

## **The Effect of Accounting Perception, Business Scale and Business Duration on the Preparation of MSME Financial Statements**

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### **ABSTRACT**

This study aims to examine the effect of accounting perception, business scale, and business duration on the preparation of financial statements among MSMEs in Karawang Regency. A quantitative approach was employed through a survey of 100 MSME actors selected using random sampling. Data were collected via questionnaires and analyzed with SmartPLS 4. The results indicate that accounting perception, business scale, and business duration each have a positive and significant effect on MSME financial statement preparation. Business scale emerges as the most dominant predictor. These findings imply that the quality of financial reporting is shaped by business actors' awareness of accounting importance, operational complexity, and financial management experience. This study reinforces the application of the Theory of Planned Behavior in explaining MSME financial reporting behavior.

## **INTRODUCTION**

Micro, Small, and Medium Enterprises (MSMEs) constitute the backbone of Indonesia's national economy. Data from the Ministry of Cooperatives and SMEs reveals that approximately 67.4 million MSME units operate across the country, contributing 61.1% to the national Gross Domestic Product (GDP) and absorbing 97% of the total workforce (Kholifah & Andini, 2024). This substantial contribution, equivalent to IDR 9,580 trillion, underscores the critical role of MSMEs in driving economic growth, creating employment, and fostering social welfare (Yolanda & Hasanah, 2024). Given this strategic position, the sustainability and advancement of MSMEs are paramount for national economic resilience.

Despite their significant macroeconomic contribution, the majority of MSMEs face persistent challenges in managerial and administrative aspects, particularly in financial management and accounting practices (Prayogi, 2022). A fundamental issue lies in the preparation of financial statements. Proper financial reporting is not merely an administrative formality; it serves as a vital tool for business decision-making, performance evaluation, access to formal financing, and tax compliance. However, field observations indicate that the implementation of financial statement preparation among MSMEs remains far from optimal. Many business actors still rely on rudimentary record-keeping, such as simple daily cash logs that merely track cash inflows and outflows without proper classification of assets, liabilities, equity, or comprehensive income statements (Atma & Yusnita, 2025). In numerous cases, MSMEs do not prepare any financial statements at all, rendering them unable to present a clear and accountable picture of their financial health to external stakeholders, including banks and investors (Kurniawati et al., 2025).



This reality creates a significant gap between regulatory expectations and actual practice. The Indonesian government has enacted various policies to encourage financial discipline among MSMEs, notably Government Regulation Number 7 of 2021 concerning the Ease, Protection, and Empowerment of Cooperatives and MSMEs, which explicitly highlights the importance of financial recording for transparency and improved credit access. Furthermore, the Indonesian Institute of Accountants (IAI) issued the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) in 2018, providing a simplified yet standardized framework for MSME financial reporting (Natasha, 2025). Despite these regulatory instruments, adoption remains low, and the quality of financial reporting among MSMEs is still considered weak. Data from the Indonesian Chamber of Commerce and Industry (Kadin) in 2025 indicated that 74% of MSMEs still cannot produce proper financial statements, which subsequently hinders their creditworthiness and access to banking services.

Focusing on the research locus, Karawang Regency has 99,397 MSME units according to the 2025 data from the Cooperatives and SMEs Office of Karawang Regency. However, the Office's 2024 annual report reveals that only about 12% of these MSMEs prepare periodic financial statements. A preliminary observation conducted by the researcher on 30 MSMEs in West Karawang and East Karawang sub-districts in January 2026 found that: (1) 27 out of 30 MSMEs (90%) only record cash inflows and outflows manually in notebooks; (2) none prepare financial statements in accordance with SAK EMKM; (3) 22 MSMEs (73%) were not aware of SAK EMKM's existence; and (4) even MSMEs operating for more than five years still rely on rudimentary records because they feel "it has always been sufficient." This empirical gap between policy expectations (Government Regulation No. 7/2021 and SAK EMKM) and actual practices in Karawang justifies the need for a specific investigation in this region.

