
THE EFFECT OF THE QUALITY OF FINANCIAL STATEMENTS AND ACCESS TO FINANCING ON THE PERFORMANCE OF MSMEs IN INDONESIA



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Abstract

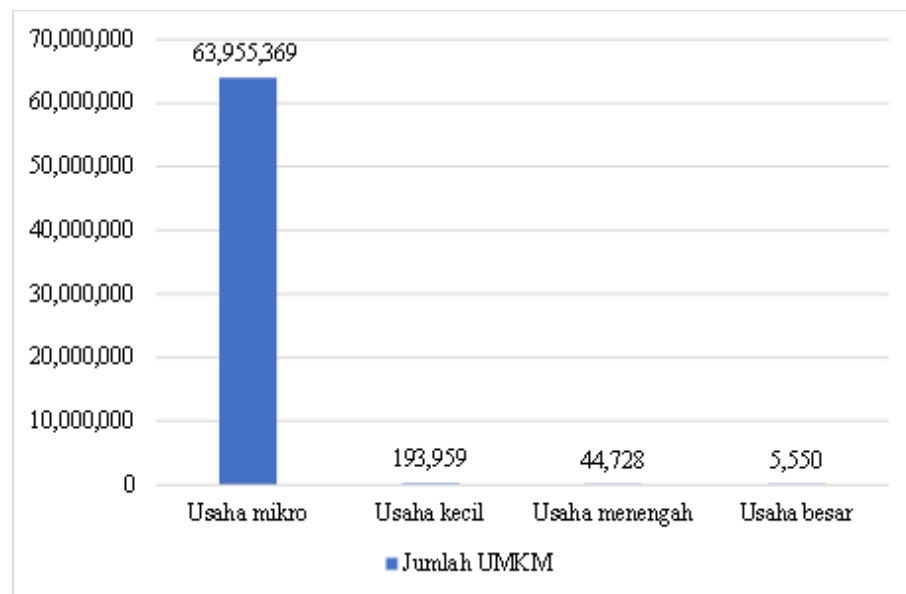
Micro, small, and medium enterprises (MSMEs) have a strategic role in the Indonesian economy, but still face obstacles in financial reporting and access to financing that have an impact on business performance. This research is important because the results of previous studies showed inconsistency and did not study many variables at the same time, especially in the Special Region of Yogyakarta. This study aims to analyze the influence of the quality of financial statements and access to financing on the performance of MSMEs in the Special Region of Yogyakarta. This study uses a quantitative approach through a survey of 150 MSME respondents in Yogyakarta, which was analyzed using multiple linear regression analysis with the help of SPSS. The results showed that the quality of financial statements and access to financing had a significant effect on the performance of MSMEs ($p < 0.05$). The value of the regression coefficient for the quality of financial statements was 0.393 and access to financing was 0.461. Simultaneously, the two variables explain the 50.2% variation in MSME performance (Adjusted $R^2 = 0.502$). Thus, it can be concluded that the quality of financial statements and access to financing significantly improve the performance of MSMEs in the Special Region of Yogyakarta.

Keywords: Quality of Financial Statements, Access to Financing, Performance of MSMEs, Yogyakarta

INTRODUCTION

MSMEs carry out an essential function in the configuration of the national economy. This not only stimulates the derivation of job opportunities, but also encourages the country's growth progression. Based on data verification by the Ministry of Cooperatives and SMEs, this domain functions as a fundamental component of the domestic economy, contributing significantly to more than 60% of the Gross Domestic Product (GDP) and accommodating almost 97% of the aggregate capacity (Ministry of Finance, 2024). The following is an aggregate quantification (MSME) in Indonesia.

Figure 1
Number of MSMEs by class in Indonesia



Source: Muhamad (2023)

Referring to the information in Graph 1.1, micro business entities with a maximum income of IDR 2 billion annually dominate the composition of MSMEs in Indonesia. This dominance is reflected in 2021 statistics, where the quantity of micro entities reached 63,955,369 units or around 99.62% of the total business units in Indonesia, with a percentage that tends to be consistent throughout the last decade. Meanwhile, small entities with revenues between IDR 2-15 billion annually are registered as many as 193,959 units, or around 0.3% of all MSMEs. Then, medium-sized entities that have an annual income of IDR 15-50 billion amounted to 44,728 units, equivalent to 0.07% of all MSMEs. Finally, large entities, which include businesses with revenues of more than IDR 50 billion annually, only amount to 5,550 units or around 0.01% of the total business units in Indonesia (Muhamad, 2023).

