

# **ANALYSIS OF BUSINESS ACTORS' PERCEPTIONS AND UNDERSTANDING OF THE IMPORTANCE OF FINANCIAL STATEMENTS FOR MSMEs IN PUPUAN DISTRICT**

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## **ABSTRACT**

Micro, Small, and Medium Enterprises (MSMEs) have an important role in supporting economic growth in Indonesia. However, many MSME owners still do not prepare proper financial statements because they believe financial reporting is difficult and unnecessary for small businesses. This study aims to analyze the effect of business actors' perceptions and understanding on the importance of financial statements for MSMEs in Pupuan District. The research used a quantitative approach with a causal research design. Data were collected through questionnaires distributed to 120 MSME owners in Pupuan District. The data were analyzed using SPSS version 26 through validity tests, reliability tests, classical assumption tests, multiple linear regression analysis, t-tests, F-tests, and coefficient of determination tests. The results show that business actors' perceptions have a positive and significant effect on the importance of financial statements with a significance value of 0.001. Business actors' understanding also has a positive and significant effect on the importance of financial statements with a significance value of 0.000. Simultaneously, perceptions and understanding significantly influence the importance of financial statements among MSMEs in Pupuan District with an F-count value of 42.671 and significance value of 0.000. The Adjusted R Square value of 0.548 indicates that perceptions and understanding explain 54.8% of the variation in the importance of financial statements. This study shows that positive perceptions and better accounting understanding encourage MSME owners to prepare financial statements more consistently. Financial reports are considered useful for controlling business finances, evaluating business performance, and supporting decision-making.

**Keywords:** MSMEs, Perception, Business Understanding, Financial Statements.

## **INTRODUCTION**

Micro, Small, and Medium Enterprises (MSMEs) are one of the most important sectors in Indonesia's economy. MSMEs contribute significantly to employment opportunities, community income, and regional economic development (Sugiyono., 2022); (Nurhaliza, 2023). In many areas, MSMEs become the main source of income for local communities and help reduce unemployment. The Indonesian government also continues to encourage the growth of MSMEs through training programs, financing support, and digital transformation (Pahlevi, 2022); (Sugiyono., 2022).

One important aspect in managing MSMEs is financial management. Financial management helps business owners understand the condition of their businesses, monitor profits and losses, control cash flow, and make better business decisions ((Risal, 2020); (David & Dwi, 2021)). Financial statements are important tools that provide information about business performance during a certain period. Through financial statements, MSME owners can evaluate business growth and identify financial problems more easily.

Although financial statements are important, many MSME owners still do not prepare proper accounting records. Most business owners only record simple income and expenses, while some do not make any financial records at all (Putri & Hafsah, 2024). This condition often causes difficulties in evaluating business performance and applying for loans or additional capital from financial institutions. Pupuan District is one of the developing areas in Tabanan Regency with a growing number of MSMEs. Businesses in Pupuan District operate in various sectors such as trade, agriculture, food production, and services. Based on observations, many MSME owners in this area still have limited knowledge regarding accounting and financial reporting. Some business owners believe that financial statements are only needed by large companies, while others think accounting is too complicated (David & Dwi, 2021)

The low use of financial statements among MSMEs can be influenced by several factors, including perception and understanding. Perception refers to how MSME owners view financial statements and whether they believe financial reporting is beneficial for their businesses (Putri & Hafsah, 2024). Understanding refers to the ability of business owners to understand accounting concepts and prepare financial reports (Risal, 2020). This study uses the Theory of Planned Behavior (TPB) developed by Ajzen (1991). According to TPB, human behavior is influenced by attitudes, subjective norms, and perceived behavioral control. In this research, perception represents attitude toward financial reporting, while understanding reflects perceived behavioral control. MSME owners who have positive perceptions and sufficient understanding are more likely to prepare financial statements.

Several previous studies have discussed financial reporting among MSMEs. David and Dwi (2021) found that MSME owners who understand accounting tend to realize the importance of financial reports. Putri and Hafsah (2024) also explained that perception influences the use of accounting information among MSMEs. Risal et al. (2020) stated that financial reporting helps MSME owners evaluate business performance and make better business decisions. However, studies focusing specifically on MSMEs in Pupuan District are still limited. Therefore, this study aims to analyze the influence of business actors' perceptions and understanding on the importance of financial statements among MSMEs in Pupuan District.

