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Factors Influencing the Accounting Recording of Micro, Small, and Medium Enterprises in East Bolaang Mongondow Regency

Radita Rizal Mubarak

Johny Manaroinsong

Miryam P. Lonto*

Accounting Department, Faculty of Economics and Business, Universitas Negeri Manado, Indonesia

*Corresponding Author: miryamlontoh@unima.ac.id

ABSTRACT

This study aims to examine the factors that influence financial records in Micro, Small, and Medium Enterprises (MSMEs) in East Bolaang Mongondow Regency. This research is quantitative with a survey method. The population of this study was 3061 SMEs, with a sample size of 342, using a simple random sampling technique. The data were analyzed using linear regression. The results showed that a good understanding of accounting and perceptions of the benefits of accounting had an effect on MSME financial records, while herding behavior had no effect on MSME financial records. This research has implications for MSME actors to further strengthen relations between fellow business actors so that they can exchange experiences about the businesses they run and make good and correct financial records.

Keywords: herding behavior; financial recording of MSMEs; perception of accounting benefits; understanding accounting

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INTRODUCTION

The word "accounting" comes from the English verb "to account" which means to calculate or account for something that has to do with a company's financial management and its owner's trust in the manager to carry out the company's activities.

Financial accounting, according to Jansrol and Khadijah (2021), is the process of producing information for users, typically those who are interested in financial statements.

MSMEs are organizations that are generally carried out by individuals and groups. MSMEs play an important role in creating jobs. Because of the importance of the role of MSMEs, June 27 is commemorated as Micro, Small, and Medium Enterprises Day which is directly declared by the UN General Assembly. The MSME Day proves that MSMEs are very helpful in supporting the global economy. Data from World Bank shows that the number of MSMEs worldwide reaches 90% of all business actors in the world (Laheba & Bacillius, 2022).

Based on initial observations from researchers on several MSMEs in East Bolaang Mongondow Regency shows that some MSMEs do not carry out financial records in their business operations. This is due to a lack of understanding of financial records in their businesses.

A lack of knowledge in recording financial positions in MSMEs will hinder the progress of a business in supporting a capital lending activity in a bank financial institution. It indicates MSME owners have difficulty compiling financial records due to a lack of knowledge in preparing financial statements. Moreover, one of the factors that affect MSMEs in financial recording is accounting benefits. A financial recording is very important for businessmen because accounting is very beneficial to the continued success of a business.

One of the problems faced by MSMEs in their business is regarding financial recording and reporting which is closely related to accounting. In its implementation, many MSMEs have not applied financial information to their business and have not applied accounting records because of the lack of understanding and perceptions that complicate work (Simanjuntak, Sumual, & Bacillius, 2020).

Accounting benefits and knowledge are two factors that limit MSME actors' ability to compile financial records. Accounting activities are essential for MSME entrepreneurs. Accounting can provide many benefits for business actors.

The reasons why MSME actors lack knowledge and ability in the financial recording process are they do not have adequate accounting knowledge. Furthermore, many of them do not know the importance of financial records in a business. Sofiah and Munarti (2014) revealed the majority of Indonesian MSME actors do not understand financial records. They consider financial recording not too important to do. It causes a lack of awareness among business actors about the significance of financial records.

Despite the importance of financial records, the tendency to imitate someone's behavior often occurs in the surrounding community. Thus, individuals who have been a part of community groups for a considerable amount of time have a significant impact on how they act (Andhika & Damayanti, 2017). This occurs as a result of subjective habits, specifically a person's perception of social pressure to perform or not perform certain behaviors, also known as herding behavior. Herding behavior is the tendency of individuals to imitate the actions of a larger group of people (Subash, 2012). Herding behavior in MSMEs can be addressed by making financial records if other MSME actors make financial records, or vice versa. This happens because individuals have limitations in thinking due to the individual's inadequate abilities and lack of information obtained. Andhika and Damayanti (2017) stated that herding behavior has a positive effect on the willingness of business actors to financial records. Therefore, with the herding behavior of MSME actors, they will be influenced to carry out financial records that follow other MSME actors who have carried out financial records before.

The research variables used are herding behavior regarding the behavior of someone to follow the behavior of other people or groups in financial recording in MSMEs and adding research that adds factors to understanding accounting and the benefits of accounting in financial recording in MSMEs.

