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## THE EFFECT OF FINANCIAL LITERACY, ACCOUNTING UNDERSTANDING, AND THE IMPLEMENTATION OF SAK EMKM ON THE QUALITY OF MSME FINANCIAL STATEMENTS



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### Abstract

This research aims to analyze the empirical impact of financial literacy, accounting comprehension, and the implementation of Financial Accounting Standards for Micro, Small, and Medium Entities (SAK EMKM) on the quality of financial reporting among MSMEs operating within the Malioboro commercial district of Yogyakarta. The investigation employs a quantitative methodology guided by a causal associative research structure. Out of a total population of 300 MSME operators, a sample comprising 75 respondents was selected utilizing purposive sampling techniques. Information was gathered through the distribution of questionnaires. Data evaluation involved validity and reliability checks, classical assumption evaluations, multiple linear regression, t test, F test, and determination coefficient assessments via the SPSS program. Findings from this investigation demonstrate that financial literacy, accounting knowledge, and SAK EMKM execution exert a positive and substantial impact on MSME financial statement quality, acting both individually and simultaneously. Furthermore, the calculated Adjusted R Square value stands at 0.025, revealing that this model's ability to explain variations in MSME financial report quality remains quite limited. Researchers attribute this limitation to the specific characteristics of street merchants operating within the Malioboro area, who predominantly rely upon basic daily cash records rather than fully integrating formal accounting standards. Consequently, the overall quality of these financial reports is shaped significantly more by alternative elements extending beyond the scope of the currently examined variables.

**Keywords:** Financial Literacy, Understanding of Accounting, SAK EMKM, Quality MSME Financial Statements

## INTRODUCTION

One of the sectors that have a crucial role in promoting national economic growth through job creation, boosting community welfare and strengthening economic resilience is Micro, Small and Medium Enterprises (MSMEs). To ensure ongoing business survival, MSMEs must establish solid financial administration practices, notably by drafting financial reports that strictly adhere to recognized accounting guidelines. However, there are still many MSME players who have difficulty in systematically compiling financial reports so that the quality of financial information provided is not optimal (Syamsul, Dini Rosyada, & Kuswaniwati, 2023).

The poor quality commonly observed in MSME financial reporting becomes evident through transaction logging that fails to satisfy established criteria, the delivery of incomplete financial details, and a highly suboptimal execution of the Financial Accounting Standards for Micro. This circumstance can hamper MSMEs' access to formal sources of financing, because financial statements are one of the major conditions to apply for business loans (Oktaviranti & Alamsyah, 2023). The elements shaping the standard of financial records encompass financial literacy, accounting expertise, and the utilization of SAK EMKM, all of which contribute significantly to supporting the generation of financial reporting that is relevant, dependable, and simple to comprehend (Sularsih & Wibisono, 2021; Abdallah & Maryanto, 2020).

Numerous previous studies have established that financial literacy along with accounting expertise impact the caliber of MSME financial reports. Nevertheless, earlier investigations exhibit certain constraints, frequently examining merely one or two variables while analyzing highly varied characteristics of MSMEs. Consequently, a noticeable research gap exists today regarding the evaluation of financial literacy, accounting understanding, and the concurrent execution of SAK EMKM on financial reporting quality, particularly concerning informal sector MSMEs.

Driven by this identified research gap, the present study aims to explore how financial literacy, accounting comprehension, and SAK EMKM implementation affect the financial reporting quality among MSME street merchants in Yogyakarta's Malioboro district. The outcomes of this inquiry are intended to provide empirical data and expand the academic literature surrounding variables that shape the overall standard of MSME financial records.

## LITERATURE REVIEW

### a. Stewardship Theory

#### 1. Stewardship Theory

According to the Stewardship Theory, people in an organization who are trusted tend to be stewards who value the organization's interests over their own. Business owners in the MSME setting typically perform a dual role as business managers (owner-managers), and they are directly responsible for all operational activities, including financial management and compilation of financial statements. The idea highlights that the higher the competence and responsibility of business actors in conducting their company activities, the higher the standard of the supplied financial data. Consequently, the Stewardship Theory proves valuable for clarifying the connection linking financial literacy, accounting comprehension, and the implementation of SAK EMKM with the overall caliber of MSME financial reports.

