

Strengthening MSME Financial Reports: The Influence of Accounting Knowledge and Education, Moderated by SAK EMKM Socialization

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Abstract

This study investigates the influence of Accounting Knowledge and Education on the quality of MSME financial reports, focusing on the moderating role of SAK EMKM Socialization (Indonesian Financial Accounting Standards for Micro, Small, and Medium Enterprises). Using survey data collected from MSME operators, the research reveals that accounting knowledge has a strong positive relationship with financial reporting quality. Education also plays a positive but weaker role, suggesting significant potential for improvement. The study finds that the socialization of SAK EMKM significantly improves the quality of MSME financial reports but does not moderate the relationship between either accounting knowledge or education and financial report quality. These findings suggest that education and accounting knowledge are fundamental in improving MSME financial reporting practices, while SAK EMKM socialization is more effective for MSMEs with limited financial literacy. This research highlights the need for tailored training programs and socialization efforts to address the specific needs of MSMEs, ensuring that all operators, regardless of educational background, can produce high-quality financial reports in line with established standards.

Keywords:

Accounting Knowledge

Education

MSME Financial Reports

Abstrak

Penelitian ini mengkaji pengaruh Pemahaman Akuntansi dan Tingkat Pendidikan terhadap kualitas laporan keuangan UMKM, dengan fokus khusus pada peran moderasi Sosialisasi SAK EMKM (Standar Akuntansi Keuangan Entitas Mikro, Kecil, dan Menengah). Berdasarkan data survei yang dikumpulkan dari pelaku UMKM, hasil penelitian menunjukkan bahwa pemahaman akuntansi memiliki hubungan positif yang kuat dengan kualitas laporan keuangan, sementara tingkat pendidikan juga berpengaruh positif namun dengan hubungan yang lebih lemah. Penelitian ini menemukan bahwa sosialisasi SAK EMKM secara signifikan meningkatkan kualitas laporan keuangan UMKM secara langsung, namun tidak memoderasi hubungan antara pemahaman akuntansi maupun tingkat pendidikan dengan kualitas laporan keuangan. Temuan ini menyiratkan bahwa pendidikan dan pemahaman akuntansi merupakan faktor fundamental dalam meningkatkan praktik pelaporan keuangan UMKM, sementara sosialisasi SAK EMKM lebih efektif untuk UMKM dengan literasi keuangan yang terbatas. Penelitian ini menekankan pentingnya program pelatihan dan sosialisasi yang disesuaikan untuk memenuhi kebutuhan spesifik UMKM, memastikan bahwa semua pelaku usaha, terlepas dari latar belakang pendidikan mereka, dapat menghasilkan laporan keuangan yang berkualitas sesuai dengan standar yang telah ditetapkan.

Kata Kunci : Pemahaman Akuntansi, Pendidikan, Laporan Keuangan UMKM

INTRODUCTION

This research is crucial for Indonesia's economic and business environment for several reasons. MSMEs significantly contribute to the country's Gross Domestic Product (GDP) and play a pivotal role in job creation, with approximately 97% of the workforce employed in this sector. According to the Ministry of Cooperatives and Small and Medium Enterprises of the Republic of Indonesia, as of 2020, MSMEs contributed around 61.07% to the national GDP, highlighting their importance in the economy (Kementerian Koperasi dan UKM, 2020). However, despite their substantial contributions, many MSMEs face significant challenges regarding financial reporting due to a lack of accounting knowledge and education.

Poor financial reporting can limit MSMEs' access to financing, inhibit growth, and ultimately affect their sustainability. Many MSME owners are unfamiliar with standard accounting practices, leading to inaccurate financial statements and misrepresenting their financial health. Research has shown that sound financial reporting is critical for business success, enhancing transparency,

accountability, and informed decision-making (Beni et al., 2021). This research investigates how improving accounting knowledge and education can enhance the quality of financial reports among MSMEs while highlighting the moderating role of the socialization of SAK EMKM, a set of monetary accounting standards explicitly tailored for micro and small entities (Wulandari et al., 2024).