## **LITERATURE REVIEW**

## **Theory of Planned Behavior**

The Theory of Planned Behavior (TPB) was introduced by (Ajzen, 1991). This theory explains that a person's behavior is influenced by intention. Intention itself is affected by attitude toward behavior, subjective norms, and perceived behavioral control. Attitude toward behavior refers to how individuals evaluate a certain action. If a person believes that an action provides benefits, they are more likely to perform that action. In this study, perception toward financial statements reflects attitude toward behavior. Perceived behavioral control refers to a person's confidence in their ability to perform an action. Business owners who understand accounting and financial reporting will feel more confident in preparing financial statements. TPB is relevant to this study because it explains how perception and understanding influence MSME owners' behavior in preparing financial reports.

## **Perception of Business Actors**

Perception is the process of interpreting information and giving meaning to certain objects or situations. Perception can be influenced by experience, education, environment, and knowledge. In MSMEs, perception toward financial statements is related to whether business owners believe financial reports are useful for business management. Positive perceptions encourage business owners to prepare financial reports regularly. Previous studies by (Putri & Hafsa, 2024) and (David & Dwi, 2021) found that positive perceptions significantly influence the use of financial statements among MSMEs.

## **Business Actors' Understanding**

Understanding refers to the ability to comprehend concepts and apply knowledge in practice. In this study, understanding relates to accounting knowledge and the ability to prepare financial statements. Business owners with good accounting understanding are usually able to record transactions, calculate profits, and prepare simple financial statements. Better understanding also increases confidence in managing business finances. (Risal, 2020) explained that MSME owners with accounting knowledge are more likely to use accounting information in business decision-making.

## **Financial Statements**

Financial statements are structured reports that provide information about financial position and business performance during a certain period. Financial statements generally include income statements, balance sheets, and cash flow reports. Financial statements help MSMEs evaluate performance, control expenses, monitor profits, and support financing applications. Financial reporting also improves business professionalism and accountability.

## **Hypotheses**

H1: Business actors' perceptions positively and significantly influence the importance of financial statements among MSMEs in Pupuan District.

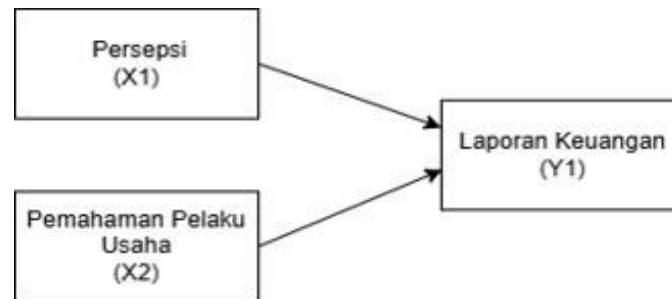
H2: Business actors' understanding positively and significantly influences the importance of financial statements among MSMEs in Pupuan District.

H3: Business actors' perceptions and understanding simultaneously influence the importance of financial statements among MSMEs in Pupuan District.

## METHODS, DATA, AND ANALYSIS

### Research Design

This study used a quantitative research approach with a causal research design. The study aimed to examine the influence of business actors' perceptions and understanding on the importance of financial statements among MSMEs in Pupuan District.



Picture 1. Research Thinking Framework  
(Source: Researcher, 2025)

### Population and Sample

The population of this study consisted of MSME owners in Pupuan District, Tabanan Regency. The sampling technique used purposive sampling. Respondents were selected based on several criteria:

1. MSME owners operating for at least one year.
2. MSME owners actively managing their businesses.
3. MSME owners willing to complete the questionnaire.

A total of 120 respondents participated in this study.

### Data Collection Technique

Primary data were collected through questionnaires using a Likert scale from 1 to 5. The questionnaire consisted of statements related to perception, understanding, and the importance of financial statements.