Previous academic inquiries have sought to identify the determinants of financial statement preparation among MSMEs, yet findings remain fragmented and inconclusive. Several studies have highlighted the role of accounting perception the way business owners perceive the usefulness and importance of accounting as a positive driver of financial reporting behavior (Ariani et al., 2024; Handayani et al., 2024). Conversely, other research suggests that perception alone may not be sufficient without adequate knowledge or external pressures. Similarly, business scale, which reflects the size of operations, assets, and turnover, has been found to positively influence the need for structured financial reporting due to increased transaction complexity (Kurniawati & Rahayu, 2023). However, contradictory evidence exists, with some studies finding no significant relationship between business scale and financial statement preparation (Widyawati et al., 2022). The variable of business duration the length of time a business has been operating also presents ambiguous results. While experience gained over time should theoretically enhance financial management capabilities, research by Aullah (2022) demonstrated that business duration does not necessarily translate into improved financial reporting practices. These mixed findings indicate the need for further empirical investigation to clarify the relationships among these variables.

Grounded in the Theory of Planned Behavior (TPB) developed by Ajzen (1991), this study posits that the behavior of preparing financial statements is driven by intention, which is shaped by attitude (reflected in accounting perception), subjective norms (influenced by the demands of business scale), and perceived behavioral control (strengthened by experience accumulated over business duration). This theoretical lens provides a robust framework for understanding why some MSMEs actively engage in financial reporting while others do not, despite similar operational conditions.

Therefore, this study aims to empirically examine the effect of accounting perception, business scale, and business duration on the preparation of financial statements among MSMEs in Karawang Regency. By analyzing data from 100 MSME actors using a quantitative approach and Smart PLS 4 analysis, this research seeks to provide clarity on the dominant factors influencing financial reporting behavior. The findings are expected to offer theoretical contributions by reinforcing the applicability of TPB in the MSME accounting context, as well as practical implications for policymakers and stakeholders in designing targeted interventions and capacity-building programs to enhance the quality of MSME financial reporting in Indonesia.

## **LITERATURE REVIEW**

### **Theory of Planned Behavior**

The theoretical foundation of this research is the Theory of Planned Behavior (TPB), developed by Ajzen (1991) as an extension of the Theory of Reasoned Action. TPB posits that an individual's behavior is primarily driven by behavioral intention, which is shaped by three core components. The first component is attitude toward the behavior, referring to the individual's positive or negative evaluation of performing a particular action. The second component is subjective norms, which encompass perceived social pressure from significant others to engage or not engage in the behavior. The third component is perceived behavioral control, reflecting the individual's perception of the ease or difficulty of performing the behavior, closely related to self efficacy and resource availability (Alamanda et al., 2024). In the context of MSME financial reporting, these three components provide a robust explanatory framework. Accounting perception reflects the business owner's attitude toward the usefulness of accounting. Business scale introduces external expectations and resource availability that shape subjective norms and control. Business duration contributes to perceived behavioral control through accumulated experience. Collectively, these elements form the intention to prepare financial statements, which in turn translates into actual reporting behavior.

### **Accounting Perception**

Accounting perception refers to the way business actors understand, interpret, and evaluate the role of accounting information in supporting business operations and decision making (Anggraeni & Tumirin, 2022). It represents the cognitive appraisal of accounting as a tool for planning, controlling, and evaluating business performance. A positive perception implies that the business owner views accounting not as a burdensome administrative task, but as a valuable instrument for monitoring financial health, assessing profitability, and securing external funding (Rini & Witono, 2024). Several factors have been identified as determinants of accounting perception, including formal accounting knowledge, educational background, business experience, and the scale of operations (Putri et al., 2025). Importantly, perception is not a static attribute; it can be shaped through exposure to accounting training, mentoring programs, and successful peer examples. Within the TPB framework, accounting perception directly corresponds to the attitude component. A favorable attitude toward accounting strengthens the intention to engage in accounting practices, thereby increasing the likelihood that MSME actors will allocate time and effort to prepare financial statements systematically (Putri & Ellyn, 2024).