2. Financial Literacy

Financial literacy means a person's skill in understanding, managing and applying diverse financial ideas in daily business operations. Sularsih and Wibisono (2021) stated that financial literacy can be measured through several indicators, namely understanding of recording transactions, cash flow management, separation of personal and business finance, understanding of financial statements, and the ability to make decisions based on financial information. There are several aspects that affect the financial literacy of a person, such as the amount of formal education, entrepreneurial experience, availability of financial information, involvement in training activities, and financial attitudes and behaviors owned by business actors (Lusardi & Mitchell, 2014).

3. Understanding of Accounting

Accounting comprehension is the ability of business actors to recognize, record, classify, and present financial events in line with applicable accounting principles and standards. According to Abdallah and Maryanto (2020), good level of accounting expertise will enable the development of more accurate, methodical and accountable financial statements. These factors are measured using many indicators such as understanding of transaction recording, classification of accounts, compilation of income statements, development of financial situation reports, and understanding of the full accounting cycle.

4. Implementation of SAK EMKM

SAK EMKM is an accounting standard designed by the Indonesian Institute of Accountants (IAI) to help MSMEs to compile simple, relevant and credible financial statements. The standard concerns the presentation of three key components of financial statements: statements of financial position, statements of income and notes to financial statements. The research results of Fitrianti (2022) reveal that the deployment of SAK EMKM has a beneficial effect on the quality of financial statements since it is possible to promote uniformity and order while recording finances. Among the indicators of SAK EMKM implementation are the appropriateness of report preparation with applicable standards, the completeness of financial statement components, and consistency of implementation in each reporting period (Ayem & Nugroho, 2020).

5. Quality of MSME Financial Statements

The standard of financial records mirrors how dependable the provided financial data is in assisting the economic decision-making process. Based on the Financial Reporting Conceptual Framework, the overall caliber of financial reports must demonstrate the specific characteristics of relevance, reliability, comparability, and understandability.

Various elements serve to evaluate the caliber of MSME financial records, specifically information relevance, the dependability of disclosed data, financial statement thoroughness, how easily the information is comprehended, and reporting consistency across different periods (Sularsih & Wibisono, 2021).

## Hypothesis Test

Grounded in the theoretical framework and the findings of earlier investigations detailed previously, the hypotheses developed for this current inquiry are structured as follows:

1. H1: Financial literacy has a positive and significant effect on MSMEs' financial statement quality.
2. H2: The understanding of accounting has a good and considerable impact on the financial report quality of MSMEs.
3. H3: The influence of SAK EMKM application on the quality of MSME financial statements is positive and significant
4. H4: Financial literacy, knowledge of accounting and the simultaneous adoption of SAK EMKM have a substantial effect on the quality of financial statements of MSMEs

## RESEARCH METHOD

### Research Design and Setting

The investigation employs a quantitative methodology guided by a causal associative structure to assess the cause-and-effect connections linking the independent factors with the dependent variable. The research activity was conducted out in the Malioboro district, Yogyakarta City which is known as a commerce center and one of the key tourist destinations with a relatively high number of MSME actors. The collection of data was carried out on March 20-23, 2026 by distributing questionnaires directly to the respondents who fit the criteria of the research.

### Population, Samples and Sampling Techniques

The demographic in this study encompasses all street vendors who are still actively running their enterprises in the Malioboro region. The sample size is determined by the formula of Slovin with an error margin of 10% to produce the minimal number of samples of 75 respondents. The sampling technique employed is purposive sampling with multiple criteria, among others: (1) the business is still functioning, (2) has been running the business for at least one year, (3) carrying out financial recording operations, and (4) willing to be a study responder. In the data collection procedure, the number of respondents who have successfully obtained has reached the sample objective of 75 people.

