

## Reviewing Factors Affecting the Implementation of FAS-EWPA in Small and Medium Enterprises in Denpasar City

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### ABSTRACT

Small and Medium Enterprises (SMEs) play a role and contribute to the economy in Indonesia. To obtain additional capital from bank and non-bank financial institutions, SMEs are required to include financial statements as a condition for applying for loans. Financial Accounting Standards for Entities without Public Accountability (FAS-EWPA, in Bahasa Indonesia known as *SAK-ETAP*) is a standard that is intended for business entities that do not have public accountability such as SME entities. This study aims to analyze the effect of providing information and socialization, entrepreneur education, length of business, business size, and perceptions of SME entrepreneurs on the implementation of FAS-EWPA. The research population is SME entrepreneurs who are located and registered with the Denpasar City Cooperatives and Micro, Small, and Medium Enterprises Service. The results showed that the provision of information and socialization, the perception of SME entrepreneurs had a positive effect on the implementation of FAS-EWPA. Meanwhile, entrepreneur education, length of business, and business size have no effect on the implementation of FAS-EWPA. It can be suggested that the role of related parties such as the government needs to be increased in providing socialization about the understanding of FAS-EWPA.

**Keywords:** FAS-EWPA, Financial Reporting, SMEs.

JEL classification (JEL): M41, M48

## INTRODUCTION

Small and Medium Enterprises (SMEs) have a role and contribution to the Indonesian economy (Putra, 2019). SMEs in Denpasar are facing various obstacles to develop their business such as capital difficulties. In an effort to obtain additional capital from financial institutions, SMEs must include financial statements as a condition for applying loans. The Financial Accounting Standards Board in Indonesia has ratified the Financial Accounting Standards for Entities without Public Accountability (FAS-EWPA), which are intended for business entities that do not have public accountability such as SME entities. Since the enactment of FAS-EWPA, perceptions from various parties have emerged in response to the level of effectiveness, efficiency, application, and usefulness of the new standard. Various empirical studies were conducted to test and analyze the variables that affect the implementation of FAS-EWPA, but there are still inconsistent research results. Therefore, researchers are interested in re-examining the effect of providing information and socialization, entrepreneur education, length of business, business size, and perceptions of SME entrepreneurs on the implementation of FAS-.

## LITERATURE REVIEW

### **Perception Theory**

Perception is a process by which individuals organize and interpret their sensory impressions to give meaning to their environment (Lutans, 2006:198). SME entrepreneurs have different perceptions of accounting information based on FAS-EWPA in interpreting accounting values in their business financial statements.

### **The Effect of Information Provision and Socialization on the Implementation of FAS-EWPA**

The provision of information and socialization regarding FAS-EWPA by relevant institutions can increase the knowledge of SME entrepreneurs, thus motivating them to apply FAS-EWPA. Rudiantoro and Siregar (2012) and Murti, et al (2018) state that there is a positive effect between the provision of information and socialization on the understanding of SME entrepreneurs on FAS-EWPA. The first hypothesis developed in this study is:

H<sub>1</sub>: Providing information and socialization to SME entrepreneurs has a positive effect on the implementation of FAS-EWPA.

### **The Effect of Entrepreneur's Education on the Implementation of FAS-EWPA**

Entrepreneur's education will provide a lot of knowledge and experience that will affect their compliance with the rules in the implementation of FAS-EWPA. Dewi, et al. (2017) found that the education level of SME owners had a positive effect on the implementation of FAS-EWPA. The second hypothesis developed in this study is:

H<sub>2</sub>: Entrepreneur education has a positive effect on the implementation of FAS-EWPA.

### **The Effect of Business Length on the Implementation of FAS-EWPA**

Business length is expected to add insight and views of the owner on the applicable rules regarding business management and financial reports. Rahmawati & Puspasari (2017) and Nandani & Mahendra (2016) state that the length of business has a positive effect on the implementation of FAS-EWPA. The third hypothesis developed in this study is:

H<sub>3</sub>: Length of business has a positive effect on the implementation of FAS-EWPA.

### **The Effect of Business Size on the Implementation of FAS-EWPA**

Business size is related to the complexity and high level of transactions, so it is assumed that the larger the size of the business will encourage the owner to prepare more

adequate financial reports. Pratiwi and Hanafi (2016) stated that the influence of MSME business size on the implementation of FAS-EWPA shows a positive direction. The fourth hypothesis developed in this study is:

H<sub>4</sub>: Business size has a positive effect on the implementation of FAS-EWPA.

### The Effect of Perception on the Implementation of FAS-EWPA

The better the perception of SMEs on the understanding of FAS-EWPA, the higher the implementation of FAS-EWPA in financial reports. Sofiah and Murniati (2014) state that the perception of MSMEs has a positive effect on financial information based on FAS-EWPA. The fifth hypothesis developed in this study is:

H<sub>5</sub>: Perceptions have a positive effect on the implementation of FAS-EWPA.