Based on the graphical representation of Diagram 1.1, the category of micro-scale commercial organizations characterized by a maximum annual revenue limit of Rp2 billion, essentially occupies a supremacist position in the composition of MSMEs in Indonesia. This validation of dominance is recorded in the 2021 statistical compilation, where the quantity of micro organizations reached 63,955,369 units,

manifesting an estimated 99.62% of the total national business units, with significant proportional stability throughout the period of the last decade. In comparison, small-scale commercial organizations with an annual revenue spectrum from IDR 2 to IDR 15 billion are calculated to be 193,959 units, equivalent to about 0.3% of the total MSMEs. Next, medium-scale commercial organizations that achieved annual income in the range of IDR 15 to IDR 50 billion amounted to 44,728 units, correlated with 0.07% of the total MSMEs. Finally, large-scale commercial organizations that collect revenues exceeding IDR 50 billion per year were only detected in 5,550 units, or an estimated 0.01% of the total business units in Indonesia (Muhamad, 2023).

In the Special Region of Yogyakarta (DIY), MSMEs are also the backbone of the local economy, with various leading sectors such as the creative industry, culinary, and handicrafts. However, despite carrying out a crucial function, a large number of MSMEs still grapple with various obstacles in optimizing their operational performance.

One of the main challenges faced by MSMEs is access to financing, especially from formal financial institutions such as banks. Access to financing is the ability of business actors to obtain funds from external parties to support their business activities. The Role of Access to Financing in MSMEs According to (Putri & Setyawan, 2024), the availability of adequate funding accessibility facilitates MSMEs to increase operational capital, expand market reach, and hoist the efficiency of business entities. However, in empirical reality, many MSMEs have difficulty accessing financing due to limited collateral, incomplete financial statements, and low financial literacy (Sugiarto & Pratama, 2022). This hinders business expansion, innovation, and strengthening competitiveness.

A number of previous studies have shown mixed results. Research from (Putra, 2020) reveals that the quality of financial documentation significantly affects the performance of MSMEs. Similarly, explorations from (Amalia, 2023), (Chrisanty et al., 2021), and (Pakpahan, 2021) indicate that the quality of financial reporting has a meaningful positive relationship with the performance of MSMEs. On the other hand, studies from (Zarefar & Oktari, 2021) and (Ayem et al., 2020) stated that there was no significant impact between the quality of financial reporting and the performance of MSMEs, because the majority of MSME entrepreneurs have not implemented financial reporting as the foundation for strategic decision-making.

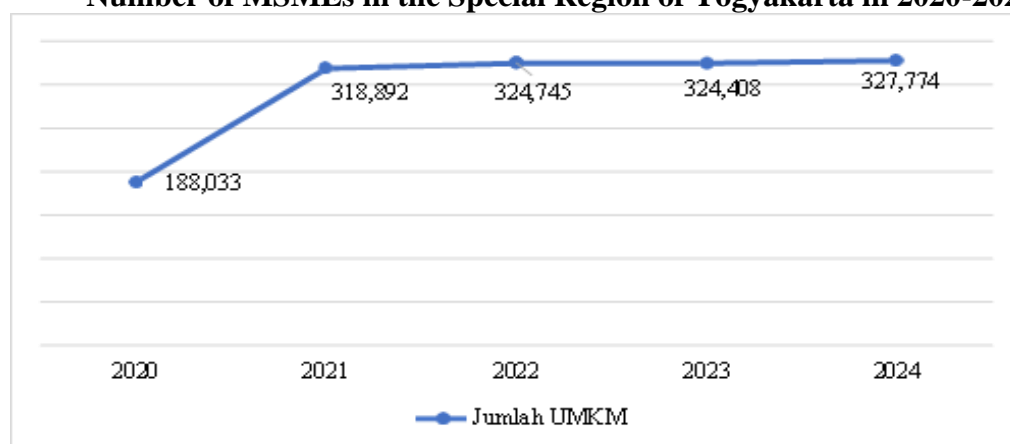
According to Ramadhanty (2020), it is articulated that the availability of funding accessibility manifests as a significant predictor with a positive correlation to the performance of MSME business entities in the Makassar City area. This finding was confirmed synchronously by other studies (Mufidah and Ghifary, 2021; Nigam et al., 2021) who elaborated that the use of financing facilities by economic agents plays a fundamental instrumentation in improving their financial literacy in the credit aspect, with the aim that newly reconstructed commercial initiatives can progress optimally according to the target parameters that have been determined by the managing entity. Although the volume of research has been implemented, the majority tend to isolate the analysis on one or two variables or in divergent sectoral contexts. The investigation that explicitly analyzes the interdependence of the quality of financial statements and

access to financing on the performance of MSMEs in Indonesia, especially in MSME entities, is still in the category of limited scope.