### Variables and Research Instruments

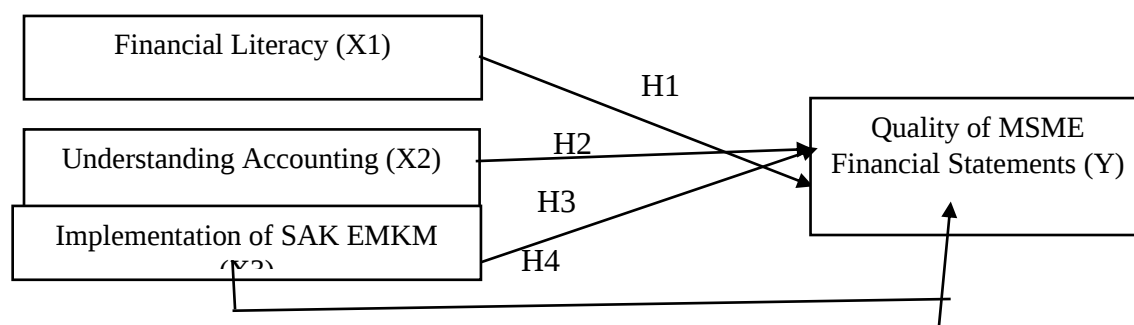
The independent variables consist of financial literacy (X1), accounting comprehension (X2), and SAK EMKM implementation (X3), whereas the dependent variable represents MSME financial statement quality (Y). Every element was evaluated via five statement metrics utilizing a 4-point Likert scale survey (1 = Strongly Disagree, 4 = Strongly Agree).

**Table 1. 1**  
**Variable Operational Definition**

| Variabel                | Definition                                   | Key Indicators                               | References                 |
|-------------------------|----------------------------------------------|----------------------------------------------|----------------------------|
| Financial Literacy (X1) | The ability of MSME actors to understand and | Transaction recording, cash flow management, | Sularsih & Wibisono (2021) |

|                                     |                                                                                                                                     |                                                                                            |                            |
|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|----------------------------|
|                                     | manage business finances                                                                                                            | financial segregation, report understanding                                                |                            |
| Understanding Accounting (X2)       | Capacity to record and present transactions according to accounting rules                                                           | Transaction recording, account grouping, income statement, balance sheet, accounting cycle | Abdallah & Maryanto (2020) |
| Implementation of SAK EMKM (X3)     | Adopting SAK EMKM guidelines benchmarks how well small businesses organize their records to generate compliant financial statements | Report suitability, financial position, profit and loss, report records, consistency       | Ayem & Nugroho (2020)      |
| Quality of Financial Statements (Y) | The level of quality of financial information according to the qualitative characteristics                                          | Relevance, reliability, completeness, ease of understanding, consistency                   | Sularsih & Wibisono (2021) |

Figure 1.2 Frame of Mind



Source: Sularsih & Wibisono (2021), Abdallah & Maryanto (2020)

Information gathered through this study was evaluated using descriptive and inferential statistical methods with the assistance of SPSS. Before conducting hypothesis testing, the instrument's validity and reliability were verified, followed by classical assumption diagnostic tests including normality, multicollinearity, and heteroscedasticity. To evaluate how financial literacy, accounting comprehension, and SAK EMKM implementation jointly and individually shape the standard of MSME financial reporting, the primary statistical analysis employed multiple linear regression, supplemented by t-tests, F-tests, and the coefficient of determination.

## RESULTS AND DISCUSSION

### 1. Respondent Characteristics

This survey comprised 75 respondents with diverse demographic and business characteristics. The gender distribution of responders was predominantly male, accounting

for 52%. The most dominating group of responders was in the age range of 30 years at 29% while the age group of 34-35 years reached over 40% in terms of age. The respondents' education level was dominated by high school/vocational school graduates (51.4%), followed by junior high school graduates (28.4%), S1 graduates (13.5%), and elementary school graduates (6.8%). Depending on the business field carried out, the food sector is the sort of business that respondents are most engaged in (34.7%) followed by the beverage sector (33.3%) and the accessories sector (32%). In addition, 38.7% of the respondents are conducting their firm with 2-3 years. This situation indicates that most of MSME actors as responders are in the business growth and development phase.

