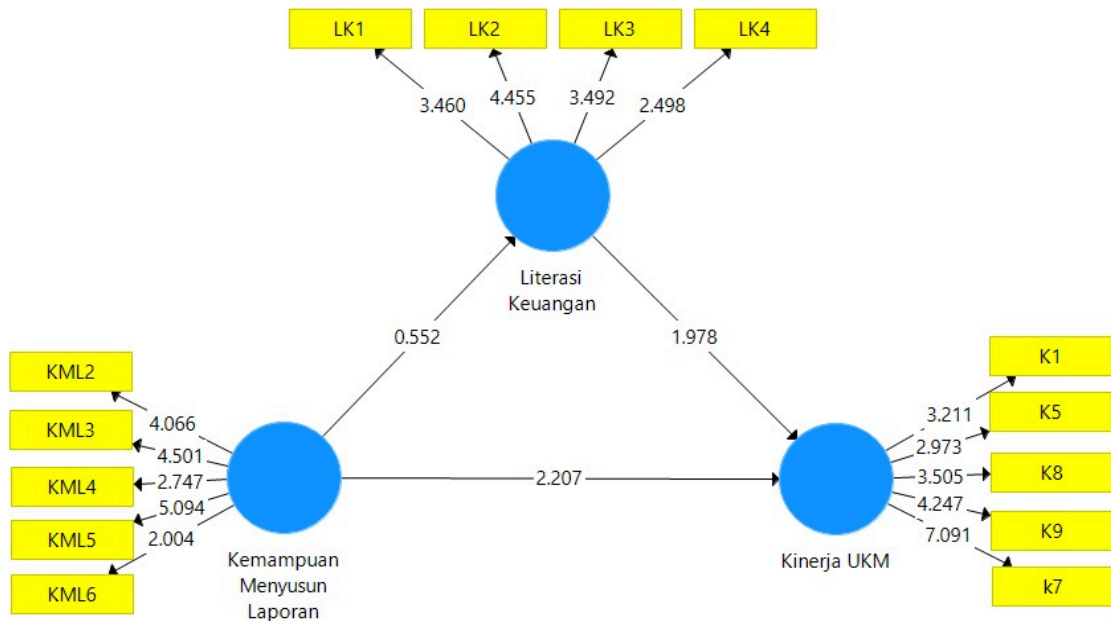


Figure 4 - After Elimination

Table 9 - Form Inner Weight

	Original Sample	Mean	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Reporting Ability -> MSME Performance	0,436	0,467	0,198	2,207	0,028
Reporting Ability -> Financial Literacy	0,161	0,202	0,291	0,552	0,581
Financial Literacy -> MSME Performance	0,363	0,390	0,183	1,978	0,049

Source: Data Diolah PLS 2023

From the table above it can be seen that the ability to prepare reports has a positive effect of 0.436 and a significant effect of 0.05 ($2.207 > 1.96$) on SME performance. The variable ability to prepare reports on financial literacy is not significant at 0.161 and significant at 0.05 ($0.552 < 1.96$) on financial literacy. The financial literacy variable is significant with a figure of 0.363 and a significance of 0.05 ($1.978 > 1.96$) on SME performance.

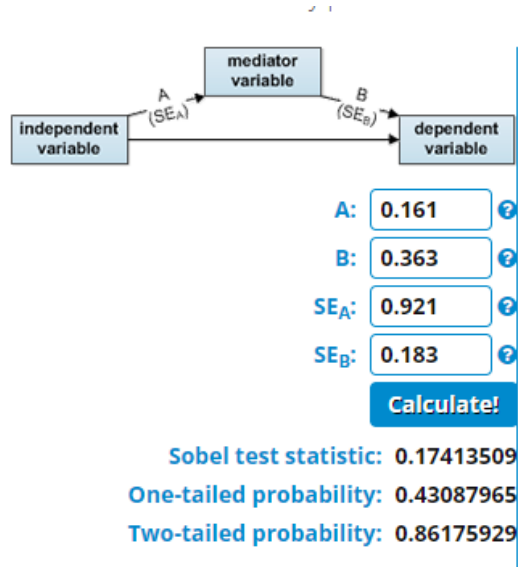


Figure 5 - Sobel Test Results Influence Test Ability to Compile Reports on SMEs Performance Mediated by Financial Literacy

The Sobel test is a test tool used to determine whether there is a significant relationship through a mediating variable. This research examines the effect of the ability to prepare reports based on SAK ETAP on SMEs performance with financial literacy as a moderating variable.

Based on Figure 3, the T Statistics value of 0.17 is smaller than the t table of 1.96. It can be concluded that the ability to prepare financial reports has no effect on the performance of SMEs with financial literacy as a mediating variable.

The Ability to Prepare Reports on SMEs Performance

Based on the test results using PLS, the ability to prepare financial reports based on SAK ETAP influences the performance of SMEs. The ability to prepare financial reports possessed by SMEs is very necessary, one of which is in making financial, managerial and supervisory reports, being able to carry out short-term and long-term planning... technical and managerial skills in preparing reports for SMEs in Serang City which describe business conditions so that knowing the progress or setbacks that occur, making accurate and timely decisions that can be accounted for to management and the most important thing is to understand fundamentally the meaning of profit or loss obtained from achieving results.