A number of previous investigations have shown mixed results. An exploration carried out by (Putra, 2020) revealed that the quality of financial documentation meaningfully has an impact on the achievements of MSMEs. Furthermore, the analysis executed by (Amalia, 2023), (Chrisanty et al., 2021), and (Pakpahan, 2021) shows that the quality of financial reporting has a meaningful positive relationship with the performance of MSMEs. In contrast to this, studies from (Zarefar & Oktari, 2021) and (Ayem et al., 2020) revealed that there was no significant impact between the quality of financial reporting and the performance of MSMEs, because the majority of MSME entrepreneurs have not implemented financial reporting as the foundation for strategic decision-making.

The following is a graph of the number of MSMEs in the Special Region of Yogyakarta for the 2020-2024 period:

Figure 2
Number of MSMEs in the Special Region of Yogyakarta in 2020-2024



Source: Bappeda DIY (2024)

Referring to the representation of information in Graph 1.2, the total quantity of Micro, Small, and Medium Entities (MSMEs) in the Special Region of Yogyakarta (DIY) shows a significant evolution from the period 2020 to 2024. In 2020, the quantity of MSME units was documented at 188,033 organizations, which then experienced a dramatic escalation to reach 318,892 organizations in 2021. After this period, although the tempo of development shows a slight deceleration, the MSME population continues to increase, reaching 324,745 organizations in 2022, 324,408 organizations in 2023, and 327,774 organizations in 2024.

REVIEW OF LITERATURE

Theoretical Studies

Micro, Small, and Medium Enterprises (MSMEs)

In the contemporary economic paradigm, Micro, Small, and Medium Enterprises (Micro and Small Business Entities) are constructed as productive business units that occupy a vital position in the national economic structure. Legally-formally, this business entity is

defined in Law Number 20 of 2008 as a business owned by both individuals and legal entities with certain specific characteristics. Micro and small business entities play a transcendental function as the main driver of the economy through a dual function: as a employment safety valve as well as a stimulator of regional-based economic growth. on the other hand, based on such an empirical review, in their operational practices, micro and small business entities still face complex structural challenges, especially in the aspects of effective financial management and the gap in access to adequate sources of financing (Zahra, 2022). This reality shows that there is a discrepancy between the potential and actualization of micro and small business entities in the national business ecosystem. (Zahra, 2022).

Quality of Financial Statements

Based on research (Pakpahan, 2020), the quality of financial documentation is defined as an indicator to assess the effectiveness and completeness of monetary records compiled to form financial statements. This includes consistency in the recording of each transaction, the intrinsic elements of the financial statements, and the accounting standards applied. To improve the quality of the determination process, the data presented must have high integrity and meet the basic qualitative characteristics of financial statements, namely: understandability, relevance, reliability, and comparability (Devi, Herawati, and Sulindawati, 2017). A well-prepared financial report is an important tool in assessing the performance of a business. According to Devi et al. (2023), financial statements are able to describe financial conditions objectively and become the basis for decision-making. The quality of financial statements can affect the perception of external parties, including in the provision of financing.

Access to Financing

Financing or financial accessibility represents a fundamental prerequisite to support the sustainability of economic activity (Komaruddin, 1997:12). In research carried out by (Owusu et al, 2017), it is stated that financial resource capital is an intrinsic asset of an organizational entity that is used to balance liabilities and acquire additional assets simultaneously, which must be adequately accumulated to realize the projected expansion of the corporation.

MSME Performance

The performance of MSMEs reflects the achievement of the business entity's goals, which can be evaluated from financial, operational, marketing, and human resource capabilities. This performance is influenced by financial management competence, innovation capacity, production process efficiency, and market expansion potential. Improving the performance of MSMEs is closely related to optimal business entity management practices and the availability of adequate financing support (Winarso & Kurniawati, 2022; Pakpahan, 2021).

Previous empirical investigations affirm that the integrity of the quality of financial statements has a substantial impact on the financial performance of MSMEs, especially in stimulating profitability and accelerating the growth of business entities (Amalia, 2023; Winarso & Kurniawati, 2022). In addition, customer satisfaction as an indicator of satisfaction is also an important benchmark in assessing the success of MSMEs in maintaining and developing the market (Ilarramah & Susanti, 2021).