## 2. Data Instruments

### a. Validity Test

A validity evaluation was performed to determine how precisely the research tool could assess the specific variables under investigation. To establish data validity, the r-table threshold is directly contrasted against the calculated r-value. When the r-count exceeds the r-table metric, the investigative instrument is officially deemed valid. The outcomes of this validity analysis for the current study are presented below:

**Table 1.3 Financial Literacy**

| Question Items | r-Count | r-Table | Remarks |
|----------------|---------|---------|---------|
| X1.1           | 0,350   | 0,277   | Valid   |
| X1.2           | 0,525   | 0,277   | Valid   |
| X1.3           | 0,636   | 0,277   | Valid   |
| X1.4           | 0,571   | 0,277   | Valid   |
| X1.5           | 0,493   | 0,277   | Valid   |

*Source: SPSS 2026 data processing results*

**Table 1.4 Understanding Accounting**

| Item Questions | r-Count | r-Table | Remarks |
|----------------|---------|---------|---------|
| X2.1           | 0,569   | 0,277   | Valid   |
| X2.2           | 0,314   | 0,277   | Valid   |
| X2.3           | 0,697   | 0,277   | Valid   |
| X2.4           | 0,375   | 0,277   | Valid   |
| X2.5           | 0,614   | 0,277   | Valid   |

*Source: SPSS 2026 data processing results*

| Item Questions | r-Count | r-Table | Remarks |
|----------------|---------|---------|---------|
|----------------|---------|---------|---------|

|      |       |       |       |
|------|-------|-------|-------|
| X3.1 | 0,508 | 0,277 | Valid |
| X3.2 | 0,529 | 0,277 | Valid |
| X3.3 | 0,578 | 0,277 | Valid |
| X3.4 | 0,521 | 0,277 | Valid |
| X3.5 | 0,518 | 0,277 | Valid |

**Table 1.5 Implementation of SAK/EMKM**

*Source: SPSS 2026 data processing results*

**Table 1.6 Quality of Financial Statements**

| Item Questions | r-Count | r-Table | Remarks |
|----------------|---------|---------|---------|
| Y1             | 0,289   | 0,277   | Valid   |
| Y2             | 0,441   | 0,277   | Valid   |
| Y3             | 0,551   | 0,277   | Valid   |
| Y4             | 0,351   | 0,277   | Valid   |
| Y5             | 0,576   | 0,277   | Valid   |

*Source: SPSS 2026 data processing results*

The display of the data outcomes presented previously demonstrates that the calculated r-value exceeds the corresponding r-table metric (0.277), confirming that every research measuring tool is officially verified as valid.

b. Reliability Test

The reliability evaluation is conducted to ascertain the degree of consistency exhibited by research tools in generating dependable data. An investigative instrument is considered reliable when it yields measurement outcomes that remain comparatively stable and uniform regarding the specific variables under analysis. Therefore, the responses provided by the respondents may indicate the level of dependability of the measurement tools utilized.

**Table 1.7 Quality of Financial Statements**

| No | Variabel                        | Cronbach's Alpha | Nilai Minimum Cronbach's Alpha | Remarks         |
|----|---------------------------------|------------------|--------------------------------|-----------------|
| 1  | Financial Literacy              | 0,958            | 0,60                           | Highly Reliable |
| 2  | Understanding of Accounting     | 0,838            | 0,60                           | Reliabel        |
| 3  | Implementation of SAK EMKM      | 0,765            | 0,60                           | Reliabel        |
| 4  | Quality of Financial Statements | 0,945            | 0,60                           | Highly Reliable |

*Source: SPSS 2026 data processing results*

The result of the reliability test was the research variables were all over 0.60. Thus the research tool is reliable and consistent data measurements can be obtained.