This study aims to determine whether accounting understanding affects financial recording in MSMEs in East Bolaang Mongondow Regency, whether the perception of accounting benefits affects financial recording in MSMEs in East Bolaang Mongondow Regency, whether herding behavior affects financial recording in MSMEs in East Bolaang Mongondow Regency.

According to research by Andhika and Damayanti (2017), the more often individuals interact with fellow SME entrepreneurs who compile financial records, the more it will increase and grow the intention of SME entrepreneurs to carry out accounting records. According to research by Sulistyowati (2017), MSMEs in Malang City are not ready to record financial reporting because most MSME actors do not understand Financial Accounting Standards (SAK). According to research by Savitri and Saifudin (2018), the results of this study show the absence of accounting records in micro, small, and medium enterprises in Mr. Pelangi Semarang. The financial record made is still very simple and is only related to the purchase of raw materials and some of their expenses.

The Influence of Accounting Understanding on the Preparation of Financial Records in MSMEs

MSME owners who have the understanding to prepare financial statements properly and by applicable guidelines can find out their business conditions (whether there is progress or setbacks) can make business decisions appropriately, can understand the meaning of profits or losses obtained, then can conduct performance evaluations to enhance MSME operational performance. According to Whetyningtyas and Mulyani (2016), a good understanding of financial records will influence MSME owners in compiling financial records. It indicates that the need for Micro, Small, and Medium Enterprises (MSMEs) is synonymous with a lack of understanding to run financial records properly in business. A lack of knowledge in financial recording automatically prevents them from carrying out financial recording activities. The results of previous empirical studies found that the level of understanding of accounting had a positive effect on accounting records based on EMKM financial accounting standards (Pardita, Julianto, & Kurniawan, 2019). Based on this description, the hypotheses in this study are:

H1: There is an influence of accounting understanding on preparing financial records in MSMEs.

The Effect of Perceived Benefits of Accounting on the Preparation of Financial Records in MSMEs

Financial recording activities are crucial for SME entrepreneurs. This is due to the benefits that accounting records can give a significant impact on SME entrepreneurs' ability to maintain their businesses over time. According to Wahyudi (2009), there an influence of accounting benefits on the preparation of financial records. It is also in line with the research findings of Failian and Diptyana (2012) that revealed the more MSMEs feel the benefits of accounting, the more it will influence MSMEs in compiling financial records. This indicates that the advantages of accounting in the form of financial records are very beneficial to MSMEs because MSME owners use accounting as a tool for decision-making. Financial records can be used to measure and communicate company financial information that is needed by management in formulating various decisions to solve the problems faced. Based on this description, the hypotheses in this study are:

H2: There is an influence of accounting benefits on preparing accounting records for MSMEs.

The Influence of Herding Behavior on the Preparation of Accounting Records in MSMEs

Herding behavior can occur when someone is about to start a business being run. UMM entrepreneurs in starting their business not only learned about the production process from relatives/friends who had previously started it, but also learned how to record accounting in the business. In addition, the existence of associations with other SME entrepreneurs is also a factor that causes herding behavior. Interaction with other SME entrepreneurs who have made accounting records will result in an exchange of information about the business being run. The exchange of information from one individual to another will increase knowledge of certain situations that have an impact on decision making, which is caused by information that is not fully available (Tandelilin, Hartono, & Hanafi, 2013).

Business owners in preparing financial records may be influenced by herding behavior, which is the tendency of individuals to imitate the actions of a larger group of people (Subash, 2012). Andhika and Damayanti (2017) in their research found that herding behavior has a positive effect on the willingness to make financial records. This means that with the herding behavior of MSME entrepreneurs will be influenced to compile financial records. The more often MSME entrepreneurs interact with fellow MSME entrepreneurs who make financial records, the more it will improve and grow the preparation of financial records for the MSME owners. Based on this description, the hypotheses in this study are:

H3: There is an influence of herding behavior on the preparation of accounting records for MSMEs.

RESEARCH METHODS

This study is a quantitative research that was conducted by using explanatory research. Explanatory research is research that intends to explain the position of the variables studied and the relationship between one's variable with another variable. In this study, there are two types of variables, namely the independent variable which is symbolled with X, and the dependent variable which is symbolled with Y. This study used primary data collected by distributing questionnaires to MSME owners in East Bolaang Mongondow Regency.

