

## The Influence of Educational Background, Accounting Knowledge and Business Size on the Implementation of the Accounting Cycle in MSMEs in South Tangerang City (Study in East Jakarta District)

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**ABSTRACT:** *This study aims to obtain evidence that educational background affects the application of accounting cycles in SMEs, accounting knowledge affects the application of accounting cycles in SMEs, and business size influences the implementation of accounting cycles in SMEs in East Jakarta Subdistrict. This research uses quantitative research method. Data collection techniques in this study using questionnaires. The data analysis technique in this study uses Partial Least Square (PLS) method using SmartPLS version 3 software. Based on the results of the data analysis obtained results that there is a significant influence between the educational background to the application of accounting cycles in SMEs, there is a significant influence between accounting knowledge to the application of accounting cycles in SMEs, and there is no significant influence between business size to the application of accounting cycles in SMEs in East Jakarta Subdistrict.*

**Keywords:** Accounting Knowledge, Business Size, Educational Background, SMEs



## INTRODUCTION

Indonesia is a developing country which prioritizes growth and economic development becomes more advanced. This development process influences directly on development or the growth of the business world. In the era globalization and industrial revolution 4.0, especially when the Covid-19 pandemic hit world, all forms of business must be able to thrive and survive while doing business activities. MSMEs (Micro, Small and Enterprises Intermediate) is a form of business that contribute to growth Indonesian economy. MSMEs can function or act as a valve safeguards that prepare alternatives productive businesses, alternative loans, as well alternative workforce. A major challenge that encountered by MSME owners, namely inappropriate financial management with financial management based on existing rules or regulations on accounting. This also creates frequent financial management problems overlooked or overlooked by employers MSMEs.

The application of the accounting cycle is fundamental to financial management and the accounting process. With the implementation of the accounting cycle, MSMEs are expected to understand what is the capital structure, how development or health business, how much profit is earned from business in a certain period. No implementation of the accounting cycle will impact on the preparation of the report finance, and also MSMEs cannot know what the condition of the business is surely. So it is hoped that it will be implemented the accounting cycle can make it easier for the MSME owners in their management and serve as a basis for economic decision making useful in developing efforts his business. Theory of Planned Behavior (TPB) defines behavioral intentions (behavioral intention) not only influenced by attitudes towards behavior (attitude towards behavior) and norms subjective (subjective norm), but also influenced by behavioral control felt (perceived behavioral control).

Perceived behavioral control influenced by past experiences and assumptions from someone about difficult or whether or not to carry out a behavior certain (Azwar, 2003). Education is a conscious effort and planned to achieve the atmosphere learning and the learning process in order students can be active develop his abilities to gain spiritual power religion, self-control, personality, intelligence, noble character, as well the skills he needs, society, nation and state (Law Number 20 of 2003 concerning National Education System, 2003).

Educational background is the level of education owned by MSME owners. Background educational background can be interpreted as well as a process, technique and method learn with the intention of sending something one's self-knowledge towards others through systematic stages and organized. Educational background What is meant is the background formal education in taking competency or major (Ikhsan Habib Fabillah, 2019). Accounting is a process recording, classifying, summarizing, reporting, and analysis of financial data organization. The process of learning about accounting will develop business owner's accounting knowledge. Accounting knowledge is control of a person or business owner in understanding the accounting process until preparation of financial reports (Ari Prakoso et al., 2019).