**3. Statistical Descriptive Analysis**

**Table 1.8 Descriptive Analysis Test Results**

| Descriptive Statistics      |    |         |         |         |                |
|-----------------------------|----|---------|---------|---------|----------------|
|                             | N  | Minimum | Maximum | Mean    | Std. Deviation |
| X1                          | 75 | 15,00   | 20,00   | 17,5333 | 1,08221        |
| X2                          | 75 | 13,00   | 20,00   | 17,5333 | 1,09462        |
| X3                          | 75 | 14,00   | 21,00   | 17,3867 | 1,24002        |
| Y                           | 75 | 14,00   | 20,00   | 17,2933 | ,92668         |
| <u>ValidN</u><br>(listwise) | 75 |         |         |         |                |

*Source: SPSS 2026 data processing results*

From the findings of descriptive statistical analysis, it is known that this study employed 75 respondents as samples to test the variables of Financial Literacy (X1), Accounting Comprehension (X2), Implementation of SAK EMKM (X3), and Financial Statement Quality (Y). The minimum and maximum of all variables are in the range 13-21. The range implies that the study instrument utilized a constant, uniform measuring scale. The mean score for the Financial Literacy measure was 17.53 with a standard deviation of 1.082. The results indicate that the respondents have a relatively excellent level of financial literacy and the variation in the respondents' answers is quite low. The mean score of the variable Accounting Comprehension was 17.53 with the standard deviation of 1.094. The results show that most respondents have strong level of accounting understanding with level of data dissemination that tend to be homogeneous. Additionally, the SAK EMKM implementation metric displays a mean score of 17.39 alongside a standard deviation value of 1.240. This statistical result indicates that SAK EMKM execution by MSME operators falls into a favorable classification, maintaining a variation rate across responses that remains completely permissible. Meanwhile, the Financial Statement Quality indicator achieved a mean score of 17.29 coupled with a standard deviation value of 0.926. The results demonstrate that the quality of the financial statements of MSMEs objects of research is in the good category and has a relatively small rate of dissemination of data thus showing the consistency of the replies of the respondents.

#### 4. Classic Assumption Test

##### a. Normality Test

A normality evaluation is conducted to determine whether the gathered information follows a symmetrical distribution pattern. The outcomes of this distributional analysis obtained via the One Sample Kolmogorov-Smirnov Test are as follows:

**Table 1.9 Normality Test Results**

| One-Sample Kolmogorov-Smirnov Test |                |                         |
|------------------------------------|----------------|-------------------------|
|                                    |                | Unstandardized Residual |
| N                                  |                | 75                      |
| Normal Parameters <sup>a,b</sup>   | Mean           | ,0000000                |
|                                    | Std. Deviation | ,85926511               |
| Most Extreme Differences           | Absolute       | ,076                    |
|                                    | Positive       | ,057                    |
|                                    | Negative       | -,076                   |
| Test Statistic                     |                | ,076                    |
| Asymp. Sig. (2-tailed)             |                | ,200 <sup>c,d</sup>     |

Source: SPSS 2026 data processing results

The results of the One-Sample Kolmogorov-Smirnov diagnostic test yielded an Asymp. Sig. (2-tailed) value of 0.200. Because this probability index is greater than the standard 0.05 alpha level, it confirms that the error terms within the model are normally distributed ( $0.200 > 0.05$ ). Consequently, it can be concluded that the underlying residual information follows a normal distribution pattern. Accordingly, the prerequisite requirement for normality within this regression model is successfully fulfilled.

b. Multicollinearity Test

The multicollinearity evaluation was executed to determine whether a high degree of association or correlation exists among the explanatory factors included within the regression structure. A robust statistical model requires that no severe dependency occurs between these individual independent variables.

