

# Accounting Information: Business Scale, Msme Business Age and Owner Education Level

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**Abstract:** The purpose of this study was to determine the effect of MSME business scale, business age and education of MSME owners towards accounting information. The population in this study was the owner / manager of typical food MSMEs in Malang City. The data analysis technique used multiple linear regression. The results showed that the scale of business and age of business did not have a significant effect on the accounting information used by MSME owners. So that SME owners are expected to continue to improve accounting knowledge by always attending training that can improve their abilities so that business success can be achieved.

**Keywords:** *Accounting Information, Business Scale, MSME Business Age and Level of education*

## I. INTRODUCTION

Malang City is known as a tourism city that has its own charm both from tradition, culture and culinary arts. With these advantages and uniqueness it is not surprising that Malang City is one of the favorite destinations of tourist destinations both local and foreign tourists. Malang City Government targets the number of foreign tourist arrivals in 2020 to reach 150,000 visits which are part of the East Java province's target of one million foreign tourist visits (merdeka.com). The prospect of this large number of tourists has been captured by the micro and small industry players, one of which is the food sector as souvenirs. Micro, Small, and Medium Enterprises (MSME) become a place for productive employment because MSMEs are labor-intensive businesses (Ratnawati,2019). It does not require certain requirements such as level of education, expertise (skills) of worker.

Malang city has various characteristics with a variety of foods as souvenirs. MSMEs are divided into several categories, namely agriculture, animal husbandry fisheries, forestry, electricity, gas, clean water, trade, hotels, restaurants, private services, and processing industries, one of which is creative industries (Ratnawati, 2019). Innovations from the MSME of the special food sector souvenirs are increasingly mushrooming and developing in the city of Malang. The number of MSME food innovations shape the creative economy and innovation created along with the development of tourist destinations in Malang. With the existence of a creative economy, MSME start reading business opportunities to develop their businesses with various kinds of souvenirs.

With the development of the MSME souvenir business, it is necessary to have an understanding of accounting information from MSME owners. Basically, accounting information is very useful for SMEs, because accounting is a tool that produces output in the form of information used by users of that information for a Nicholls and Holmes decision making in Kristian (2010). The use of accounting information in Micro, Small and Medium Enterprises (MSME) is one of the efforts in anticipating the failure of the business being run. however, this contradicts the current reality in accordance with the statement of one of the small business clinic managers and cooperatives of the Indonesian Accounting Association (IAI), which states that small entrepreneurs do not have accounting knowledge, and many of them do not understand the importance of recording and bookkeeping for business continuity. This is also in line with the opinion of Failian (2012), that most small entrepreneurs in Indonesia do not organize and use accounting information in managing their businesses. The limited use of accounting information that is left alone will be a weakness and will be a failure of management in managing and developing a business run by Fatimah, et al (2018). The thing that does not use accounting information is caused by several factors including the factor of business scale, age of business and owner's education.

MSME business age is the length of time the company operates. Holmes and Nicholls suggest that the use of accounting information is influenced by the age of the business (the length of a business standing from the beginning of operation to the present). The study states that the younger the age of the company there is a tendency to declare extensive accounting information for the purpose of making decisions when compared with older companies, so that younger companies tend to use accounting information more optimally to achieve these goals. Research conducted by Sularsih (2018), Nabawi (2018), Ernawati (2017), Rahman & Kasdi (2016) and Wiratama (2018) concluded that business life had a positive effect on the use of accounting information in micro, small and medium businesses. Different research results stated by Febriyanti, et al (2017), Hadi, et al (2019) and Pasaribu (2018) that business age has no effect on the use of accounting information in micro small and medium businesses. Thus the effect of business life on the use of accounting information in small and medium businesses is still worthy of reexamination.

Owner education in this case can be interpreted by business owners who have received formal education at a higher level (tertiary institutions) will have different knowledge, expertise, and skills in managing a business, compared to owners who have an education with a lower level (from elementary school education up to high school). Business owners who have a high level of formal education will be better able to use accounting information than those who have a lower level of formal education. Research conducted by Frima & Sarmiadi (2018), Fitiriani, et al (2019), Novianti, et al (2018), Rikah, et al (2017) and Febriyanti, et al (2017) concluded that owner education had a positive effect on the use of accounting information in businesses micro small medium. Different research results stated by Hadi (2016), Hendrawati (2017) and Huda (2017) that owner's education has no effect on the use of accounting information at MSMEs. Thus the influence of owner education on the use of accounting information in micro, small and medium businesses is still worthy of re-examination.