RESEARCH METHOD

This study implements an explanatory quantitative approach through a cross-sectional survey design, with a data collection instrument in the form of a structured questionnaire. The main objective of this study is to empirically test the correlation between the integrity of financial statements and financing accessibility on the operational performance of Micro, Small, and Medium Enterprises (MSMEs) in the Special Region of Yogyakarta. The quantitative paradigm in this study emphasizes the accumulation of numerical data and statistical analysis to confirm hypotheses and elaborate causal relationships between variables systematically (Sugiyono, 2022; Creswell & Creswell, 2023). The justification for choosing this approach is based on its capacity to provide a measurable representation of the cumulative impact of the quality of financial reporting and financing facilities on business performance.

The sampling technique applied in this investigation is purposive sampling, a method of sample selection based on inclusion-exclusion criteria that have been determined a priori in accordance with the purpose of the study. The unit of analysis was deliberately selected with consideration of theoretical relevance, efficiency of research resources, and validity and reliability of data. This sampling strategy is a protocol that has been tested in various similar studies on MSMEs. Through this approach, it is hoped that representative samples and comprehensive data will be obtained for inferential statistical analysis.

RESULTS AND DISCUSSION

As with the standard methodology in the validation of research instruments, preliminary testing was carried out on 50 respondents as the basis for evaluation. Using alpha 5% as the cut-off point, the variable construct is considered statistically valid if the empirical correlation coefficient (r -table) exceeds the critical value in the table (r -calculate). The opposite condition indicates the validity of the measured construct. The comprehensive results of the validation process can be observed in the following tabulation of data

In this context, it should be noted that the significant difference between r -observed and r -critical indicates an adequate strength of relationship between the indicator and the latent construct being measured, thus meeting the requirements of convergent validity as required in quantitative research methods.

Table 1
Validity Test Results of Research Variable Items

Variable	Items	R Count	R Table	Information
Quality of Financial Statements	X1.1	0,655	0.279	Valid
	X1.2	0,842	0.279	Valid
	X1.3	0,875	0.279	Valid
	X1.4	0,916	0.279	Valid
	X1.5	0,871	0.279	Valid
Access to Financing	X2.1	0,850	0.279	Valid
	X2.2	0,928	0.279	Valid
	X2.3	0,874	0.279	Valid

	X2.4	0,898	0.279	Valid
	X2.5	0,884	0.279	Valid
MSME Performance	Y1	0,882	0.279	Valid
	Y2	0,925	0.279	Valid
	Y3	0,844	0.279	Valid
	Y4	0,921	0.279	Valid
	Y5	0,924	0.279	Valid

Source : SPSS Output

The results of the validity test showed that all variable indicators measured in the research instrument had significant validity, with the calculation correlation coefficient (r calculated) exceeding the critical value of r of the table by 0.279. These findings indicate that all the statement items in the questionnaire meet the requirements for construct validity, making them suitable for use as a data collection tool in this study.

After verifying the validity of the instrument, the next stage is reliability testing. An instrument is declared reliable if the value of Cronbach's Alpha coefficient exceeds the minimum limit set, which is 0.6. The following are the results of the reliability analysis obtained:

Table 2
Results of Item Reliability Test – Research Variable Items

Variable	Cronbach's Alpha	Information
Quality of Financial Statements	0.891	Reliable
Access to Financing	0.932	Reliable
MSME Performance	0.936	Reliable

Based on the analysis of the reliability test results presented in the table, the entire construct of variables measured through the statement items shows satisfactory reliability characteristics, as evidenced by Cronbach's Alpha values that consistently exceed the minimum threshold of 0.6 that has been set as the evaluation standard.

In this study, the characteristics of the respondents used were based on the type of business entity, the length of operation of the entity, the number of employees, and the availability of financial documentation. The results of the analysis describe the characteristics of the respondents as follows:

Table 3
Respondent Characteristics

Category	Frequency	Percentage
Type of Business		
Fashion	38	25,3
Craft	25	16,7
Culinary	87	58,0
Long Term of Effort		
1 Year	12	8,0
1-5 Years	63	42,0

6-10 Years	55	36,7
>10 Years	20	13,3
Number of Employees		
1-5 People	80	53,3
6-10 People	52	34,7
> 10 People	18	12,0
Financial Statements		
Yes	131	87,3
Not	19	12,7

Source: primary data in 2025

From the presentation of data, it was identified that the profile of respondents based on the category of types of business entities showed that the majority was dominated by culinary businesses, namely a total of 87 respondents or representing 58%.

Regarding the operational duration of a business entity, the largest proportion of respondents have run their business for a range of 1-5 years, reaching 63 respondents or 42%. In the context of the number of workers, most respondents employed 1-5 individuals, which included 80 respondents or 83.3%. Meanwhile, based on the possession of financial documentation, the majority of respondents already have financial statements, with a total of 131 respondents or 87.3%.