### **Business Scale**

Business scale denotes the size of an enterprise, typically measured by indicators such as total assets, annual turnover, and number of employees (Setiawan et al., 2023). In the Indonesian regulatory context, MSMEs are classified into micro, small, and medium categories based on specific thresholds

of net worth and sales revenue, as stipulated by prevailing laws and government regulations. The classification serves not only statistical purposes but also determines eligibility for various government support programs, access to subsidized credit, and technical assistance (Rosita & Simanjuntak, 2022; Nadia et al., 2025). From the perspective of the Theory of Planned Behavior (TPB), business scale is primarily associated with subjective norms. Larger MSMEs interact more frequently with external parties such as banks (for credit applications), tax offices (for reporting obligations), large business partners, and local government (licensing and tenders). These interactions generate social pressure: MSME owners perceive that these important referents expect them to have well-organized financial statements. In TPB, the perceived expectation from significant others is the essence of subjective norms. Additionally, a larger scale also enhances perceived behavioral control because larger MSMEs typically have better access to resources (accounting software, administrative staff, or training). However, theoretically, the primary mechanism linking business scale to financial reporting intention is through subjective norms. Therefore, business scale is not merely a structural characteristic but also a source of normative pressure that fosters the intention to prepare financial statements. Consequently, business scale is hypothesized to exert a positive influence on the quality and regularity of financial statement preparation among MSMEs.

### **Business Duration**

Business duration refers to the length of time an enterprise has been in continuous operation since its establishment (Alkumairoh & Warsitasari, 2022). It is often used as a proxy for business experience, reflecting the accumulation of practical knowledge, managerial skills, and market familiarity over time. A longer operational history implies that the business has navigated various economic cycles, competitive pressures, and regulatory changes, thereby developing a reservoir of tacit knowledge and adaptive capabilities (Indriyani, 2024). However, the relationship between business duration and financial management sophistication is not automatic. While experience provides opportunities for learning, the actual translation of that experience into improved accounting practices depends on the business owner's awareness, willingness to learn, and exposure to formal or informal accounting education. As noted by Canberra and Dewi (2025), some long established businesses continue to rely on rudimentary record keeping simply because they have never encountered compelling reasons or external pressures to upgrade their financial systems. Within the TPB framework, business duration contributes mainly to perceived behavioral control (PBC). The longer a business has been operating, the more frequently the owner has experienced cash flow cycles, credit and debt transactions, and routine expense tracking. This accumulated experience gradually builds the owner's self-confidence in handling financial records—a key component of PBC. An MSME owner with ten years of operation is typically more familiar with seasonal cash flow patterns and feels more capable of preparing a simple income statement than a novice. Nevertheless, the effect of business duration is not automatic. If the owner's attitude toward accounting remains negative or if there is no external pressure (subjective norms), long experience alone may not translate into better reporting. Thus, business duration strengthens PBC as an enabling condition, but its impact is maximized when combined with positive attitude and supportive subjective norms. Over time, experienced business owners are more likely to feel capable of preparing financial statements or, at minimum, recognizing the value of doing so.

## **Financial Statement Preparation**

Financial statement preparation is a systematic process that encompasses the identification, measurement, recording, classification, summarization, and communication of financial transactions occurring during a specific accounting period (Miradji et al., 2025). For MSMEs in Indonesia, the applicable standard is the Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM), issued by the Indonesian Institute of Accountants. SAK EMKM provides a simplified yet structured framework comprising the statement of financial position, statement of comprehensive income, and notes to the financial statements (Pamungkas, 2020; Audzah et al., 2024). The primary objective of financial statement preparation is to generate relevant, reliable, and timely information that serves as a basis for economic decision making, performance evaluation, and accountability to stakeholders. Despite the availability of a simplified standard, adoption among MSMEs remains limited. Common barriers include limited accounting knowledge, inadequate human resources, the perceived complexity of the standard, and a lack of enforcement mechanisms (Natasha, 2025; Fajryan et al., 2025)). This study treats the act of preparing financial statements in accordance with or approximating SAK EMKM guidelines as the dependent variable, representing the behavioral outcome to be explained by the independent variables.

## **Conceptual Framework and Research Hypotheses**

This study proposes a conceptual framework in which accounting perception, business scale, and business duration serve as independent variables, while financial statement preparation constitutes the dependent variable. The framework is grounded in the Theory of Planned Behavior, which asserts that behavioral intention is the proximal determinant of actual behavior. In this context, the preparation of financial statements is viewed as a planned behavior influenced by the MSME actor's attitude, subjective norms, and perceived behavioral control.