## RESEARCH METHOD

This research is quantitative research to analyze the acceptance of FAS-EWPA. The sampling technique used is *proportionate stratified random sampling*. The sample in this study is 100 UKM in Denpasar City, Bali, Indonesia. The data collection technique in this study is using questionnaires that must be answered by each respondent which became sample. The analytical tool used in this research is logistic regression analysis.

## RESULTS

### Logistics Regression Analysis Test

**Table 1.** Logistics Regression Analysis Results

Variable	B	S.E.	Wald	df	Sig.	Exp(B)
IS	1,704	0,764	4,976	1	0,026	5,496
PU	3,632	3,665	0,982	1	0,322	37,783
LU	2,660	3,343	0,633	1	0,426	14,291
UU	14,503	4348,416	0,000	1	0,999	1987731
PP	1,568	0,545	8,285	1	0,004	4,795
Constant	-57,677	4348,428	0,000	1	0,997	0,000
Chi-Square (Hosmer and Lemeshow)				0,375	Sig.	1,000
Cox & Snell R Square						0,688
Nagelkerke R Square						0,936

Based on Table 1, the statistical value of the Hosmer and Lemeshow Test is 1,000, greater than 0,05, therefore the model is able to predict the value of the observations or in other words the model can be accepted. The value of the coefficient of determination (Nagelkerke R Square) is 0,936, which means that the variability of the dependent variable that can be explained by the independent variable is 93,6 percent while the remaining 6,4 percent is explained by other variables outside the research model.

Table 1 presents the estimated value of the parameters in the variables in the equation, the logistic regression analysis equation is obtained as follows:

$$\ln\left(\frac{ETAP}{1-ETAP}\right) = -57,677 + 1,704.IS + 3,632.PU + 2,660.LU + 14,503.UU + 1,568.PP$$

Based on the analysis equation, it can be explained that: 1) the constant value is -57,677 meaning that if the provision of information and socialization (IS), entrepreneur education (PU), length of business (LU), business size (UU), and perceptions of SME

entrepreneurs (PP) are the same as zero, then the implementation of FAS-EWPA (ETAP) is -57,677; 2) the regression coefficient of providing information and socialization (IS) is 1,704 with a significance value of 0,026 which is smaller than 0,05, this means that the provision of information and socialization (IS) has a positive effect on the implementation of FAS-EWPA (ETAP), and 3) the regression coefficient of SME entrepreneurs' perceptions (PP) is 1,568 with a significance value of 0.004 less than 0.05, this means the SME entrepreneurs' perceptions have a positive effect on the implementation of FAS-EWPA (ETAP).

## **DISCUSSION**

The provision of information and socialization have positive effect on the implementation of FAS-EWPA. In Denpasar City, 61 percent of SME owners have never received socialization and 55 percent only get information without any socialization or training regarding the application of FAS-EWPA. Therefore, the role of related parties such as government in the socialization of FAS-EWPA needs to be increased. These results are in line with research conducted by Murti (2018).

Entrepreneur education has no effect on the implementation of FAS-EWPA. Some of SME owners are highly educated but decide to not applying FAS-EWPA. These results are in line with research conducted by Zahro & Wahyundaru (2015), Meidiyustiani (2016), and Anisykurlillah & Rezqika (2019).

Business length has no effect on the implementation of FAS-EWPA. Understanding of FAS-EWPA is more influenced by the willingness of SME owners to study and use it in the financial statements of the company concerned, rather than the length of business. These results are in line with research conducted by Susfayetti et al. (2018).

Business size have no effect on the implementation of FAS-EWPA. Currently, many SMEs are already use simple bookkeeping, but financial reports based on FAS-EWPA are not considered necessary. These results are in line with research conducted by Tuti & Dwijayanti (2015).

The results show that the perception of SME entrepreneurs has positive effect on the implementation of FAS-EWPA. SME entrepreneurs can have different information in interpreting the value of accounting information. In this study, most SME owners have the perception that financial statements are important for business continuity. These results are in line with research conducted by Dewi, et al (2017).

## **CONCLUSION**

This study reviews factors affecting the implementation of FAS-EWPA in SMEs in Denpasar City. The research sample was 100 SMEs which were taken using proportionate stratified random sampling technique. The data analysis technique used is logistic regression analysis. The results showed that the provision of information and socialization, the perception of SME entrepreneurs had a positive effect on the implementation of FAS-EWPA. Meanwhile, entrepreneur education, length of business, and business size have no effect on the implementation of FAS-EWPA. It can be suggested that the role of related parties such as the government needs to be increased in providing socialization about the understanding of FAS-EWPA.

### LIMITATION

In the process of distributing questionnaires, researchers have difficulty in finding business locations because there are many discrepancies from the locations listed in the data. For further research, it is recommended to ensure the time and location to be more effective and efficient in distributing questionnaires.

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