



# Factors Affecting The Making Ability Of SME Financial Report In The Office Of Cooperatives And Smes In Medan

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## ABSTRACT

This research was conducted at the Department of Cooperatives and SMEs Medan with the aim of research to determine the Factors affecting the making ability of SMEs financial reports in the office of cooperatives and SNEs in Medan. The factors that are being used in this research are the education level, socialization and information, knowledge of accounting, business size, and its length of time. Author is using the quantitative descriptive research type in this research. The population refers to the 3,637 SMEs and samples that were took is a total of 100 respondents. Data collection techniques that are being used here is surveys and data analysis techniques with multiple linear regression, classic assumption test, and test the feasibility. The results of this study showed that education level does not significantly affecting the making ability of SMEs financial report. While socialization and information, accounting knowledge, and size of the business and its length of time do have a significant effect on the Department of Cooperative SME Medan.

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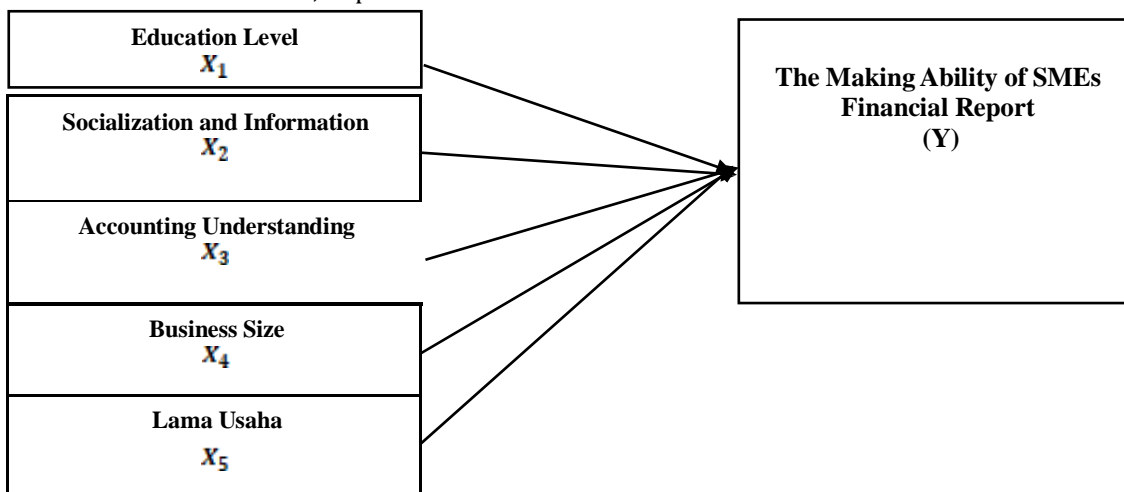
## I. Introduction

The SME sector in general plays a role in creating jobs, encouraging economic growth and accelerating income distribution through business opportunities. In Indonesia, a regulation has been set that requires small businesses to keep good accounting records, namely Government Regulation of the Republic of Indonesia Number 17 of 2013 concerning the implementation of Law Number 20 of 2008 concerning Small and Medium Enterprises (SMEs). Despite the rules being officially established, the reality is that there are still many SMEs who do not keep accounting books in accordance with standards. There are several factors that affect the ability to prepare financial reports, according to Tuti and Dwijayanti (2014), things that affect the preparation of financial reports are socialization and information, educational background, education level, business size and its length of time. Researchers in this study used the factors of Education Level, Socialization and Information, Accounting Knowledge, Business Size and Its Length of Time in relation to the Making Ability of Financial Reports.

Based on Law Number 20 of 2008 concerning Small and Medium Enterprises. The following is an illustration of the contents of Law Number 20 of 2008. Small Business is a productive economic business that stands alone, which is carried out by individuals or business entities that are not subsidiaries or not branches of companies that are owned, controlled, or become a part either directly or indirectly of a medium or large business that meets the small business criteria as referred to in this Law. 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 part either directly or indirectly with Small Businesses or large businesses with total net assets or annual sales proceeds as regulated in this Law.