Accounting perception represents the attitude component of TPB. A business owner who perceives accounting as beneficial for tracking financial performance, supporting credit applications, and guiding strategic decisions is more likely to form a favorable attitude toward financial reporting. This positive attitude, in turn, strengthens the intention to allocate resources and effort toward preparing financial statements. Prior empirical evidence supports this proposition, with studies by Ariani et al., (2024), Handayani et al., (2024), and Restiani et al., (2026) demonstrating a significant positive relationship between accounting perception and financial statement preparation. Accordingly, the first hypothesis is formulated as follows.

- H1: Accounting perception has a positive and significant effect on the preparation of financial statements among MSMEs. In TPB terms, accounting perception represents attitude toward the behavior. The more positive the MSME owner's attitude toward the benefits of accounting, the stronger the intention to prepare financial statements.
- H2: Business scale has a positive and significant effect on the preparation of financial statements among MSMEs. Based on TPB, a larger business scale increases subjective norms because external parties (banks, tax authorities, partners) create social pressure to produce formal financial reports. It also partially enhances perceived behavioral control through resource availability.
- H3: Business duration has a positive and significant effect on the preparation of financial statements among MSMEs. Within TPB, business duration reflects accumulated experience that strengthens

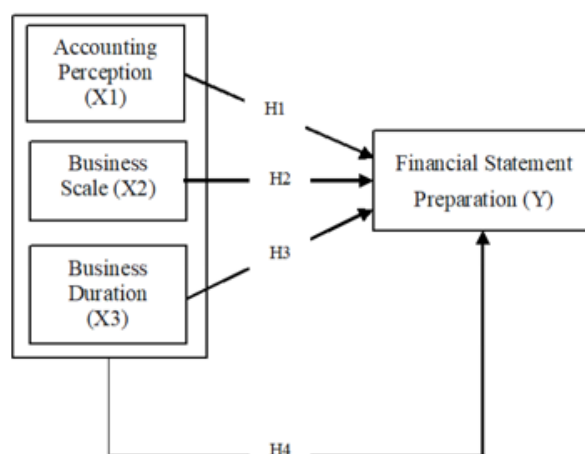
perceived behavioral control – the owner’s confidence in his/her ability to prepare financial statements grows with longer operational experience.

H4: Accounting perception, business scale, and business duration simultaneously have a positive and significant effect on the preparation of financial statements among MSMEs. The three TPB components (attitude, subjective norms, and perceived behavioral control) together form the behavioral intention that leads to the actual behavior of preparing financial statements.

## RESEARCH METHODS

This study adopted a quantitative approach using a survey method to examine the influence of accounting perception, business scale, and business duration on the preparation of financial statements among Micro, Small, and Medium Enterprises (MSMEs) in Karawang Regency. The quantitative method was deemed appropriate as it allows for objective and systematic examination of relationships among variables through statistical procedures. The research population comprised all MSME actors operating in Karawang Regency, which, according to data obtained from the Department of Cooperatives and Small and Medium Enterprises of Karawang Regency in 2025, totaled 99,397 business units. Given the substantial size of the population, a sampling technique was necessary to derive a manageable yet representative subset of respondents. The study employed simple random sampling, a probability sampling technique that ensures every member of the population has an equal and independent chance of being selected, thereby minimizing selection bias and enhancing the external validity of the findings. The sample size was determined using the Slovin formula with a margin of error set at ten percent. The calculation yielded a required sample size of approximately ninety-nine point nine respondents, which was subsequently rounded up to one hundred respondents to ensure adequate representation and statistical power.

Data collection involved both primary and secondary sources. Primary data were gathered directly from respondents through the administration of a structured questionnaire. The questionnaire was designed to measure the four constructs under investigation, namely accounting perception, business scale, business duration, and financial statement preparation. Each item in the questionnaire was rated on a five-point Likert scale ranging from one, indicating strong disagreement, to five, indicating strong agreement. The distribution of the questionnaire was carried out both in person and through online platforms, depending on the accessibility and preference of the targeted MSME actors. Secondary data, on the other hand, were obtained from official documents, relevant regulations, scholarly literature, and internet-based sources to provide contextual and theoretical support for the research framework and subsequent discussion.