Business scale is the company's ability to manage its business by looking at how many employees are employed and the amount of income earned by the company during a certain period. In addition, the level of company productivity is highly dependent on the number of workers employed, the more the number of workers employed shows that the higher the level of company productivity, especially for small and medium-sized companies, so that the company's need for information needed will also increase (Holmes and Nicholls, 1988). Research conducted by Keristin (2018), Susilawati, et al (2017), Finishia & Suzan (2018), Yasa, et.al (2017) and Dewi & Restika (2018) concluded that business scale had a positive effect on the use of accounting information in business micro small medium. Different research results stated by Julia (2016), Hendrawati (2017) and Wiratama (2018) that business scale has no effect on the use of accounting information in micro small and medium enterprises. Thus the effect of business scale on the use of accounting information in small and medium businesses is still feasible. to be reexamined.

## **II. LITERATURE REVIEW**

### **Accounting Information**

According to Puspitawati & Anggadini (2014), accounting information is a series of activities in data processing of the company's financial data processing business activities using a computer information system that is harmoniously integrated. Accounting information as quantitative information about economic entities that are to make economic decisions in determining choices among alternative actions. Accounting information is used for strategic supervision, management supervision, and operational supervision. Accounting information is basically financial in nature and is mainly used for the purpose of decision making, supervision, and implementation of company decisions. In order for financial data to be utilized properly by internal and external parties of the company, then the data must be arranged in appropriate forms (Aufar, 2013). According to Aufar (2013) the use of accounting information is a condition where the owner / manager uses accounting information both operational information, management accounting information, and financial accounting information for decision making.

### **Business Scale**

Business scale according to Holmes and Nicholls (1988), namely the company's ability to manage a business by observing the size of assets, the number of employees, and the income earned during an accounting period. Business scale is an indication of the development of a company where large companies will have an impact on the employees involved in it.

**MSME Business Age**

The age of the company illustrates how long the company has been operating. The longer the company's business runs resulting in business development that leads both positive and negative (Aufar, 2013). Age of the company illustrates the company's experience in dealing with various conditions that occur in the business world. A long-standing business can be said to already know the trade climate and competition affecting the company. MSME that have been running for a long time will indicate the need for accounting information that is very necessary because it has an increasingly high complexity.

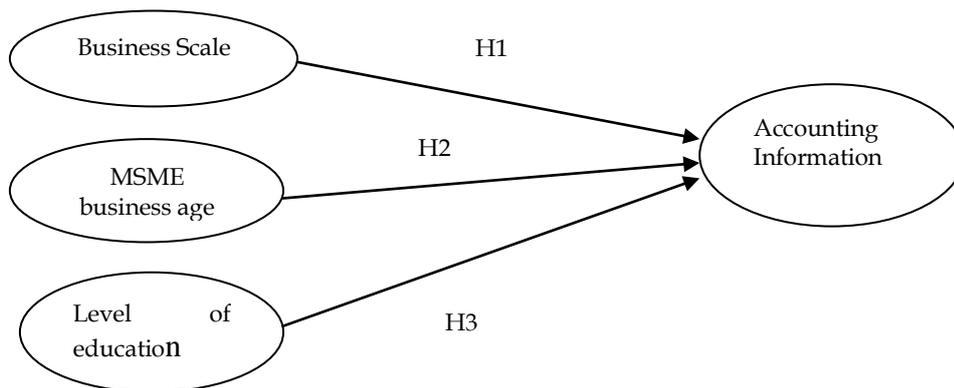
**Level of education**

Education describes the process of owner / manager to improve knowledge, technical abilities and organizational capabilities (Budiyanto, 2014). The education that has been taken by the owner / manager of MSME influences the understanding of the business being run and the importance of using accounting information for their business.