The measure of effort is power company to manage its business by knowing the amount of wealth, the number of employees employed, and how much income earned by the company in a period accounting (Holmes et al., 1988). accounting cycle can be defined as a process accounting to record transactions and events during a period accounting, to preparing reports finance (Desy Yuliana and Supriono, 2016). Republic Act Indonesia Number 20 of 2008 Concerning Micro small and Medium Enterprises, explain the meaning of business Micro, Small and Medium are as follows: 1). Micro business is a person's productive business individuals or individual business entities that meets the criteria of the Business Micro, namely having net assets maximum IDR 50,000,000.00 (fifty million rupiah) does not include land and the building where the business is located or owned maximum annual sales Rp. 300,000,000.00 (three hundred million rupiah); 2). Small Business is a business independent productive economy, carried out by individuals or a business entity that is not subsidiary or non-branch companies owned, controlled, or be a part either directly or indirectly from Medium Enterprises or Large Businesses that meet the criteria of Small businesses have net assets more than IDR 50,000,000.00 (fifty million rupiah) up to a maximum IDR 500,000,000.00 (five hundred million rupiah) does not include land and buildings place of business or having sales annual more than IDR 300,000,000.00 (three hundred million rupiah) up to a maximum Rp. 2,500,000,000.00 (two billion five hundred million rupiah); 3). Medium Business is a productive economic enterprise stand alone, which is done by people individuals or business entities that are not is a subsidiary or branch companies owned, controlled, with the criteria of Medium Enterprises i.e. having net assets of more than IDR 500,000,000.00 (five hundred million rupiah) up to a maximum of IDR 10,000,000,000.00 (ten billion rupiah) is not included land and buildings for business premises or has annual sales of more than Rp. 2,500,000,000.00 (two billion five hundred million rupiah) up to a maximum IDR 50,000,000,000.00 (fifty billion rupiah).

Some factors cause Low Implementation Cycle Accounting in MSMEs. The first factor is that accounting cycle does not apply to MSMEs are an educational background MSME actors. Done by the perpetrator business, both in the fields of education, accounting, economics, management, or others include educational background (Diana, 2018). MSME actors who have economic educational background will have an understanding of accounting tall. Of course when traveling education, MSME actors obtain accounting knowledge, especially about financial reports in a business he initiated.

The research results of Desy Yuliana and Supriono (2016), minimal implementation the accounting cycle in SMEs is caused most of the respondents with background background of education that is only graduated JUNIOR HIGH SCHOOL. Based on the description above, the author want to get proof that the background educational background influences application of the accounting cycle, then the hypothesis research are:

### **H1: Educational Background Influence the Implementation of the Accounting Cycle in MSMEs**

The second factor that causes not implementing the accounting cycle MSMEs are accounting knowledge MSME actors. Accounting knowledge namely their ability to understand accounting process up to preparation of financial reports (Lohanda, 2017). Good Accounting knowledge Hopefully this will help development and progress of businesses and companies. Accounting knowledge can be seen or realized through the application of cycles appropriate accounting in making its financial report. Wiguna & Ermawati (2019) Not implemented the accounting cycle in SMEs is caused by the respondent's educational background and SMEs do not have it knowledge of accounting adequate. Based on the description above,

the author wants to get evidence that accounting knowledge makes an impact on the application of the accounting cycle, then research hypothesis as follows:

### **H2: Accounting Knowledge Gives Effects on Implementation Cycles Accountancy**

The third factor that causes not implementing the accounting cycle MSME is the size of MSME businesses. Business size is the company's power to manage his business with know the amount of wealth, the amount employees employed, as well how much income you earn company in an accounting period (Holmes et al., 1988). If the scale of the business you have MSME entrepreneurs are getting bigger, then will have an impact on understanding accounting to implement cycles accounting in preparing reports finance. This is due to size great effort will make business funding requirements required MSME actors in carrying out his business is also getting bigger.

The research results of Yuliati et al. (2019) the cycle is not implemented accounting in MSMEs because small business size by total sales the low ones make MSME actors felt that the preparation of the report finances are not aligned with benefits obtained by MSMEs. Based on the description above, the author wants proves that the size of the business affects the implementation of the cycle accounting, then the research hypothesis is:

### **H3: Business size influences the Implementation of the Accounting Cycle**

This research aims to be useful get evidence that background education, accounting knowledge, and Business size influences implementation accounting cycle in MSMEs.

## **RESEARCH METHOD**

Research methods used in this research, namely quantitative methods, by utilizing primary data generated from the questionnaire. This research carried out in East Jakarta District, Kota South Tangerang. Independent variable on This research is accounting knowledge, educational background, and business size. Meanwhile, the dependent variable in this research namely the application of the accounting cycle.