**Figure 1. Conceptual Framework**

In terms of variable operationalization, the study comprised three independent variables and one dependent variable. Accounting perception was defined as the cognitive appraisal of MSME actors regarding the role, usefulness, and importance of accounting information in supporting business operations and decision-making processes. The indicators used to measure this variable included the understanding of accounting benefits, perception of accounting as a control mechanism, perception of its utility in strategic decision-making, awareness of the necessity of financial reporting, and overall trust in accounting information. Business scale referred to the size of the enterprise as reflected by its total assets, annual turnover, and number of employees. The measurement of this variable encompassed indicators such as the total value of assets owned by the business, monthly or annual revenue figures, workforce size, transaction volume, and the general complexity of operational activities. Business duration was defined as the length of time that the business had been continuously operating since its establishment. Indicators for this variable included the number of years the business had been in operation, the degree of experiential accumulation, the extent of market knowledge developed over time, the establishment of financial management routines, and the capacity to adapt to changes in the business environment. Finally, financial statement preparation, as the dependent variable, was conceptualized as the structured process of identifying, recording, classifying, summarizing, and presenting financial transactions in accordance with applicable accounting standards, specifically the Financial Accounting Standards for Micro, Small, and Medium Entities. Its measurement was based on indicators such as the regularity of daily transaction recording, the preparation of an income statement, the compilation of a balance sheet, the creation of a cash flow statement, and the inclusion of accompanying notes to the financial statements.

The data obtained from the completed questionnaires were analyzed using Partial Least Squares Structural Equation Modeling with SmartPLS version four software. This analytical technique was selected due to its suitability for predictive modeling, its flexibility in handling data that do not necessarily meet the assumption of multivariate normality, and its effectiveness in testing complex relationships involving multiple independent variables with a relatively modest sample size. The analysis proceeded in two sequential stages. The first stage involved an evaluation of the measurement model, or outer model, which aimed to ascertain the validity and reliability of the constructs. Convergent validity was assessed by examining outer loading values, which were required to be at least zero point seven zero, and the Average Variance Extracted, which needed to meet or exceed the threshold of zero point five zero. Discriminant validity was evaluated using the Fornell-Larcker criterion, whereby the square root of the Average Variance Extracted for each construct was compared against its correlations with other constructs. Reliability was confirmed through the calculation of Cronbach's alpha and composite reliability coefficients, both of which were expected to surpass zero point seven zero to indicate satisfactory internal consistency. The second stage entailed an evaluation of the structural model, or inner model. This phase involved the assessment of the coefficient of determination to gauge the explanatory power of the model, the calculation of effect size to determine the individual contribution of each independent variable, and hypothesis testing through the examination of path coefficients, t-statistics, and p-values. A hypothesis was considered supported if the t-statistic value exceeded one point nine six and the corresponding p-value was less than zero point zero five at a ninety-five percent confidence level. Furthermore, the overall fit of the model was evaluated using the Standardized Root Mean Square Residual, with values below zero point zero eight considered indicative of an acceptable model fit.

## RESULTS AND DISCUSSION

The findings of this study are derived from the analysis of one hundred MSME respondents in Karawang Regency. The classification of respondent characteristics based on the processed questionnaire data is presented in Table 1. The data reveal that the majority of respondents operate in the food culinary sector, accounting for seventy percent of the sample. In terms of business duration, most businesses have been operating between one and three years, representing forty-two percent of respondents. Monthly turnover distribution is relatively balanced across the three categories. Notably, all one hundred respondents fall into the micro business category, indicating that the sample consists entirely of micro-scale enterprises.

The evaluation of the measurement model commenced with an assessment of convergent validity. As displayed in Table 2, all indicators across the four constructs exhibit outer loading values exceeding the recommended threshold of zero point seven zero. Furthermore, the Average Variance Extracted for each construct surpasses the minimum criterion of zero point five zero. These results confirm that the indicators adequately represent their respective latent variables, thereby satisfying the requirements for convergent validity. Discriminant validity was subsequently assessed using the Fornell-Larcker criterion. As shown in Table 3, the square root of the AVE for each construct, indicated by the bold diagonal values, is greater than the correlations between that construct and any other construct in the model. This finding indicates that each latent variable is distinct from the others and that the measurement model possesses adequate discriminant validity.