**Table 1.10 multicollinearity test**

| Coefficients <sup>a</sup>                              |                             |                         |       |
|--------------------------------------------------------|-----------------------------|-------------------------|-------|
| Model                                                  |                             | Collinearity Statistics |       |
|                                                        |                             | Tolerance               | LIVE  |
| 1                                                      | Financial Literacy          | 0,777                   | 1,287 |
|                                                        | Understanding of Accounting | 0755                    | 1,325 |
|                                                        | Implementation of SAK EMKM  | 0,921                   | 1,086 |
| a. Dependent Variable: Quality of Financial Statements |                             |                         |       |

Source: SPSS 2026 data processing results

Judging by the outcomes of the multicollinearity assessment detailed in the preceding data presentation, it is evident that every explanatory factor demonstrates a tolerance metric exceeding 0.10 alongside a Variance Inflation Factor (VIF) calculation below 10. Consequently, one can deduce that the predictive structure applied during this investigation remains entirely free from any multicollinearity issues linking the independent variables.

c. Heteroscedasticity Test

Heteroscedasticity evaluations were conducted to check for non-constant variance among the residuals across all separate observations within the predictive framework. A reliable regression structure demands that the residual variance remains entirely uniform, meaning it is free from any heteroscedasticity complications.

**Table 1.11 Heteroscedasticity Test Results**

| Coefficients <sup>a</sup>      |                             |                             |            |                           |         |       |
|--------------------------------|-----------------------------|-----------------------------|------------|---------------------------|---------|-------|
| Model                          |                             | Unstandardized Coefficients |            | Standardized Coefficients | t       | Sig.  |
|                                |                             | B                           | Std. Error | Beta                      |         |       |
| 1                              | (Constant)                  | 1,914                       | 1,290      |                           | 1,484   | 0.142 |
|                                | Financial Literacy          | 0.008                       | 0.064      | 0.106                     | 0.118   | 0.907 |
|                                | Understanding of Accounting | 0,231                       | 0.107      | 0.273                     | 2.157   | 0,228 |
|                                | Implementation of SAK EMKM  | -,079                       | 0.065      | -,164                     | - 1,217 | 0,993 |
| a. Dependent Variable: ABS_RES |                             |                             |            |                           |         |       |

Source: SPSS 2026 data processing results

Looking at the outcomes of the heteroscedasticity evaluation using the Glejser method detailed in the preceding dataset, every single explanatory factor displays a probability value (Sig.) well above the 0.05 threshold, specifically Financial Literacy at 0.907, Accounting Comprehension at 0.228, and SAK EMKM Implementation at 0.993. As a result, it can be concluded that the predictive framework utilized throughout this investigation shows no indications or complications related to heteroscedasticity.

5. Multiple Linear Regression Analysis

The collective impact exerted by the explanatory factors—comprising Financial Literacy, Accounting Comprehension, and SAK EMKM Implementation—upon the targeted outcome metric, specifically Financial Statement Quality, was evaluated and established via multiple linear regression analysis. Utilizing this statistical technique allows researchers to uncover both the specific path and exact magnitude of the shift that each independent predictor generates regarding the dependent metric under investigation.

**Table 1.12 Multiple Linear Regression Test Results**

| Coefficients <sup>a</sup> |                    |                             |            |                           |       |       |
|---------------------------|--------------------|-----------------------------|------------|---------------------------|-------|-------|
| Model                     |                    | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig.  |
|                           |                    | B                           | Std. Error | Beta                      |       |       |
| 1                         | (Constant)         | 12,247                      | 2,140      |                           | 5,722 | 0,000 |
|                           | Financial Literacy | 0,475                       | 0.134      | 0,380                     | 3,545 | 0.001 |

|                                                               |                             |       |       |       |       |       |
|---------------------------------------------------------------|-----------------------------|-------|-------|-------|-------|-------|
|                                                               | Understanding of Accounting | 0,231 | 0.107 | 0.273 | 2.157 | 0.034 |
|                                                               | Implementation of SAK EMKM  | 0.184 | 0.086 | 0.246 | 2,148 | 0.035 |
| a. Dependent Variable: <i>Quality of Financial Statements</i> |                             |       |       |       |       |       |