Financial report is a source of information needed as a tool to assess the success of management, it is also expected to be able to provide information about the progress and development of a company. In addition, financial reports are important because they also provide input (information) which includes balance sheets, income statements and other financial reports that can later be used by many parties such as investors, potential investors to the company's management itself for making a decision (Munawir, 2010)

The purpose of financial report, according to Kasmir (2014), is to provide information about the types and amounts of assets (assets) currently owned by the company, to provide information about the types and amounts of liabilities and capital currently owned by the company, to provide information about the types and amounts of income. obtained in a certain period, provides information about the amount of costs and types of costs incurred by the company in a certain period, provides information about changes that occur to the assets, liabilities and capital of the company, provides information about the notes to the financial statements, information other finance. Hereby presented the conceptual framework this research has, as pictured below:



**Figure 1.** Conceptual Framework  
**2. Research Methods**

### 2.1 Type of Research

This research used a quantitative descriptive method, the method of research that is based on the philosophy of positivism, used to examine a particular population or sample. The technique of sample-taking in general carried out randomly, collection of data is using the instruments of research, analysis of the data is quantitative/statistical with the purpose to test the hypotheses that have been set (Sugiono, 2012). This research was conducted at the Department of SME Cooperatives Medan City in Gen. Gatot Subroto Km.7,7 Medan. This research used the primary data for its data source, namely data obtained directly from the object under study without using research intermediaries (Soewadji, 2012:147). In this study, the primary data was presented in the form of a questionnaire containing statements to discuss the problems being studied.

### 2.2 Research Population and Sample

The total population in this research was 3,637 SMEs, in which the sample size is being calculated using the Slovin technique. The Slovin Formula for determining the sample is as follows:

$$= \frac{N}{1 + n (e)^2}$$

Description:

N = Population size

n = Sample size/ number of respondents

e = Percentage of allowance for accuracy of sampling error that can still be tolerated; e= 0.1

Therefore, to find out the research sample, with the following calculations:

$$= \frac{N}{1 + n (e)^2}$$

$$= \frac{3.636}{1 + 3.636 (10)^2}$$

$$= \frac{3.636}{37,37}$$

$$= 97,32$$

97,32 = adjusted by the researcher to become 100 responden

### 2.3 Research Data Analysis Technique

The data analysis technique that is being used here is the application of the *Statistical Package for the Social Sciences* (SPSS). The data analysis the researcher used was a data quality test consisting of the validity test and the reliability test. Next on, the classical assumption test is being carried out, consisting of the normality test, multicollinearity test, and heteroesdasticity test. The testing of hypotheses is being carried out by using the multiple linear regression analysis to prove the extent of the influence on Education level (X<sub>1</sub>), Socialization and Information, (X<sub>2</sub>), Accounting Understanding (X<sub>3</sub>), Business Size (X<sub>4</sub>), Business Length of Time (X<sub>5</sub>), and The Making Ability of SMEs Financial Report (Y).

## 3. Results And Discussion

### 3.1 Hypothesis Testing

#### a. Validity Test

The data analysis that was being used, firstly, is by the validity test of the distributed questionnaires. The following table shows the validity of each questionnaire item for each variable.

**Table 1.** Research Result of Variable Validity Test

Variabel	r count	r table	Description
<b>Education Level (X<sub>1</sub>)</b>			
X1.1	0,776	0,361	Valid
X1.2	0,822	0,361	Valid
X1.3	0,726	0,361	Valid
<b>Socialization and Information (X<sub>2</sub>)</b>			
X2.1	0,865	0,361	Valid
X2.2	0,944	0,361	Valid
X2.3	0,822	0,361	Valid
X2.4	0,811	0,361	Valid
<b>Accounting Understanding (X<sub>3</sub>)</b>			
X3.1	0,943	0,361	Valid
X3.2	0,972	0,361	Valid
X3.3	0,968	0,361	Valid

Variabel	$r_{\text{count}}$	$r_{\text{table}}$	Description
X3.4	0,908	0,361	Valid
<b>Business Size (X<sub>4</sub>)</b>			
X4.1	0,548	0,361	Valid
X4.2	0,605	0,361	Valid
X4.3	0,634	0,361	Valid
<b>Business Length of Time (X<sub>5</sub>)</b>			
X5.1	0,843	0,361	Valid
X5.2	0,843	0,361	Valid
<b>The Making Ability of SMEs Financial Report (Y)</b>			
Y1	0,854	0,361	Valid
Y2	0,887	0,361	Valid
Y3	0,855	0,361	Valid

Source: (Data Processes by Researcher, 2019)

Based on the table 1 above, it can be seen that the results of the validity test of the variables of Education level (X<sub>1</sub>), Socialization and Information, (X<sub>2</sub>), Accounting Understanding (X<sub>3</sub>), Business Size (X<sub>4</sub>), Business Length of Time (X<sub>5</sub>), and The Making Ability of SMEs Financial Report (Y) is valid because the Corrected Item-Total Correlation *Corrected Item-Total Correlation* ( $r_{\text{count}} > r_{\text{table}}$  (0,361) at a significance level of 5%.