Perceptions of respondents' accounting benefits and herding behaviour that show accounting understanding were measured using Likert scales of 1 to 5. Number 1 represents strong disagreement, number 2 represents disagree, number 3 represents neutral or doubtful, number 4 represents agree, and number 5 represents strongly agree. To measure financial recording, an ordinal scale was used in which numbers 1 represent "yes" and 0 represent "no."

The researchers collected the population by doing an initial survey at the Cooperative and SME Trade Office. 3061 MSMEs are participating in East Bolaang Mongondow Regency. As a result, there is 342 sample for a population of 3061 with a sampling error rate and a confidence level of 5%. The primary data were collected by distributing the questionnaires as a documentation method.

Multiple regression tests were used to analyse quantitative descriptive statistical data. Multiple regression tests of data are used to test data quality using validation tests and reliability tests. The classical assumption test is carried out to determine whether the regression model used in this study is good or not (Ghozali, 2001). The normality test, multicollinearity test, and heteroscedasticity test were used as the classical assumption test. Multiple regression analysis is used by researchers if researchers intend to predict how the state (up and down) of the dependent variable (criterion) and if two or more independent variables as predictor factors are manipulated (increased and decreased values). Therefore, multiple regression analysis will be carried out if the number of independent variables is at least 2 (Sugiyono, 2018).

The followings are descriptive statistical results with multiple regression test analysis tools using reliability validity test, classical assumption test, normality test, multicollinearity test, heteroscedasticity test and hypothesis test.

Table 1. Respondents' sex test results

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Man	115	33.6	33.6	33.6
	Woman	227	66.4	66.4	100.0
	Total	342	100.0	100.0	

Table 2. Age test results of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<25 years	29	8.5	8.5	8.5
	26-30 years	23	6.7	6.7	15.2
	31-35 years	22	6.4	6.5	21.7
	36-40 years	47	13.7	13.8	35.5
	41-45 years old	83	24.3	24.3	59.8
	46-50 years	91	26.6	26.7	86.5
	51-55 years	26	7.6	7.6	94.1
	56-60 years	15	4.4	4.4	98.5
	61-65 years old	4	1.2	1.2	99.7
	11.00	1	.3	.3	100.0
Total	341	99.7	100.0		
Missing System	1	.3			
Total	342	100.0			

Table 3. Respondents' last education test results

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SD	17	5.0	5.0	5.0
	JUNIOR	121	35.4	35.4	40.4
	SMA	161	47.1	47.1	87.4
	S1	40	11.7	11.7	99.1
	S2-S3	3	.9	.9	100.0
	Total	342	100.0	100.0	

Table 4. Respondents' last education test results

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<10,000,000	309	90.4	90.6	90.6
	11.000.000 - 20.000.000	13	3.8	3.8	94.4
	21.000.000 - 30.000.000	13	3.8	3.8	98.2
	41.000.000 - 50.000.000	3	.9	.9	99.1
	51.000.000 - 100.000.000	3	.9	.9	100.0
	Total	342	100.0	100.0	

	Frequency	Percent	Valid Percent	Cumulative Percent
Total	341	99.7	100.0	
Missing System	1	.3		
Total	342	100.0		

Table 5. Validity test results

Item Component		Matrix Variables
Understanding Accounting	1	0,918
	2	0,883
	3	0,924
	4	0,926
	5	0,861
	6	0,839
	7	0,817
Perception of Accounting Benefits	1	0,960
	2	0,977
	3	0,959
	4	0,877
	5	0,972
Herding Behavior	1	0,906
	2	0,620
	3	0,919
	4	0,655
Accounting Recording	1	0,910
	2	0,888
	3	0,906
	4	0,949
	5	0,976

Table 7. Normality test results

<i>Asymp.Sig. (2-tailed)</i>	0,000
	.

Table 8. Multicollinearity test results

Variable	VIF
Understanding Accounting (X1)	3.382
Perception of Accounting Benefits (X2)	2.960
<i>Herding Behavior</i> (X3)	1.829

Table 9. Heteroscedasticity test results

Variable	Sig.
Understanding Accounting (X1)	.846
Perception of Accounting Benefits (X2)	.670
<i>Herding Behavior</i> (X3)	.418

Table 10. Hypothesis test results/determination coefficient test

<i>Adjusted R. Square</i>	0.803
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Table 11. Partial test result (t)

Variable	t	Sig.
Understanding Accounting (X1)	5.634	.000
Perception of Accounting Benefits (X2)	16.390	.000
<i>Herding Behavior</i> (X3)	.225	.822

Based on the table above, it is known that accounting understanding has a coefficient of 0.254 and t count of 5.634 with a significance (sig) of 0.000. This significance value (sig) is less than 0.05, so it can be concluded that accounting understanding affects MSME financial records. Thus, H1 is accepted or in other words, accounting understanding has a positive effect on MSME accounting records.