The need for improved financial reporting in MSMEs has become increasingly apparent, especially after the COVID-19 pandemic, which exposed vulnerabilities within this sector. Many MSMEs could not secure funding or loans due to inadequate financial documentation, leading to a lack of liquidity and business continuity. Additionally, the pandemic accelerated the transition to digital platforms, increasing the demand for transparent and reliable financial reporting (Wulandari et al., 2020)

Government initiatives, such as the "National Movement for Financial Literacy," aim to improve the financial literacy of MSME owners, emphasizing the importance of formal accounting practices. Furthermore, the ongoing socialization of SAK EMKM is critical, as it provides MSMEs with accessible guidelines for financial reporting, enabling them to produce accurate financial statements that meet stakeholders' needs (Direktorat Jenderal Anggaran, 2021). However, despite these efforts, many MSMEs struggle to implement these practices effectively due to a lack of understanding and educational resources (Muslim et al., 2024).

Several studies conducted in Indonesia since 2019 have focused on the critical relationship between accounting knowledge, education, and the quality of financial reporting among MSMEs. For instance, (Sari et al., 2020) Found that MSMEs with owners with higher accounting knowledge were more likely to produce accurate financial statements, improving their access to financing and overall business performance. The study highlighted that basic accounting training significantly enhanced the financial literacy of MSME owners, leading to better financial practices.

Similarly, research by (Putra & Handayani, 2021) Indicated that education positively impacted financial literacy among MSME owners. Their findings revealed that educational programs designed for MSMEs helped owners understand the importance of financial management, resulting in improved financial decision-making and enhanced operational efficiency.

In addition, SAK EMKM has gained recognition for promoting better financial practices among MSMEs. A study by (Ramadhan & Mardani, 2022) Demonstrated that the socialization of SAK EMKM significantly improved the financial reporting capabilities of MSMEs, leading to increased accountability and transparency. This research emphasized that proper implementation of SAK EMKM can bridge the gap between informal and formal accounting practices, strengthening the overall financial reporting framework for MSMEs.

In summary, the proposed research is essential for understanding the factors that influence the quality of financial reports among MSMEs in Indonesia. By examining the interplay between accounting knowledge, education, and the role of SAK EMKM socialization, this study can provide valuable insights for the MSME sector's policymakers, educators, and stakeholders. Enhancing financial reporting quality is vital for fostering economic resilience and growth within Indonesia's MSME sector, which, in turn, contributes to overall national development and sustainability.

METHOD

Research Design and Sample Selection

The research utilizes a cross-sectional survey design, allowing for data collection from MSME owners and managers at a single point in time. This design effectively captures the current state of accounting practices within the MSME sector. A purposive sampling technique will select participants based on specific criteria, including the business size, industry sector, and geographical location. By focusing on micro and small enterprises from various sectors, such as retail, manufacturing, and services, the study aims to ensure a representative sample that reflects the diverse landscape of MSMEs in Indonesia. The population for this study includes all MSME participants in the South Cikarang District registered with the Cooperative and MSME Office of Bekasi Regency, totaling 150 businesses. A sample of 116 was selected using random sampling techniques.

Data Collection Methods

This research utilizes primary data collected through a survey. The data collection instrument is a questionnaire designed to measure the socialization of SAK EMKM, accounting knowledge, and education level in relation to the quality of MSME financial reports based on SAK EMKM. The questionnaire, consisting of written statements, was distributed to MSME participants registered with the Cooperative and MSME Office of Bekasi Regency. Due to the busy schedules of most MSME participants in South Cikarang District, many of whom are workers, the researcher visited them directly to ensure the timely completion of the questionnaires.

Data Analysis

The analysis of the data will occur in two phases. Statistical software such as PLS will perform descriptive and inferential statistics for the quantitative data. Descriptive statistics will summarize the respondents' demographic characteristics and reported financial practices. Multiple regression analysis will then examine the relationships between accounting knowledge, education levels, and financial reporting quality while also analyzing the moderating effect of SAK EMKM socialization. The regression model will help quantify these variables' influence and determine the strength and direction of their relationships.