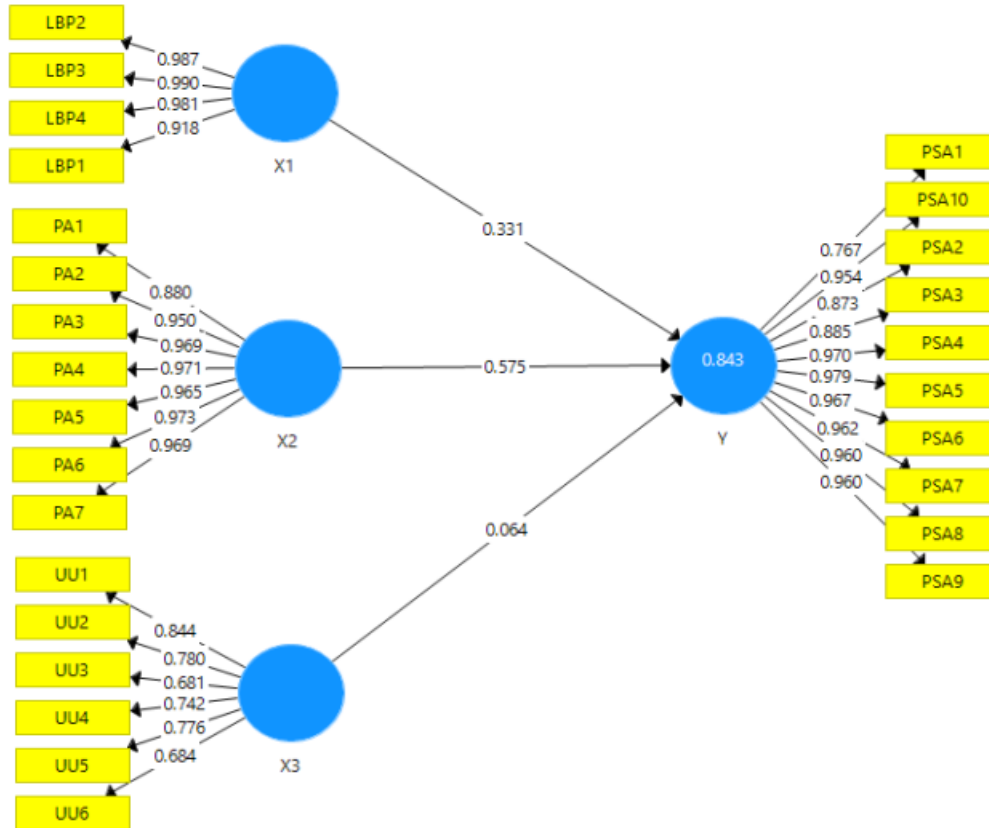
The population in this study is all MSME actors in Jakarta District East. As for the total population a total of 1,658 MSMEs (data from the East Jakarta District Office, South Tangerang: 2020). In determine the number of samples from the population particular developed, taking sample with the Slovin formula. The calculation is using the Slovin formula:

$$n = \frac{1.658}{1.658 (0,1)^2 + 1} = 94,311$$

Of the total population by admission 10%, obtained 94 samples with using the formula above. The data in this study were collected through a questionnaire method then a Likert scale used to measure it. Technique analysis of the data used in this research applies the PLS method (Partial Least Square) with SmartPLS version 3. Analysis of the data used in the first research is the method measuring the outer model, by doing reliability test and validity test. The second is with the inner model measurement method by doing a T-test and looking at Rsquare to do a hypothesis test.

## **RESULTS AND DISCUSSION**

Respondent characteristics are explained related to gender and level respondent's education. Refers to results distribution of questionnaires to respondents 94 questionnaires were obtained that could be used research data.