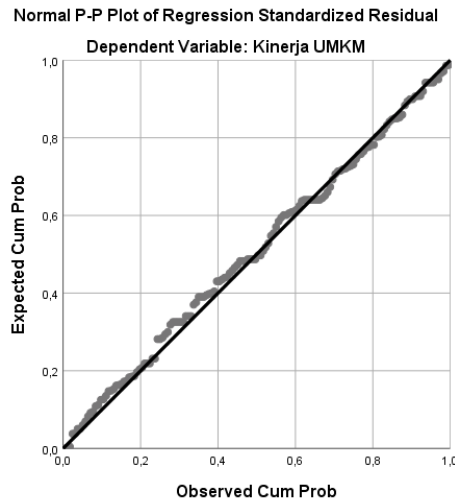
Descriptive statistical analysis provides a comprehensive representation of a data set, measured based on mean, standard deviation, maximum extreme value, and minimum extreme value. The results of this study are shown in the following table:

Table 4
Descriptive Statistical Test
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Quality of Financial Statements	150	14	25	20,96	2,424
Access to Financing	150	10	25	21,12	2,438
MSME Performance	150	10	25	20,95	2,650
Valid N (listwise)	150				

Descriptive analysis of the research data revealed that the financial report quality variable had a mean value of 20.96, while access to financing showed an average of 21.12, and the performance of MSMEs was at the level of 20.95 on average. This distribution pattern illustrates the alignment of key parameters in the study.

Verification of normality assumptions is carried out through a graphical approach using Normal P-P Plot. In accordance with the criteria described by Ghazali (2018), the distribution of data is considered to be spread normally if the observation plot forms a linear pattern that follows a diagonal line of reference. This visualization provides an empirical justification that the characteristics of the data meet the prerequisites for further parametric analysis.



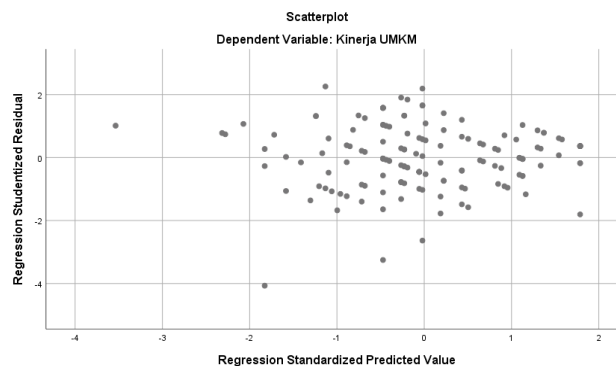
From the graph it can be seen that the data points are coherently dispersed following a diagonal trajectory on the plot, indicating that the data sets in this study have been distributed normally.

The results of the Heteroscedasticity test can be seen in the following table:

Table 5 Heteroscedasticity Test

Variable	Sig	border	Information
Quality of Financial Statements	0,122	>0.05	Heteroscedasticity does not occur
Access to Financing	0,271	>0.05	Heteroscedasticity does not occur

Source : SPSS Output



Statistical analysis showed that the entire significance probability value in the table exceeded the critical limit of 0.05, which empirically confirmed the absence of any indication of heteroscedasticity in the regression model used. These findings validate the fulfillment of homocedasticity assumptions as an important prerequisite in linear regression analysis.

Further evaluation of the potential for multicollinearity was carried out through the examination of two key parameters: Variance Inflation Factor (VIF) and tolerance coefficient. Based on the applicable statistical standards, the model is considered free of multicollinearity issues when the VIF value is below the 10 threshold (with some researchers

applying a more stringent criterion at level 5), while the tolerance value must exceed 0.1 (or 0.2 for a more stringent standard). The test results consistently showed no significant indication of multicollinearity in this study model, thus validating the independence between the predictor variables used in the analysis.

This test is essential to ensure the validity of the regression coefficient estimation, where homoskedasticity is confirmed when the residual is randomly scattered without a specific pattern, and multicollinearity is considered unproblematic if it meets the established criteria.

Table 6
Multicollineartias Test Table

Variable	Tolerance	VIVID	Information
Quality of Financial Statements	0,571	1,751	Multicollinearity does not occur
Access to Financing	0,571	1,751	Multicollinearity does not occur

Source : SPSS Output

The analysis of the results showed the fulfillment of classical assumptions in the regression model. A tolerance value that exceeds 0.10 and a Variance Inflation Factor (VIF) below 10 indicates the absence of multicollinearity problems in this model. In line with that, the linearity test conducted showed a deviation from linearity value above 0.05, so it can be concluded that there is a linear relationship between independent and dependent variables, as stated by Ghozali (2018). These findings confirm the validity of the regression model used in the study.