RESULT AND DISCUSSION

Outer Model

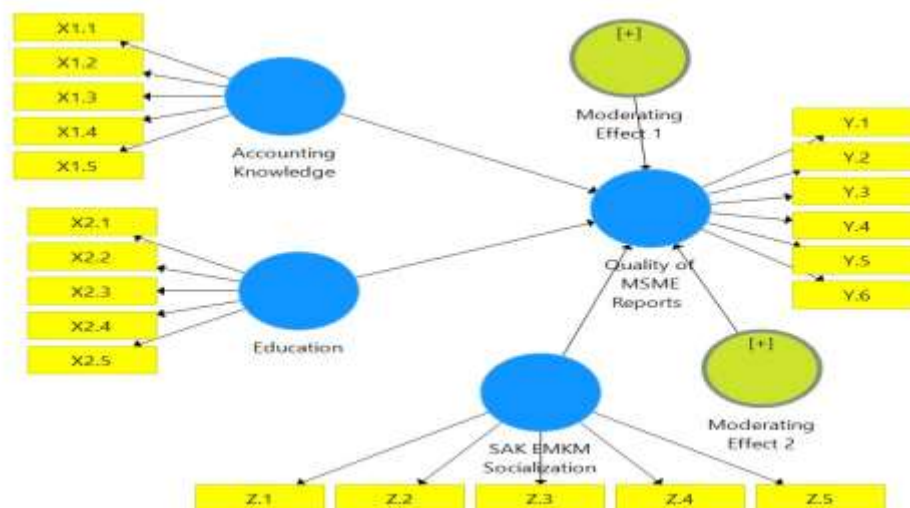


Figure 1. Algorithm Diagram

Here's an explanation of each component in the figure:

1. Latent Variables (Circles)

- **Accounting Knowledge:** This latent variable is represented by the circle on the top left. It is measured by five observable indicators (X1.1 to X1.5), represented by the yellow rectangles. The arrows from the latent variable to these indicators suggest it is a reflective construct, meaning the indicators reflect the underlying construct of accounting knowledge.
- **Education:** Another latent variable on the bottom left, measured by five observable indicators (X2.1 to X2.5). This also follows a reflective model.
- **SAK EMKM Socialization:** Located in the lower middle, this latent variable is measured by five indicators (Z1 to Z5). It represents the socialization of the financial accounting standard for MSMEs (SAK EMKM) and its influence on the study.
- **Quality of MSME Reports:** The central latent variable representing the quality of financial reports produced by MSMEs. It is influenced by Accounting Knowledge and Education and is measured by six indicators (Y1 to Y6).

2. Moderating Effects

- Moderating Effect 1: This is depicted as the green circle on the top right of the central variable. It suggests that some variables, possibly the interaction between accounting knowledge and other factors, moderate the effect on the quality of MSME reports.
 - Moderating Effect 2: The green circle on the bottom right also implies another moderating effect on the relationship between SAK EMKM Socialization and Quality of MSME Reports.
3. Observable Indicators (Rectangles)
- These yellow rectangles (X1.1, X2.1, Z.1, etc.) are the observed variables or indicators used to measure each latent variable. The arrows pointing from the latent variables to the indicators indicate that these indicators are influenced by the latent constructs (reflective model).
4. Relationships Between Variables (Arrows)
- The arrows connecting the latent variables represent hypothesized relationships. For example:
 - Accounting Knowledge influences the Quality of MSME Reports, as shown by the arrow between the two.
 - Education also impacts the Quality of MSME Reports.
 - SAK EMKM Socialization influences the Quality of MSME Reports, and this relationship could be moderated by the Moderating Effect 2.
 - The two green circles labeled Moderating Effect 1 and Moderating Effect 2 suggest that these variables are tested to see whether they strengthen or weaken the relationships between the other constructs and the Quality of MSME Reports.