**Figure 1 Outer Model Evaluation**  
 Source: Data Processed (2021)

**Validity test**

Convergent Validity From Figure 1, it can be seen that each indicator of most research variables has an outer loading score > 0.7. However, there are still some indicators that has an outer loading score <0.7. Chin in Imam Ghozali explains that an outer loading score between 0.5 – 0.6 has been achieved and is said to be sufficient to meet the requirements of convergent validity. The data prove that there are no indicators variables whose outer loading score is <0.5, thus all indicators considered suitable for use research and can be used in further analysis.

**Table 1. AVE (Average Variance Extracted) Test**

Variable	AVE
Educational Background	0.940
Accounting Knowledge	0.911
Business Size	0.567
Application of the Accounting Cycle	0.864

Source: Data Processed (2021)

From table 1, it can be seen that the AVE scores for the variables Accounting Knowledge, Educational Background, Business Size, and Application of the Accounting Cycle > 0.5. So, it can be considered that each variable I already have a good model. Discriminant Validity Based on figure 1. Yes it is understood that each indicator in Research variables have cross scores maximum loading on the created variable rather than cross loading scores on variables other. From the results obtained, it can be considered that the indicators used in The research already has a discriminant good validity in each preparation the variable.

**Reliability Test**

Based on table 2, it can be seen that the composite reliability score all variables > 0.7. These results prove that composite reliability has been fulfilled by each variable, with That's the conclusion, that's all variable reliability is high.

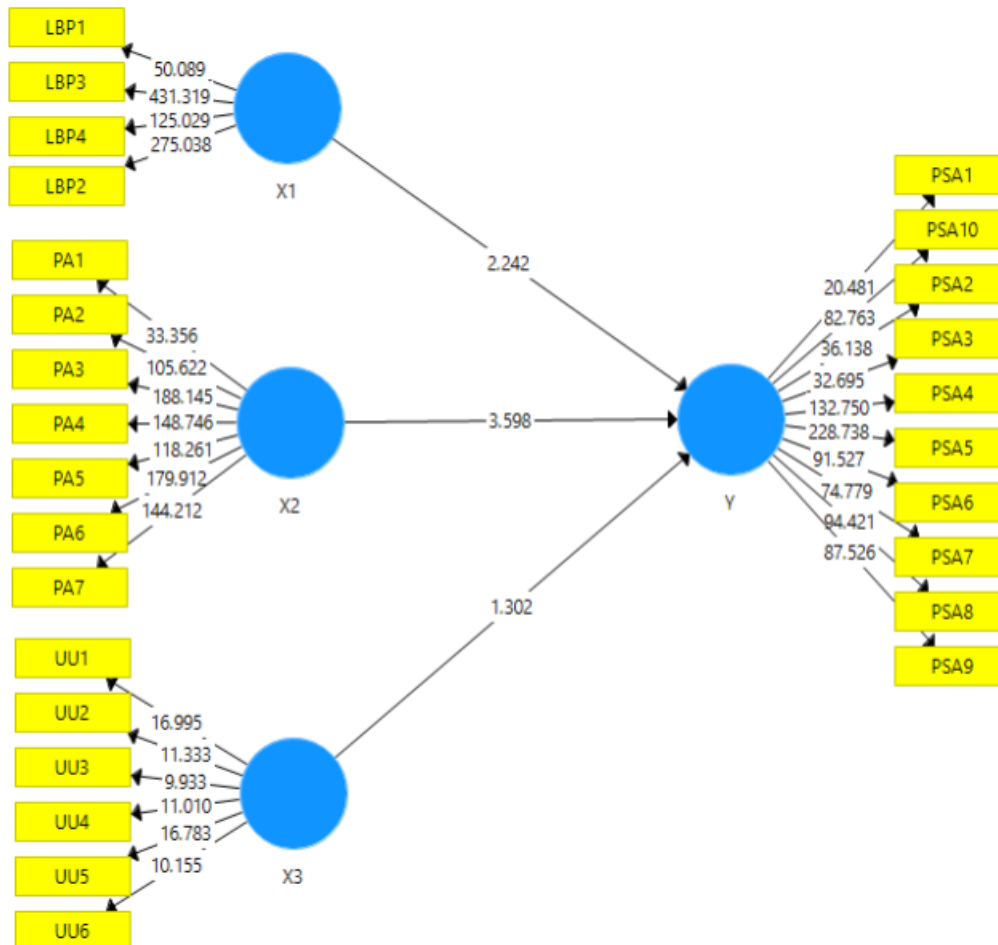
**Table 2 Composite Reliability Test**

Variable	Composite Reliability
Educational Background	0,984
Accounting Knowledge	0,986
Business Size	0,887
Application of the Accounting Cycle	0,984