**III. RESEARCH METHODS**

This research uses a quantitative approach, so that the data generated from research can be measured and converted first into numerical form and can be processed using statistical methods.

The population in this study is the owner / manager of MSME by typical food in Malang. According to Roscoe in Sekaran & Bougie (2017) determining a sample size greater than 30 and less than 500 is appropriate for most studies and for multivariate studies (including multiple regression analysis). The sample used was the owner / manager of MSME by typical food in Malang. The sampling technique used in this study is simple random sampling. Simple random sampling technique is taking sample members from a population that is done randomly without regard to strata in the population. This study uses primary data sources, namely data obtained directly from respondents. The data collection method in this study is the questionnaire method.



**Figure 1. Research Hypothesis Framework**

The following indicators of the research variables used include, business scale, MSME business age and owner's education level and accounting information.

**Tabel 1. Research indicators**

Variable	Indicator	Item	Source
Business Scale	1.employee owned 2.Assets owned 3.The amount of income earned	1. Operating income from cash sales. 2. Revenue from operating results. 3. Cash in the form of cash from the business. 4. Money from businesses deposited in the Bank. 5. initiative to use information	Aufar (2013)
MSME Business Age	Age or duration of UMKM operating.	1. Age of business since the establishment of MSME	Kristian (2010)

Variable	Indicator	Item	Source
Education Level	Education Level of SMES owners	1. Latest education taken.	Julia (2016) Fitiriani (2019) Ratnawati (2016)
Accounting information	1. Use of operational information, 2. Use of management accounting information 3. Use of financial accounting information.	1. Recording / accounting for all transactions 2. Employees to carry out the accounting process. 3. Use accounting information to find out the profit of the business every month. 4. Use accounting applications as the use of accounting information. 5. The use of accounting applications is very helpful in the use of accounting information	Aufar (2013)

**Analysis**

The validity test in this study was conducted by finding the product moment correlation value (r arithmetic) between each item with a significance level ( $\alpha$ ) = 5% and with a value (n) = 31. Based on this, an r table of 0.355 was obtained. If  $r_{count} > r_{table}$  then the item is said to be valid, and vice versa if  $r_{count} < r_{table}$  then the item is said to be invalid. The validity test results are displayed in the following table:

**Table 2. Validity Test Results**

Variable	Item	r count	r table	
X1	X1.1	0,658	0,355	Valid
	X1.2	0,823	0,355	Valid
	X1.3	0,86	0,355	Valid
	X1.4	0,629	0,355	Valid
	X1.5	0,421	0,355	Valid
Y	Y.1	0,721	0,355	Valid
	Y.2	0,833	0,355	Valid
	Y.3	0,593	0,355	Valid
	Y.4	0,955	0,355	Valid
	Y.5	0,931	0,355	Valid

Instrument reliability testing was performed using Cronbach’s Alpha values. A variable is said to be reliable if the Cronbach’s Alpha value > 0.70. If the Cronbach’s Alpha value of a variable is greater than 0.70 then the statement item in the research instrument is said to be reliable. Conversely, if the Cronbach’s Alpha value is less than 0.70 then it is said to be unreliable. The reliability test results are displayed in the following table:

**Tabel 3. Reliability Test Results**

Variable	Cronbach’s Alpha	
Business Scale	0,727	Reliable
Accounting Information	0,863	Reliable

Source: Researcher

This study uses a multiple regression analysis model, this shows the relationship (correlation) between one event with another event. The analysis can be used to see the effect of independent variables on the dependent variable

**Table 4. Hypothesis Testing Results**

Influence	t count	
Business Scale → Accounting Information	-0,035	significant
MSME Business Age → Accounting Information	-1.225	significant
Level of Education → Accounting Information	3.584	significant

**Source: Researcher**

The table above it can be seen that the effect of business scale on the use of accounting information shows that the count is -0.035 smaller than t table = 2.048 with a significance level of 0.972, which means it is greater than  $\alpha = 0.05$ . This shows that the scale of business does not significantly influence the use of accounting information, in other words the hypothesis is rejected.

Table 4 explains that the influence of the company's age on the use of accounting information shows that the count is -1.225 smaller than t table = 2.048 with a significance level of 0.231, which means it is greater than  $\alpha = 0.05$ . This shows that the age of the company does not significantly influence the use of accounting information, in other words the hypothesis is rejected.