Convergent Validity

Table 1. Result of Loading Factor

	Accounting Knowledge	Education	Quality of MSME Reports	SAK EMKM Socialization
X1.1	0.781			
X1.2	0.751			
X1.3	0.811			
X1.4	0.829			
X1.5	0.814			
X2.1		0.628		
X2.2		0.610		
X2.3		0.670		
X2.4		0.688		
X2.5		0.627		
Y1			0.669	
Y2			0.655	
Y3			0.679	
Y4			0.667	
Y5			0.722	
Y6			0.718	
Z1				0.637
Z2				0.646
Z3				0.601
Z4				0.687
Z5				0.733

Source: Processed data from Smart PLS

The table above shows that the loading factor values range from 0.60 to 0.70. This suggests that the indicators used in the study have acceptable validity. A loading factor above 0.60 is typically sufficient, indicating that the indicators sufficiently correlate with their respective

constructs. These values demonstrate that the indicators reliably measure the intended constructs, meaning they have passed the validity test and can be considered valid for this research.

Table 2. Average Variance Extracted (AVE)

Construct (Variable)	Average Variance Extracted (AVE)
Accounting Knowledge	0.636
Education	0.594
Quality of MSME Reports	0.550
SAK EMKM Socialization	0.592

Source: Processed data from Smart PLS

Based on the table above, all constructs can be considered valid, as each construct achieves an Average Variance Extracted (AVE) value greater than 0.50. An AVE value above 0.50 indicates that more than 50% of the variance in the indicators is captured by the construct, demonstrating that the construct explains its indicators well and meets the threshold for convergent validity. This means the model is effectively measuring what it is intended to measure.

Reliability Test

Table 3. Composite Reliability dan Cronbach Alpha

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)
Accounting Knowledge	0.857	0.860	0.897
Education	0.715	0.720	0.763
Quality of MSME Reports	0.753	0.759	0.830
SAK EMKM Socialization	0.705	0.614	0.760

Source: Processed data from Smart PLS

Table 3 shows that all constructs have Cronbach's alpha and composite reliability values exceeding 0.70, which indicates strong internal consistency. A Cronbach's alpha value above 0.70 signifies that the items within each construct reliably measure the same underlying concept. Similarly, composite reliability values above 0.70 confirm that the constructs are consistent and free from random error. Together, these results demonstrate that the constructs used in this study are reliable and consistent in capturing the intended variables.

Inner Model

R Square Test (R²)

Tabel 4. R Square (R²)

	R-square	R-square adjusted
Quality of MSME Reports	0.631	0.614

Source: Processed data from Smart PLS

Based on the table above, the R-Square value for the Quality of MSME Reports variable is 0.631. This indicates that the combined influence of Accounting Knowledge, Education, and SAK EMKM Socialization explains 63.1% of the variance in the Quality of MSME Reports. In other words, Accounting Knowledge, Education, and SAK EMKM socialization factors account for a substantial portion of the quality improvements in MSME financial reports, suggesting a strong relationship between these variables and the dependent construct. The remaining 36.9% is influenced by other factors not included in this model.

Path Coefficient

Table 5. Path Coefficient

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Accounting Knowledge -> Quality of MSME Reports	0.385	0.355	0.094	4.085	0.000
Education -> Quality of MSME Reports	0.193	0.225	0.109	0.1763	0.049
SAK EMKM Socialization -> Quality of MSME Reports	0.411	0.403	0.085	4.834	0.000

Source: Processed data from Smart PLS

Here's a breakdown of the table:

Path Coefficient: This is the estimated strength of the relationship between a predictor variable (independent variable) and a criterion variable (dependent variable). It ranges from -1 to 1, with values closer to 1 or -1 indicating stronger relationships.

Original sample (O): This is the original value of the path coefficient calculated from the data.

Sample mean (M): This is the average value of the path coefficient across multiple samples.

Standard deviation (STDEV): This measures how much the path coefficient values vary across the samples.

T statistics: This is a test statistic used to determine the statistical significance of the path coefficient. A higher t-statistic indicates a stronger relationship between the variables.

P values: This is the probability of obtaining a path coefficient as extreme as the observed one, assuming no true relationship exists between the variables. A p-value less than 0.05 is typically considered statistically significant.