#### b. Reability Test

The next analysis is a reliability test to determine whether the variables used are reliable:

**Table 2.** Research Variable Reliability Test Results

Variable	Cronbach's Alpha	Description
Education Level	0,883	Reliable
Socialization and Information	0,939	Reliable
Accounting Understanding	0,979	Reliable
Business Size	0,727	Reliable
Business Length of Time	0,914	Reliable
The Making Ability of SMEs Financial Report	0,930	Reliable

Source : (Data Processed by Researcher, 2019)

From the Table 2, it can be concluded that the test results of all research variables have Cronbach's Alpha values ( $r_{\text{count}} > r_{\text{table}}$  (0,70). Therefore, the whole statements are suitable for use in this research, because the test result for the 6 variables is reliable.

#### c. Descriptive Statsitcal Analysis Results

There are 100 samples that were composed of SMEs assisted by the Department of Cooperatives and SMEs Medan. Analysis of statistics descriptive that is presented in the study of this include the Minimum Value, Maximum Value, Mean (M) and Standard Deviation (SD). Hereby is the result of the analysis of statistics descriptive of the data of research:

The following is the result of the analysis of statistics descriptive of the data of research were processed

**Table 3.**  
Descriptive Statistics of Research Variables  
Descriptive Statistics

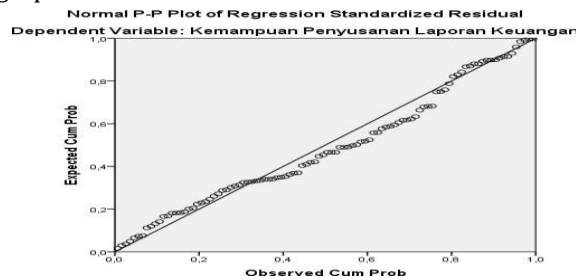
	N	Minimum	Maximum	Mean	Std. Deviation
Education Level	100	3	12	8,79	1,871
Socialization and Information	100	4	13	9,29	1,748
Accounting Understanding	100	4	14	9,17	1,918
Ukuran Usaha	100	3	12	8,72	1,706
Business Size	100	3	8	6,63	1,169
The Making Ability of SMEs Financial Reports	100	4	12	9,49	1,636
Valid N (listwise)	100				

Source : (Data Processed by Researcher, 2019)

d. Classic Assumption Test

1. Normality Test

In research it , test for normality is done by using a test of normality plot by looking at the graph of P-Plot and the testing of Kolmogorov o v-Smirnov Test. The following is an image of the P-Plot Sub-structure I graph.



Source : (Data Processed by Researcher, 2019)

**Figure 2.** P-Plot Normality Test Results

In addition, researchers conducted a statistical test using the *Kolmogorov-Smirnov Test* . The criteria for decision making with the *Kolmogorov-Smirnov* statistical test is if it has a significance value  $>0.05$ , it can be said that the data is distributed normally . The results of the *Kolmogorov-Smirnov* statistical test are as follows:

**Table 4.**  
Normality Test Results with the Kolmogorv-Smirnov Method  
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		100
Normal Parameters <sup>a,b</sup>	Mean	0E-7
	Std. Deviation	,68216024

Most Extreme Differences	Absolute Positive	,084
	Negative	-,049
Kolmogorov-Smirnov Z		,844
Asymp. Sig. (2-tailed)		,474

a. Test distribution is Normal.

b. Calculated from data.

Source : (Data Processed by Researcher, 2019)

Table 4 shows that the value of *asymp. Sig (2-tailed)* was at 0,474, so it can be concluded that the data distribution is normal because it has a value of significance  $> 0,05$ .