Based on the table above, it is known that the perception of accounting benefits has a coefficient of 0.715 and t count of 16.390 with a significance (sig) of 0.000. This significance value (sig) is less than 0.05, so it can be concluded that the perception of accounting benefits affects the financial recording of MSMEs. Thus, H2 is accepted or in other words, the perception of accounting benefits has a positive effect on MSME accounting records.

Based on the table above, it is known that *herding behavior* has a coefficient of 0.012 and t count of 225 with a significance (sig) of 0.822. This significance value (sig) is more than 0.05, so it can be concluded that *herding behavior* does not affect MSME financial records. Thus, H3 is rejected or in other words, *herding behavior* does not have a positive effect on MSME accounting records.

Understanding accounting has a positive effect on MSME accounting records. This finding is in line with previous results from Nahar and Widiastuti (2011), Hanum (2013), Wiratno, Setyaningrum, and Sukirman (2014), and Whetyningtyas and Mulyani (2016) that found understanding accounting affects the financial recording of MSMEs. It implies that a good understanding of accounting will influence MSME owners in compiling financial records. Therefore, it can be concluded that a good accounting understanding greatly affects MSME actors in conducting financial records. The results of this study are also supported by most MSME actors in East Bolaang Mongondow Regency who understand accounting, such as understanding on cash, balance sheet statements, income statements, revenues, production costs, and types of production. MSME owners who have a good understanding of

preparing financial statements and adhere to applicable standards are willing to show the financial condition of their business whether there is progress or setback, can understand the meaning of profit or loss obtained, and can evaluate the financial statements.

The perception of accounting benefits has a positive effect on MSME accounting records. This result is consistent with Wahyudi (2009) which found the benefits of accounting affect the financial records of MSMEs. It is also shown in the result of the research done by Failian and Diptyana (2012) that revealed the more MSMEs feel the benefits of accounting, the more it will influence MSMEs in compiling financial records. It can be inferred that the more useful accounting is, the more it will increase MSME actors carry out financial records in running a business. This result is supported by most MSMEs in East Bolaang Mongondow Regency who feel the benefits of accounting, such as financial records can be useful to know the number of raw material purchases and financial records can be useful to know the amount of production every day.

Herding behavior does not affect MSME accounting records. This is in line with the research results of Gozalie and Anastasia (2015) which show that herding behavior has no significant effect on property investment decisions. It means that the herding behavior of MSME entrepreneurs will not be affected to carry out accounting records. Most MSME actors in East Bolaang Mongondow regency do not interact with fellow MSME entrepreneurs in making accounting records. Hence, herding behavior cannot improve and emerge MSME owners in compiling accounting records in running their businesses.

CONCLUSION

The results of this study show that understanding accounting and the perception of accounting benefits have a positive effect on MSME financial records while herding behaviour does not affect MSME financial records. Understanding accounting has a positive effect that affects MSME owners in compiling financial records. The perception of the benefits of accounting has a positive effect in increasing MSME entrepreneurs to carry out financial records in running their businesses. Herding behaviour does not affect financial records, so MSME entrepreneurs are not influenced to carry out financial records.

Based on the results and discussion of the study, several suggestions are recommended by the researchers. MSME actors in East Bolaang Mondongow can strengthen their relationships with fellow business actors. Thus, they can exchange experiences about the businesses they run. Doing it will help them in making good and correct financial records that can also increase their skills and knowledge to make financial statements that are under applicable regulations. As a result, they can easily make funding loans at banking financial institutions. The Department of Trade, Cooperatives, Small, and Medium Enterprises of East Bolaang Mongodow Regency can socialize the importance of financial records under applicable standards so that all MSME actors in East Bolaang Mongondow can easily make financial records of their businesses. Other researchers can examine further factors affecting MSME accounting recording to re-evaluate the development of accounting understanding, perceptions of accounting benefits, and herding behaviour in financial records.

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