The results of further testing showed consistency in the fulfillment of the statistical assumptions that were a prerequisite for regression analysis. The absence of multicollinearity and the existence of linear relationships between variables provide a strong foundation for the reliability of the estimated results obtained. Thus, this model can be relied upon to predict and interpret the relationship between the variables studied.

Table 7
Results of the Linearity Test
ANOVA Table

			Sum of Squares	Df	Mean Square	F	Sig.
MSME Performance * Quality of Financial Statements	Between Groups	(Combined)	505,633	10	50,563	12,990	,000
		Linearity	451,944	1	451,944	116,110	,000
		Deviation from Linearity	53,688	9	5,965	1,533	,142
Within Groups			541,040	139	3,892		
Total			1046,673	149			

The table above shows a deviation from linearity value of 0.142, which significantly exceeds the pre-set threshold of 0.05. Thus, it can be concluded that the data in this study have a linear relationship.

Furthermore, the results of multiple regression analysis for dependent and independent variables in this study can be presented as follows:

Table 8
Multiple Linear Regression Analysis
Coefficient

Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2,987	1,466		2,037	,043
	Quality of Financial Statements	,393	,084	,359	4,693	,000
	Access to Financing	,461	,083	,424	5,543	,000

a. Dependent Variable: MSME Performance

Based on the statistical computational output obtained through data processing with SPSS software version 25.0 for Windows, the results of simple linear regression estimation were identified as follows:

$$Y = 2.987 + 0.393X_1 + 0.461X_2 + e$$

Based on the results of the regression model estimation obtained, the interpretation can be detailed as follows:

- a. The interpretation of the constant coefficient shows a baseline estimate of 2.987 which represents the inherent value of the dependent variable (MSME performance) under conditions when all independent variables are zero. Specifically, this value indicates the basic level of achievement of micro, small, and medium enterprises of 2,987 units of measurement, which still exists even without the contribution of two main predictive factors, namely the quality of financial reporting and access to financing facilities. These findings confirm the existence of other intrinsic factors that consistently affect the performance of MSMEs beyond the variables included in this regression model. The estimation of this constant is statistically significant ($p < 0.01$), reinforcing its validity as a baseline in the regression equation constructed.
- b. The estimation of the variable parameters of financial report quality showed a statistically significant regression coefficient of 0.393 ($p < 0.01$), indicating a strong positive relationship between the quality of financial reporting and the performance of MSMEs. Concretely, every increase in one standard unit in the quality of financial reporting will increase the performance of MSMEs by 0.393 units. These findings prove empirically that increasing financial reporting capacity which includes aspects of relevance, timeliness, and reliability of financial information has the potential to increase the operational efficiency and

- competitiveness of MSMEs in the market. This coefficient is significant at the $\alpha < 0.05$ level, indicating the robustness of the relationship after being controlled by various disruptive factors.
- c. The regression coefficient obtained for the financing access variable was recorded at 0.461, which reflects a statistically significant positive influence. These findings indicate that every one unit increase in the level of financing accessibility will contribute to an increase in the performance of Micro, Small, and Medium Enterprises (MSMEs) by 0.461 measurement units. This is true assuming that all other independent variables remain in a stable state. The implications of these results confirm the importance of access to financing sources as a key factor in encouraging the growth and sustainability of MSME performance. Thus, increasing the accessibility of financing can be considered an effective strategy to increase the competitiveness and productivity of the micro, small, and medium enterprises sector.
 - d. The results of the regression estimation showed that the variable coefficient of financial report quality of 0.393 indicated a statistically significant positive relationship. The empirical implication is that every increase of one standard unit in the financial reporting quality index will contribute an increase of 0.393 units to the performance of MSMEs, by maintaining other independent variables in constant conditions (*ceteris paribus*). These findings confirm the theoretical proposition that improvements in financial reporting aspects have a causal influence on improving business performance, where the implementation of accounting practices that meet standards can increase operational efficiency and strategic decision-making capacity in MSMEs.
 - e. Regression analysis revealed that the coefficient for the financing access variable was recorded at a value of 0.461, which reflects a statistically significant positive causal relationship. In more detail, every one unit increase in the financing accessibility index is expected to have an impact on improving the performance of Micro, Small and Medium Enterprises (MSMEs) by 0.461 units, assuming that the other predictive variables in the model remain in constant conditions (*ceteris paribus*). These findings confirm the importance of access to finance as a factor that contributes significantly to improving the performance of MSMEs, providing valuable insights for the development of policies and strategies to support this business sector.