Source: Data Processed (2021)

**Inner Model Evaluation**

Refers to the inner model schematic, which has been presented in Figure 2; this can be described as a path score. The maximum coefficient is proven by the influence of accounting knowledge on the implementation of the accounting cycle, which is worth 3,598. Next is the second maximum influence namely the influence of educational background on the Application of the Accounting Cycle 2,242, as well as minimum influence proven by the influence of Business Size towards the Application of the Accounting Cycle worth 1,302.



**Figure 2 Evaluation of Inner Model**

Source: Data Processed (2021)

Based on this explanation, prove that all variables in this model have a path coefficient with a positive value. Such a thing proves that the higher the path score coefficient on the independent variable against the dependent variable, the stronger it is to influence independent variables on the dependent variable.

**Model Goodness Test**

Referring to Table 3, it can be seen that the R-Square score for the variable Application of the Accounting Cycle is 0.843. This figure shows that the percentage of cycle implementation is large. Accounting can be explained by knowledge accounting, educational background, and business size, which are worth 84.3%.

**Table 3 R-Square**

Variable	R-square Value
Accounting Cycle Implementation	0,843

Source: Data Processed (2021)

A goodness of fit assessment was obtained from the Q-Square score. Q-Square Score has the same meaning as RSquare in regression analysis, and the higher the Q-Square, the stronger the model with data. There are score results Q-Square:

$$\begin{aligned}
 \text{Q-Square} &= 1 - (1 - R^2) \\
 &= 1 - 0,157 \\
 &= 0,843
 \end{aligned}$$

From the measurement results, it is obtained that the Q-Square score is 0.843. That matter shows the great diversity of research data that can be explained by research model as much as 84.3%. So that, These results prove that the model. This research can be considered complete has a good goodness of fit.

**Table 4 Hypothesis Testing**

Hypothesis	t-statistics	P-value	Results
H1	2,242	0,025	Accepted
H2	3,598	0,000	Accepted
H3	1,302	0,193	Rejected

Source: Data Processed (2021)

Referring to Table 4, it is proven that of the three hypotheses proposed in this research, two variables X, namely Accounting Knowledge (X2) and Educational Background, (X1) H1 and H2, accepted because of the influence it exert have a P-value score < alpha (0.05). Educational Background with a P value of 0.025 < alpha (0.05), which means Educational Background (X1) has a meaningful influence on the Application of the Accounting Cycle (Y). Accounting Knowledge (X2) has a P-value score of 0.000 < alpha (0.05), which means Accounting Knowledge (X2) has a significant influence on the Application of the Accounting Cycle (Y). For the business size variable (X3), it rejects H3 because the influence given has a P-values score > 0.05. Business Size (X3) with a P-value of 0.193 > alpha (0.05), which means Business Size (X3) does not have a significant influence on the Application of the Accounting Cycle (Y).

**The Effect of Educational Background Towards the Implementation of the Accounting Cycle**

In MSMEs Based on the results of the analysis and hypothesis testing that has been carried out, proves that Background Education has an influence positive meaning towards the Implementation of the Cycle Accounting for MSMEs in the District EAST Jakarta, South Tangerang City. Educational background is courses in last formal education what the respondent does, and that field sourced from accounting or non-accounting accountancy. Nowadays many perpetrators MSMEs have no background accounting and economics so MSME actors do not use cycles accounting in business.