Table 4 above can be seen that the influence of business scale on the use of accounting information shows that the value of the calculation is 3,584 greater than t table = 2,048 with a significance level of 0.001, which means it is smaller than  $\alpha = 0.05$ . This shows that owner's education has a significant positive effect on the use of accounting information, in other words the hypothesis is accepted

**IV. DISCUSSION**

**Effect of Business Scale on the Use of Accounting Information**

The effect of business scale on the use of accounting information shows the results of the regression coefficient of - 0.007 with a significance value of 0.972 meaning that the business scale has no effect and is not significant on the use of accounting information. The reason the business scale has no effect on the use of accounting information is because some of the businesses that are established are still very small with low income and the number of employees employed is also still small according to business activities. According to Nabawi (2018) the scale of business is one indication of the development of a company, if the business that is run is getting bigger, the MSME itself will need increasingly complex data as a consequence of the size of the business. This agrees with Aufar (2013) the greater scale of business and the complexity of business processes will increase accounting needs for business continuity, and accounting information becomes useful as a managerial decision-making tool. The results of this study are in line with Julia (2016), Hendrawati (2017) and Wiratama (2018) that business scale has no effect on the use of accounting information.

**Effect of Company Age on the Use of Accounting Information**

The effect of company age on the use of accounting information shows the results of the regression coefficient of - 0.085 with a significance value of 0.231 meaning that the age of the company has no effect and is not significant on the use of accounting information. The results of this study indicate that the longer the business life of MSMEs is not followed by the higher level of use of accounting information because MSMEs tend to use accounting information when their business transactions also increase. According to Aufar (2013), the age of a company is the length of time a company has been operating, which has led to the development of businesses that lead positively or negatively. The determination of business development to be directed towards positive development must be carefully considered. If the owner / manager uses accounting information appropriately with sufficient business experience, the company has a great chance of developing more rapidly. The results of this study are in line with Febriyanti, et al (2017), Hadi, et al (2019) and Pasaribu (2018) that the age of the company has no effect on the use of accounting information.

**The Effect of Owner Education on the Use of Accounting Information**

The influence of owner education on the use of accounting information shows the results of the regression coefficient of 0.620 with a significance value of 0.001 meaning that owner education has a significant positive effect on the use of accounting information. The results of this study indicate that the level of education of an owner / manager influences the use of accounting information. The ability and expertise of the owner / manager of a company is largely determined by the formal education that has been taken. This is due to the fact that small and medium-sized businesses are relatively unable to use accounting professionals (accountants) both as corporate workers and as providers of

accounting services. According to Frima & Sarmiadi (2018) education is an important factor in determining one's work ability and influencing one's knowledge. Therefore, the high education of UMKM managers / owners influences their knowledge of accounting, so that it can influence the use of accounting information in conducting their business. The results of this study are in line with Frima & Sarmiadi (2018), Fitiriani, et al (2019), Novianti, et al (2018), Rikah, et al (2017) and Febriyanti, et al (2017) that owner education has a positive effect on the use of accounting information.

## V. CONCLUSION

Based on the results of the analysis and discussion that has been carried out namely on the scale of business, age of the company and the education of the owner of the use of accounting information carried out at MSMEs "souvenirs" typical of the city of Malang: Business scale and age of business have no effect on the use of accounting information, so the owner MSMEs pay less attention to the use of accounting information to support the company's financial performance. While the owner's education has an effect on the use of accounting information because of the higher level of education the owners of MSMEs are aware of the importance of using accounting information to be able to improve their business performance and smoothness. Suggestions that can be given by MSME owners are expected to continue to increase accounting knowledge by always attending training that can improve their abilities so that business success can be achieved. In addition, the Office of Cooperatives and SMEs in Malang is expected to provide training and guidance on accounting for business management for small and medium entrepreneurs in the city of Malang.

The limitations of this study only examine a number of variables in the use of accounting information, so that further researchers are expected to add research variables, so that other variables that influence accounting information at MSME can be identified and further researchers are expected to take a larger number of research samples compared to this study, so that the results of the research are even better.

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