The reliability of the constructs was examined through Cronbach's alpha and composite reliability coefficients. As presented in Table 4, all values for Cronbach's alpha, rho\_a, and rho\_c exceed the benchmark of zero point seven zero. This demonstrates that the indicators employed in this study possess strong internal consistency and are reliable measures of their respective constructs.

**Table 1. Data Classification**

Description	Frequency	Percentage
Type of Business		
Food Culinary	70	70%
Beverage Culinary	15	15%
Trading	15	15%
Business Duration		
< 1 Year	7	7%
1 – 3 Years	42	42%
4 – 6 Years	31	31%
> 6 Years	20	20%
Monthly Turnover		
< IDR 5,000,000	31	31%
IDR 5,000,000 – IDR 10,000,000	37	37%
> IDR 10,000,000	32	32%
Business Scale		
Micro	100	100%
Small	0	0%
Medium	0	0%

Source: Processed Data

**Table 2. Outer Loading and Average Variance Extracted (AVE)**

Variable	Indicator	Outer Loading	AVE	Remark
Accounting Perception (X1)	PA1	0.771	0.790	Valid
	PA2	0.809		Valid
	PA3	0.823		Valid
	PA4	0.747		Valid
	PA5	0.834		Valid
Business Scale (X2)	SU1	0.813	0.636	Valid
	SU2	0.800		Valid
	SU3	0.783		Valid
	SU4	0.763		Valid
	SU5	0.829		Valid
Business Duration (X3)	LU1	0.814	0.662	Valid
	LU2	0.815		Valid
	LU3	0.781		Valid
	LU4	0.853		Valid
	LU5	0.803		Valid
Financial Statement Preparation (Y)	PLK1	0.821	0.574	Valid
	PLK2	0.715		Valid
	PLK3	0.751		Valid
	PLK4	0.706		Valid
	PLK5	0.790		Valid

Source: Processed Data

**Table 3. Discriminant Validity (Fornell-Larcker Criterion)**

Variable	Accounting Perception (X1)	Business Scale (X2)	Business Duration (X3)	Financial Statement Preparation (Y)
Accounting Perception (X1)	0.798			
Business Scale (X2)	0.102	0.798		
Business Duration (X3)	0.125	0.077	0.813	
Financial Statement Preparation (Y)	0.351	0.535	0.288	0.758

Source: Processed Data

**Table 4. Construct Reliability**

Variable	Cronbach's Alpha	Composite Reliability (rho_a)	Composite Reliability (rho_c)
Business Duration	0.875	0.892	0.907
Financial Statement Preparation	0.816	0.822	0.871
Accounting Perception	0.857	0.869	0.897
Business Scale	0.858	0.868	0.897

Source: Processed Data

**Table 5. Collinearity Statistics (VIF)**

Variable	VIF
Accounting Perception (X1)	1.002
Business Scale (X2)	1.003
Business Duration (X3)	1.004

Source: Processed Data

Prior to evaluating the structural model, a multicollinearity test was conducted to ensure that the independent variables are not excessively correlated. Table 5 displays the Variance Inflation Factor values for each independent variable. All VIF values are well below the conservative threshold of five, with the highest value being one point zero zero four. This indicates that multicollinearity is not a concern in the estimated model.

The explanatory power of the model was assessed using the coefficient of determination. Table 6 shows that the R-square value for the financial statement preparation variable is zero point three eight six, with an adjusted R-square of zero point three six seven. This indicates that the three independent variables collectively account for thirty-eight point six percent of the variance in financial statement preparation among MSMEs in the sample. The remaining sixty-one point four percent is attributable to other factors not included in the research model. Based on conventional categorization, this explanatory power falls within the weak range.

The overall fit of the structural model was evaluated using the Standardized Root Mean Square Residual. As presented in Table 7, the SRMR value for both the saturated and estimated models is zero point zero seven four. Since this value is below the recommended cutoff of zero point zero eight, it can be concluded that the model exhibits a satisfactory fit to the empirical data.