The t-statistical test has the fundamental purpose of evaluating the significance of the individual influence of each regression coefficient on the dependent variable. By applying a significance level of 5% ($\alpha = 0.05$), it can be determined that if the statistical value t obtained from the calculation (t_{calcul}) exceeds the table t value (t_{kritis}) at the relevant degree of freedom, then an alternative hypothesis indicating a significant influence is acceptable. On the other hand, if the value of t_{calcul} is below t_{kritis} , then the alternative hypothesis will be rejected (Ghozali, 2018). The results of the comprehensive analysis of this partial significance test can be traced further through the results table presented below, which provides a detailed overview of the contribution of each independent variable to the dependent variable in the analyzed regression model.

Table 9

**T test
Coefficient**

Type	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2,987	1,466		2,037	,043
Quality of Financial Statements	,393	,084	,359	4,693	,000
Access to Financing	,461	,083	,424	5,543	,000

a. Dependent Variable: MSME Performance

- 1) The results of statistical analysis show that the financial report quality variable is empirically proven to be significant with a probability value of 0.000 ($p < 0.05$). These findings prove quantitatively that improving the quality of financial reporting makes a substantive contribution to improving the overall business performance of MSMEs.
- 2) In parallel, the financing access variable also recorded clear statistical significance with an identical probability value of 0.000 ($p < 0.05$). This data validates the hypothesis that expanding access to funding sources is a determinant factor that affects the growth and stabilization of MSME performance.

The F analysis test was carried out through a comparison between the calculated F value and the F value of the table. If the calculated F-value exceeds the f-value of the table at a certain level of significance, then the regression model can be statistically significant (Ghozali, 2018). Technically, this indicates that there is at least one independent variable in the model that has a significant influence on the dependent variable. The comprehensive results of these simultaneous significance tests are presented in full in the accompanying output table.

The regression coefficient for the variable access to financing was recorded at 0.461, which reflects a significant positive influence. These findings show that every one unit increase in financing accessibility will contribute to an increase in the performance of Micro, Small and Medium Enterprises (MSMEs) by 0.461 measurement units, assuming that all other independent variables remain stable. This finding confirms the importance of access to financing as a key factor in driving the performance and growth of the MSME sector.

**Table 10
Test F
NEW ERA**

Type	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	532,070	2	266,035	75,995	,000b
Residual	514,603	147	3,501		

Total	1046,673	149		
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- a. Dependent Variable: MSME Performance
- b. Predictors: (Constant), Access to Financing, Quality of Financial Statements

The coefficient of determination (R^2), which has a range of theoretical values between 0 to 1, represents the percentage variation in the dependent variable that can be explained by the fluctuations of the independent variables in the applied econometric model (Ghozali, 2018). A comprehensive estimate of the goodness of fit parameter can be observed in detail through the analysis table presented below.

The F analysis test was carried out through a comparison between the calculated F value and the F value of the table. If the calculated F-value exceeds the f-value of the table at a certain level of significance, then the regression model can be statistically significant (Ghozali, 2018). Technically, this indicates that there is at least one independent variable in the model that has a significant influence on the dependent variable. The comprehensive results of these simultaneous significance tests are presented in full in the accompanying output table.

The regression coefficient for the variable access to financing was recorded at 0.461, which reflects a significant positive influence. These findings show that every one unit increase in financing accessibility will contribute to an increase in the performance of Micro, Small and Medium Enterprises (MSMEs) by 0.461 measurement units, assuming that all other independent variables remain stable. These findings confirm the importance of access to finance as a key factor in driving the performance and growth of the MSME sector:

Table 11
Determination Coefficient Test
Model Summary

Type	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,713a	,508	,502	1,871

- a. Predictors: (Constant), Access to Financing, Quality of Financial Statements

The results of the regression analysis showed an Adjusted R^2 value of 0.502 which confirmed that collectively, the variables of financial reporting quality and access to capital were able to explain 50.2% of the variation in MSME performance. These findings indicate that the two predictive variables have a substantive influence, although there is still a 49.8% variance in business performance explained by other determinants outside the research model. This significant proportion reflects the complexity of factors affecting MSME performance, where aspects such as managerial capabilities, market dynamics, and government policies may play a role as moderating or intervening variables that have not yet been measured in this study.

The Effect of Financial Report Quality on MSME Performance

The results of the significance analysis for the financial reporting quality variable showed a probability value of 0.000, which was below the threshold of 0.05. This figure

clearly proves that the quality of financial statements has a significant impact on the performance of Micro, Small, and Medium Enterprises (MSMEs).