#### e. Multicollinearity Test

**Table 5**  
Multicollinearity Test Results  
Coefficients<sup>a</sup>

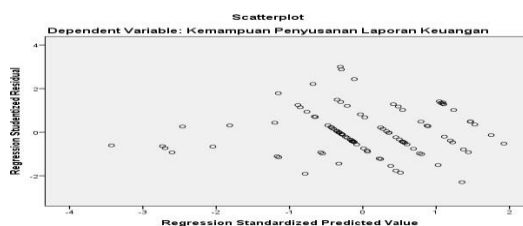
Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
1 Education Level	,343	2,919
Socialization and Information	,234	4,273
Accounting Understanding	,224	4,457
Business Size	,409	2,444
Business Length of Time	,372	2,686

a. Dependent Variable: The Making Ability of SMEs Financial Report

Source : (Data Processed by Researcher, 2019)

From the Table 5, it can be seen that the value of VIF for the free variable is much smaller than 10 ( $VIF < 10$ ), and the value of tolerance close to 1. So it can be concluded that the data are free from the multicollinearity symptoms.

#### f. Heteroscedasticity test



Source : (Data Processed by Researcher, 2019)

**Figure 3.** Scatterplot Statistic Test Result

Figure 3 shows that the dots spread on top and at the bottom, or around the number 0, and the spread of the dots, do not form a wavy pattern. Thus, it can be concluded that the data being used are free of heteroscedasticity symptoms. The following is the table result of the Glejser test on this result.

**Table 6.**  
Heteroscedasticity Test Result Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	,472	,268		1,761	,082
Education Level	,000	,039	-,002	-,011	,991
Socialization and Information	,088	,051	,357	1,727	,087
Accounting Understanding	-,036	,048	-,161	-,762	,448
Business Size	-,077	,040	-,305	-1,948	,054
Business Length of Time	,037	,061	,099	,604	,548

a. Dependent Variable: AbsUt

Source : (Data Processed by Researcher, 2019)

Based on the Table 6, it can be seen that the value of sig for the variable of Education Level, Socialization and Information, Accounting Knowledge, Business Size and Its Length of Time is more substantial than 0.05 (sig>0.05), so it can be concluded that the data in the study of this research not found any symptoms of heteroscedasticity

g. Multiple Linear Regression

**Table 7.**  
Multiple Linear Regression Test Results Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	,804	,436		1,843	,069
Education Level	,072	,064	,082	1,119	,266
Socialization and Information	,259	,083	,277	3,110	,002
Accounting Understanding	,230	,077	,270	2,973	,004
Business Size	,195	,064	,203	3,019	,003
Business Length of Time	,278	,099	,199	2,817	,006

a. Dependent Variable: The Making Ability of SMEs Financial Report

Source : (Data Processed by Researcher, 2019)

From the Table 7, on the testing of regression linear multiple, can be presented equation regression linear multiple, namely :

$$Y = 0,804 + 0,072X_1 + 0,259X_2 + 0,230X_3 + 0,195X_4 + 0,278X_5$$

h. t Test

The following is the result of the partial test analysis (t test) which are presented in the following table :

**Table 8.**  
Partial Test Results Coefficients<sup>a</sup>

Model	Standardized Coefficients		t	Sig.
	Beta			
1 (Constant)			1,843	,069
Education Level		,082	1,119	,266
Socialization and Information		,277	3,110	,002
Accounting Understanding		,270	2,973	,004
Business Size		,203	3,019	,003
Business Length of Time		,199	2,817	,006

a. Dependent Variable: The Making Ability of SMEs Financial Report

Source : (Data Processed by Researcher, 2019)

Based on the Table 8 above, it can be explained that:

- The Education Level variable has a value of  $t_{count}$  that is bigger than  $t_{table}$ , which is  $1,119 < 1,986$  with a significant value being  $0,266 > 0,05$  thus it can be concluded that the education level doesn't have a significant effect on the making ability of financial report
- The socialization and Information Variable has a value of Variabel  $t_{count}$  that is bigger than  $t_{table}$  which is  $3,110 > 1,986$  with a significant value being  $0,002 < 0,05$  thus it can be concluded that socialization and information has a significant value towards the making ability of financial report.
- Accounting understanding variable has a value of  $t_{count}$  that is bigger than  $t_{table}$  which is  $2,973 > 1,986$  with a significant value being  $0,004 < 0,05$  hence it can be concluded that accounting understanding has a significant value towards the making of financial report.
- Business Size variable has a value of  $t_{count}$  that is bigger than  $t_{table}$  yaitu  $3,019 > 1,986$  with a significant value being  $0,003 < 0,05$  hence it can be concluded that business size has a significant effect on the making ability of financial report.
- Business Length of Time has a value of  $t_{count}$  that is bigger than  $t_{table}$  which is  $2,817 > 1,986$  with a significant value being  $0,006 < 0,05$  hence it can be concluded that business length of time has a significant value on the making ability of financial report.