The individual contribution of each independent variable in explaining the variance of the dependent variable was examined through the effect size. Table 8 indicates that business scale has the largest effect size at zero point three four three, placing it in the moderate effect category. Accounting perception also falls within the moderate effect category with an f-square value of zero point one seven nine. Business duration, with an f-square value of zero point one one zero, is categorized as having a weak effect. These findings suggest that while all three variables contribute to explaining financial statement preparation, business scale exerts the strongest individual influence.

Hypothesis testing was performed by examining the path coefficients, t-statistics, and p-values derived from the bootstrapping procedure. The results are summarized in Table 9. The analysis reveals that accounting perception has a positive and significant effect on financial statement preparation, with a path coefficient of zero point three three two, a t-statistic of four point two one four, and a p-value of zero point zero zero zero. Since the t-statistic exceeds the critical value of one point nine six and the p-value is below zero point zero five, the first hypothesis is accepted. Business scale demonstrates a positive and significant influence as well, evidenced by a path coefficient of zero point four five nine, a t-statistic of six point two eight one, and a p-value of zero point zero zero zero, leading to the acceptance of the second hypothesis. Similarly, business duration exerts a positive and significant effect on financial statement preparation, with a path coefficient of zero point two six zero, a t-statistic of three point three one nine, and a p-value of zero point zero zero one. Consequently, the third hypothesis is also accepted. Among the three independent variables, business scale emerges as the most dominant predictor, as reflected by its highest path coefficient value.

**Table 6. Coefficient of Determination (R-Square)**

Variable	R-Square	R-Square Adjusted	Category
Financial Statement Preparation (Y)	0.386	0.367	Model Lemah

Source: Processed Data

**Table 7. Model Fit (SRMR)**

	Saturated Model	Estimated Model
SRMR	0.074	0.074

Source: Processed Data

**Table 8. Effect Size (F-Square)**

Variable	Financial Statement Preparation (Y)	Remark
Accounting Perception (X1)	0.179	Moderate Effect
Business Scale (X2)	0.343	Moderate Effect
Business Duration (X3)	0.110	Weak Effect

Source: Processed Data

**Table 9. Path Coefficients and Hypothesis Testing**

Hypothesis	Relationship	Original Sample (O)	Sample Mean (M)	Standard Deviation	T Statistics	P Values	Decision
H1	Accounting Perception → Financial Statement Preparation	0.332	0.343	0.079	4.214	0.000	Accepted
H2	Business Scale → Financial Statement Preparation	0.459	0.468	0.073	6.281	0.000	Accepted
H3	Business Duration → Financial Statement Preparation	0.260	0.269	0.078	3.319	0.001	Accepted

Source: Processed Data

The findings of this study provide empirical support for the proposition that accounting perception, business scale, and business duration collectively influence the preparation of financial statements among MSMEs. A more detailed interpretation of each relationship is presented below, integrating the results with the theoretical framework and prior empirical evidence.

The positive and significant effect of accounting perception on financial statement preparation ( $\beta = 0.332$ ,  $t = 4.214$ ,  $p = 0.000$ ) supports the first hypothesis. In the framework of the Theory of Planned Behavior (Ajzen, 1991), accounting perception serves as an operationalization of attitude toward the behavior. MSME owners in Karawang who believe that accounting is useful for financial control, performance evaluation, and decision-making develop a positive attitude toward preparing financial statements. This positive attitude strengthens their behavioral intention, which subsequently leads to the actual behavior of preparing regular financial reports. The effect size ( $f^2 = 0.179$ ) falls into the moderate category, indicating that attitude makes a meaningful contribution. Field observations confirmed that MSMEs which had attended even a single accounting training session held more favorable attitudes and were more diligent in record-keeping. Conversely, those who perceived accounting as “complicated and unnecessary” did not prepare financial statements even when their business scale was large. This finding confirms that attitude is a foundational driver of financial reporting behavior in the TPB model.