### Data Analysis Technique

The data were analyzed using SPSS version 26 through:

1. Validity Test
2. Reliability Test
3. Classical Assumption Tests
4. Multiple Linear Regression Analysis
5. t-Test
6. F-Test
7. Coefficient of Determination

The regression model used in this study was:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \epsilon$$

Where:

Y = Importance of Financial Statements

X1 = Business Actors' Perception

X2 = Business Actors' Understanding

## RESULTS AND DISCUSSION

### Characteristics of Respondents

Based on the collected data, 48% of respondents operated trading businesses, 27% were in services, 15% in non-agricultural production, and 10% in agriculture. Most respondents had operated their businesses for 3–10 years.

### Validity Test

**Table 1. Validity Test Results**

Variable	Number of Items	Significance	Result
Perception (X1)	5	0.000	Valid
Understanding (X2)	5	0.000	Valid
Financial Statements (Y)	5	0.000	Valid

All questionnaire items had significance values below 0.05, indicating that the instruments were valid.

### Reliability Test

**Table 2. Reliability Test Results**

Variable	Cronbach Alpha	Result
Perception (X1)	0.821	Reliable
Understanding (X2)	0.847	Reliable
Financial Statements (Y)	0.803	Reliable

All variables had Cronbach Alpha values above 0.70, indicating good reliability.

### Normality Test

**Table 3. Normality Test Results**

Asymp. Sig. (2-tailed)	Result
0.078	Normally Distributed

The significance value of 0.078 was greater than 0.05, indicating that the data were normally distributed.

### Multicollinearity Test

**Table 4. Multicollinearity Test Result**

Variable	Tolerance	VIF	Result
Perception (X1)	0.741	1.349	No Multicollinearity
Understanding (X2)	0.741	1.349	No Multicollinearity

The tolerance values were above 0.10 and VIF values were below 10, indicating no multicollinearity problem.

### Heteroscedasticity Test

**Table 5. Heteroscedasticity Test Results**

Variable	Significance	Result
Perception (X1)	0.271	No Heteroscedasticity
Understanding (X2)	0.318	No Heteroscedasticity

The significance values were above 0.05, indicating no heteroscedasticity problem.

### Multiple Linear Regression Analysis

**Table 6. Multiple Linear Regression Results**

Variable	B	t-value	Significance
Constant	7.214	3.241	0.002
Perception (X1)	0.412	3.875	0.001
Understanding (X2)	0.536	5.621	0.000

The regression equation is:

$$Y = 7.214 + 0.412X_1 + 0.536X_2 + e$$

The results indicate that perception and understanding positively influence the importance of financial statements.

### Simultaneous Test (F-Test)

**Table 7. F-Test Results**

F-count	Significance
42.671	0.000

The significance value of 0.000 indicates that perception and understanding simultaneously influence the importance of financial statements.

### Coefficient of Determination

**Table 8. Coefficient of Determination Results**

Adjusted R Square
0.548

The Adjusted R Square value of 0.548 indicates that 54.8% of the variation in the importance of financial statements can be explained by perception and understanding.

## CONCLUSION

This study concludes that business actors' perceptions positively and significantly influence the importance of financial statements among MSMEs in Pupuan District. Positive perceptions encourage MSME owners to prepare financial reports because they believe financial statements are beneficial for business management. Business actors' understanding also positively and significantly influences the importance of financial statements. MSME owners with better accounting understanding are more confident in preparing and using financial reports. Simultaneously, perception and understanding significantly influence the importance of financial statements among MSMEs in Pupuan District.

## IMPLICATION/LIMITATION AND SUGGESTIONS

### Implication

This study provides practical implications for MSME development programs. The findings show that accounting education and financial literacy training are important for improving the use of financial statements among MSMEs. Local governments and related institutions should provide training programs on simple accounting and financial reporting for MSME owners. Better accounting understanding can improve business management and increase business sustainability.

### Limitation

This study only focused on MSMEs in Pupuan District and used perception and understanding as independent variables. Other factors such as financial literacy, business size, educational background, and technology adoption were not analyzed. The study also relied on questionnaire responses, which may contain subjective perceptions from respondents.

### Suggestions

Future researchers are suggested to include additional variables such as financial literacy, digital accounting systems, or business experience. Expanding the research area and increasing the number of respondents may also provide more comprehensive results. MSME owners are encouraged to improve their accounting knowledge and apply simple financial reporting practices consistently.

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