One of the parameters for evaluating the performance of MSME actors can be traced through the quality of financial statements, both in terms of recording and bookkeeping applied in the MSME entity (Pakpahan, 2020). These findings indicate that high-quality financial statements should be the main focus for MSME actors. Financial statements not only function as a documentation tool, but also have a crucial role in strategic decision-making by MSME actors in carrying out their economic activities.

The results of this study confirm that the quality of financial statements has a positive and significant impact on the performance of Micro, Small, and Medium Enterprises (MSMEs). This finding indicates that the improvement in the quality of financial statements in an MSME is directly correlated with the improvement of its performance. Quality financial reports function as a reflection of the operational and financial success of these MSMEs (Mayasari, 2022). Furthermore, the existence of quality financial statements can be used as a strategic foundation for MSMEs in formulating economic considerations for the advancement of their business entities. Thus, it can be interpreted that the proportional improvement of the quality of financial statements will encourage an improvement in the performance of MSMEs. These findings are in line with research (Mayasari, 2022), which concluded that the quality of financial statements has a positive and significant influence on the performance of MSMEs.

The Effect of Access to Financing on the Performance of MSMEs

The results of the significance test for the financing access variable showed a probability value of 0.000, which is less than or equal to 0.05. This figure proves that, "access to financing has a significant effect on the performance of MSMEs".

MSMEs have a crucial role as a catalyst for economic growth in a region or country. The good performance of MSMEs is therefore a mandatory thing to get attention. In terms of improving the performance of MSMEs, in addition to the quality of financial statements, access to financing is another factor that can have a significant influence. The ease of MSMEs to obtain access to financing to increase their business capital will affect the development of MSMEs (Ayem & Wahidah, 2020).

From the results of the evaluation of the t-test (partial) analysis, it was revealed that there was a positive and significant influence between access to financing and the performance of Micro, Small, and Medium Enterprises (MSMEs). The ease of obtaining capital can improve business performance through innovation, facilitating market penetration, risk mitigation efforts, and promotional activities (Kulsum, 2024). With the ease obtained by MSMEs in obtaining access to financing, this will provide support to MSMEs in acquiring capital to support the operations of their business entities. Therefore, increasing access to financing will proportionately encourage an increase in the performance of MSMEs.

These results are consistent with the investigation conducted by (Kulsum, 2024) which found that access to financing has a positive and significant effect on the performance of MSMEs.

The Effect of Financial Report Quality and Access to Financing on MSME Performance

Statistical testing of the financial reporting quality variable revealed a significance value of 0.000, which is consistently below the critical level of 0.05. These results

definitively prove the substantial influence of financial reporting qualifications on the performance achievements of Micro, Small, and Medium Enterprises (MSMEs).

The quality of financial information presentation, including aspects of the bookkeeping system and bookkeeping governance, serves as a fundamental indicator in evaluating the operational performance of MSME actors (Pakpahan, 2020). These empirical findings underscore the urgency of preparing financial statements that meet standards as a top priority for micro business entities. More than just a financial record tool, standardized financial reports play a vital role in facilitating strategic business decision-making processes, so as to be able to encourage increased competitiveness and business sustainability in the midst of competitive economic dynamics.

Based on the results of the F test, it can be proven that the quality of financial documents and access to capital simultaneously have a significant impact on the performance of MSMEs. Financial documentation is an essential indicator that reflects the intrinsic condition of a business entity, so that management has a valid foundation for all strategic decision-making (Ayem & Wahidah, 2020). The more comprehensive and quality a financial report held by MSMEs, the quality of the decisions formulated will be increased, in order to support the improvement of MSME performance. Coupled with the availability of extensive access to financing for MSMEs, this will facilitate MSMEs' capabilities in acquiring additional capital to support their operational efficiency. Thus, it can be concluded that the quality of financial documentation and access to financing simultaneously have a significant influence on the performance of Micro, Small, and Medium Enterprises (MSMEs).

The findings in this study are in line with the results of a study conducted by (Khairunisa, 2023), which concluded that there is a simultaneous influence between financial system management and access to financing sources on performance achievements in micro business units among tempeh artisans in the Jambi region.

CONCLUSION

The results of the study show that the quality of financial statements and access to financing have a significant effect on the performance of MSMEs in the Special Region of Yogyakarta ($p < 0.05$). The regression coefficient value for the quality of financial statements is 0.393, and access to financing is 0.461, which means that both have a positive contribution to improving the performance of MSMEs. Simultaneously, the two variables were able to explain 50.2% variation in MSME performance (Adjusted $R^2 = 0.502$), while the rest were influenced by other factors outside this research model. Thus, the better the quality of financial statements and the easier access to financing owned by MSME actors, the more their business performance also tends to increase significantly.

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