Next, business scale exhibits the strongest positive and significant effect ( $\beta = 0.459$ ,  $t = 6.281$ ,  $p = 0.000$ ), thus the second hypothesis is accepted. According to TPB, business scale contributes mainly through subjective norms. Larger MSMEs in Karawang (monthly turnover > IDR 10 million, larger assets, >5 employees) typically have bank accounts, pay taxes, and partner with medium-sized companies. Banks require financial statements for credit line increases, tax offices need bookkeeping for tax returns, and business partners request credible financial evidence. These external demands create a shared perception that “important people expect me to prepare financial statements” – the essence of subjective norms. In contrast, micro MSMEs in Karawang with turnover below IDR 5

million rarely interact with banks or tax offices; thus their subjective norms remain low, and they seldom prepare financial statements. The effect size ( $f^2 = 0.343$ ) is the largest among the three variables, confirming that business scale is the most dominant predictor. Additionally, larger scale also improves perceived behavioral control through better access to accounting software or administrative staff, but the primary mechanism is normative pressure.

Regarding the third variable, business duration shows a positive and significant but relatively weaker effect ( $\beta = 0.260$ ,  $t = 3.319$ ,  $p = 0.001$ ), so the third hypothesis is accepted. Within TPB, business duration operationalizes perceived behavioral control (PBC). MSME owners in Karawang who have operated for more than six years generally feel more confident in recording financial transactions because they have repeatedly experienced business cycles – they know when cash flow is high, how to record receivables, and what regular expenses are. This self-confidence (PBC) increases their intention to prepare financial statements. However, the weak effect size ( $f^2 = 0.110$ ) indicates that experience alone is insufficient. In TPB terms, PBC matters, but if the owner's attitude is negative (no belief in accounting benefits) and subjective norms are absent (no external pressure), then years of experience will not change behavior. For example, we found MSMEs in Karawang that had been trading for ten years yet still recorded on scrap paper because they were “used to it and did not want the hassle.” Conversely, a two year old MSME with positive accounting perception and pressure from a bank already prepared simple financial statements. Thus, business duration plays a supporting, not a dominant, role in explaining financial reporting behavior.

Finally, the simultaneous effect of all three independent variables is demonstrated by the  $R^2$  value of 0.386 (adjusted  $R^2 = 0.367$ ), indicating that accounting perception, business scale, and business duration jointly explain 38.6% of the variance in financial statement preparation. Hence, the fourth hypothesis is accepted. In the TPB framework, the combination of attitude (accounting perception), subjective norms (business scale), and perceived behavioral control (business duration) forms behavioral intention, which translates into actual behavior. This study provides empirical evidence that TPB is a valid theoretical lens for explaining MSME financial reporting behavior in Karawang Regency. The remaining 61.4% of variance suggests that other factors such as formal accounting education, access to technology, government support programs, or the role of professional accountants also play important roles and should be explored in future research.

## CONCLUSION

This study provides empirical evidence that accounting perception, business scale, and business duration exert a positive and significant influence on the preparation of financial statements among Micro, Small, and Medium Enterprises in Karawang Regency. Among the three independent variables, business scale emerges as the most dominant factor, indicating that as MSMEs grow in terms of assets, turnover, and workforce, the heightened complexity of their operations and the increased external demands from stakeholders necessitate more structured and systematic financial reporting practices. Accounting perception also plays a substantial role by shaping a favorable attitude toward the benefits of accounting, thereby reinforcing the intention to engage in proper financial record-keeping. Business duration, while exhibiting a comparatively weaker effect, contributes to the accumulation of experiential knowledge and perceived behavioral control, further supporting the adoption of financial statement preparation routines. Collectively, these findings affirm that the quality of financial reporting among MSMEs is not determined by a single isolated factor but rather emerges from the interplay of cognitive appraisal, structural characteristics, and accumulated business experience. The results align with and reinforce the theoretical underpinnings of the Theory of

Planned Behavior, demonstrating that the behavioral intention to prepare financial statements is jointly shaped by attitude, subjective norms, and perceived behavioral control. From a practical standpoint, the study underscores the importance of designing targeted interventions that address both the mindset and the operational realities of MSMEs. For micro-scale enterprises, simplified financial tools and basic awareness campaigns may suffice, whereas growing small and medium enterprises may benefit from more intensive accounting coaching, access to affordable digital accounting solutions, and assistance in navigating regulatory and financing requirements. Future research is encouraged to explore additional determinants beyond the scope of this study, such as educational background, access to technology, and the role of external support systems, in order to develop a more comprehensive understanding of the factors that drive financial accountability and transparency within the MSME sector.

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