*Source: SPSS 2026 data processing results*

Based on the table above, the regression equation is obtained as follows:

$$Y = 12,247 + 0,475X_1 + 0,231X_2 + 0,184X_3$$

1. The constant value of 12.247 reveals that when the factors of Financial Literacy, Accounting Comprehension, and SAK EMKM Implementation are held completely static, the baseline value for Financial Statement Quality stands exactly at 12.247
2. The Financial Literacy regression coefficient (X1) is 0.475, meaning that a one-unit increase in Financial Literacy will raise the Quality of Financial Statements by 0.475 units, providing other independent variables remain constant.
3. The calculated slope value for Accounting Comprehension (X2) stands at 0.231, demonstrating that a stronger grasp of accounting principles exerts a favorable impact on financial report quality. This measured relationship proves statistically meaningful owing to the probability value falling well below the 0.05 threshold at 0.034).
4. The predictive coefficient for SAK EMKM execution (X3) reaching 0.184 demonstrates that a single-unit advancement in adopting SAK EMKM protocols will elevate the overall Quality of Financial Statements by exactly 0.184 units.

## 6. Testing Hypotheses

The t-test is applied to evaluate the exact degree to which an individual explanatory factor exerts an influence over the outcome metric. Regarding the outcomes generated by this t-test.

**Table 1.13 Test Results t**

| Coefficients <sup>a</sup>                                     |                             |                             |            |                           |       |       |
|---------------------------------------------------------------|-----------------------------|-----------------------------|------------|---------------------------|-------|-------|
| Model                                                         |                             | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig.  |
|                                                               |                             | B                           | Std. Error | Beta                      |       |       |
| 1                                                             | (Constant)                  | 12,247                      | 2,140      |                           | 5,722 | 0,000 |
|                                                               | Financial Literacy          | 0,475                       | 0.134      | 0,380                     | 3,545 | 0,001 |
|                                                               | Understanding of Accounting | 0,231                       | 0.107      | 0.273                     | 2.157 | 0.034 |
|                                                               | Implementation of SAK EMKM  | 0.184                       | 0.086      | 0.246                     | 2,148 | 0.035 |
| a. Dependent Variable: <i>Quality of Financial Statements</i> |                             |                             |            |                           |       |       |

*Source: results of SPSS 2026 data processing*

1. Judging by the outcomes of the t-test, the Financial Literacy indicator displays a regression

slope metric of 0.475, a calculated t-statistic of 3.545, and a probability value of 0.001, which falls well below the 0.05 threshold. This statistical evidence demonstrates that Financial Literacy exerts a positive and highly meaningful impact regarding the overall Quality of MSME Financial Statements, meaning that the H1 hypothesis is officially confirmed.

2. The outcomes of the t-test demonstrate that a grasp of accounting principles exerts a positive and meaningful impact on the standard of MSME financial reporting. This relationship is confirmed by a calculated probability value of 0.034, which rests well below the 0.05 benchmark, meaning that the secondary hypothesis (H2) is successfully validated.
3. Based on the empirical findings of the t-test, the analysis yielded a significance value of 0.035, which sits below the established 0.05 alpha threshold. This statistical evidence demonstrates that the execution of SAK EMKM protocols exerts a positive and meaningful impact on the overall Quality of Financial Statements. Consequently, the third hypothesis (H3) is fully supported.

b. Coefficient of Determination (R<sup>2</sup>)

The metric for the coefficient of determination (R<sup>2</sup>) was calculated to measure the percentage of fluctuations in the dependent variable that can be accounted for by the joint movement of all explanatory factors

**Table 1.14 Coefficient of Determination**

| Model Summary <sup>b</sup>            |       |          |                   |                            |
|---------------------------------------|-------|----------|-------------------|----------------------------|
| Model                                 | R     | R Square | Adjusted R Square | Std. Error of the Estimate |
| 1                                     | .157a | 0,025    | -,016             | ,52869                     |
| a. Predictors: (Constant), X1, X3, X2 |       |          |                   |                            |
| b. Dependent Variable: Y              |       |          |                   |                            |