In this specific example, the path coefficients show the following relationships:

- Accounting Knowledge has a strong positive relationship with the quality of MSME reports (path coefficient = 0.385, p-value = 0.000).
- Education has a positive relationship with the quality of MSME reports, but it is weaker than the relationship with accounting (path coefficient = 0.193, p-value = 0.049).
- SAK EMKM Socialization has a strong positive relationship with the quality of MSME reports (path coefficient = 0.411, p-value = 0.000).

Overall, the results suggest that accounting and SAK EMKM socialization are essential factors in determining the quality of MSME reports. Education also plays a role, but it is less influential.

Indirect Effect

Table 6. Indirect Effect

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
Moderating Effect 1 -> Quality of MSME Reports	0.055	0.053	0.086	0.642	0.521
Moderating Effect 2 -> Quality of MSME Reports	-0.102	-0.095	0.069	1.492	0.136

Source: Processed data from Smart PLS

In this specific example, the indirect effects show the following relationships:

- Moderating Effect 1 has a weak positive indirect effect on the quality of MSME reports (indirect effect = 0.055, p-value = 0.521). This means the indirect relationship between the predictor variable and the quality of MSME reports.
- Moderating Effect 2 has a weak negative indirect effect on the quality of MSME reports (indirect effect = -0.102, p-value = 0.136). This means the indirect relationship between the predictor variable and the quality of MSME reports.

Overall, the results suggest that the indirect effects of the two moderating variables on the quality of MSME reports are both weak and not statistically significant.

Influence of Accounting Knowledge on the Quality of MSME Reports

Accounting knowledge is crucial in ensuring the quality of financial reports for Micro, Small, and Medium Enterprises (MSMEs). The results of this study show that Accounting Knowledge has a strong positive relationship with the quality of MSME reports, which means that as the level of accounting knowledge among MSME actors increases, the quality of their financial reporting improves significantly. The ability to accurately record, classify, and summarize financial transactions helps MSME owners produce reports that are more compliant with standards and reflect their business performance.

The findings of this study align with previous research conducted in Indonesia, which underscores the importance of accounting knowledge in improving MSME financial reporting quality. Several recent studies have highlighted similar trends: (Harahap & Noviansyah, 2020) researched MSMEs in Palembang and found that a lack of accounting knowledge significantly hinders the quality of financial reports, resulting in discrepancies and inaccuracies. They suggested improved accounting education for MSMEs would lead to more reliable and standardized financial reports. (Savitri & Herlambang, 2019) studied MSMEs in Surabaya. They discovered that MSME actors with a higher accounting understanding were more likely to produce financial reports that adhered to the Financial Accounting Standards for MSMEs (SAK EMKM). They concluded that accounting knowledge is crucial in bridging the gap between informal business practices and formal financial reporting.

The positive relationship between accounting knowledge and the quality of MSME financial reports is consistent with the principles of human capital theory, which posits that investments in education and expertise contribute to improved performance and productivity. In the context of MSMEs, greater accounting literacy enables business owners to understand financial transactions better, resulting in higher-quality reporting.

The findings suggest a need for increased training and education initiatives focused on building accounting skills among MSME actors. This would improve the quality of financial reports and enhance MSMEs' access to external financing and ability to meet regulatory requirements.

Influence of Education on the Quality of MSME Reports

The results of this study show that Education has a positive relationship with the quality of MSME financial reports. However, this relationship is somewhat weaker than the influence of Accounting Knowledge. While education generally contributes to improved financial reporting practices, its impact is not as direct or substantial as specific accounting skills and knowledge. Several studies in Indonesia support the idea that education has a positive, albeit weaker, influence on the quality of MSME financial reports:

(Ramadhani et al., 2020) conducted research in Semarang, finding that while higher education levels improved the overall business management abilities of MSME owners, those with specific training in accounting showed markedly better quality in their financial reports. Their study highlighted that general education provides a foundation, but specialized knowledge in accounting makes a significant difference in reporting quality.