The ability to prepare reports is carried out by SMEs managers with intensive assistance from the Department of Cooperatives, SMEs, Industry and Trade. Regarding the preparation of financial reports based on SAK ETAP, financial reports are simpler and more flexible so that SME managers can understand and apply them. The ability to prepare these reports influences the performance of SMEs, managers find it easier to determine the right direction for decision making, for example SMEs no longer focus only on increasing production but instead look at sales or consumer results. request that SMEs can minimize unsold products which will cause losses for SMEs. With this capability, managers can see SME capital, help prepare budgets according to needs. and can help make decisions on the flow of capital used, such as personal capital, credit receipts and so on. This ability also helps describe the risk management faced by looking at financial reports, including balance sheets, profit and loss, etc.

Apart from that, managers can also see the profits earned, which can be used by managers in making the right decisions whether to add new products or operational activities for SMEs so that they continue to grow. This research is in line with [10] which states that the ability to prepare financial reports has a positive influence. on SME performance.

The Effect of Ability to Prepare Reports on Financial Literacy

Based on test results using PLS, the ability to prepare financial reports has no effect on financial literacy. achieve prosperity.

The ability to make reports according to [11] if SMEs want their business to develop, they must be able to record and record transactions well, honestly follow financial standards so they can know some of the benefits that will be obtained. The ability to prepare financial reports in question is intellectual ability. Intellectual ability here is the ability to carry out a whole series of mental activities by carrying out each activity [12]. Financial reports are an important factor because they provide important information for SMEs, regarding company performance, changes in capital structure and financial position during a certain period. This important information can be a basis for stakeholders to make decisions regarding their strategy [13].

Financial literacy is very necessary to support the development of SMEs, so that the more managers who are aware of financial literacy, the recording of SME operational transactions will also increase. Managers also need knowledge of the importance of good financial literacy so they can manage their finances well and manage income. However, the situation is different with SMEs in Serang City, with training or assistance in using SAK ETAP, managers can understand and apply it, but only financial reports are prepared based on SAK ETAP, while managers do not understand and apply everything about financial reports. other than SAK ETAP. The results of interviews with managers show that not all managers understand the importance of reading financial reports in general, managers can apply financial reports based on SAK ETAP and still need assistance and training. and in some SMEs, only certain people (those who take part in training and mentoring) understand the preparation of financial reports, while other managers (for example divisions other than the finance department) do not understand it, and do not even have awareness of financial literacy in simple and general terms. This causes managers to make no progress in developing knowledge of preparing financial reports.

The Influence of Financial Literacy on SMEs Performance

Based on the results of the PLS test, the financial literacy variable affects the performance of SMEs. According to Wicaksono (2015: 86) in [14] research, it was stated that. Financial literacy is an understanding of financial products and concepts with the help of information and advice, as the ability to identify and understand financial risks to make the right financial decisions.

The higher the level of financial literacy owned by a business actor, the better his ability to manage a business with the right business decisions so that this can also help to realize business continuity. Business managers with adequate financial knowledge can bring SMEs to survive even during a crisis and tend to have long-term sustainability and make the right decisions[15].

There is a close relationship between financial management ability and performance experienced by actors in the business. Logically, this relationship can occur in business actors who have literacy and Adequate finance tends to be able to realize increased performance and sustainability, in business because they can strategically analyze and respond to changes in the economic climate, finance, and business so that the policies pursued will create innovative solutions and better directed.

Financial literacy is a person's process of acquiring knowledge, skills and self-confidence which influences individual attitudes and behavior in improving the quality of decision making and financial management to achieve prosperity. The awareness that managers have regarding the use of SAK ETAP influences performance such as product demand needs, placement of workers both in production and product liaison with partners, knowing the income earned so they can manage finances optimally, and being able to evaluate the overall operational process of SMEs that the decisions taken

by managers are more appropriate. This is in line with research conducted by [16] which states that financial literacy has a positive effect on SME performance.

The Ability to Prepare Reports on SMEs Performance Mediated by Financial Literacy

Based on the test results using the Sobel test, the ability to prepare financial reports does not affect the performance of MSMEs which is mediated by financial literacy. According to [18] the ability to prepare financial reports can determine success or failure in carrying out business activities. Failure to properly record accounting and financial reporting, as well as assessing the operational performance of SMEs is difficult. The ability to prepare financial reports owned by SMEs is focused on using SAK ETAP, due to training or assistance carried out by related agencies, while awareness of financial literacy, in general, cannot be implemented by managers, such as literacy on the cost of buying additional building assets, knowledge about management of debts or loans to remain stable, monitoring expenditures to remain effective and efficient, and knowledge of financial planning for the next period. So SMEs managers still focus on financial reports based on SAK ETAP and product productivity and are not yet optimal in making overall decisions.

4. CONCLUSION

The ability to prepare financial reports based on SAK ETAP has a positive influence on SMEs performance. The ability to prepare reports does not affect financial literacy. Financial literacy influences the performance of SMEs and the ability to prepare financial reports does not influence the performance of SMEs which is mediated by financial literacy. For further development, researchers can sample and add other independent variables such as understanding, organizational culture, and training.

Disclaimer

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