#### i. F Test (Simultaneous Test)

**Table 9.**  
Simultaneous Test Result (F Test) ANOVA<sup>a</sup>

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	218,921	5	43,784	89,338	,000 <sup>b</sup>
Residual	46,069	94	,490		
Total	264,990	99			

a. Dependent Variable: The Making Ability of Financial Report

b. Predictors: (Constant), Business Length of Time, Socialization and Information, Business Size, Accounting Understanding, Education Level.

Source : (Data Processed by Researcher, 2019)

Based on Table 9, the calculated F value is 89.338 with a significant level of 0.000. While the F table at the 95% confidence level ( $\alpha = 0.05$ ) is 2.31. Therefore, in the calculation of F count ( $89.338 > F$  table (2.31)). It shows that the education level, socialization and information, accounting understanding, business size, and its length of time effect is simultaneously or concurrently to the ability of the

preparation of reports finances. In addition, the significant value of the F test is  $0.000 < 0.05$ , indicating that the model can be accepted for the Goodness of Fit Model test.

j. Coefficient of Determination (R<sup>2</sup>)

This test was conducted to determine how big is the effect of the variable of the education level, socialization and information, accounting understanding, business size, and its length of time on the dependent variable, namely the making ability of financial report. Hereby is presented the results of testing of the coefficient of determination in the table below is:

**Table 10.**  
Coefficient of Determination Test Result Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,909 <sup>a</sup>	,826	,817	,700

Table 10 shows that the value of the coefficient of determination (Adjusted R Square) is 0, 817 or 81.7 %, which means that the effect of variable of education level, socialization and information, accounting understanding, business size, and business length of time on the making ability of financial report is at 81,7 %, while the remainder 18.3 % can be affected by other variables that was not examined in this study.

**4.2 Discussion**

1. The effect of Education Level on The Making Ability of SMEs Financial Report, Results of the study showed that the education level does not have a significant effect to the making ability of financial report. Which means that the education level has a less important effect to the making ability of financial report, according to the respondents.
2. The effect of Socialization and Information on The Making Ability of SMEs Financial Report, Results of the study showed that the socialization and information does have a significant effect to the making ability of financial report.
3. The effect of Accounting Knowledge on The Making Ability of SMEs Financial Report, Results of the study showed that the accounting knowledge has a positive and significant effect to the making ability of financial report. Which means that if there's a good accounting understanding of the business owner, then it would increase the making ability of SMEs financial report.
4. The effect of Business Size on The Making Ability of SMEs Financial Report, Results of the study showed that the business size has a positive and significant effect to the making ability of financial report. Based on the study, it can be concluded that SMEs as the sample of this study are SMEs with a small scale (domestic industry. Hence it is still relatively easy for the business owner in forming the financial report. But if their business is keep growing, then the business owner will also required to be competent and able to handle their financial report really well, based on the standards that have been determined.
5. The effect of Business Length of Time on The Making Ability of SMEs Financial Report Results of the study showed that the business length of time has a positive and significant effect to the making ability of financial report. Based on the study, it can be concluded that the longer the business, the better its making ability towards the financial report will be The length of the business or often referred to as the age of the business is the amount of time taken by the business in running its business, to show its competitive ability or the age of the SME since the business was established until the time the researcher conducted this research. The longer the business runs, it will result in significant business developments in a positive or negative direction. Businesses that have an established age are more able to compete with other SME businesses or actors.
6. The simultaneous effect of Education Level, Socialization and Information, Accounting Understanding, Business Size, Business Length of Time on The Making Ability of SMEs Financial Report Result of this study showed that the education level, socialization and information,



accounting understanding, business size, and business length of time are simultaneously affecting the making ability of financial reports, positively and significantly.

#### 4. Conclusion

Based on the results of testing and discussion of research that has been carried out by researchers, the following conclusions can be conveyed: The results of the study indicate that the level of education has an insignificant effect on the ability to prepare financial statements. The results showed that socialization and information had a positive and significant influence on the ability to prepare financial statements. The results of the study indicate that accounting understanding has a positive and significant influence on the ability to prepare financial statements of SMEs. The results showed that the size of the business has a positive and significant effect on the ability to prepare financial statements. The results showed that the length of business has a positive and significant impact on the ability to prepare financial statements.

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