(Wibowo & Utami, 2021) explored the role of education in MSME financial reporting practices in West Java. They discovered that while education helped MSME operators understand the importance of financial documentation, those without accounting-specific education often struggled with technical reporting, suggesting a need for focused training in accounting principles.

The relationship between general education and financial report quality can be explained through human capital theory, which suggests that education enhances an individual's capacity to perform tasks more effectively. However, this effect may be limited in technical domains like accounting, where specialized skills are more critical for producing high-quality financial reports.

The findings indicate that while increasing the general education level of MSME actors can improve financial literacy and reporting practices, targeted accounting training and education are necessary to ensure higher-quality financial reports. MSMEs with owners or managers with specific accounting training will likely perform better in financial documentation, making them more competitive and compliant with regulatory standards.

Influence of SAK EMKM Socialization on the Quality of MSME Reports

The socialization of the SAK EMKM (Indonesian Financial Accounting Standards for Micro, Small, and Medium Enterprises) has a strong positive relationship with the quality of MSME financial reports. The results of this study indicate that when MSME actors are exposed to and understand the guidelines set forth by SAK EMKM, they are more likely to produce financial reports that are standardized, accurate, and transparent. The socialization efforts help ensure that MSMEs adopt and apply proper accounting practices, leading to higher-quality financial reporting. Several recent studies conducted in Indonesia confirm that the socialization of SAK EMKM significantly improves the quality of MSME financial reports:

(Sudirman et al., 2020) researched MSMEs in Makassar and found that businesses participating in SAK EMKM socialization programs markedly improved their financial reporting quality. They were more likely to prepare reports that adhered to standard accounting practices, enhancing their credibility in the eyes of stakeholders such as banks and investors. (Utami & Darmawan, 2021) conducted a study in Denpasar and discovered that MSME owners familiar with SAK EMKM through socialization efforts were better equipped to produce high-quality financial statements. Their findings suggested that socialization significantly reduces the knowledge gap and helps MSME operators comply with financial reporting standards. (Saputri & Firmansyah, 2022) studied the impact of SAK EMKM socialization on MSMEs in Surabaya. They found that the more intensive the socialization efforts, the greater the improvement in the quality of financial reports. MSMEs that attended workshops and received training consistently applied proper financial standards, resulting in more reliable and transparent reports.

The strong relationship between SAK EMKM socialization and the quality of MSME financial reports can be explained by institutional theory, which suggests that organizations, including MSMEs, tend to conform to rules and guidelines (such as SAK EMKM) when these standards are effectively communicated and reinforced. Through socialization, MSMEs internalize the norms and practices of standardized financial reporting, improving their reporting quality.

These findings highlight the importance of continued efforts to socialize the SAK EMKM standards across MSMEs in Indonesia. Government agencies, business associations, and accounting bodies should intensify their efforts to educate MSME owners and managers about the benefits and practical applications of SAK EMKM. Regular workshops, seminars, and outreach programs can significantly enhance this sector's financial reporting quality.

SAK EMKM Socialization moderates the relationship between Accounting Knowledge and the Quality of MSME Reports

The results of this study suggest that SAK EMKM socialization does not have a moderating effect on the relationship between Accounting Knowledge and the quality of MSME financial reports. This means that even though accounting knowledge directly impacts the quality of MSME reports, the socialization of SAK EMKM does not significantly alter or strengthen this relationship. Whether or not MSME actors are exposed to SAK EMKM guidelines does not seem to influence the effectiveness of their accounting knowledge in improving financial reporting quality. However, the following studies provide insights into similar findings: (T. M. Sari & Yudistira, 2020) examined the interaction between financial literacy, accounting knowledge, and SAK EMKM socialization in Yogyakarta. Their results indicated that although MSME operators with higher accounting knowledge produced better financial reports, the socialization of SAK EMKM did not enhance this effect. The researchers concluded that accounting

knowledge alone was sufficient to improve reporting quality, and additional exposure to SAK EMKM standards did not provide further advantages. (Rahman & Wicaksono, 2021) conducted a study in Jakarta that explored whether SAK EMKM socialization moderated the relationship between training in accounting principles and financial reporting quality. They found that while accounting training directly improved report quality, SAK EMKM socialization did not significantly influence this relationship. In other words, businesses that already possessed strong accounting knowledge did not gain additional benefits from SAK EMKM exposure in improving their financial reports.