Based on the results of the hypothesis test has been implemented, the P-Value value is Background variables are obtained This education is worth 0.025, where The statistical requirements that must be met are: P-Value score < 0.05. So, the result prove that an influence was found which is positive means between Background Behind Education towards implementation accounting cycle in MSMEs in East Jakarta District.

The results of this research prove it research results from Desy Yuliana and Supriono, (2016) who states that minimal implementation of the accounting cycle in SMEs is caused by background respondent's

education. The research the title is "Cycle Implementation Analysis Accounting in Micro, Small and Enterprises Purworejo Regency Middle School", and implemented in 2016.

### **The Effect of Accounting Knowledge towards the Implementation of the Accounting Cycle**

In MSMEs based on the results of the analysis and hypothesis testing that has been carried out, shows that Accounting Knowledge have a positive influence and meaningful towards the Implementation of the Cycle Accounting for MSMEs in the District East Jakarta, South Tangerang City. Accounting Knowledge is a person's skills in understanding accounting, individuals are considered to understand it accounting is knowing how the accounting process is carried out until into a financial report with has standard guidelines or principles preparation of financial reports. That report could be information for entrepreneurs or the parties who require it as reference for policy making. In this case, Accounting Knowledge is here defined whether the respondent knows Low and high accounting. On This research is mostly from MSME actors who has no knowledge accounting so that MSME actors do not implement the Accounting Cycle in his business.

Based on the results of the hypothesis test that has been implemented, the P-Value value is obtained from this Accounting Knowledge variable, namely 0.000, where the statistical terms are What is required to be fulfilled is that the P-Value score is not above 0.05. So, that's the result proves that there is an influence positive meaning between Knowledge Accounting for the application of cycles accounting for MSMEs in the District East Jakarta.

The results of this research prove it research results from Wiguna & Ermawati, (2019) revealed that no implementation of the accounting cycle in SMEs because SMEs do not know about accounting adequate. The research is entitled "Analysis of the Application of the Accounting Cycle in Small And Medium Enterprises In The City Lubuklinggau (Case Study in North Lubuklinggau District I)", and implemented in 2019.

### **The Effect of Business Size on Application of the Accounting Cycle in MSMEs**

Based on the results of hypothesis testing and analysis that have been carried out indicate that Business Size is not influence and is meaningless towards the Application of the Accounting Cycle in MSMEs in East Jakarta District, Kota South Tangerang. Reasons for Business Size not influencing the Application of the Accounting Cycle on MSMEs in East Jakarta District because most respondents have the size of the business is quite large seen from the mean value in the description variable Business Size that shows value of 3,512, but was not followed with the implementation of the accounting cycle on the effort.

Based on the results of the hypothesis test that has been implemented, the P-value value is obtained from the Accounting Knowledge variable. This is 0.193, where the statistical conditions must be met. Namely the P-Value score is not may be above 0.05. So, that result proves that there was no influence and no significance between Business Size and cycle implementation accounting for MSMEs in the District East Jakarta. The results of this study are not proves the results of Yulianti's research , et al (2019) who explained that small business size by total sales those who are not low make the perpetrators MSMEs feel that preparing reports Finance is not based on profit obtained by MSMEs. The research entitled "Application of Accounting to Business Micro, Small and Medium (Studies on UMKM Traditional Leather Crackers Segateng Village)", and implemented in 2019.

## **CONCLUSION**

Based on research results and discussion, conclusions can be drawn, namely: Educational background has a meaningful influence on cycle implementation accounting for MSMEs in Tangerang City South (study in East Jakarta District). Accounting knowledge makes an impact significant to the Implementation of the Cycle Accounting for MSMEs in Tangerang City South (study in East Jakarta District). Business size does not have any meaningful influence on the implementation of cycle accounting for MSMEs in Tangerang City South (study in East Jakarta District).

For further research, for can further expand this research by Observe other factors that can provide influence on the Application of the Accounting Cycle, for example factors such as level of education, age business, or accounting training. Researcher Next, we can apply other methods to conduct research on Implementation Accounting Cycle like using in-depth interview method towards MSME owners.

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