Source: SPSS 2026 data processing results

Based on the R Square value. R Square = 0.025 This reveals that the factors of financial literacy, accounting understanding and the adoption of SAK EMKM combined (simultaneously) This indicates that the chosen predictors account for only 2.5% of the variance in the standard of MSME financial reporting. The remaining 97.5% of the fluctuations is driven by alternative determinants not captured within the framework of this study.

c. Test

The F-test functions as a joint significance check to assess if the entire set of explanatory factors collectively impacts the outcome metric. The statistical findings for this combined relationship are presented below:

**Table 1.15 Test Results f**

| ANOVA |            |                |    |             |       |        |
|-------|------------|----------------|----|-------------|-------|--------|
|       | Model      | Sum of Squares | df | Mean Square | F     | Sig.   |
| 1     | Regression | 8,910          | 3  | 2,970       | 3,859 | 0.013b |
|       | Residual   | 54,637         | 71 | 0,770       |       |        |
|       | Total      | 63,547         | 74 |             |       |        |

Source: SPSS 2026 data processing results

The empirical findings of the F-test reveal that the collective configuration of financial literacy, accounting comprehension, and the simultaneous implementation of SAK EMKM exerts a statistically meaningful impact on the standard of MSME financial reporting. This joint influence is clearly validated by a calculated significance value of 0.013, which falls below the critical 0.05 alpha threshold. Consequently, these three independent variables possess the joint capacity to explain variations in the overall quality of MSME financial statements.

## CONCLUSION

The results of the investigation lead to the following conclusions:

1. The empirical findings from the t-test demonstrate that financial literacy exerts a positive and highly meaningful influence on the quality of MSME financial reporting. This is statistically confirmed by a significance value of 0.001, which rests well below the 0.05 benchmark, thereby validating the first hypothesis (H1). Consequently, an increased proficiency in financial literacy among MSME operators directly corresponds to a higher standard of accuracy and completeness in the resulting financial statements.
2. The t-test findings indicate that a strong grasp of accounting principles significantly drives and enhances the standard of MSME financial reporting. This relationship is statistically verified by a significance value of 0.034, which falls below the established 0.05 alpha threshold, thereby confirming the acceptance of the second hypothesis (H2). This indicates a direct, proportional relationship: as MSME operators achieve a higher level of accounting understanding, the accuracy and overall standard of the financial statements they prepare increase accordingly.
3. The t-test data reveals that utilizing SAK EMKM guidelines plays a constructive and vital role in upgrading the standard of MSME financial records. This relationship is statistically verified by a significance value of 0.035, which falls below the established 0.05 threshold, thereby confirming the validation of the third hypothesis (H3). This proves that the systematic adoption and implementation of SAK EMKM accounting guidelines can directly enhance the overall standard, clarity, and reliability of MSME financial reporting.
4. The empirical findings of the F-test demonstrate that financial literacy, accounting comprehension, and the simultaneous adoption of SAK EMKM exert a statistically meaningful collective impact on the quality of MSME financial statements. This joint relationship is verified by an F-test significance value of 0.013, which sits below the established 0.05 alpha threshold. These results indicate that all explanatory factors operate in tandem to play a significant role in elevating the overall standard and reliability of MSME financial reporting.
5. An  $R^2$  score of 0.025 reveals that the model possesses weak explanatory power, meaning the chosen predictors clarify a mere 2.5% of the shifts in MSME financial reporting standards. Consequently, the vast majority of the variance—amounting to 97.5%—is dictated by external elements omitted from this empirical framework. This is considered to be caused by the features of street sellers in the Malioboro area who still utilize simple financial records based on daily cash and have not fully adopted

accounting standards. Thus, the quality of financial statements is more affected by other aspects that are not investigated in the variables.

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