From a theoretical perspective, the lack of moderating effect can be explained through resource-based theory, which suggests that knowledge and skills are intrinsic resources that directly influence organizational outcomes. If MSME actors already possess strong accounting knowledge, external interventions like SAK EMKM socialization may not be necessary to improve financial reporting quality further. Accounting knowledge is a sufficient internal resource in this context, and external socialization efforts do not significantly add value.

The finding that SAK EMKM socialization does not moderate the relationship between accounting knowledge and MSME financial reporting quality suggests that efforts to improve MSME reports should prioritize enhancing accounting education rather than focusing solely on disseminating SAK EMKM standards. While SAK EMKM is important for MSMEs lacking accounting knowledge, it may not be as effective for businesses with strong internal accounting capabilities.

SAK EMKM Socialization moderates the relationship between Education and the Quality of MSME Reports

This study finds that SAK EMKM socialization does not moderate the relationship between education and the quality of MSME financial reports. Although education has a positive relationship with the quality of MSME reports, exposure to and understanding of SAK EMKM (Indonesian Financial Accounting Standards for Micro, Small, and Medium Enterprises) does not significantly alter or enhance the influence of education on financial reporting quality. This suggests that while education alone contributes to better financial report quality, the socialization of SAK EMKM does not further strengthen or modify this effect. Several studies conducted in Indonesia highlight similar findings where socialization efforts do not significantly moderate the relationship between education and MSME financial reporting quality:

(Fauziah & Setiawan, 2021) conducted a study in West Java to examine the interaction between education and SAK EMKM socialization on MSME financial reporting. Their research showed that while education improved the quality of financial reports, SAK EMKM socialization did not significantly alter this relationship. The authors concluded that education alone equips MSME operators with the knowledge necessary to produce high-quality financial reports. SAK EMKM guidelines do not provide additional value in this context.

(Handayani & Nugraha, 2019) studied MSMEs in Bandung and found that MSME owners with formal education backgrounds produced better financial reports. However, they also found that the socialization of SAK EMKM did not enhance this effect. The authors suggested that the education level of MSME owners already provided the necessary skills to prepare accurate financial reports, and additional exposure to SAK EMKM did not offer any significant improvement.

This result can be understood through human capital theory, which posits that education enhances individuals' cognitive skills, enabling them to perform better in complex tasks such as financial reporting. In this case, MSME owners with formal education are already equipped with the necessary skills to produce quality financial reports. SAK EMKM socialization, while important for improving the financial literacy of uneducated MSME owners, does not significantly add value for those who already possess a strong educational foundation. As a result, socialization efforts do not moderate or enhance the effect of education on financial reporting quality.

The findings suggest that education remains the key factor in improving the quality of MSME financial reports. While SAK EMKM socialization is still valuable for MSMEs with limited education, the results imply that additional socialization efforts may not significantly improve financial report quality for those with higher educational backgrounds. Therefore, policymakers and business associations

should continue improving the formal education of MSME owners and managers, particularly in accounting and finance, to enhance financial reporting quality. Meanwhile, SAK EMKM socialization may be more beneficial when targeted at MSMEs with less formal education or limited accounting knowledge.

CONCLUSION

In conclusion, Accounting Knowledge and Education are both critical factors that positively influence the quality of MSME financial reports, with accounting knowledge having a stronger impact. SAK EMKM socialization, while important, does not moderate the relationships between these variables and financial report quality, indicating that its influence is primarily direct rather than through interaction effects. These findings underscore the importance of continued investment in financial education and targeted training programs to improve financial literacy among MSME operators, particularly in regions or sectors lacking accounting knowledge. By focusing on these areas, policymakers and industry stakeholders can ensure that MSMEs are better equipped to produce high-quality financial reports, thereby improving overall business performance and contributing to the formalization and growth of the sector.

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